

# **HYUNDAI CORPORATION**

**Non-Consolidated Interim Financial Statements  
June 30, 2008**

**HYUNDAI CORPORATION**  
**Index**  
**June 30, 2008**

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## Report of Independent Accountants

To the Shareholders and Board of Directors of  
HYUNDAI CORPORATION

We have reviewed the accompanying non-consolidated balance sheet of HYUNDAI CORPORATION (the "Company") as of June 30, 2008, and the related non-consolidated statements of income for the three-month and six-month periods then ended, and the non-consolidated statements of changes in shareholders' equity and cash flows for the six-month period then ended, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our review. The non-consolidated statement of income of the Company for the three-month and six-month periods ended June 30, 2007, and non-consolidated statement of changes in shareholders' equity and cash flows for six-month period ended June 30, 2007, presented herein for comparative purposes, were reviewed by other accountants whose report dated July 31, 2007, stated that nothing had come to their attention that caused them to believe that the 2007 financial statements were not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We conducted our review in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our 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 thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the non-consolidated interim 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.

# Samil PricewaterhouseCoopers

The non-consolidated balance sheet of HYUNDAI CORPORATION as of December 31, 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended, were audited by other auditors whose audit report dated February 1, 2008, expressed an unqualified opinion on those financial statements. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2007, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2007.

As discussed in Notes 23 and 24 to the financial statements, the Company has an outstanding memorandum of understanding with its creditors and is proceeding with its debt workout plan. As of report date, the outcome of the workout plan could not be ascertained.

The amounts expressed in U.S. dollars are provided solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the accompanying financial statements.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used 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 who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea  
August 12, 2008

<p>This report is effective as of August 12, 2008, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**HYUNDAI CORPORATION**  
**Non-Consolidated Balance Sheets**  
**June 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in thousands)</i>	<b>Korean Won</b>		<b>U.S. Dollars</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b> (Note 3)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	₩ 26,911,006	₩ 30,766,730	\$ 25,792
Short-term financial instruments (Note 4)	88,794,495	59,988,180	85,101
Short-term investments (Note 5)	21,045	7,000	20
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩32,742,176 thousand (2007: ₩29,716,935 thousand) (Note 19)	189,171,151	147,040,220	181,303
Other accounts receivable, net of allowance for doubtful accounts of ₩32,684,318 thousand (2007: ₩31,738,544 thousand) (Note 19)	2,719,166	1,278,440	2,606
Accrued income, net of allowance for doubtful accounts of ₩16,595 thousand (2007: ₩16,595 thousand) (Note 19)	3,298,767	4,139,253	3,162
Advance payments, net of allowance for doubtful accounts of ₩5,141,036 thousand (2007: ₩5,141,036 thousand) (Note 19)	64,199,057	6,930,722	61,529
Prepaid expenses	370,092	588,347	355
Guarantee deposits	181,877	108,398	174
Deferred income tax assets (Note 15)	8,067,681	7,622,725	7,732
Inventories, net	114,243,913	51,571,067	109,492
Derivative assets (Note 14)	27,313	-	26
Others	304,192	565,048	292
Total current assets	498,309,755	310,606,130	477,583
Long-term financial instruments (Note 4)	61,796	32,986	59
Available-for-sale securities (Notes 6 and 8)	4,803,309	7,549,971	4,604
Equity-method investments (Notes 7 and 8)	58,679,699	63,579,784	56,239
Investments in petroleum development projects (Notes 8 and 19)	90,357,667	98,909,747	86,599
Long-term loans receivable, net of allowance for doubtful accounts of ₩44,653 thousand (2007: ₩44,653 thousand) (Notes 8 and 19)	32,909,244	38,576,481	31,540
Property, plant and equipment, net (Note 9)	640,724	1,008,244	614
Intangible assets, net (Notes 8 and 10)	49,126,513	29,561,248	47,083
Notes receivable for deferred payment, net of allowance for doubtful accounts of ₩697,649 thousand (2007: ₩627,309 thousand)	-	94,886	-
Deposits provided	5,462,552	5,405,144	5,235
Long-term prepaid expenses	5,313,500	5,349,476	5,092
Deferred income tax assets (Note 15)	22,217,930	20,835,375	21,294
Total other assets	269,572,934	270,903,342	258,360
Total assets	₩ 767,882,689	₩ 581,509,472	\$ 735,943

