

HYUNDAI MOTOR COMPANY

**NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2007 AND 2006
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, 2007, the related non-consolidated statements of income for the three months and nine months ended September 30, 2007 and 2006, the related non-consolidated statements of cash flows for the nine months ended September 30, 2007 and 2006, and the related non-consolidated statement of changes in shareholders' equity for the nine months ended September 30, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea (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, 2006, 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 26, 2007, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2006, 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, cash flows and changes in shareholders' equity 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.

October 25, 2007

Notice to Readers

This report is effective as of October 25, 2007, 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, 2007 AND DECEMBER 31, 2006

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 1,009,122	₩ 1,382,678	\$ 1,096,038	\$ 1,501,768
Short-term financial instruments (Note 3)	3,316,843	2,755,381	3,602,523	2,992,702
Short-term investment securities (Note 5)	156,008	310,295	169,445	337,021
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩ 8,625 million as of September 30, 2007 and ₩14,331 million as of December 31, 2006 (Note 14)	1,625,295	1,558,631	1,765,282	1,692,876
Trade notes and account receivable - other	365,430	483,304	396,905	524,931
Inventories (Note 4)	1,489,178	1,219,586	1,617,441	1,324,629
Deferred tax assets (Note 22)	171,026	161,426	185,756	175,330
Derivative assets (Note 2)	17,189	14,318	18,669	15,551
Advances and other current assets	278,880	157,386	302,900	170,942
Total current assets	<u>8,428,971</u>	<u>8,043,005</u>	<u>9,154,959</u>	<u>8,735,750</u>
Non-current assets:				
Long-term investment securities (Notes 6 and 14)	1,143,722	518,009	1,242,231	562,625
Investments securities accounted for using the equity method (Notes 7 and 14)	7,497,768	6,616,813	8,143,552	7,186,720
Property, plant and equipment, net of accumulated depreciation of ₩6,164,438 million as of September 30, 2007 and ₩5,680,264 million as of December 31, 2006 (Notes 8, 9 and 14)	9,555,792	9,465,474	10,378,833	10,280,736
Intangibles (Note 10)	1,174,935	1,118,597	1,276,132	1,214,942
Derivative assets (Note 2)	210,165	276,607	228,267	300,431
Other assets (Notes 3 and 11)	387,880	391,453	421,288	425,169
Total non-current assets	<u>19,970,262</u>	<u>18,386,953</u>	<u>21,690,303</u>	<u>19,970,623</u>
Total assets	<u>₩ 28,399,233</u>	<u>₩ 26,429,958</u>	<u>\$ 30,845,262</u>	<u>\$ 28,706,373</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
	<u>September 30, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2007</u>	<u>December 31, 2006</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
Current liabilities:				
Short-term borrowings (Notes 12 and 14)	₩ 455,446	₩ 474,165	\$ 494,674	\$ 515,005
Current maturities of long-term debt and debentures (Notes 13 and 14)	1,903	116,233	2,067	126,244
Trade notes and accounts payable	2,546,811	2,118,143	2,766,168	2,300,579
Accounts payable-other	1,073,791	1,926,625	1,166,277	2,092,565
Accrued warranties (Note 15)	814,731	800,479	884,904	869,424
Income tax payable	289,612	245,106	314,556	266,217
Accrued expenses	70,876	36,590	76,981	39,742
Derivative liabilities (Note 2)	21,901	184	23,787	200
Withholdings and other current liabilities	639,973	616,220	695,094	669,295
Total current liabilities	<u>5,915,044</u>	<u>6,333,745</u>	<u>6,424,508</u>	<u>6,879,271</u>
Non-current liabilities:				
Long-term debt and debentures, net of current maturities and discount on debentures issued of ₩2,657 million as of September 30, 2007 and ₩2,321 million as of December 31, 2006 (Notes 13 and 14)	1,410,549	1,111,569	1,532,040	1,207,309
Accrued severance benefits, net of National Pension payments for employees of ₩19,489 million as of September 30, 2007 and ₩23,680 million as of December 31, 2006, and individual severance insurance deposits of ₩761,883 million as of September 30, 2007 and ₩836,930 million as of December 31, 2006 (Note 2)	588,369	438,592	639,045	476,368
Long-term accrued warranties (Note 15)	2,233,300	2,284,428	2,425,654	2,481,186
Deferred tax liabilities (Note 22)	396,594	119,219	430,753	129,487
Derivative liabilities (Note 2)	64,883	55,322	70,471	60,087
Other non-current liabilities	25,361	36,255	27,545	39,378
Total non-current liabilities	<u>4,719,056</u>	<u>4,045,385</u>	<u>5,125,508</u>	<u>4,393,815</u>
Total liabilities	<u>10,634,100</u>	<u>10,379,130</u>	<u>11,550,016</u>	<u>11,273,086</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 16)	1,484,942	1,484,942	1,612,840	1,612,840
Capital surplus (Note 17)	5,413,358	5,409,005	5,879,611	5,874,883
Capital adjustments (Note 18)	(696,671)	(706,979)	(756,675)	(767,871)
Accumulated other comprehensive income (loss) (Notes 19 and 20)	380,101	(226,605)	412,839	(246,123)
Retained earnings (Note 21) (Net income of ₩1,344,401 million for nine months ended September 30, 2007 and ₩1,526,063 million for the year ended December 31, 2006)	11,183,403	10,090,465	12,146,631	10,959,558
Total shareholders' equity	<u>17,765,133</u>	<u>16,050,828</u>	<u>19,295,246</u>	<u>17,433,287</u>
Total liabilities and shareholders' equity	<u>₩ 28,399,233</u>	<u>₩ 26,429,958</u>	<u>\$ 30,845,262</u>	<u>\$ 28,706,373</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, 2007 AND 2006

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Notes 23 and 25):						
Domestic sales	₩ 3,089,927	₩ 2,710,413	₩ 9,461,155	₩ 8,510,882	\$ 10,276,045	\$ 9,243,925
Export sales	<u>3,952,023</u>	<u>3,176,522</u>	<u>12,291,806</u>	<u>11,240,373</u>	<u>13,350,501</u>	<u>12,208,508</u>
	<u>7,041,950</u>	<u>5,886,935</u>	<u>21,752,961</u>	<u>19,751,255</u>	<u>23,626,546</u>	<u>21,452,433</u>
Cost of sales	<u>5,776,490</u>	<u>4,889,039</u>	<u>17,712,821</u>	<u>16,108,194</u>	<u>19,238,428</u>	<u>17,495,595</u>
Gross profit	1,265,460	997,896	4,040,140	3,643,061	4,388,118	3,956,838
Selling and administrative expenses (Notes 23 and 26)	<u>951,230</u>	<u>814,581</u>	<u>2,861,643</u>	<u>2,715,281</u>	<u>3,108,117</u>	<u>2,949,148</u>
Operating income	<u>314,230</u>	<u>183,315</u>	<u>1,178,497</u>	<u>927,780</u>	<u>1,280,001</u>	<u>1,007,690</u>
Other income (expenses), net:						
Interest income, net	36,255	18,697	83,133	63,365	90,293	68,823
Gain (loss) on foreign currency translation, net	(14,727)	1,300	(9,812)	9,566	(10,657)	10,390
Gain (loss) on foreign exchange transactions, net	(473)	14,515	(7,971)	17,004	(8,658)	18,469
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	156,868	188,771	345,344	512,052	375,089	556,155
Loss on valuation of derivatives, net (Note 2)	(76,205)	(17,661)	(33,912)	(226,624)	(36,833)	(246,143)
Rental and royalty income	73,604	66,367	212,006	188,859	230,266	205,125
Loss on disposal of trade notes and accounts receivable	(25,116)	(16,107)	(68,990)	(56,142)	(74,932)	(60,978)
Loss on disposal of property, plant and equipment, net	(3,982)	(10,026)	(56,657)	(31,730)	(61,537)	(34,463)
Gain on disposal of short-term investment securities, net	15,747	4,229	22,155	14,089	24,063	15,302
Gain (loss) on disposal of long-term investment securities, net	10,600	(3)	25,045	(777)	27,202	(844)
Other, net	<u>4,028</u>	<u>(104,615)</u>	<u>21,528</u>	<u>(78,118)</u>	<u>23,383</u>	<u>(84,846)</u>
	<u>176,599</u>	<u>145,467</u>	<u>531,869</u>	<u>411,544</u>	<u>577,679</u>	<u>446,990</u>
Ordinary income	490,829	328,782	1,710,366	1,339,324	1,857,680	1,454,680
Income tax expense (Note 22)	<u>65,351</u>	<u>35,003</u>	<u>365,965</u>	<u>300,011</u>	<u>397,486</u>	<u>325,851</u>
Net income	<u>₩ 425,478</u>	<u>₩ 293,779</u>	<u>₩ 1,344,401</u>	<u>₩ 1,039,313</u>	<u>\$ 1,460,194</u>	<u>\$ 1,128,829</u>
Basic earnings per common share (Note 2)	<u>₩ 1,568</u>	<u>₩ 1,083</u>	<u>₩ 4,958</u>	<u>₩ 3,836</u>	<u>\$ 5.39</u>	<u>\$ 4.17</u>
Diluted earnings per common share (Note 2)	<u>₩ 1,564</u>	<u>₩ 1,079</u>	<u>₩ 4,946</u>	<u>₩ 3,821</u>	<u>\$ 5.37</u>	<u>\$ 4.15</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from operating activities:				
Net income	₩ 1,344,401	₩ 1,039,313	\$ 1,460,194	\$ 1,128,829
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	603,073	588,763	655,016	639,473
Amortization of intangibles	265,797	214,806	288,690	233,307
Loss (gain) on foreign currency translation, net	9,812	(9,566)	10,657	(10,390)
Gain on valuation of investment securities accounted for using the equity method, net	(345,344)	(512,052)	(375,089)	(556,155)
Loss on valuation of derivatives, net	33,912	226,624	36,833	246,143
Loss on disposal of trade notes and accounts receivable	68,990	56,142	74,932	60,978
Loss on disposal of property, plant and equipment, net	56,657	31,730	61,537	34,463
Gain on disposal of short-term investment securities, net	(22,155)	(14,089)	(24,063)	(15,302)
Loss (gain) on disposal of long-term investment securities, net	(25,045)	777	(27,202)	844
Dividends of investment securities accounted for using the equity method	125,500	146,165	136,309	158,754
Amortization of discount on debentures	556	3,038	604	3,300
Provision for severance benefits	262,534	225,642	285,146	245,077
Provision for warranties	218,127	171,221	236,914	185,968
Other	13,384	34,491	14,537	37,461
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(133,704)	(252,893)	(145,220)	(274,675)
Decrease in trade notes and accounts receivable-other	114,774	151,446	124,660	164,490
Increase in inventories	(374,555)	(419,578)	(406,815)	(455,716)
Increase in advances and other current assets	(122,647)	(119,166)	(133,211)	(129,430)
Increase in deferred tax assets	(4,081)	(137,621)	(4,432)	(149,474)
Increase (decrease) in trade notes and accounts payable	428,779	(1,069,089)	465,710	(1,161,170)
Decrease in accounts payable-other	(877,682)	(545,547)	(953,277)	(592,535)
Increase in income tax payable	44,506	181,777	48,339	197,433
Increase in accrued expenses	34,115	258,145	37,053	280,379
Increase in deferred tax liabilities	57,309	194,448	62,245	211,196
Increase (decrease) in withholding and other current liabilities	23,379	(29,021)	25,393	(31,521)
Decrease in accrued warranties	(255,003)	(254,265)	(276,966)	(276,165)
Payment of severance benefits	(192,939)	(169,047)	(209,557)	(183,607)
Decrease in individual severance insurance deposits	75,047	36,298	81,511	39,424
Other	38,112	20,956	41,395	22,762
	<u>1,465,609</u>	<u>49,848</u>	<u>1,591,843</u>	<u>54,141</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean Won		Translation into U. S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from withdrawal of short-term financial instruments	₩ 3,671,063	₩ 4,400,074	\$ 3,987,252	\$ 4,779,053
Proceeds from disposal of short-term investment securities	272,668	244,701	296,153	265,777
Proceeds from disposal of long-term investment securities	55,805	49,280	60,611	53,524
Proceeds from disposal of property, plant and equipment	3,378	22,112	3,669	24,017
Reduction in other current assets	8,420	11,220	9,145	12,186
Reduction in other assets	1,945	95,767	2,113	104,016
	<u>4,013,279</u>	<u>4,823,154</u>	<u>4,358,943</u>	<u>5,238,573</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(4,232,524)	(2,652,138)	(4,597,072)	(2,880,567)
Acquisition of short-term investment securities	(50,513)	(230,366)	(54,864)	(250,207)
Acquisition of long-term investment securities	(15,112)	(3,829)	(16,414)	(4,159)
Acquisition of investment securities accounted for using the equity method	(458,868)	(271,635)	(498,390)	(295,031)
Acquisition of property, plant and equipment	(653,663)	(796,245)	(709,963)	(864,826)
Expenditures for development costs	(316,956)	(249,437)	(344,255)	(270,921)
Additions to other assets	(6,884)	(102,176)	(7,477)	(110,976)
	<u>(5,734,520)</u>	<u>(4,305,826)</u>	<u>(6,228,435)</u>	<u>(4,676,687)</u>
	<u>(1,721,241)</u>	<u>517,328</u>	<u>(1,869,492)</u>	<u>561,886</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	2,082,230	8,952,899	2,261,573	9,724,013
Proceeds from long-term borrowings	600	-	652	-
Issuance of debenture	299,107	-	324,869	-
	<u>2,381,937</u>	<u>8,952,899</u>	<u>2,587,094</u>	<u>9,724,013</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(2,108,875)	(9,258,697)	(2,290,513)	(10,056,150)
Payment of cash dividends	(275,373)	(342,300)	(299,091)	(371,782)
Repayment of long-term debt	(115,613)	(463,464)	(125,571)	(503,382)
	<u>(2,499,861)</u>	<u>(10,064,461)</u>	<u>(2,715,175)</u>	<u>(10,931,314)</u>
	<u>(117,924)</u>	<u>(1,111,562)</u>	<u>(128,081)</u>	<u>(1,207,301)</u>
Net decrease in cash and cash equivalents	(373,556)	(544,386)	(405,730)	(591,274)
Cash and cash equivalents, beginning of period	<u>1,382,678</u>	<u>1,803,282</u>	<u>1,501,768</u>	<u>1,958,599</u>
Cash and cash equivalents, end of period	<u>₩ 1,009,122</u>	<u>₩ 1,258,896</u>	<u>\$ 1,096,038</u>	<u>\$ 1,367,325</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	Korean Won					Translation into U.S. Dollars (Note 2)	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total amount	Total amount
	(In millions)					(In thousands)	
January 1, 2007	₩ 1,484,942	₩5,409,005	₩ (706,979)	₩ (226,605)	₩ 10,090,465	₩ 16,050,828	\$ 17,433,287
Payment of cash dividend	-	-	-	-	(275,373)	(275,373)	(299,091)
Gain on disposal of treasury stock	-	4,353	-	-	-	4,353	4,729
Gain on valuation of treasury stock fund	-	-	10,308	-	-	10,308	11,196
Gain on valuation of available-for-sale securities	-	-	-	487,548	-	487,548	529,541
Gain on valuation of investment equity securities	-	-	-	143,130	-	143,130	155,458
Loss on valuation of derivatives	-	-	-	(23,972)	-	(23,972)	(26,037)
Net income	-	-	-	-	1,344,401	1,344,401	1,460,194
Changes in retained earnings using the equity method	-	-	-	-	23,910	23,910	25,969
September 30, 2007	<u>₩ 1,484,942</u>	<u>₩5,413,358</u>	<u>₩ (696,671)</u>	<u>₩ 380,101</u>	<u>₩ 11,183,403</u>	<u>₩ 17,765,133</u>	<u>\$ 19,295,246</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, 2007 AND 2006