**HYUNDAI CORPORATION**  
**Non-Consolidated Balance Sheets**  
**June 30, 2008 and December 31, 2007**  
**(Unaudited)**

<i>(in thousands)</i>	<b>Korean Won</b>		<b>U.S. Dollars</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b> (Note 3)
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Trade accounts and notes payable (Note 19)	₩ 262,875,554	₩ 184,843,706	\$ 251,941
Other accounts payable	19,246,072	20,336,082	18,446
Advances from customers	68,898,611	14,884,729	66,033
Withholdings	1,607,803	1,307,446	1,541
Deposits received	110,445	93,027	106
Accrued expenses	1,529,111	2,585,560	1,466
Dividends payable	26,668	26,668	26
Derivative liabilities (Note 14)	2,885,186	15,483	2,765
Product warranty liabilities	2,744	10,847	3
Total current liabilities	<u>357,182,194</u>	<u>224,103,548</u>	<u>342,325</u>
Debentures, net (Note 11)	60,674,876	62,622,727	58,151
Long-term borrowings (Note 12)	125,233,974	104,298,992	120,025
Accrued severance benefits, net (Note 13)	<u>3,314,276</u>	<u>2,580,194</u>	<u>3,176</u>
Total liabilities	<u>546,405,320</u>	<u>393,605,461</u>	<u>523,678</u>
Commitments and contingencies (Note 14)			
Shareholders' equity			
Capital stock			
Common stock (Note 1)	111,649,010	111,649,010	107,005
Capital adjustments			
Treasury stock (Note 16)	(215)	(215)	-
Accumulated other comprehensive income and expense			
Net accumulated comprehensive income of equity method investees	7,328,980	3,642,599	7,024
Net accumulated comprehensive expense of equity method investees	(6,904,898)	(11,195,174)	(6,618)
Retained earnings			
Unappropriated retained earnings	<u>109,404,492</u>	<u>83,807,791</u>	<u>104,854</u>
Total shareholders' equity	<u>221,477,369</u>	<u>187,904,011</u>	<u>212,265</u>
Total liabilities and shareholders' equity	<u>₩ 767,882,689</u>	<u>₩ 581,509,472</u>	<u>\$ 735,943</u>

The accompanying notes are an integral part of these non-consolidated financial statements.  
See Report of Independent Accountants.

**HYUNDAI CORPORATION**  
**Non-Consolidated Statements of Income**  
**Three-Month and Six-Month Periods Ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in thousands, except per share amounts)</i>	<b>Three months</b>		<b>Six months</b>		<b>U.S. Dollars</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b> (Note 3)
<b>Sales (Notes 19 and 20)</b>	₩ 740,112,375	₩ 420,258,688	₩ 1,274,529,111	₩ 778,027,167	\$ 1,221,515
<b>Cost of sales (Note 19)</b>	<u>713,259,294</u>	<u>403,879,913</u>	<u>1,224,859,540</u>	<u>747,947,664</u>	<u>1,173,912</u>
Gross profit	26,853,081	16,378,775	49,669,571	30,079,503	47,604
<b>Selling and administrative expenses (Note 22)</b>	<u>12,316,391</u>	<u>9,327,117</u>	<u>23,241,051</u>	<u>17,912,952</u>	<u>22,274</u>
Operating income	<u>14,536,690</u>	<u>7,051,658</u>	<u>26,428,520</u>	<u>12,166,551</u>	<u>25,329</u>
<b>Non-operating income</b>					
Interest income	1,516,289	1,171,639	2,338,048	2,056,995	2,241
Dividend income (Note 8)	4,681,945	2,608,718	6,629,881	5,534,125	6,354
Gain on foreign currency transactions	17,835,170	1,442,879	25,993,134	3,854,855	24,912
Gain on foreign currency translation	6,587,230	104,365	21,903,921	1,221,546	20,993
Gain on disposal of property, plant and equipment	47,873	152,885	87,752	161,938	84
Gain on valuation of equity-method investments (Note 7)	9,346,742	3,403,844	14,561,250	6,881,608	13,956
Gain on derivative transactions	674,780	463,696	806,114	1,164,181	773
Gain on valuation of derivatives (Note 14)	-	19,434	15,290	-	15
Gain on valuation of firm commitment (Note 14)	-	-	12,023	-	12
Gain on disposal of available-for-sale securities	-	5,872,490	19,838	5,872,490	19
Gain on disposal of trade accounts and notes receivable	-	-	-	1,660,982	-
Reversal of allowance for doubtful accounts	234,863	-	-	-	-
Others	<u>71,057</u>	<u>30,851</u>	<u>242,308</u>	<u>308,743</u>	<u>232</u>
	<u>40,995,949</u>	<u>15,270,801</u>	<u>72,609,559</u>	<u>28,717,463</u>	<u>69,589</u>
<b>Non-operating expenses</b>					
Interest expense	2,802,342	2,613,380	5,766,953	5,297,162	5,527
Loss on foreign currency transactions	18,212,092	1,608,790	27,079,318	4,124,574	25,953
Loss on foreign currency translation	5,510,282	215,096	18,644,375	1,519,918	17,869
Donations	-	-	250	-	-
Loss on disposal of equity-method investments	-	-	281,593	-	270
Loss on valuation of equity-method investments (Note 7)	5,541,624	27,154	8,934,121	337,516	8,563
Loss on derivative transactions	1,184,057	17,704	2,144,889	93,301	2,056
Loss on valuation of derivatives (Note 14)	1,569,587	-	2,885,186	10,223	2,765
Loss on valuation of firm commitment	35,493	-	-	-	-
Loss on disposal of trade accounts and notes receivable	3,851,324	3,444,474	6,659,960	6,463,787	6,383
Loss on disposal of available-for-sale securities	3	99,999	3	99,999	-
Loss on impairment of available-for-sale securities	-	-	27,749	-	27
Other bad debt expenses	-	-	1,016,114	-	974
Loss on disposal of property, plant and equipment	-	408	8	408	-
Loss on impairment of equity method investments	-	125,807	-	125,807	-
Others	<u>67,006</u>	<u>286,060</u>	<u>1,312,156</u>	<u>1,212,151</u>	<u>1,259</u>
	<u>38,773,810</u>	<u>8,438,872</u>	<u>74,752,675</u>	<u>19,284,846</u>	<u>71,644</u>
Income before income tax expense	16,758,829	13,883,587	24,285,404	21,599,168	23,275
<b>Income tax expense (Note 15)</b>	<u>(216,455)</u>	<u>(7,378,359)</u>	<u>(734,694)</u>	<u>(7,378,359)</u>	<u>(704)</u>
Net income	<u>₩ 16,975,284</u>	<u>₩ 21,261,946</u>	<u>₩ 25,020,098</u>	<u>₩ 28,977,527</u>	<u>23,979</u>
<b>Per share data (in Korean won) (Note 18)</b>					
Basic and diluted earnings per share	<u>₩ 760</u>	<u>₩ 952</u>	<u>₩ 1,120</u>	<u>₩ 1,298</u>	<u>\$ 1</u>

The accompanying notes are an integral part of these non-consolidated financial statements.  
See Report of Independent Accountants.

## HYUNDAI CORPORATION

### Non-Consolidated Statements of Changes in Shareholders' Equity Six-Month Periods Ended June 30, 2008 and 2007 (Unaudited)

(in thousands)

	<u>Capital stock</u>	<u>Capital adjustment</u>	<u>Accumulated other comprehensive Income and expense</u>	<u>Retained earnings</u>	<u>Total</u>	<u>U.S. Dollars</u> (Note 3)
<b>Balances as of January 1, 2007</b>	₩ 111,649,010	₩ (8,769,328)	₩ (7,693,097)	₩ 48,653,443	₩ 143,840,028	\$ 137,857
Amortization of discount on stock issuance	-	1,487,053	-	(1,487,053)	-	-
Loss on disposal of treasury stock	-	7,282,060	-	(7,282,060)	-	-
<b>Retained earnings after appropriations</b>				39,884,330	143,840,028	137,857
Net income	-	-	-	28,977,527	28,977,527	27,772
Loss on valuation of available-for-sale securities	-	-	(1,066,415)	-	(1,066,415)	(1,022)
Changes in equity method investees with net accumulated comprehensive income	-	-	908,781	-	908,781	871
<b>Balances as of June 30, 2007</b>	<u>₩ 111,649,010</u>	<u>₩ (215)</u>	<u>₩ (7,850,731)</u>	<u>₩ 68,861,857</u>	<u>₩ 172,659,921</u>	<u>\$ 165,478</u>
<b>Balances as of January 1, 2008</b>	₩ 111,649,010	₩ (215)	₩ (7,552,575)	₩ 83,807,791	₩ 187,904,011	\$ 180,088
Cumulative effect of accounting change	-	-	-	576,603	576,603	553
<b>Adjusted retained earnings</b>				84,384,394	188,480,614	180,641
Net income	-	-	-	25,020,098	25,020,098	23,979
Changes in equity method investees with net accumulated comprehensive income	-	-	3,686,381	-	3,686,381	3,533
Changes in equity method investees with net accumulated comprehensive expense	-	-	4,290,276	-	4,290,276	4,112
<b>Balances as of June 30, 2008</b>	<u>₩ 111,649,010</u>	<u>₩ (215)</u>	<u>₩ 424,082</u>	<u>₩ 109,404,492</u>	<u>₩ 221,477,369</u>	<u>\$ 212,265</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants.