1. THE COMPANY:

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

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

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

As of September 30, 2007, the major shareholders of the Company are Hyundai MOBIS (15.00%), Hyundai Steel (5.86%) and Chung, Mong Koo (5.19%).

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 ₩920.70 to US\$1.00 at September 30, 2007, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its non-consolidated financial statements as of September 30, 2007 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards (“SKAS”) No. 1 through No.23, except for No.14.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of September 30, 2007 are identical to those as of December 31, 2006, except for the adoption of additional SKAS No.11 - “Discontinuing Operations”, No.21 - “Preparation and presentation of financial statements”, No.22 - “Share-based payment” and No.23 - “Earning per share”, which were effective from January 1, 2007.

The Company early applied the written opinion for applying Accounting Standards No. 06-2 – “Recognition of deferred tax related to investments in subsidiaries, associates, and interests in joint ventures”, issued on December 29, 2006, effective January 1, 2007 and early application is permitted. The Company restated the comparative financial statement as of September 30, 2006 to conform to the opinion No.06-2. In addition, the Company did not present comparative statement of changes in shareholders’ equity for the nine months ended September 30, 2006 according to the transition provision of SKAS No.21.

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 accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum accumulated amount of accumulated other comprehensive income (loss) is reflected in current operations. However, available-for-sales securities that are not traded in an active market and whose fair value cannot be reliably measured are valued at cost.

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

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

Investment Securities Accounted for Using the Equity Method

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

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 accumulated other comprehensive income. 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 accumulated other comprehensive income.

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, 2007 and December 31, 2006, 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 ₩1,369,741 million (US\$1,487,717 thousand) and ₩1,299,202 million (US\$1,411,102 thousand) as of September 30, 2007 and December 31, 2006, respectively.

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 ₩192,939 million (US\$209,557 thousand) and ₩169,047 million (US\$183,607 thousand) for the nine months ended September 30, 2007 and 2006, 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.

Share-based Payment

Equity-settled share-based payments to employees are measured at fair value of the equity instrument or the goods and services received and the fair value is expensed on a straight-line basis over the vesting period. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date.

Derivative Instruments

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

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in as accumulated other comprehensive income (loss) 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, 2007 and December 31, 2006, the Company deferred the net loss of ₩9,422 million (US\$10,233 thousand) and the net gain of ₩20,068 million (US\$21,796 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as accumulated other comprehensive income (loss). The longest period in which the forecasted transactions are expected to occur is within 50 months from September 30, 2007. Of the net loss on valuation recorded as accumulated other comprehensive gain (loss) as of September 30, 2007, ₩9,956 million (US\$10,814 thousand) is expected to be realized and charged to current operations within one year from September 30, 2007.

For the nine months ended September 30, 2007 and 2006, the Company recognized the net loss of ₩33,912 million (US\$36,833 thousand) and ₩226,624 million (US\$246,143 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

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

(*) The Company has the position of seller.

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

All premiums to be paid by the Company are recorded as accounts payable-other of ₩21,212 million (US\$23,039 thousand) as of September 30, 2007, and accounts payable-other of ₩21,524 million (US\$ 23,378 thousand) and other non-current liabilities of ₩21,417 million (US\$23,262 thousand) as of December 31, 2006, after deducting the present value discount of ₩2,703 million (US\$2,936 thousand). Also, all premiums to be received by the Company are recorded as other current assets of ₩3,495 million (US\$3,796 thousand) as of September 30, 2007, and other current assets of ₩3,529 million (US\$3,833 thousand) and other assets of ₩3,529 million (US\$3,833 thousand) as of December 31, 2006, after deducting the present value discount of ₩448 million (US\$487 thousand).

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums to be paid of ₩227,354 million (US\$246,936 thousand) and ₩290,925 million (US\$315,982 thousand) in current and non-current derivative assets as of September 30, 2007 and December 31, 2006, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums to be received of ₩86,784 million (US\$94,259 thousand) and ₩55,506 million (US\$60,287 thousand) is recorded in current and non-current derivative liabilities as of September 30, 2007 and December 31, 2006, 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 ₩920.70 and ₩929.60 to US\$1.00 at September 30, 2007 and December 31, 2006, respectively, and translation gains or losses are reflected in current operations.

Income Tax Expense

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

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

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

Earnings per Common Share

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

Basic earnings per common share for the three months and nine months ended September 30, 2007 and 2006 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income	₩ 425,478	₩ 293,779	₩1,344,401	₩1,039,313	\$ 1,460,194	\$ 1,128,829
Expected dividends on preferred stock	<u>(98,828)</u>	<u>(68,679)</u>	<u>(312,121)</u>	<u>(242,457)</u>	<u>(339,004)</u>	<u>(263,340)</u>
Net income available to common share	326,650	225,100	1,032,280	796,856	1,121,190	865,489
Weighted average number of common shares outstanding (*)	<u>208,283,830</u>	<u>207,772,556</u>	<u>208,214,185</u>	<u>207,736,808</u>	<u>208,214,185</u>	<u>207,736,808</u>
Basic earnings per common share	<u>₩ 1,568</u>	<u>₩ 1,083</u>	<u>₩ 4,958</u>	<u>₩ 3,836</u>	<u>\$ 5.39</u>	<u>\$ 4.17</u>

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

Diluted earnings per common share for the three months and nine months ended September 30, 2007 and 2006 are computed as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Net income available to common share	₩ 326,650	₩ 225,100	₩1,032,280	₩ 796,856	\$ 1,121,190	\$ 865,489
Expenses related to diluted securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income available to diluted common share	326,650	225,100	1,032,280	796,856	1,121,190	865,489
Weighted average number of common shares and diluted securities outstanding	<u>208,802,743</u>	<u>208,581,696</u>	<u>208,714,646</u>	<u>208,565,250</u>	<u>208,714,646</u>	<u>208,565,250</u>
Diluted earnings per common share	<u>₩ 1,564</u>	<u>₩ 1,079</u>	<u>₩ 4,946</u>	<u>₩ 3,821</u>	<u>\$ 5.37</u>	<u>\$ 4.15</u>

Basic earnings per common share and diluted earnings per common share for the three months ended March 31, 2007, are ₩1,132 (US\$1.23) and ₩1,129 (US\$1.23), and basic earnings per common share and diluted earnings per common share for the three months ended June 30, 2007 are ₩2,257 (US\$2.45) and ₩2,252 (US\$2.45), respectively. Also, basic earnings per common share and diluted earnings per common share for the year ended December 31, 2006 are ₩5,636 (US\$6.12) and ₩5,614 (US\$6.10), respectively.

3. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of September 30, 2007 and December 31, 2006 consist of the following:

	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Short-term financial instruments:				
Ordinary deposit	₩ 784	₩ 44	\$ 852	\$ 48
Term deposit	<u>29,458</u>	<u>28,738</u>	<u>31,995</u>	<u>31,213</u>
	<u>30,242</u>	<u>28,782</u>	<u>32,847</u>	<u>31,261</u>
Long-term financial instruments (Note 11):				
Guarantee deposits for checking accounts	<u>40</u>	<u>40</u>	<u>43</u>	<u>43</u>
	<u>₩ 30,282</u>	<u>₩ 28,822</u>	<u>\$ 32,890</u>	<u>\$ 31,304</u>

4. INVENTORIES:

Inventories as of September 30, 2007 and 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 452,126	₩ 305,338	\$ 491,068	\$ 331,637
Semi finished goods and work in process	546,866	458,189	593,968	497,653
Raw materials and supplies	370,847	361,621	402,788	392,767
Materials in transit	119,339	94,438	129,617	102,572
	<u>₩ 1,489,178</u>	<u>₩ 1,219,586</u>	<u>\$ 1,617,441</u>	<u>\$ 1,324,629</u>

5. SHORT-TERM INVESTMENT SECURITIES:

(1) Short -term investment securities as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 107,508	₩ 310,295	\$ 116,768	\$ 337,021
Held-to-maturity securities	48,500	-	52,677	-
	<u>₩ 156,008</u>	<u>₩ 310,295</u>	<u>\$ 169,445</u>	<u>\$ 337,021</u>

(2) Available-for-sale securities of short-term investment securities as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Beneficiary certificates	₩ 107,096	₩ 310,285	\$ 116,320	\$ 337,010
Equity securities	402	-	437	-
Government bonds	10	10	11	11
	<u>₩ 107,508</u>	<u>₩ 310,295</u>	<u>\$ 116,768</u>	<u>\$ 337,021</u>

Equity securities are transferred from long-term investment securities to short-term investment securities because it is probable that they will be disposed of within one year from September 30, 2007.

(3) Debt securities included in held-to-maturity of short-term investment securities as of September 30, 2007 are subordinate debt securities of ₩48,500 million (US\$52,677 thousand), which was transferred from long-term investment securities, with the maturity on July 19, 2008 issued by Hyundai Capital Service Inc.

6. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 1,143,722	₩ 469,509	\$ 1,242,231	\$ 509,948
Held-to-maturity securities	-	48,500	-	52,677
	<u>₩ 1,143,722</u>	<u>₩ 518,009</u>	<u>\$ 1,242,231</u>	<u>\$ 562,625</u>

(2) Available-for-sale securities of long-term investment securities as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 1,045,959	₩ 369,511	\$ 1,136,048	\$ 401,337
Equity securities stated at acquisition cost	97,763	99,998	106,183	108,611
	<u>₩ 1,143,722</u>	<u>₩ 469,509</u>	<u>\$ 1,242,231</u>	<u>\$ 509,948</u>

Equity securities stated at fair value included in long-term investment securities as of September 30, 2007 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	₩ 926,370	\$ 1,006,158	2.88
Hyundai H&S	15,005	23,077	25,065	4.08
KT Freetel	10,800	11,083	12,037	0.17
Hyundai Merchant Marine Co., Ltd.	9,161	33,507	36,393	0.45
Hyundai Development Company	9,025	38,475	41,789	0.60
ENOVA System	2,204	808	878	1.26
Treasury Stock Fund (*)		12,639	13,728	
		<u>₩ 1,045,959</u>	<u>\$ 1,136,048</u>	

(*) The acquisition cost of Treasury Stock Fund is ₩15,839 million (US\$17,203 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩7,918 million (US\$8,600 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, 2006 consist of the following:

Name of company	Korean Won		Translation into	Ownership percentage
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2)	
	(In millions)	(In thousands)		(%)
Hyundai Heavy Industries Co., Ltd.	₩ 56,924	₩ 275,940	\$ 299,707	2.88
Hyundai Corporation	13,626	1,743	1,893	0.37
KT Freetel	10,800	9,931	10,786	0.17
Hyundai Information Technology Co., Ltd.	10,000	1,400	1,521	2.21
LG Telecom	9,795	18,086	19,644	0.68
Hyundai Merchant Marine Co., Ltd.	9,161	14,068	15,280	0.45
Hyundai Development Company	9,025	25,560	27,761	0.60
Jin Heung Mutual Savings Bank	2,166	2,188	2,376	2.28
Korea Environment Technology Co., Ltd.	1,500	2,520	2,737	6.00
Dong Yang Investment Bank	282	127	138	0.01
Treasury Stock Fund (*)		17,948	19,494	
	₩ 369,511		\$ 401,337	

(*) The acquisition cost of Treasury Stock Fund is ₩26,647 million (US\$28,942 thousand) and the lower of the fair value of treasury stock and investments in those fund amounting to ₩18,227 million (US\$19,797 thousand) is recorded as treasury stock in capital adjustments.