**HYUNDAI CORPORATION**  
**Non-Consolidated Statements of Cash Flows**  
**Six-Month Periods Ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in thousands)</i>	Korean Won		U.S. Dollars
	2008	2007	2008 (Note 3)
<b>Cash flows from operating activities</b>			
Net income	₩ 25,020,098	₩ 28,977,527	\$ 23,979
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for severance benefits	1,308,672	1,492,441	1,254
Bad debt expenses	3,025,242	61,562	2,899
Depreciation	173,409	576,940	166
Other bad debt expenses	1,016,114	-	974
Loss on foreign currency translation	18,644,374	1,466,181	17,869
Loss on disposal of available-for-sale securities	3	99,999	-
Loss on impairment of available-for-sale securities	27,749	-	27
Loss on disposal of equity-method investments	281,593	-	270
Loss on impairment of equity-method investments	-	125,807	-
Loss on valuation of equity-method investments	8,934,121	337,516	8,563
Amortization of intangible assets	1,380,454	61,261	1,323
Loss on disposal of property, plant and equipment	8	408	-
Loss on valuation of derivatives	2,885,186	10,223	2,765
Loss on disposal of trade accounts and notes receivable	6,659,960	6,463,787	6,383
Interest expense	42,149	39,301	40
Gain on foreign currency translation	(21,784,725)	(1,221,546)	(20,879)
Gain on valuation of equity-method investments	(14,561,250)	(6,881,608)	(13,956)
Gain on valuation of derivatives	(15,290)	-	(15)
Gain on valuation of firm commitment	(12,023)	-	(12)
Gain on disposal of available-for-sale securities	(19,838)	(5,872,490)	(19)
Gain on disposal of property, plant and equipment	(87,752)	(161,938)	(84)
Gain on disposal of trade accounts and notes receivable	-	(1,660,982)	-
	7,898,156	(5,063,138)	7,570

**HYUNDAI CORPORATION**  
**Non-Consolidated Statements of Cash Flows**  
**Six-Month Periods Ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in thousands)</i>	<b>Korean Won</b>		<b>U.S. Dollars</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b> (Note 3)
Changes in operating assets and liabilities			
Increase in trade accounts and notes receivable	(42,626,685)	(34,798,510)	(40,854)
Increase in other accounts receivable	(1,414,878)	(4,728,914)	(1,356)
Decrease (increase) in accrued income	1,203,860	(485,632)	1,154
Increase in advance payments	(57,268,335)	(5,777,600)	(54,886)
Decrease in prepaid expenses	123,797	535,640	119
Decrease (increase) in guarantee deposits	(64,246)	33,191	(62)
Increase in deferred tax assets	(734,694)	(7,378,359)	(704)
Increase in derivatives	(15,483)	(11,450)	(15)
Decrease (increase) in inventories	(62,672,846)	12,074,012	(60,066)
Decrease in notes receivable for deferred payment	94,886	12,979,075	91
Decrease in long-term prepaid expenses	130,434	-	125
Increase in trade accounts and notes payable	72,036,242	13,336,418	69,040
Decrease in other accounts payable	(2,617,326)	(2,107,361)	(2,508)
Increase in advances from customers	54,013,882	5,724,010	51,767
Increase in withholdings	300,357	772,670	288
Increase (decrease) in deposits received	17,418	(1,200)	17
Decrease in accrued expenses	(1,066,031)	(3,228,914)	(1,022)
Decrease in unearned revenues	-	(131,136)	-
Decrease in product warranty liabilities	(8,103)	(278,677)	(8)
Decrease in contribution to National Pension Plan	7,550	10,576	7
Decrease in deposits for severance benefit	427,178	390,676	409
Payment of severance benefits	(1,009,317)	(873,602)	(967)
Others	16,785,784	236,384	16,088
	<u>(24,356,556)</u>	<u>(13,708,703)</u>	<u>(23,343)</u>
Net cash provided by operating activities	<u>8,561,698</u>	<u>10,205,686</u>	<u>8,206</u>

**HYUNDAI CORPORATION**  
**Non-Consolidated Statements of Cash Flows**  
**Six-Month Periods Ended June 30, 2008 and 2007**  
**(Unaudited)**

<i>(in thousands)</i>	Korean Won		U.S. Dollars
	2008	2007	2008 (Note 3)
<b>Cash flows from investing activities</b>			
Proceeds from disposal of short-term financial instruments	₩ -	₩ 289,670	\$ -
Proceeds from disposal of short-term investments	-	9,880	-
Proceeds from disposal of available-for-sale securities	2,738,748	7,304,909	2,625
Proceeds from disposal of equity-method investments	1,181,138	6,474,145	1,132
Decrease in investments in petroleum development projects	34,357,295	1,741,531	32,928
Collection of long-term loans	9,026,489	5,087	8,651
Proceeds from disposal of property, plant and equipment	566,983	353,386	543
Acquisition of short-term financial instruments	(28,049,156)	-	(26,882)
Acquisition of short-term investments	(14,045)	-	(13)
Acquisition of long-term financial instruments	(28,810)	-	(28)
Increase in investments in petroleum development projects	(18,749,062)	(22,409,650)	(17,969)
Long-term loans provided	(58,402)	(8,249,706)	(56)
Acquisition of property, plant and equipment	(285,129)	(167,562)	(273)
Acquisition of intangible assets	(20,945,720)	(51,286)	(20,074)
Deposits provided	(35,168)	(17,569)	(34)
Net cash used in investing activities	(20,294,839)	(14,717,165)	(19,451)
<b>Cash flows from financing activities</b>			
Issuance of short-term borrowings	-	1,272,574	-
Issuance of long-term borrowings	24,821,511	3,768,493	23,789
Payment of debentures	(1,990,000)	-	(1,907)
Payment of long-term borrowings	(14,954,094)	-	(14,332)
Net cash provided by financing activities	7,877,417	5,041,067	7,550
Net increase (decrease) in cash and cash equivalents	(3,855,724)	529,588	(3,695)
<b>Cash and cash equivalents</b>			
Beginning of the period	30,766,730	33,481,411	29,487
End of the period	₩ 26,911,006	₩ 34,010,999	\$ 25,792

The accompanying notes are an integral part of these non-consolidated financial statements.  
See Report of Independent Accountants.

**HYUNDAI CORPORATION**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

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**1. The Company**

HYUNDAI CORPORATION (the "Company") was established on December 8, 1976, under the Commercial Code of the Republic of Korea to engage mainly in export and import goods.

In December 1, 1977, the Company's shares of stock were listed in the Korean Stock Exchange. The Company has been designated as a general trading company by the government of the Republic of Korea since February 11, 1978.

As of June 30, 2008, the Company has eight overseas subsidiaries, affiliates and 22 overseas branches. The Company mainly exports vehicles, steel products, machinery, electronic goods and export vessels, plants on a deferred payment basis. During the past several years, the Company has been actively engaged in the exploration of petroleum and minerals in overseas.

The initial paid-in capital of the Company was ₩50 million, and the Company is authorized to issue 1,500,000,000 shares with the par value per share of ₩5,000. As of June 30, 2008, the Company has issued 22,329,802 shares of common stock. And as of June 30, 2008, its capital stock amounts to ₩111,649,010 thousand through several capital increases, convertible bond conversion and capital reduction.

As of June 30, 2008, the Company's major shareholders are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
Woori Bank	5,069,666	22.70
The Korea Development Bank	5,031,733	22.53
Korea Exchange Bank	3,157,266	14.14
Korea Credit Guarantee Fund	2,318,332	10.38
NongHyup	2,238,266	10.02
The Export-Import Bank of Korea	1,031,600	4.62
Others	3,482,930	15.61
	22,329,793	100.00
Treasury stock	9	0.00
	22,329,802	100.00

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**2. Summary of Significant Accounting Policies**

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

**Basis of Financial Statement Presentation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

- SKFAS No. 15, *Equity Method Investments(As Revised)*
- Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures(As Revised)*

The Company applied the Korea Accounting Institute Opinion 06-2. The prior year financial statements, presented herein for comparative purposes, have not been restated. Instead, the Company reflected the effects of this change on the January 1, 2008 balances (Note 15).