Equity securities stated at acquisition cost included in long-term investment securities as of September 30, 2007 consist of the following:

Affiliated company	Korean Won		Translation into	Ownership percentage
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2)	
	(In millions)	(In thousands)		(%)
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 57,906	4.35
Hyundai Asan Corporation	22,500	5,405	5,871	4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,861	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	149	14.90
Hankyoreh Plus Inc.	4,800	284	308	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,877	14.97
Industry Otomotif Komersial	4,439	4,439	4,821	15.00
HMCIS (*)	3,959	3,959	4,300	80.00
Kihyup Finance	3,000	3,000	3,258	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,715	13.66
NESSCAP Inc.	1,997	1,997	2,169	12.05
Hyundai Research Institute	1,359	1,271	1,380	14.90
The Sign Corporation	1,200	1,200	1,303	11.59
Heesung PM Tech Corporation	1,194	1,194	1,297	19.90
ROTIS Inc.	1,000	8	9	0.22
Veloxsoft Inc.	1,000	1,000	1,086	7.69
Micro Infinity	607	607	659	9.76
NGVTEK.com (*)	571	571	620	53.66
Clean Air Technology Inc.	500	500	543	16.13
Carnes Co., Ltd. (*)	250	250	272	50.00
Jinil MVC Co., Ltd.	180	180	196	18.00
Other	1,457	1,457	1,583	-
	₩ 126,112	₩ 97,763	\$ 106,183	

- (*) 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\$7,603 thousand), are not material.

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

Affiliated company	Korean Won		Translation into	Ownership percentage (%)
	Acquisition cost	Book value	U.S. Dollars (Note 2)	
	(In millions)		(In thousands)	
Hyundai Oil Refinery Co., Ltd.	₩ 53,314	₩ 53,314	\$ 57,906	4.35
Hyundai Asan Corporation	22,500	5,405	5,871	4.61
Doosan Yonhap Capital Co., Ltd. (Formerly, Yonhap Capital Co., Ltd.)	10,000	10,000	10,861	9.99
Hyundai Unicorns Co., Ltd.	5,795	137	149	14.90
Hankyoreh Plus Inc.	4,800	284	308	5.43
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,877	14.97
Industry Otomotif Komersial	4,439	4,439	4,821	15.00
HMCIS (*)	3,959	3,959	4,300	80.00
Kihyup Finance	3,000	3,000	3,258	10.34
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,715	13.66
NESSCAP Inc.	1,997	1,997	2,169	12.05
Hyundai Research Institute	1,359	1,271	1,381	14.90
The Sign Corporation	1,200	1,200	1,303	11.59
Heesung PM Tech Corporation	1,194	1,194	1,297	19.90
ROTIS Inc.	1,000	8	9	1.33
Veloxsoft Inc.	1,000	1,000	1,086	8.00
Micro Infinity	607	607	659	9.76
NGVTEK.com (*)	571	571	620	53.66
Clean Air Technology Inc.	500	500	543	16.13
Carnes Co., Ltd. (*)	250	250	272	49.99
Jinil MVC Co., Ltd.	180	180	196	18.00
ENOVA system	2,204	2,204	2,394	3.80
Other	1,488	1,488	1,616	-
	<u>₩ 128,347</u>	<u>₩ 99,998</u>	<u>\$ 108,611</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\$7,603 thousand), are not material.

As of September 30, 2007 and December 31, 2006, the difference between the book value and the acquisition cost of equity securities consists of impairment loss on long-term investment securities of ₩28,450 million (US\$30,900 thousand) reflected before 2006.

7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of September 30, 2007 consist of the following:

Affiliated company	Korean Won			Translation into U.S. Dollars (Note 2)			Ownership percentage (%)
	Acquisition cost	Net equity value (In millions)	Book value	Acquisition cost	Net equity value (In thousands)	Book value	
Hyundai Motor America	₩1,255,201	₩1,245,164	₩1,141,425	\$ 1,363,312	\$ 1,352,410	\$ 1,239,736	100.00
Beijing-Hyundai Motor Company	339,395	483,459	474,547	368,627	525,099	515,420	50.00
Hyundai Motor Manufacturing Czech, Ltd.	320,535	332,427	332,427	348,143	361,059	361,059	100.00
Hyundai Motor India	244,017	688,769	673,389	265,034	748,093	731,388	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	(10,326)	-	99,180	(11,215)	-	70.00
Hyundai Translead	74,977	87,663	112,285	81,435	95,213	121,956	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	55,443	55,443	58,104	60,218	60,218	100.00
China Millennium Corporations	53,466	16,526	54,501	58,071	17,949	59,195	59.60
Hyundai Motor Japan Co. (*1)	42,292	(47,997)	-	45,935	(52,131)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(10,076)	-	39,840	(10,944)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	19,375	33,346	26,218	21,044	36,218	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	27,210	27,210	24,753	29,554	29,554	24.08
Hyundai Motor Europe GmbH	17,529	26,195	26,195	19,039	28,451	28,451	100.00
Hyundai Motor Group China Ltd.	15,371	21,385	21,099	16,695	23,227	22,916	50.00
Hyundai Motor Company Australia	12,382	48,575	33,139	13,448	52,759	35,993	100.00
WIA Automotive Engine (ShanDong) Company	10,298	10,501	13,594	11,185	11,405	14,765	22.00
Hyundai America Technical Center Inc.	9,635	19,160	19,160	10,465	20,810	20,810	100.00
Hyundai Motor Deutschland GmbH	6,761	18,655	18,154	7,343	20,262	19,718	30.00
Hyundai Motor Norway AS	5,636	7,597	5,957	6,121	8,251	6,470	100.00
Hyundai Motor Hungary	5,415	2,192	2,283	5,881	2,381	2,480	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	4,089	4,089	5,330	4,441	4,441	91.75
HMJ R&D Center Inc.	1,510	1,846	1,846	1,640	2,005	2,005	100.00
Kia Motors Corporation	923,957	1,964,248	2,021,272	1,003,538	2,133,429	2,195,364	38.67
Hyundai Capital Service Inc.	500,325	793,178	539,383	543,418	861,495	585,840	56.47
Hyundai Card Co., Ltd.	435,571	339,545	346,463	473,087	368,790	376,304	33.25
ROTEM	254,308	277,073	338,832	276,212	300,937	368,016	57.64
Hyundai HYSICO	200,768	256,129	250,392	218,060	278,189	271,958	26.13
Korea Aerospace Industries, Ltd.	159,800	89,736	89,539	173,564	97,465	97,251	22.23
Hyundai Powertech	120,000	140,768	140,585	130,336	152,892	152,694	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	80,111	124,615	128,765	87,011	135,348	16.77
Dymos Inc.	68,872	124,979	122,878	74,804	135,743	133,461	47.27
Hyundai Commercial Inc.	50,000	33,824	33,824	54,307	36,737	36,737	50.00
WIA Corporation	34,357	186,490	162,928	37,316	202,552	176,961	39.46
Korea Economy Daily	29,973	22,698	25,755	32,555	24,653	27,973	20.55
Eukor Car Carriers Inc. (*2)	29,347	75,216	66,603	31,875	81,694	72,340	12.00
Partecs Co.	22,400	20,974	20,974	24,329	22,780	22,780	56.00
KEFICO Corporation	20,911	116,026	113,814	22,712	126,019	123,617	50.00
Autoever Systems Corp.	5,947	15,351	15,351	6,459	16,673	16,673	29.90
Chasan Co., Ltd.	4,500	(4,457)	783	4,888	(4,841)	850	30.00
M & Soft Co., Ltd (Formerly, Mando Map & Soft Co., Ltd.)	3,925	7,097	7,628	4,263	7,708	8,286	32.03
Iljin Bearing Co., Ltd.	826	15,631	15,631	897	16,977	16,978	20.00
Daesung Automotive Co., Ltd.	400	10,429	10,429	434	11,327	11,328	20.00
	<u>₩5,632,489</u>	<u>₩7,612,878</u>	<u>₩7,497,768</u>	<u>\$ 6,117,618</u>	<u>\$ 8,268,571</u>	<u>\$ 8,143,552</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, 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	₩1,227,466	₩1,267,449	₩1,076,088	\$ 1,333,188	\$ 1,376,615	\$ 1,168,772	100.00
Beijing-Hyundai Motor Company	232,410	380,199	371,464	252,428	412,946	403,458	50.00
Hyundai Motor Manufacturing Czech, Ltd.	48,034	50,098	50,098	52,171	54,413	54,413	100.00
Hyundai Motor India	244,017	522,508	503,831	265,034	567,512	547,226	100.00
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S. (*1)	91,315	7,825	-	99,180	8,499	-	70.00
Hyundai Translead	74,977	81,595	107,664	81,435	88,623	116,937	100.00
Hyundai Motor Europe Technical Center GmbH	53,496	51,514	51,514	58,104	55,951	55,951	100.00
China Millennium Corporations	53,466	13,868	53,494	58,071	15,062	58,101	59.60
Hyundai Motor Japan Co. (*1)	42,292	(42,334)	-	45,935	(45,980)	-	100.00
Hyundai Motor (UK) Ltd. (*1)	36,681	(3,661)	-	39,840	(3,976)	-	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	15,047	29,815	26,218	16,343	32,383	100.00
Beijing Mobis Transmission Co., Ltd.	22,790	26,411	26,411	24,753	28,686	28,686	24.08
Hyundai Motor Europe GmbH	17,529	24,984	24,984	19,039	27,136	27,136	100.00
Hyundai Motor Group China Ltd.	15,371	14,552	14,266	16,695	15,805	15,495	50.00
Hyundai Motor Company Australia	12,382	41,049	42,183	13,448	44,585	45,816	100.00
WIA Automotive Engine (ShanDong) Company	10,298	7,205	10,298	11,185	7,826	11,185	22.00
Hyundai America Technical Center Inc.	9,635	17,338	17,338	10,465	18,831	18,831	100.00
Hyundai Motor Deutschland GmbH	6,761	19,741	19,217	7,343	21,441	20,872	30.00
Hyundai Motor Norway AS	5,636	6,309	5,754	6,121	6,852	6,250	100.00
Hyundai Motor Hungary	5,415	2,283	2,283	5,881	2,480	2,480	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	3,070	3,070	5,330	3,334	3,334	91.75
HMJ R&D Center Inc.	1,510	1,798	1,798	1,640	1,953	1,953	100.00
Kia Motors Corporation	923,957	1,972,554	2,024,647	1,003,538	2,142,450	2,199,030	38.67
Hyundai Capital Service Inc.	500,325	621,176	426,864	543,418	674,678	463,630	56.47
Hyundai Card Co., Ltd.	435,571	277,003	284,768	473,087	300,861	309,295	33.27
ROTEM	254,308	272,152	336,191	276,212	295,592	365,147	57.64
Hyundai HYSKO	200,768	259,460	250,199	218,060	281,807	271,749	26.13
Korea Aerospace Industries, Ltd.	159,800	79,717	79,508	173,564	86,583	86,356	22.23
Hyundai Powertech	120,000	151,265	142,523	130,336	164,293	154,799	50.00
Hyundai Autonet Co., Ltd. (*2)	118,554	77,123	123,437	128,765	83,766	134,069	16.77
Dymos Inc.	68,872	116,098	113,929	74,804	126,098	123,742	47.27
WIA Corporation	34,357	173,803	149,012	37,316	188,773	161,846	39.46
Korea Economy Daily	29,973	22,072	25,341	32,555	23,973	27,524	20.55
Eukor Car Carriers Inc. (*2)	29,347	77,203	68,165	31,875	83,853	74,036	12.00
Partecs Co.	22,400	21,988	21,988	24,329	23,882	23,882	56.00
KEFICO Corporation	20,911	115,739	113,412	22,712	125,708	123,180	50.00
Autoever Systems Corp.	5,947	13,773	13,773	6,459	14,959	14,959	29.90
Chasan Co., Ltd.	4,500	(944)	4,500	4,888	(1,025)	4,888	30.00
M & Soft Co., Ltd. (Formerly, Mando Map & Soft Co., Ltd.)	2,278	2,989	3,082	2,474	3,246	3,346	25.82
Iljin Bearing Co., Ltd.	826	14,823	14,823	897	16,100	16,100	20.00
Daesung Automotive Co., Ltd.	400	9,081	9,081	434	9,863	9,863	20.00
	<u>₩5,173,621</u>	<u>₩6,785,923</u>	<u>₩6,616,813</u>	<u>\$ 5,619,227</u>	<u>\$ 7,370,397</u>	<u>\$ 7,186,720</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, 2007 are as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period
	(In millions)				(In thousands)	
Hyundai Motor America	₩ 1,076,088	₩ 27,734	₩ 9,715	₩ 27,888	₩1,141,425	\$ 1,239,736
Beijing-Hyundai Motor Company	371,464	106,985	33,306	(37,208)	474,547	515,420
Hyundai Motor Manufacturing Czech, Ltd.	50,098	272,502	(10,646)	20,473	332,427	361,059
Hyundai Motor India	503,831	-	112,055	57,503	673,389	731,388
Hyundai Translead	107,664	-	5,485	(864)	112,285	121,956
Hyundai Motor Europe Technical Center GmbH	51,514	-	509	3,420	55,443	60,218
China Millennium Corporations	53,494	-	575	432	54,501	59,195
Hyundai Motor Poland Sp.zo.o.	29,815	-	2,337	1,194	33,346	36,218
Beijing Mobis Transmission Co., Ltd.	26,411	-	11	788	27,210	29,554
Hyundai Motor Europe GmbH	24,984	-	(420)	1,631	26,195	28,451
Hyundai Motor Group China Ltd.	14,266	-	6,349	484	21,099	22,916
Hyundai Motor Company Australia	42,183	-	(13,453)	4,409	33,139	35,993
WIA Automotive Engine (ShanDong) Company	10,298	-	(54)	3,350	13,594	14,765
Hyundai America Technical Center Inc.	17,338	-	2,012	(190)	19,160	20,810
Hyundai Motor Deutschland GmbH	19,217	-	(2,273)	1,210	18,154	19,718
Hyundai Motor Norway AS	5,754	-	(715)	918	5,957	6,470
Hyundai Motor Hungary	2,283	-	-	-	2,283	2,480
Beijing Jinxian Motor Safeguard Service Co., Ltd.	3,070	-	844	175	4,089	4,441
HMJ R&D Center Inc.	1,798	-	13	35	1,846	2,005
Kia Motors Corporation	2,024,647	-	(14,084)	10,709	2,021,272	2,195,364
Hyundai Capital Service Inc.	426,864	-	105,027	7,492	539,383	585,840
Hyundai Card Co., Ltd.	284,768	-	60,486	1,209	346,463	376,304
ROTEM	336,191	-	2,760	(119)	338,832	368,016
Hyundai HYSCO	250,199	-	3,590	(3,397)	250,392	271,958
Korea Aerospace Industries, Ltd.	79,508	-	1,174	8,857	89,539	97,251
Hyundai Powertech	142,523	-	(2,002)	64	140,585	152,694
Hyundai Autonet Co., Ltd.	123,437	-	3,031	(1,853)	124,615	135,348
Dymos Inc.	113,929	-	8,578	371	122,878	133,461
Hyundai Commercial Inc.	-	50,000	3,097	(19,273)	33,824	36,737
WIA Corporation	149,012	-	16,595	(2,679)	162,928	176,961
Korea Economy Daily	25,341	-	372	42	25,755	27,973
Eukor Car Carriers Inc.	68,165	-	171	(1,733)	66,603	72,340
Partecs Co.	21,988	-	(1,014)	-	20,974	22,780
KEFICO Corporation	113,412	-	9,265	(8,863)	113,814	123,617
Autoever Systems Corp.	13,773	-	1,554	24	15,351	16,673
Chasan Co., Ltd.	4,500	-	(3,717)	-	783	850
M & Soft Co., Ltd. (Formerly, Mando Map & Soft Co., Ltd.)	3,082	1,647	3,370	(471)	7,628	8,286
Iljin Bearing Co., Ltd.	14,823	-	1,033	(225)	15,631	16,978
Daesung Automotive Co., Ltd.	9,081	-	408	940	10,429	11,328
	<u>₩ 6,616,813</u>	<u>₩ 458,868</u>	<u>₩ 345,344</u>	<u>₩ 76,743</u>	<u>₩7,497,768</u>	<u>\$ 8,143,552</u>

(*) Other changes consist of the decrease by ₩125,500 million (US\$136,309 thousand) due to receipt of the dividends, increase of retained earnings by ₩33,052 million (US\$35,899 thousand) and increase of accumulated other comprehensive income by ₩169,191 million (US\$183,763 thousand).

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 U.S. Dollars (Note 2)	
	Beginning of period	Acquisition / Disposition	Gain (loss) on valuation	Other changes (*)	End of period	End of period	
	(In millions)					(In thousands)	
Hyundai Motor America	₩ 999,839	₩ -	₩ 101,555	₩ (150,027)	₩ 951,367	\$ 1,033,308	
Beijing-Hyundai Motor Company	357,744	31,231	52,316	(79,666)	361,625	392,772	
Hyundai Motor Manufacturing Czech, Ltd.	-	48,034	(999)	891	47,926	52,054	
Hyundai Motor India	416,611	-	100,940	(40,900)	476,651	517,705	
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	122,906	-	(58,843)	(51,339)	12,724	13,820	
Hyundai Translead	96,769	-	12,297	(4,826)	104,240	113,218	
Hyundai Motor Europe Technical Center GmbH	43,458	5,863	2,088	166	51,575	56,017	
China Millennium Corporations	53,039	-	1,007	(531)	53,515	58,124	
Hyundai Motor (UK) Ltd.	-	-	106	(106)	-	-	
Hyundai Motor Poland Sp.zo.o.	28,118	-	2,224	(336)	30,006	32,590	
Beijing Mobis Transmission Co., Ltd.	16,696	9,272	716	(304)	26,380	28,652	
Hyundai Motor Europe GmbH	22,002	-	5,396	31	27,429	29,791	
Hyundai Motor Group China Ltd.	14,068	-	(332)	(662)	13,074	14,200	
Hyundai Motor Company Australia	26,305	-	19,796	(3,460)	42,641	46,314	
Hyundai America Technical Center Inc.	16,375	-	1,395	(1,120)	16,650	18,084	
Hyundai Motor Deutschland GmbH	11,045	-	8,042	(2,624)	16,463	17,881	
Hyundai Motor Norway AS	-	5,636	(1,997)	(809)	2,830	3,074	
Hyundai Motor Hungary	-	5,415	(2,314)	(1,025)	2,076	2,255	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,222	-	(936)	(195)	3,091	3,357	
HMJ R&D Center Inc.	1,941	-	27	(132)	1,836	1,994	
Kia Motors Corporation	2,053,260	-	23,748	(50,974)	2,026,034	2,200,537	
Hyundai Capital Service Inc.	346,834	-	152,750	6,034	505,618	549,167	
Hyundai Card Co., Ltd.	104,858	142,539	47,189	(1,684)	292,902	318,130	
ROTEM	304,341	-	32,730	182	337,253	366,301	
Hyundai HYSCO	246,740	-	6,535	(4,676)	248,599	270,011	
Korea Aerospace Industries, Ltd.	82,074	30,000	(37,554)	1	74,521	80,940	
Hyundai Powertech	139,089	-	4,202	28	143,319	155,663	
Hyundai Autonet Co., Ltd.	117,971	-	3,974	(340)	121,605	132,079	
Dymos Inc.	105,983	-	5,213	(46)	111,150	120,723	
WIA Corporation	124,665	-	12,233	(1,949)	134,949	146,572	
Korea Economy Daily	24,378	-	152	(184)	24,346	26,443	
Eukor Car Carriers Inc.	63,989	-	4,620	-	68,609	74,518	
Partecs Co.	22,400	-	186	-	22,586	24,531	
KEFICO	109,487	-	9,661	(8,772)	110,376	119,883	
Autoever Systems Corp.	8,998	4,697	2,061	(2,535)	13,221	14,360	
M & Soft Co., Ltd. (Formerly, Mando Map & Soft Co., Ltd.)	-	778	510	-	1,288	1,399	
Iljin Bearing Co., Ltd.	14,128	-	690	(226)	14,592	15,849	
Daesung Automotive Co., Ltd.	6,017	-	623	2,185	8,825	9,585	
Haevichi Leisure Co., Ltd.	9,097	-	45	-	9,142	9,929	
	<u>₩ 6,115,447</u>	<u>₩ 283,465</u>	<u>₩ 512,052</u>	<u>₩ (399,930)</u>	<u>₩ 6,511,034</u>	<u>\$ 7,071,830</u>	

(*) Other changes consist of the decrease by ₩146,165 million (US\$158,754 thousand) due to receipt of the dividends, increase of retained earnings by ₩7,021 million (US\$7,626 thousand) and decrease of accumulated other comprehensive income by ₩260,786 million (US\$283,248 thousand).

Investment securities accounted for using the equity method as of September 30, 2007 and 2006 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, 2007 is as follows:

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor America	₩3,747,097	₩2,396,515	₩6,672,660	₩ 23,324	\$ 4,069,835	\$ 2,602,927	\$ 7,247,377	\$ 25,333
Beijing-Hyundai Motor Company	1,618,011	651,092	2,108,021	80,630	1,757,370	707,171	2,289,585	87,575
Hyundai Motor Manufacturing Czech, Ltd	378,432	46,005	-	(9,984)	411,026	49,967	-	(10,844)
Hyundai Motor India	1,760,490	1,071,721	1,567,163	110,115	1,912,121	1,164,028	1,702,143	119,599
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	472,039	486,790	861,410	(26,135)	512,696	528,717	935,603	(28,386)
Hyundai Translead	271,487	183,824	290,634	6,913	294,870	199,657	315,666	7,508
Hyundai Motor Europe Technical Center GmbH	125,167	69,724	43,098	555	135,948	75,729	46,810	603
China Millennium Corporations	84,591	56,863	12,581	3,736	91,877	61,761	13,665	4,058
Hyundai Motor Japan Co.	13,727	61,723	14,741	(4,760)	14,909	67,039	16,011	(5,170)
Hyundai Motor (UK) Ltd.	320,692	330,768	468,590	(6,016)	348,313	359,257	508,950	(6,534)
Hyundai Motor Poland Sp.zo.o.	39,913	20,538	131,001	3,512	43,351	22,307	142,284	3,814
Beijing Mobis Transmission Co., Ltd.	160,367	47,365	89,948	46	174,179	51,445	97,695	50
Hyundai Motor Europe GmbH	320,798	294,602	1,790,200	(467)	348,428	319,976	1,944,390	(507)
Hyundai Motor Group China Ltd.	133,328	90,558	636,677	12,697	144,812	98,358	691,514	13,791
Hyundai Motor Company Australia	234,870	186,295	534,585	2,008	255,099	202,341	580,629	2,181
WIA Automotive Engine (ShanDong) Company	80,986	33,256	35,196	(247)	87,961	36,120	38,227	(268)
Hyundai America Technical Center Inc.	39,308	20,148	59,859	1,512	42,694	21,883	65,015	1,642
Hyundai Motor Deutschland GmbH	210,595	148,411	564,972	(5,507)	228,734	161,194	613,633	(5,981)
Hyundai Motor Norway AS	44,727	37,130	64,979	506	48,579	40,328	70,576	550
Hyundai Motor Hungary	3,866	1,674	13,863	(288)	4,199	1,818	15,057	(313)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	12,726	8,270	31,538	830	13,822	8,982	34,254	901
HMJ R&D Center Inc.	5,659	3,814	8,699	62	6,146	4,143	9,448	67
Kia Motors Corporation	12,168,980	7,089,900	11,255,200	(49,170)	13,217,096	7,700,554	12,224,612	(53,405)
Hyundai Capital Service Inc.	12,972,957	11,568,478	1,707,070	291,297	14,090,319	12,564,872	1,854,100	316,386
Hyundai Card Co., Ltd.	4,217,450	3,184,100	812,676	186,886	4,580,699	3,458,347	882,672	202,983
ROTEM	1,552,964	1,072,234	1,147,856	9,943	1,686,721	1,164,586	1,246,721	10,799
Hyundai HYSCO	2,663,200	1,671,119	2,756,461	12,024	2,892,582	1,815,053	2,993,875	13,060
Korea Aerospace Industries, Ltd.	1,041,620	637,900	506,500	5,200	1,131,335	692,842	550,125	5,648
Hyundai Powertech	1,020,401	723,263	611,660	(5,599)	1,108,288	785,558	664,342	(6,081)
Hyundai Autonet Co., Ltd.	685,785	208,062	648,549	34,423	744,852	225,982	704,409	37,388
Dymos Inc.	748,975	484,576	828,432	17,718	813,484	526,313	899,785	19,244
Hyundai Commercial Inc.	735,346	667,699	35,116	6,195	798,681	725,208	38,141	6,729
WIA Corporation	1,817,710	1,345,134	2,148,800	29,700	1,974,270	1,460,991	2,333,876	32,258
Korea Economy Daily	189,458	79,024	84,096	2,862	205,776	85,830	91,339	3,109
Eukor Car Carriers Inc.	1,544,358	917,562	1,176,092	13,565	1,677,374	996,592	1,277,389	14,733
Partec Co.	93,113	55,660	8,313	(2,308)	101,133	60,454	9,029	(2,507)
KEFICO Corporation	394,096	162,045	371,390	17,520	428,040	176,002	403,378	19,029
Autoever Systems Corp.	147,488	96,145	276,217	5,063	160,191	104,426	300,008	5,499
Chasan Co., Ltd.	64,775	79,632	-	(10,138)	70,354	86,491	-	(11,011)
M & Soft Co., Ltd. (Formerly, Mando Map & Soft Co., Ltd.)	30,645	8,487	33,461	10,260	33,284	9,218	36,343	11,144
Iljin Bearing Co., Ltd.	131,974	53,819	136,433	5,017	143,341	58,454	148,184	5,449
Daesung Automotive Co., Ltd.	68,096	15,950	55,401	1,469	73,961	17,324	60,173	1,596