**3. United States Dollar Amounts**

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$1 : ₩1043.4, the exchange rate in effect on June 30, 2008. Such presentation is not in accordance with generally accepted financial accounting standards in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

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**4. Restricted Financial Instruments**

As of June 30, 2008 and December 31, 2007, restricted financial instruments are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>		<b>2007</b>		<b>Remarks</b>
Short-term financial instruments	₩	37,727,096	₩	-	Guarantee deposits for L/C
		14,892,939		-	Guarantee provided as collaterals
Long-term financial instruments		18,581		18,581	Maintaining deposit for checking accounts
	₩	<u>52,638,616</u>	₩	<u>18,581</u>	

**5. Short-Term Investments**

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

<i>(in thousands of Korean won)</i>	<b>2008</b>		<b>2007</b>	
Government bonds	₩	<u>21,045</u>	₩	<u>7,000</u>

**6. Available-for-Sale Securities**

Available-for-sale securities as of June 30, 2008 and December 31, 2007, consist of the following:

<i>(in thousands of Korean won)</i>				<b>2008</b>		<b>2007</b>	
<b>Company</b>	<b>Percentage of ownership (%)</b>	<b>Number of shares</b>	<b>Acquisition cost</b>	<b>Fair value (net asset value)</b>	<b>Book value</b>	<b>Book value</b>	
<b>Equity securities</b>							
Neoplan Technology Co., Ltd. <sup>1</sup>	4.97	3,979	₩ 500,000	₩ -	₩ 1	₩ 1	
Netcubic.Com <sup>1</sup>	4.22	433,333	500,000	-	1	1	
Dizzo Com <sup>1</sup>	1.83	3,941	472,968	-	1	1	
Robocom <sup>1</sup>	3.30	2,030	20,300	-	1	1	
Mobile Tech Inc. <sup>1</sup>	7.69	16,923	500,000	-	1	1	
Mondex Korea Co., Ltd. <sup>1</sup>	3.59	105,000	537,500	-	1	1	
Busan Exhibition & Convention Center Ltd. <sup>1</sup>	1.81	215,000	2,150,000	2,375,581	1	1	
Saint Media <sup>1</sup>	1.79	5,000	500,000	-	1	1	
Shippingnet <sup>1</sup>	19.00	19,000	95,000	-	1	1	
Spectrontech <sup>1</sup>	9.83	983,333	500,000	-	1	1	
@ Data Co., Ltd.	4.41	102,069	285,793	671,899	285,793	285,793	