- (4) Significant unrealized profits (losses) that occurred in transactions with investees as of September 30, 2007 are as follows:

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
	(In millions)				(In thousands)
Inventories	₩ 110,485	₩ 122,716	₩ (110,485)	₩ 122,716	\$ 133,286
Property	202,819	108,452	(48,456)	262,815	285,451
Accrued warranties	(52,035)	(44,355)	52,035	(44,355)	(48,175)
	<u>₩ 261,269</u>	<u>₩ 186,813</u>	<u>₩ (106,906)</u>	<u>₩ 341,176</u>	<u>\$ 370,562</u>

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)				(In thousands)
Inventories	₩ 202,968	₩ 153,480	₩ (202,968)	₩ 153,480	\$ 166,699
Property	100,908	96,588	(23,956)	173,540	188,487
Accrued warranties	(37,354)	(55,481)	37,354	(55,481)	(60,259)
	<u>₩ 266,522</u>	<u>₩ 194,587</u>	<u>₩ (189,570)</u>	<u>₩ 271,539</u>	<u>\$ 294,927</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 ₩8,457 million (US\$9,185 thousand) and ₩9,375 million (US\$10,182 thousand) for the nine months ended September 30, 2007 and 2006, respectively.
- (6) The unamortized (or unreversed) balance of goodwill and negative goodwill as of September 30, 2007 is ₩273,818 million (US\$297,402 thousand) and ₩47,628 million (US\$51,730 thousand), respectively. In addition, the unamortized (or unreversed) balance of goodwill and negative goodwill as of September 30, 2006 is ₩286,962 million (US\$311,678 thousand) and ₩51,099 million (US\$55,500 thousand), respectively.
- (7) The market price of listed equity securities as of September 30, 2007 is as follows:

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
	(In millions)			(In thousands)
Kia Motors Corporation	₩ 12,450	134,285,491	₩ 1,671,854	\$ 1,815,851
Hyundai HYSCO	12,500	20,954,188	261,927	284,487
Hyundai Autonet Co., Ltd.	6,990	38,870,000	271,701	295,103

- (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, 2007 and 2006 are ₩99,374 million (US\$107,933 thousand) and ₩59,200 million (US\$64,299 thousand), respectively.

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30,	December 31,	September 30,	December 31,
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,759,926	₩ 3,683,446	\$ 4,083,769	\$ 4,000,702
Machinery and equipment	5,752,682	5,355,368	6,248,161	5,816,626
Vehicles	79,851	76,282	86,729	82,852
Dies, molds and tools	2,748,152	2,628,159	2,984,851	2,854,523
Other equipment	705,209	659,485	765,948	716,287
	13,045,820	12,402,740	14,169,458	13,470,990
Less: accumulated depreciation	6,164,438	5,680,264	6,695,382	6,169,506
	6,881,382	6,722,476	7,474,076	7,301,484
Land	1,960,618	1,948,203	2,129,486	2,116,002
Construction in progress	713,792	794,795	775,271	863,250
	₩ 9,555,792	₩ 9,465,474	\$ 10,378,833	\$ 10,280,736

The changes in property, plant and equipment for the nine months ended September 30, 2007 are as follows:

Description	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes(*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,948,203	₩ -	₩ 12,415	₩ -	₩ -	₩ -	₩ 1,960,618	\$ 2,129,486
Buildings and structures	2,876,163	-	107,451	(21,095)	(86,689)	-	2,875,830	3,123,526
Machinery and equipment	2,949,042	-	495,049	(30,512)	(304,743)	-	3,108,836	3,376,600
Vehicles	33,115	-	6,526	(337)	(6,585)	-	32,719	35,537
Dies, molds and tools	644,042	-	144,992	(1,451)	(146,397)	-	641,186	696,411
Other equipment	220,114	-	62,809	(1,453)	(58,659)	-	222,811	242,002
Construction in progress	794,795	653,663	(829,242)	(5,379)	-	99,955	713,792	775,271
Total	₩ 9,465,474	₩ 653,663	₩ -	₩(60,227)	₩ (603,073)	₩ 99,955	₩ 9,555,792	\$ 10,378,833

(*) Other changes consist of decrease in transfer of ₩5,008 million (US\$5,439 thousand) from construction in progress to industrial property rights and increase in transfer of ₩104,963 million (US\$114,003 thousand) from inventories to construction in progress.

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

Description	Korean Won						Translation into U. S. Dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes(*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,899,548	₩ -	₩ 29,390	₩ (671)	₩ -	₩ -	₩ 1,928,267	\$ 2,094,349
Buildings and structures	2,555,048	-	254,258	(7,390)	(80,708)	-	2,721,208	2,955,586
Machinery and equipment	2,620,856	-	626,568	(58,450)	(280,899)	-	2,908,075	3,158,547
Vehicles	35,003	-	6,153	-	(6,826)	-	33,693	36,595
Dies, molds and tools	583,581	-	138,251	(4,913)	(157,897)	-	559,022	607,171
Other equipment	237,020	-	49,553	(1,247)	(62,433)	-	222,893	242,091
Construction in progress	1,014,506	796,245	(1,104,173)	(12,473)	-	107,318	801,423	870,450
End of the period	₩ 8,945,562	₩ 796,245	₩ -	₩ (85,781)	₩ (588,763)	₩ 107,318	₩ 9,174,581	\$ 9,964,789

(*) Other changes consist of decrease in transfer of ₩7,079 million (US\$7,689 thousand) from construction in progress to industrial property rights and increase in transfer of ₩114,397 million (US\$124,250 thousand) from inventories to construction in progress.

As of September 30, 2007, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩854,235 million (US\$927,810 thousand) (see Note 13).

As of September 30, 2007, the published value of the Company-owned land (13,121 thousand square meters) totals ₩2,452,507 million (US\$2,663,742 thousand) in terms of land prices officially announced by the Korean government.

The Company has entered into financing lease agreements for certain machinery and equipment with the book value of ₩4,222 million (US\$4,586 thousand) as of September 30, 2007. No annual payment on the lease agreements remains as of September 30, 2007.

9. INSURANCE:

As of September 30, 2007, property, plant and equipment are insured for ₩6,637,208 million (US\$7,208,872 thousand). 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\$1,086 thousand) with Hyundai Fire & Marine Insurance Co., general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. INTANGIBLES:

Intangibles as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won				Translation into U. S. Dollars (Note 2)			
	September 30, 2007		December 31, 2006		September 30, 2007		December 31, 2006	
	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value	Book value	Book value	Book value	
	(In millions)				(In thousands)			
Industrial property rights	₩ 53,516	₩ 36,546	₩ -	₩ 16,970	₩ 17,580	\$ 18,432	\$ 19,094	
Development costs	2,550,254	1,380,263	20,793	1,149,198	1,091,333	1,248,179	1,185,330	
Other	37,703	28,936	-	8,767	9,684	9,521	10,518	
	<u>₩2,641,473</u>	<u>₩ 1,445,745</u>	<u>₩ 20,793</u>	<u>₩1,174,935</u>	<u>₩ 1,118,597</u>	<u>\$ 1,276,132</u>	<u>\$ 1,214,942</u>	

The changes in intangibles for the nine months ended September 30, 2007 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	₩ 17,580	₩ 1,091,333	₩ 9,684	₩ 1,118,597	\$ 1,214,942	
Addition: Expenditures	5,008	316,956	171	322,135	349,881	
Deduction: Amortization	(5,618)	(259,091)	(1,088)	(265,797)	(288,691)	
End of period	<u>₩ 16,970</u>	<u>₩ 1,149,198</u>	<u>₩ 8,767</u>	<u>₩ 1,174,935</u>	<u>\$ 1,276,132</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	\$ 999,669	
Addition: Expenditures	7,079	249,437	-	256,516	278,610	
Deduction: Amortization	(5,374)	(208,060)	(1,372)	(214,806)	(233,308)	
End of period	<u>₩ 17,278</u>	<u>₩ 934,686</u>	<u>₩ 10,141</u>	<u>₩ 962,105</u>	<u>\$ 1,044,971</u>	

Research and development expenditure for the three months and nine months ended September 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Development costs	₩ 113,987	₩ 91,910	₩ 316,956	₩ 249,437	\$ 344,255	\$ 270,921
Ordinary development (manufacturing cost)	37,906	28,090	97,551	82,347	105,953	89,440
Research costs (SG&A)	102,187	123,453	276,630	353,197	300,456	383,618
	<u>₩ 254,080</u>	<u>₩ 243,453</u>	<u>₩ 691,137</u>	<u>₩ 684,981</u>	<u>\$ 750,664</u>	<u>\$ 743,979</u>

11. OTHER ASSETS:

Other assets as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30	December 31	September 30	December 31
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Long-term financial instruments (Note 3)	₩ 40	₩ 40	43	43
Long-term notes and accounts receivable, less unamortized present value discount of ₩2,338 million as of September 30, 2007 and ₩1,307 million as of December 31, 2006	11,362	9,210	12,341	10,003
Long-term other accounts receivable, less unamortized present value discount of ₩91 million as of September 30, 2007 and ₩448 million as of December 31, 2006 (Note 2)	79,633	82,804	86,492	89,936
Long-term loans	6,307	13,520	6,850	14,684
Lease and rental deposits	187,188	184,829	203,311	200,749
Long-term deposits	103,350	101,050	112,251	109,754
	<u>₩ 387,880</u>	<u>₩ 391,453</u>	<u>\$ 421,288</u>	<u>\$ 425,169</u>

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of September 30, 2007 and December 31, 2006 amount to ₩455,446 million (US\$494,674 thousand) and ₩474,165 million (US\$515,005 thousand), respectively, and consist primarily of overdrafts and banker's usance with annual interest rates ranging from Libor + 0.09 percent to 6.50 percent.

13. LONG-TERM DEBT AND DEBENTURES:

Long-term debt and debentures as of September 30, 2007 and December 31, 2006 consist of the following:

<u>Description</u>	<u>Annual interest rate (%)</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
		<u>September 30, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2007</u>	<u>December 31, 2006</u>
		<u>(In millions)</u>		<u>(In thousands)</u>	
Debentures	3.75 ~ 7.60	₩ 1,400,000	₩ 1,214,132	\$ 1,520,582	\$ 1,318,705
Local currency loans:					
General loans	3.00 ~ 4.50	<u>15,109</u>	<u>15,991</u>	<u>16,411</u>	<u>17,368</u>
		<u>1,415,109</u>	<u>1,230,123</u>	<u>1,536,993</u>	<u>1,336,073</u>
Less: current maturities		<u>(1,903)</u>	<u>(116,233)</u>	<u>(2,067)</u>	<u>(126,244)</u>
		<u>₩ 1,413,206</u>	<u>₩ 1,113,890</u>	<u>\$ 1,534,926</u>	<u>\$ 1,209,829</u>

Debentures as of September 30, 2007 and December 31, 2006 consist of the following:

<u>Description</u>	<u>Maturity</u>	<u>Interest rate (%)</u>	<u>Korean Won</u>		<u>Translation into U.S. Dollars (Note 2)</u>	
			<u>September 30, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2007</u>	<u>December 31, 2006</u>
			<u>(In thousands)</u>		<u>(In thousands)</u>	
Non-guaranteed debentures	Nov 10, 2008 ~ April 12, 2012	3.75 ~ 5.52	₩ 1,400,000	₩ 1,100,000	\$ 1,520,582	\$ 1,194,743
Overseas debentures	Jul 15, 2007	7.60	-	<u>114,132</u>	-	<u>123,962</u>
			<u>1,400,000</u>	<u>1,214,132</u>	<u>1,520,582</u>	<u>1,318,705</u>
Less; discount on debentures			<u>-</u>	<u>114,132</u>	<u>-</u>	<u>123,962</u>
			<u>₩ 1,400,000</u>	<u>₩ 1,100,000</u>	<u>\$ 1,520,582</u>	<u>\$ 1,194,743</u>

The maturity of long-term debt and debentures as of September 30, 2007 is as follows:

<u>Description</u>	<u>Korean Won</u>			<u>Translation into U.S. Dollars (Note 2)</u>
	<u>Debentures</u>	<u>Local currency loans</u>	<u>Total</u>	<u>Total</u>
				<u>(In thousands)</u>
October 1, 2008~September 30, 2009	₩ 200,000	₩ 737	₩ 200,737	\$ 218,027
October 1, 2009~September 30, 2010	300,000	774	300,774	326,680
October 1, 2010~September 30, 2011	300,000	912	300,912	326,830
Thereafter	<u>600,000</u>	<u>10,783</u>	<u>610,783</u>	<u>663,389</u>
	<u>1,400,000</u>	<u>13,206</u>	<u>1,413,206</u>	<u>1,534,926</u>
Less: discount on debentures	<u>2,657</u>	<u>-</u>	<u>2,657</u>	<u>2,886</u>
	<u>₩ 1,397,343</u>	<u>₩ 13,206</u>	<u>₩ 1,410,549</u>	<u>\$ 1,532,040</u>

14. 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, 2007:

Description	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Merchant Marine	₩ 176,689	\$ 191,907
Hyundai Card Co., Ltd.	3,683	4,000
Hyundai Capital Co., Ltd	311,978	338,849
Hyundai Motor America	276,210	300,000
Hyundai Motor Manufacturing Alabama LLC	621,473	675,001
Hyundai Motor Finance Company	662,904	720,000
Smart Alabama LLC	110,484	120,000
ROTEM	73,827	80,186
Hyundai Motor Europe GmbH	31,269	33,962
Hyundai Translead	91,149	99,000
Hyundai Auto Canada Captive Insurance Incorporation	15,422	16,750
Hyundai Motor Poland Sp.zo.o.	6,514	7,075
Hyundai Motor Japan Co.	39,837	43,268
HMJ R&D Center Inc.	4,382	4,759
Beijing Hines Millennium Real Estate Development Co., Ltd.	13,811	15,001
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,302	2,500
Hyundai America Technical Center Inc.	18,414	20,000
UTS	220,968	240,000
Hyundai Motor Europe Technical Center GmbH	69,053	75,001
Equus Cayman Finance Ltd.	368,280	400,000
Hyundai Motor India	92,070	100,000
HMUK	37,309	40,522
	₩ 3,248,028	3,527,781

- (2) As of September 30, 2007, 10,828,466 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, 2 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,850 thousand) and property, plant and equipment (see Note 8) are pledged as collateral for short-term borrowings, long-term debt and other payables.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩34,495 million (US\$37,466 thousand) to the banks concerned as of September 30, 2007. 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, 2007, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,286,948 million (US\$1,397,793 thousand), including accounting receivable from export sales.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 9) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of September 30, 2007 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) In 2006, the Company sold 10,658,367 shares of ROTEM to MSPE Metro Investment AB and entered into a shareholders' agreement. MSPE Metro Investment AB is entitled to put option to sell those shares back to the Company in certain events (as defined) in accordance with the agreement.

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

15. ACCRUED WARRANTIES:

The changes in accrued warranties in current and long-term liabilities for the nine months ended September 30, 2007 and 2006 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Beginning of period	₩ 3,084,907	₩ 3,168,283	\$ 3,350,610	\$ 3,441,168
Accrual	218,127	171,221	236,914	185,968
Use	(255,003)	(254,265)	(276,966)	(276,165)
End of period	<u>₩ 3,048,031</u>	<u>₩ 3,085,239</u>	<u>\$ 3,310,558</u>	<u>\$ 3,350,971</u>

16. CAPITAL STOCK:

Capital stock as of September 30, 2007 and December 31, 2006 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,466,255 shares	₩ 5,000	₩ 1,153,931	\$ 1,253,319
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>359,521</u>
				<u>₩ 1,484,942</u>	<u>\$ 1,612,840</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, 2007, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

17. CAPITAL SURPLUS:

Capital surplus as of September 30, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,294,391	₩ 3,294,391	\$ 3,578,137	\$ 3,578,137
Asset revaluation surplus	1,852,871	1,852,871	2,012,459	2,012,459
Other	266,096	261,743	289,015	284,287
	<u>₩ 5,413,358</u>	<u>₩ 5,409,005</u>	<u>\$ 5,879,611</u>	<u>\$ 5,874,883</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\$2,766,826 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$17,402 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$645,460 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$73,365 thousand) and adjustment of ₩16,702 million (US\$18,141 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. CAPITAL ADJUSTMENTS:

Capital adjustments as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Treasury stock	₩ (706,008)	₩ (716,316)	\$ (766,816)	\$ (778,012)
Stock option cost	9,337	9,337	10,141	10,141
	<u>₩ (696,671)</u>	<u>₩ (706,979)</u>	<u>\$ (756,675)</u>	<u>\$ (767,871)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,107,481 common shares and 2,950,960 preferred shares with a carrying value of ₩706,008 million (US\$766,816 thousand) as of September 30, 2007, 11,287,470 common shares and 2,950,960 preferred shares with a carrying value of ₩716,316 million (US\$778,012 thousand) as of December 31, 2006, which were acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). These stock options all require at least two-year continued service starting from the grant date. If all stock options as of September 30, 2007 are exercised, 815,224 shares will be issued as new shares or treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated other comprehensive income (loss) as of September 30, 2007 and December 31, 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Gain on valuation of available-for-sale securities, net	₩ 682,762	₩ 195,214	\$ 741,568	212,028
Loss on valuation of investment securities accounted for using the equity method, net	(293,239)	(436,369)	(318,496)	(473,954)
Gain (loss) on valuation of derivatives, net	(9,422)	14,550	(10,233)	15,803
	<u>₩ 380,101</u>	<u>₩ (226,605)</u>	<u>\$ 412,839</u>	<u>(246,123)</u>

20. STATEMENTS OF COMPREHENSIVE INCOME:

Statements of comprehensive income for the nine months ended September 30, 2007 and 2006 consist of the following:

Description	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Net income	₩ 425,478	₩ 293,779	₩1,344,401	₩1,039,313	\$ 1,460,194	\$ 1,128,829
Other comprehensive income:						
Gain on valuation of available-for-sale securities, net of deferred tax effect ₩184,933 million and ₩29,208 million for the nine months end September 30, 2007 and 2006, respectively.	119,626	44,263	487,548	76,529	529,539	83,120
Gain (loss) on valuation of investment securities accounted for using the equity method, net of deferred tax effect ₩25,991 million and ₩32,841 million for the nine months end September 30, 2007 and 2006, respectively.	48,584	(14,964)	143,130	(257,141)	155,458	(279,289)
Loss on valuation of derivatives, net of deferred tax effect ₩5,519 million and ₩231 million for the nine months end September 30, 2007 and 2006, respectively.	(25,995)	(2,907)	(23,972)	(609)	(26,035)	(660)
Comprehensive income	<u>₩ 567,693</u>	<u>₩ 320,171</u>	<u>₩1,951,107</u>	<u>₩ 858,092</u>	<u>\$ 2,119,156</u>	<u>\$ 932,000</u>

21. RETAINED EARNINGS:

Retained earnings as of September 30, 2007 and December 31, 2006 consist of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 250,970	₩ 223,370	\$ 272,586	\$ 242,609
Reserve for business rationalization	545,800	545,800	592,810	592,810
Reserve for improvement of financial structure	98,947	98,947	107,469	107,469
Reserve for overseas market development	48,800	48,800	53,003	53,003
Reserve for technology development	8,868,100	7,628,100	9,631,911	8,285,109
	9,812,617	8,545,017	10,657,779	9,281,000
Before appropriation	1,370,786	1,545,448	1,488,852	1,678,558
	<u>₩ 11,183,403</u>	<u>₩ 10,090,465</u>	<u>\$ 12,146,631</u>	<u>\$ 10,959,558</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, 2006 were approved at the shareholders' meeting on March 9, 2007 and the appropriations including the cash dividends of ₩275,373 million (US\$299,091 thousand) are reflected in retained earnings on that date.

22. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the nine months ended September 30, 2007 and 2006 consists of the following:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income tax currently payable	₩ 312,737	₩ 243,183	\$ 339,673	\$ 264,128
Changes in deferred income taxes due to:				
Temporary differences	234,245	54,469	254,421	59,161
Carry forward of unused tax credits	33,530	1,337	36,418	1,452
Items directly charged to equity	(214,547)	1,022	(233,026)	1,110
Income tax expense	<u>₩ 365,965</u>	<u>₩ 300,011</u>	<u>\$ 397,486</u>	<u>\$ 325,851</u>

For the nine months ended September 30, 2007 and 2006, 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)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
Income before tax	₩ 1,710,366	₩ 1,339,324	\$ 1,857,680	\$ 1,454,680
Addition	2,142,742	2,003,407	2,327,297	2,175,961
Deduction	(2,225,837)	(2,004,142)	(2,417,549)	(2,176,759)
Taxable income	<u>₩ 1,627,271</u>	<u>₩ 1,338,589</u>	<u>\$ 1,767,428</u>	<u>\$ 1,453,882</u>

The components of deferred tax assets (liabilities) as of September 30, 2007 are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	Current	Non current	Current	Non current
	(In millions)		(In thousands)	
Investment securities accounted for using the equity method	₩ -	₩ (590,843)	\$ -	\$ (641,732)
Accrued warranties	224,051	614,157	243,349	667,054
Long-term investment securities	-	(250,557)	-	(272,138)
Reserve for research and manpower development	(23,375)	(85,939)	(25,388)	(93,341)
Depreciation	(10,983)	(86,525)	(11,929)	(93,977)
Development cost	49	-	53	-
Derivative liabilities	-	(20,302)	-	(22,051)
Accrued income	(18,812)	-	(20,432)	-
Carry forward of unused tax credits	-	-	-	-
Other	96	23,415	103	25,432
	<u>₩ 171,026</u>	<u>₩ (396,594)</u>	<u>\$ 185,756</u>	<u>\$ (430,753)</u>

The components of deferred tax assets 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)	
Investment securities accounted for using the equity method	₩ -	₩ (494,370)	\$ -	\$ (536,950)
Accrued warranties	186,781	661,660	202,868	718,649
Long-term investment securities	-	(61,039)	-	(66,296)
Reserve for research and manpower development	(55,229)	(26,813)	(59,986)	(29,122)
Depreciation	24	(82,824)	26	(89,958)
Development cost	(3,059)	-	(3,322)	-
Derivative liabilities	(8,145)	(54,045)	(8,847)	(58,700)
Accrued income	(10,362)	-	(11,254)	-
Carry over tax deduction	-	-	-	-
Other	1,497	42,351	1,626	45,998
	<u>₩ 111,507</u>	<u>₩ (15,080)</u>	<u>\$ 121,111</u>	<u>\$ (16,379)</u>

The components of items charged to equity as of September 30, 2007 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)	
Deferred tax charged or credited to:				
Retained earnings	₩ (33,245)	₩ (9,142)	\$ (36,108)	\$ (9,929)
Accumulated comprehensive income	<u>(746,925)</u>	<u>(205,405)</u>	<u>(811,258)</u>	<u>(223,097)</u>
	<u>₩ (780,170)</u>	<u>₩ (214,547)</u>	<u>\$ (847,366)</u>	<u>\$ (233,026)</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	<u>₩ (5,112)</u>	<u>₩ (1,407)</u>	<u>\$ (5,552)</u>	<u>\$ (1,528)</u>
Deferred tax charged or credited to:				
Retained earnings	₩ (5,872)	₩ (1,615)	(6,378)	(1,754)
Capital adjustments	<u>14,703</u>	<u>4,044</u>	<u>15,969</u>	<u>4,392</u>
	<u>₩ 8,831</u>	<u>₩ 2,429</u>	<u>\$ 9,591</u>	<u>\$ 2,638</u>

The deferred tax assets related to the deductible temporary differences arising from investments in subsidiaries and associates of ₩98,306 million (US\$106,773 thousand), and deferred tax liabilities of ₩853 million (US\$926 thousand) as of September 30, 2007 were not recognized since it is not probable that the temporary difference will be reversed in the foreseeable future. Also, the deferred tax liabilities related to the gain on revaluation of land of ₩123,694 million (US\$134,348 thousand) as of September 30, 2007 were not recognized since the land may not be disposed of in the foreseeable future.

The Company believes average taxable income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The tax rate used in calculating deferred tax assets or liabilities arising from temporary differences is 27.5% including resident tax. The effective tax rates are 21.40 percent and 22.40 percent for the nine months ended September 30, 2007 and 2006, respectively.

23. RELATED PARTY TRANSACTIONS:

(1) The consolidated subsidiaries as of September 30, 2007 are as follows:

<u>Description</u>	<u>Subsidiaries</u>
Domestic subsidiaries	Kia Motors Corporation, Hyundai HYSCO, Hyundai Capital Service Inc., Hyundai Card Co., Ltd., KEFICO Corporation, Hyundai Powertech, WIA Corporation, Dymos Inc., Automobile Industrial Ace Corporation, ROTEM, Haevichi Resort Co., Ltd., METIA Co., Ltd., Mseat Co., Ltd., Autoever Systems Corp., Hyundai Autonet Co., Ltd. Partecs Co., Ltd., M & Soft Co., Ltd. (Formerly, Mando Map & Soft Co., Ltd.), KIA Tigers Co., Ltd., NGVTEK.Com, Chasan Co., Ltd, Haevichi Countryclub Co., Ltd and Hyundai Commercial Inc.
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), Beijing Jingxian Motor Safeguard Service Co., LTD. (BJMSS), Hyundai Motor Manufacturing Alabama, LLC, (HMMA), Hyundai Motor Finance Company (HMFC), Hyundai Auto Canada Captive Insurance Incorporation, (HACCII), Hyundai Motor Japan R&D Center Inc. (HMJ R&D), HACC Inc.(Formerly, Sevenwood Property Inc.), World Marketing Group LLC (WMG), Hyundai de Mexico, S.A. de C.V. (HYMEX), Stampted Metal America Research Technology Inc., (SMARTI), Stampted Metal America Research Technology LLC, China Millenium Corporations (CMEs), Beijing Hines Millennium Real Estate Development, Hyundai Motor Manufacturing Czech, Ltd. (HMMC), Hyundai Information System North America LLC, HMCIS B.V., KIA Motors America Inc. (KMA), KIA Japan Co., Ltd. (KJC), KIA Motors Deutschland GmbH (KMD), KIA Canada, Inc.(KCI), KIA Motors Polska Sp.z.o.o.(KMP), KIA Motors Europe GmbH (KME), Kia Motors Slovakia S.r.o. (KMS), Kia Motors Slovensko S.r.o. (KMSS), KIA Motors Belgium N.V. (KMBI), KIA Motors Czech s.r.o. (KMCZ), KIA Motors (UK) Ltd. (KMUK), KIA Motors Austria GmbH (KMAS), KIA Motors Hungary Kft (KMH), Kia Motors Iberia (KMIB), Kia Motors Sweden AB (KMSW), Kia Automobiles France (KMF), Kia Motors Australia Pty Ltd (KMAU), Dong Feng Yueda Kia Motors, Yanji Kia Motors A/S and Repair, Hyundai Pipe of America, Inc., Hysco America Co. Inc., Hysco Slovakia S.r.o., Beijing Hyundai Hysco Steel Process Co, Ltd., Jiangsu Hyundai Hysco Steel Process Co., Ltd., Hysco Steel India, Ltd., Hyundai-Kia Machine America Corp. (HKMA), Hyundai-Kia Machine Europe GmbH (HKME), Wia Automotive Parts, WIA Automotive Engine(ShanDong) Company, Dymos Czech Republic S.r.o., Rotem Equipments(Beijing) Co., Ltd., EUROTEM, Autoever Systems India Private Limited, Autoever Systems China Co., Ltd., Hyundai Autonet Pontus America, Hyundai Electronics (Tianjin) Co., Ltd., Rio Vista, Rotem USA Corporation, Kia Motors New Zealand LTD (KMNZ), Wia Trade Corporation, Hyundai Auto Canada (HAC), Kia Motors Manufacturing Georgia, Inc. (KMMG), Hyundai Motor India Engineering (HMIE), Autoever Systems Europe GmbH and HYSCO CZECH s.r.o.

(2) Significant transactions with subsidiaries and affiliates for the nine months ended September 30, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 351,967	₩ 343,432	\$ 382,282	\$ 373,012
Hyundai Capital Service Inc.	202,722	1	220,182	1
Dymos Inc.	451	395,467	490	429,529
WIA Corporation	128,355	216,765	139,410	235,435
KEFICO Corporation	70	230,370	76	250,212
Hyundai HYSKO	994	152,851	1,080	166,016
Hyundai Powertech	14,685	204,649	15,950	222,275
Hyundai Autonet Co., Ltd.	1,391	88,662	1,511	96,298
Autoever Systems Corp.	143	109,294	155	118,708
ROTEM	1,550	44,198	1,684	48,005
METIA Co., Ltd.	1,221	32,590	1,326	35,397
NGVTEK.Com	3	7,550	3	8,200
Haevichi Resort.	291	4,653	316	5,054
Automobile industrial Ace Corp.	-	619	-	672
Hyundai Card Co., Ltd.	241	52,003	262	56,482
Hyundai Motor America	2,072,156	-	2,250,631	-
Hyundai Motor Europe GmbH	1,874,888	-	2,036,372	-
Hyundai Auto Canada	414,927	-	450,665	-
Hyundai Motor India	444,653	165	482,951	179
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	468,400	-	508,743	-
Hyundai Motor Group (China) LTD.	277,337	-	301,224	-
Hyundai Motor Company Australia	348,138	-	378,123	-
Hyundai Motor Manufacturing Alabama, LLC	233,291	-	253,384	-
Hyundai Motor Poland Sp. Zo.O	527,302	-	572,719	-
Hyundai Motor Norway AS	51,018	-	55,412	-
Hyundai America Technical Center Inc.	14	45,942	15	49,899
Hyundai Motor Europe Technical Center GmbH	101	16,625	110	18,057
Hyundai Motor Japan Co.	5,780	-	6,278	-
Hyundai Motor Hungary	1,382	-	1,501	-
Hyundai Motor Finance Company	613	-	666	-
Others	300	11,934	326	12,962
Affiliates:				
Hyundai MOBIS	271,738	2,288,757	295,143	2,485,888
Hyundai Steel Company	2,454	1,387	2,665	1,506
EUKOR Car Carriers, Inc.	461	170,890	501	185,609
Iljin Bearing Co., Ltd.	-	23,109	-	25,099
Beijing-Hyundai Motor Company	318,320	-	345,737	-
HMJ R&D Center Inc.	4	4,272	4	4,640
Others	11	539	13	586
Others:				
Glovis Co., Ltd.	83,239	317,884	90,408	345,263
Amco Corp.	1,480	217,145	1,607	235,848
IHL Corp.	49	63,730	53	69,219
BNG Steel Co., Ltd.	7	69,525	8	75,513
Wisco Co., Ltd.	2	47,366	2	51,446
Innotion Corp.	24	18,449	26	20,038
Others	119	59,551	129	64,680
	<u>₩ 8,102,292</u>	<u>₩ 5,240,374</u>	<u>\$ 8,800,143</u>	<u>\$ 5,691,728</u>

Significant transactions with subsidiaries and affiliates for the three months ended September 30, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 95,560	₩ 80,054	\$ 103,791	\$ 86,949
Hyundai Capital Service Inc.	35,366	-	38,412	-
Dymos Inc.	138	119,637	150	129,941
WIA Corporation	38,196	45,867	41,486	49,818
KEFICO Corporation	42	69,667	46	75,667
Hyundai HYSCO	504	54,053	547	58,709
Hyundai Powertech	7,523	43,444	8,171	47,186
Hyundai Autonet Co., Ltd.	102	22,302	111	24,223
Autoever Systems Corp.	51	38,139	55	41,424
ROTEM	460	13,809	500	14,998
METIA Co., Ltd.	469	8,739	509	9,492
NGVTEK.Com	2	2,940	2	3,193
Haevichi Resort.	23	1,686	25	1,831
Automobile industrial Ace Corp.	-	123	-	134
Hyundai Card Co., Ltd.	131	16,634	142	18,067
Hyundai Motor America	500,605	-	543,722	-
Hyundai Motor Europe GmbH	755,322	-	820,378	-
Hyundai Auto Canada	101,335	-	110,063	-
Hyundai Motor India	139,237	-	151,229	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	169,720	-	184,338	-
Hyundai Motor Group (China) LTD.	96,974	-	105,326	-
Hyundai Motor Company Australia	131,690	-	143,032	-
Hyundai Motor Manufacturing Alabama, LLC	56,662	-	61,542	-
Hyundai Motor Poland Sp. Zo.O	451,379	-	490,256	-
Hyundai Motor Norway AS	12,283	-	13,341	-
Hyundai America Technical Center Inc.	7	19,230	8	20,886
Hyundai Motor Europe Technical Center GmbH	47	2,406	51	2,613
Hyundai Motor Japan Co.	832	-	904	-
Hyundai Motor Hungary	-	-	-	-
Hyundai Motor Finance Company	-	-	-	-
Others	104	6,150	113	6,680
Affiliates:				
Hyundai MOBIS	67,801	731,048	73,641	794,013
Hyundai Steel Company	950	421	1,032	457
EUKOR Car Carriers, Inc.	116	35,223	126	38,257
Iljin Bearing Co., Ltd.	-	8,245	-	8,955
Beijing-Hyundai Motor Company	115,170	-	125,090	-
HMJ R&D Center Inc.	-	247	-	268
Others	-	258	-	281
Others:				
Glovis Co., Ltd.	18,851	117,722	20,475	127,861
Amco Corp.	502	52,423	545	56,938
IHL Corp.	16	21,922	17	23,810
BNG Steel Co., Ltd.	7	17,146	8	18,623
Wisco Co., Ltd.	-	15,873	-	17,240
Innotion Corp.	7	5,654	8	6,141
Others	3	-	3	-
	<u>₩ 2,798,187</u>	<u>₩ 1,551,062</u>	<u>\$ 3,039,195</u>	<u>\$ 1,684,655</u>

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

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 460,251	₩ 483,459	\$ 499,892	\$ 525,099
Dymos Inc.	3,086	432,843	3,352	470,124
Hyundai Capital Service Inc.	336,543	35,503	365,529	38,561
WIA Corporation	104,049	174,092	113,011	189,087
KEFICO Corporation	79	221,565	86	240,648
Hyundai Powertech	13,922	110,503	15,121	120,021
Hyundai Autonet Co., Ltd.	88	108,341	96	117,672
Hyundai HYSKO	1,361	108,014	1,478	117,317
Autoever Systems Corp.	107	101,766	116	110,531
Hyundai Card Co., Ltd.	178	47,070	193	51,124
METIA Co., Ltd.	1,531	19,584	1,663	21,271
ROTEM	232	30,529	252	33,158
Hyundai Motor America	2,551,611	-	2,771,382	-
Hyundai Motor Europe GmbH	1,741,389	-	1,891,375	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	486,311	-	528,197	-
Hyundai Motor Company Australia	362,524	-	393,748	-
Hyundai Motor India	354,862	3,599	385,426	3,909
Hyundai Motor Manufacturing Alabama, LLC	157,896	4	171,496	4
Hyundai Motor Poland Sp. Zo.O	93,706	-	101,777	-
Hyundai Motor Norway AS	52,240	-	56,739	-
Hyundai America Technical Center Inc.	14	45,230	15	49,126
Hyundai Motor Europe Technical Center GmbH	7,211	19,225	7,832	20,881
Hyundai Motor Hungary	8,336	-	9,054	-
Hyundai Motor Japan Co.	5,224	-	5,674	-
Others	1,070	2,915	1,162	3,166
Affiliates:				
Hyundai MOBIS	354,403	1,912,039	384,928	2,076,723
Hyundai Steel Company	1,177	11,615	1,278	12,615
EUKOR Car Carriers, Inc.	1,162	240,001	1,262	260,672
Iljin Bearing Co., Ltd.	12	24,949	13	27,098
Beijing-Hyundai Motor Company	431,330	34,212	468,481	37,159
HMJ R&D Center Inc.	3	5,997	3	6,514
Others	54	-	59	-
Others:				
Glovis Co., Ltd.	3,216	240,274	3,493	260,969
Amco Corp.	1,047	253,495	1,137	275,329
Innotion Corp.	93	25,051	101	27,209
IHL Corp.	1,331	62,699	1,446	68,099
Wisco Co., Ltd.	426	22,993	463	24,973
Korea Automotive Systems Co., Ltd.	3	37,759	3	41,011
BNG Steel Co., Ltd.	8	48,267	9	52,424
Ecoplastics Corp.	5,931	149,567	6,442	162,449
Others	-	800	-	870
	<u>₩ 7,544,017</u>	<u>₩ 5,013,960</u>	<u>\$ 8,193,784</u>	<u>\$ 5,445,813</u>

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

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Sales/proceeds	Purchases/expense	Sales/proceeds	Purchases/expense
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 111,123	₩ 121,232	\$ 120,694	\$ 131,674
Dymos Inc.	1,833	129,503	1,991	140,657
Hyundai Capital Service Inc.	110,344	12,285	119,848	13,343
WIA Corporation	28,842	50,207	31,326	54,531
KEFICO Corporation	6	70,247	7	76,297
Hyundai Powertech	3,914	27,041	4,251	29,370
Hyundai Autonet Co., Ltd.	11	25,983	12	28,221
Hyundai HYSCO	436	36,699	474	39,860
Autoever Systems Corp.	34	41,863	37	45,469
Hyundai Card Co., Ltd.	49	15,654	53	17,002
METIA Co., Ltd.	291	6,608	316	7,177
ROTEM	51	24,005	55	26,073
Hyundai Motor America	598,074	-	649,586	-
Hyundai Motor Europe GmbH	266,698	-	289,669	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	121,629	-	132,105	-
Hyundai Motor Company Australia	131,948	-	143,313	-
Hyundai Motor India	133,773	595	145,295	646
Hyundai Motor Manufacturing Alabama, LLC	57,542	4	62,498	4
Hyundai Motor Poland Sp. Zo.O	27,092	-	29,425	-
Hyundai Motor Norway AS	20,190	-	21,929	-
Hyundai America Technical Center Inc.	-	14,204	-	15,427
Hyundai Motor Europe Technical Center GmbH	7,176	7,176	7,794	7,794
Hyundai Motor Hungary	2,504	-	2,720	-
Hyundai Motor Japan Co.	622	-	676	-
Others	116	2,829	124	3,073
Affiliates:				
Hyundai MOBIS	75,076	557,992	81,542	606,052
Hyundai Steel Company	387	353	420	383
EUKOR Car Carriers, Inc.	333	103,142	362	112,026
Iljin Bearing Co., Ltd.	-	7,645	-	8,303
Beijing-Hyundai Motor Company	143,956	34,212	156,355	37,159
HMJ R&D Center Inc.	-	2,375	-	2,580
Others	-	-	-	-
Others:				
Glovis Co., Ltd.	2,180	74,194	2,368	80,584
Amco Corp.	367	78,148	399	84,879
Innotion Corp.	37	8,543	40	9,279
IHL Corp.	311	18,627	338	20,231
Wisco Co., Ltd.	20	8,007	22	8,697
Korea Automotive Systems Co., Ltd.	1	11,025	1	11,975
BNG Steel Co., Ltd.	6	10,703	7	11,625
Ecoplastastic Corp.	942	44,073	1,023	47,869
Others	-	187	-	203
	<u>₩ 1,847,914</u>	<u>₩ 1,545,361</u>	<u>\$ 2,007,075</u>	<u>\$ 1,678,463</u>