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Yonsei Digital Hollywood <sup>1</sup>	2.78	50,000	250,000	-	1	1
WindKorea. com <sup>1</sup>	5.00	5,000	25,000	-	1	1
Interzone 21 Co., Ltd. <sup>1</sup>	0.68	9,925	20,000	-	1	1
Infoweb Corporation <sup>1</sup>	2.06	120,071	300,178	-	1	1
G-Tech Co., Ltd. <sup>1</sup>	5.00	56,194	28,097	-	1	1
COSMO ENG <sup>1</sup>	15.00	448,620	224,310	-	1	1
Hyundai Sports International <sup>1, 2</sup>	24.00	24,000	120,000	-	1	1
Hyundai Asan Corporation <sup>1</sup>	2.68	261,290	13,064,500	3,890,661	1	1
Hyundai Unicorns Baseball Club <sup>1</sup>	4.00	4,800	1,800,000	-	1	27,750
Hyundai Craft <sup>1</sup>	19.02	388,000	194,000	-	1	1
HOME & TEL <sup>1</sup>	6.67	20,000	300,000	-	1	1
Home TV Internet <sup>1</sup>	1.57	100,000	500,000	-	1	1
ANVIL RANGE CO. <sup>1</sup>	19.77	4,063,998	14,048,413	-	1	1
CENTRAL ASIA <sup>1</sup>	4.36	22	477,292	-	1	1
CHEMCONNECT, Inc. <sup>1</sup>	0.40	107,417	1,132,997	10,479	10,479	10,479
DCM HYUNDAI LTD. <sup>1</sup>	5.00	1,600,000	415,329	-	1	1
GLOBALSTAR THAILAND <sup>1</sup>	4.90	4,900	13,309	-	1	1
H.D. STMC	10.00	-	224,110	265,781	224,110	224,110
Hynix Semiconductor America	-	-	-	-	-	2,700,000
HYUNDAI SOFIA <sup>1</sup>	15.00	-	4,641	-	1	1
K.K.KOREA KAMCHATKA CO.LTD	5.00	164	631,793	1,471,604	631,793	631,793
KORAS	8.00	2,226,667	3,490,050	2,230,999	3,490,050	3,490,050
MARINE NET <sup>1</sup>	3.29	250	130,924	53,490	1	1
MODERN ENGINEERING CO. <sup>1</sup>	10.00	-	304,018	-	1	1
PTHD INDU SEV. CO. <sup>1, 2</sup>	30.00	4,800	174,528	-	1	1
PAK GLOBALSTAR <sup>1</sup>	4.90	-	12,527	-	1	1
PT LIPPO HD DEV. <sup>1</sup>	10.00	14,250	1,096,395	-	1	1
SEGINIAGA(M) SDN. BHD.	4.39	550,800	159,247	250,307	159,247	159,247
SIAM CHEMICALS CO. <sup>1</sup>	0.50	100,000	244,551	-	1	1
SMD INTERNATIONAL PTE <sup>1</sup>	10.00	1,402,800	3,088,274	-	1	1
VLADIVOSTOK B/C <sup>1</sup>	17.86	-	1,625,546	-	1	1
			<u>50,161,590</u>	<u>11,220,801</u>	<u>4,801,507</u>	<u>7,529,256</u>
<b>Government bonds</b>	-	-	<u>1,800</u>	<u>-</u>	<u>1,800</u>	<u>20,710</u>
<b>Subordinated corporate bond<sup>1</sup></b>	-	-	<u>4,389,000</u>	<u>-</u>	<u>2</u>	<u>5</u>
			<u>₩ 54,552,390</u>	<u>₩ 11,220,801</u>	<u>₩ 4,803,309</u>	<u>₩ 7,549,971</u>

<sup>1</sup> Acquisition cost is adjusted as the investee's net asset value declined significantly and is not expected to recover. The resulting losses were charged to current operations as impairment losses on investment securities.

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<sup>2</sup> Equity method of accounting was not applied as the total assets of the investee as of the previous year end are less than ₩7,000 million in accordance with accounting principles generally accepted in Republic of Korea.

The maturity of debt securities as of June 30, 2008 and December 31, 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>	<b>2007</b>
1 year - 5 years	₩ 1,802	₩ 20,715

Total interest income earned from available-for-sale securities amounted to ₩575 thousand.

The Company has provided ₩11 thousand of available-for-sale securities as collaterals in relation to the long-term borrowings of The Korea Development Bank.

**7. Equity-Method Investments**

Equity-method investments as of June 30, 2008 and December 31, 2007, are as follows:

<i>(in thousands of Korean won)</i>				<b>2008</b>	<b>2007</b>	
	<b>Number</b>	<b>Percentage</b>				
<b>Investee</b>	<b>of</b>	<b>of</b>	<b>Acquisition</b>	<b>Net</b>	<b>Book</b>	<b>Book</b>
	<b>shares</b>	<b>ownership</b>	<b>cost</b>	<b>asset value</b>	<b>value</b>	<b>value</b>
		<b>(%)</b>				
HYUNDAI CORP. USA	236,180	100.00	₩ 27,186,393	₩ 5,759,055	₩ 4,170,518	₩ 3,075,690
HYUNDAI AUSTRALIA PTY., LTD.	14,570,951	100.00	11,813,429	3,666,516	3,600,421	3,285,184
HYUNDAI JAPAN CO., LTD.	23,276	100.00	21,026,480	7,441,718	7,130,580	5,817,883
HYUNDAI CANADA INC.	20,962	100.00	1,739,443	2,391,123	2,288,562	1,731,543
HYUNDAI CORP. U.K., LTD.	24,032,362	100.00	48,912,823	414,731	414,731	4,003,448
HYUNDAI CORP. EUROPE GMBH	-	100.00	80,296,417	9,649,006	9,478,477	9,023,620
HYUNDAI SANGSA H.K., LTD.	13,806,090	100.00	19,658,652	11,760,074	11,409,066	10,689,598
HYUNDAI SGP PTE., LTD.	57,073,550	100.00	38,639,744	2,641,798	2,641,798	2,375,699
KOREA LNG LIMITED	2,400	20.00	2,141	512,642	2,563,208	2,162,904
POS METAL CO., LTD.	-	-	-	-	-	1,323,354
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	-	70.50	6,277,489	10,476,909	10,361,907	9,529,990
PTHD INTL. DEVE.	-	55.00	2,905,778	1,174,126	1,174,126	1,162,322
QINGDAO H.D SHIPBUILDING CO.,LTD.	-	80.00	16,900,400	3,822,679	3,446,305	9,398,549
HYUNDAI YEMEN LNG COMPANY LIMITED	6,120	51.00	5,887	-	-	-
			<u>₩ 275,365,076</u>	<u>₩ 59,710,377</u>	<u>₩ 58,679,699</u>	<u>₩ 63,579,784</u>