(3) Significant outstanding balances as of September 30, 2007 are as follows:

The companies	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 179,246	₩ 142,618	\$ 194,684	\$ 154,902
Hyundai Card Co., Ltd.	37,173	41,293	40,375	44,850
Dymos Inc.	5,722	110,058	6,215	119,537
Hyundai Capital Service Inc.	91,019	3,456	98,858	3,754
WIA Corporation	48,174	72,961	52,323	79,245
Autoever Systems Corp.	31	41,584	34	45,166
KEFICO Corporation	549	55,731	596	60,531
Hyundai HYSCO	2,151	64,231	2,336	69,763
ROTEM	252	57,285	274	62,219
Hyundai Autonet Co., Ltd.	270	30,352	293	32,966
Hyundai Powertech	12,790	87,195	13,892	94,705
METIA Co., Ltd.	58	9,742	63	10,581
NGVTEK.Com	-	3,475	-	3,774
Partecs Co., Ltd.	4	5,146	4	5,589
Haevichi Resort.	6	994	7	1,080
Hyundai Motor America	39,479	12,626	42,879	13,713
Hyundai Motor Europe GmbH	57,344	23,413	62,283	25,430
Hyundai Motor Manufacturing Alabama, LLC	27,147	216	29,485	235
Hyundai Motor India	25,779	42	27,999	46
Hyundai Motor Company Australia	41,460	334	45,031	363
Hyundai Auto Canada	13,591	1,859	14,762	2,019
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	40,023	374	43,470	406
Hyundai Motor Group (China) LTD.	26,681	-	28,979	-
Hyundai Motor Poland Sp. Zo.O	32,941	676	35,778	734
Hyundai America Technical Center Inc.	30	4,167	33	4,526
Hyundai Motor Norway AS	1,194	68	1,297	74
Hyundai Motor Europe Technical Center GmbH	165	3,551	179	3,857
Others	97	724	106	786
Affiliates:				
Hyundai MOBIS	117,351	636,878	127,458	691,732
Hyundai Steel Company	901	22,620	979	24,568
Beijing-Hyundai Motor Company	60,812	2,230	66,050	2,422
EUKOR Car Carriers, Inc.	24	50,462	26	54,808
Iljin Bearing Co., Ltd.	-	3,228	-	3,506
Others	1	572	1	621
Others:				
Amco Corp.	3,644	86,814	3,958	94,291
Glovis Co., Ltd.	2,510	62,195	2,726	67,552
Innotion Corp.	3,657	37,845	3,972	41,105
IHL Corp.	92	19,421	100	21,094
BNG Steel Co., Ltd.	4	18,861	4	20,486
Wisco Co., Ltd.	562	15,064	611	16,361
	<u>₩ 872,934</u>	<u>₩ 1,730,361</u>	<u>\$ 948,120</u>	<u>\$ 1,879,397</u>

Significant outstanding balances as of December 31, 2006 are as follows:

The companies	2006			
	Korean Won		Translation into U.S. Dollars (Note 2)	
	Receivables	Payables	Receivables	Payables
	(In millions)		(In thousands)	
Subsidiaries:				
Kia Motors Corporation	₩ 165,720	₩ 133,366	\$ 179,993	\$ 144,853
Hyundai Card Co., Ltd.	57,909	48,678	62,897	52,871
Dymos Inc.	8,494	92,837	9,226	100,833
Hyundai Capital Service Inc.	82,555	6,582	89,665	7,149
WIA Corporation	32,700	80,258	35,516	87,171
Autoever Systems Corp.	23	69,525	25	75,513
KEFICO Corporation	902	43,211	980	46,933
Hyundai HYSCO	515	48,877	559	53,087
ROTEM	20	35,215	22	38,248
Hyundai Autonet Co., Ltd.	261	27,389	283	29,748
Hyundai Powertech	2,950	33,996	3,204	36,924
METIA Co., Ltd.	90	9,558	98	10,381
NGVTEK.Com	114	3,614	124	3,925
Haevichi Resort.	13,110	1,130	14,239	1,227
Hyundai Motor America	88,556	17,585	96,183	19,100
Hyundai Motor Europe GmbH	68,342	-	74,228	-
Hyundai Motor Manufacturing				
Alabama, LLC	68,607	111	74,516	121
Hyundai Motor India	50,485	112	54,833	122
Hyundai Motor Company Australia	30,268	-	32,875	-
Hyundai Assan Otomotive				
Sannayi Ve Ticaret A.S.	30,832	62	33,488	67
Hyundai Motor Poland Sp. Zo.O	9,005	1,465	9,781	1,591
Hyundai America				
Technical Center Inc.	17	7,131	18	7,745
Hyundai Motor Norway AS	977	4	1,061	4
Hyundai Motor Europe Technical				
Center GmbH	23	4,234	25	4,599
Others	2,407	2,714	2,615	2,947
Affiliates:				
Hyundai MOBIS	84,146	498,272	91,394	541,188
Hyundai Steel Company	558	22,625	606	24,574
Beijing-Hyundai Motor Company	50,804	2,008	55,180	2,181
EUKOR Car Carriers, Inc.	17	39,939	18	43,379
Iljin Bearing Co., Ltd.	66	3,300	72	3,584
Others	3	736	4	799
Others:				
Asset Management Co., Ltd.	527	144,466	572	156,909
Glovis Co., Ltd.	9,946	47,177	10,803	51,240
Innotion Corp.	113	45,478	123	49,395
Ecoplastic Corp.	8,938	34,268	9,708	37,220
IHL Corp.	141	14,904	153	16,188
BNG Steel Co., Ltd.	-	18,953	-	20,585
Korea Automotive Systems Co., Ltd.	15	8,633	16	9,377
Wisco Co., Ltd.	616	8,291	669	9,005
	<u>₩ 870,772</u>	<u>₩ 1,556,704</u>	<u>\$ 945,772</u>	<u>\$ 1,690,783</u>

- (4) Compensations for registered directors and unregistered directors of the Company for the nine months ended September 30, 2007 are as follows:

Description	Translation into	
	Korean Won (In millions)	U.S. Dollars (Note 2) (In thousands)
Short-term salaries	₩ 35,938	\$ 39,033
Severance benefits	8,450	9,178
	<u>₩ 44,388</u>	<u>\$ 48,211</u>

Accrued severance benefits and stock option costs for the directors as of September 30, 2007 amount to ₩81,958 million (US\$89,017 thousand) and ₩5,046 million (US\$5,481 thousand), respectively.

24. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of September 30, 2007 and December 31, 2006 are summarized below.

	Foreign currencies		Korean Won					
	September 30, 2007	December 31, 2006	September 30, 2007	December 31, 2006				
	(In thousands)		(In millions)					
Assets	US\$	732,316	US\$	545,043	₩	674,243	₩	506,672
	JP ¥	5,940	JP ¥	82,832		47		647
	GBP	-	GBP	7,184		-		13,104
	CAD	14,726	CAD	13,312		13,534		10,665
	EUR	249,274	EUR	230,592		324,774		281,839
	AUD	7,834	AUD	28,167		6,347		20,688
	AED	91,056	AED	-		22,833		-
						<u>₩ 1,041,778</u>		<u>₩ 833,615</u>
Liabilities	US\$	251,489	US\$	436,001	₩	231,546	₩	405,307
	JP ¥	24,196,530	JP ¥	23,677,692		192,781		185,119
	GBP	6,659	GBP	7,600		12,422		13,863
	CAD	2,602	CAD	2,760		2,391		2,211
	AUD	3,458	AUD	3,284		2,801		2,412
	EUR	175,033	EUR	198,311		228,047		242,384
	SGD	1	SGD	347		1		210
	CHF	464	CHF	1,088		364		828
	DKK	85	DKK	92		15		15
	SEK	-	SEK	85		-		12
	AED	99	AED	-		25		-
						<u>₩ 670,393</u>		<u>₩ 852,361</u>

25. REGIONAL SALES INFORMATION:

Sales by region for the three months and nine months ended September 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Domestic sales	<u>₩ 3,089,927</u>	<u>₩ 2,710,413</u>	<u>₩ 9,461,155</u>	<u>₩ 8,510,882</u>	<u>\$ 10,276,045</u>	<u>\$ 9,243,925</u>
Export sales - Vehicle products						
North America	601,881	598,074	2,487,056	2,551,618	2,701,266	2,771,389
Europe	1,024,277	908,111	3,271,443	3,237,887	3,553,213	3,516,767
South America	405,668	268,709	1,075,705	811,905	1,168,356	881,834
Asia & Pacific	303,987	241,050	871,458	782,048	946,517	849,406
Middle Asia & Africa	<u>620,197</u>	<u>429,621</u>	<u>1,884,566</u>	<u>1,507,584</u>	<u>2,046,883</u>	<u>1,637,433</u>
	<u>2,956,010</u>	<u>2,445,565</u>	<u>9,590,228</u>	<u>8,891,042</u>	<u>10,416,235</u>	<u>9,656,829</u>
Export sales - Other	<u>996,013</u>	<u>730,957</u>	<u>2,701,578</u>	<u>2,349,331</u>	<u>2,934,266</u>	<u>2,551,679</u>
Export sales	<u>3,952,023</u>	<u>3,176,522</u>	<u>12,291,806</u>	<u>11,240,373</u>	<u>13,350,501</u>	<u>12,208,508</u>
Total sales	<u>₩ 7,041,950</u>	<u>₩ 5,886,935</u>	<u>₩21,752,961</u>	<u>₩19,751,255</u>	<u>\$ 23,626,546</u>	<u>\$ 21,452,433</u>

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and nine months ended September 30, 2007 and 2006 are as follows:

	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2007	2006	2007	2006	2007	2006
	(In millions)				(In thousands)	
Salary-related costs	<u>₩ 275,555</u>	<u>₩ 229,153</u>	<u>₩ 811,903</u>	<u>₩ 721,299</u>	<u>\$ 881,832</u>	<u>\$ 783,425</u>
Export costs	186,774	141,635	547,122	499,525	594,246	542,549
Sales promotion and advertisements	71,276	63,833	243,016	286,477	263,947	311,151
Sales commissions	113,915	97,290	331,774	286,400	360,350	311,068
Sales warranties	66,966	32,006	259,281	199,932	281,613	217,152
Taxes and dues	10,516	11,536	20,066	20,246	21,794	21,990
Communications	4,565	4,567	14,024	14,116	15,232	15,332
Utilities	5,011	4,912	15,200	15,778	16,509	17,137
Freight and warehousing	19,917	16,606	60,515	52,109	65,727	56,597
Rent	3,650	4,873	11,111	14,617	12,068	15,876
Travel	16,023	13,707	49,055	45,046	53,280	48,926
Service charges	41,263	41,355	122,208	119,473	132,734	129,763
Maintenance	3,183	2,784	8,912	8,491	9,680	9,222
Supplies	2,925	3,359	10,123	11,210	10,995	12,176
Research	102,187	123,453	276,630	353,197	300,456	383,618
Depreciation	16,833	17,799	53,867	52,108	58,507	56,596
Amortization	2,128	2,315	6,706	6,746	7,284	7,327
Provision for other liabilities	5,042	-	10,814	-	11,745	-
Other	<u>3,501</u>	<u>3,398</u>	<u>9,316</u>	<u>8,511</u>	<u>10,118</u>	<u>9,243</u>
	<u>₩ 951,230</u>	<u>₩ 814,581</u>	<u>₩ 2,861,643</u>	<u>₩ 2,715,281</u>	<u>\$ 3,108,117</u>	<u>\$ 2,949,148</u>

27. STANDARD ON NATURAL ENVIRONMENT AND POLICY:

The Ministry of Environment appointed the Company as Green Company (May 25, 1996 ~ December 13, 1997) and the Company acquired ISO14001 authentication of environment system (December, 1995 ~ December, 1998). Disposal of industrial wastes is mostly deputed, and the Ulsan factory has constructed combined waste water facilities in 1997. For the nine months ended September 30, 2007 and 2006, expenditures of power and water supply in manufacturing cost are ₩105,900 million (US\$115,021 thousand) and ₩101,400 million (US\$110,134 thousand), respectively.