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The net asset value is based on the most recent available financial statements which were not reviewed or audited. The unrecognized accumulated losses of HYUNDAI YEMEN LNG COMPANY LIMITED amount to ₩95,044 thousand (Note 8).

Changes in equity-method investments for the six-month period ended June 30, 2008 and for the year ended December 31, 2007, are as follows:

(in thousands of Korean won)

Investee	2008				
	Beginning	Acquisition (disposal) cost	Valuation gain(loss)	Others <sup>1</sup>	Ending
HYUNDAI CORP. USA	₩ 3,075,690	₩ -	₩ 561,388	₩ 533,440	₩ 4,170,518
HYUNDAI AUSTRALIA PTY., LTD.	3,285,183	-	(341,150)	656,388	3,600,421
HYUNDAI JAPAN CO., LTD.	5,817,884	-	234,316	1,078,380	7,130,580
HYUNDAI CANADA INC.	1,731,543	-	394,970	162,049	2,288,562
HYUNDAI CORP. U.K., LTD.	4,003,448	-	-	(3,588,717)	414,731
HYUNDAI CORP. EUROPE GMBH	9,023,620	-	(1,034,108)	1,488,965	9,478,477
HYUNDAI SANGSA H.K., LTD.	10,689,598	-	(482,111)	1,201,579	11,409,066
HYUNDAI SGP PTE., LTD.	2,375,699	-	(256)	266,355	2,641,798
KOREA LNG LIMITED	2,162,904	-	12,474,184	(12,073,880)	2,563,208
POS METAL CO., LTD.	1,323,354	(1,462,730)	-	139,376	-
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	9,529,990	-	619,498	212,419	10,361,907
PTHD INTL. DEVE.	1,162,322	-	276,894	(265,090)	1,174,126
QINGDAO H.D SHIPBUILDING CO.,LTD.	9,398,549	-	(7,076,496)	1,124,252	3,446,305
HYUNDAI YEMEN LNG COMPANY LIMITED	-	-	-	-	-
	₩ 63,579,784	₩ (1,462,730)	₩ 5,627,129	₩ (9,064,484)	₩ 58,679,699

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(in thousands of Korean won)

Investee	2007				
	Beginning	Acquisition (disposal) cost	Valuation gain(loss)	Others <sup>1</sup>	Ending
HYUNDAI CORP. USA	₩ 2,110,278	₩ -	₩ 931,080	₩ 34,332	₩ 3,075,690
HYUNDAI AUSTRALIA PTY., LTD.	3,118,653	-	(182,509)	349,039	3,285,183
HYUNDAI JAPAN CO., LTD.	5,338,022	-	110,174	369,688	5,817,884
HYUNDAI CANADA INC.	1,073,957	-	389,593	267,993	1,731,543
HYUNDAI CORP. U.K., LTD.	4,129,255	-	-	(125,807)	4,003,448
HYUNDAI CORP. EUROPE GMBH	6,451,980	-	1,513,404	1,058,236	9,023,620
HYUNDAI SANGSA H.K., LTD.	10,246,580	-	380,174	62,844	10,689,598
HYUNDAI SGP PTE., LTD.	2,548,956	-	(237,767)	64,510	2,375,699
KOREA LNG LIMITED	2,186,405	-	9,144,702	(9,168,203)	2,162,904
POS METAL CO., LTD.	1,167,389	-	98,625	57,340	1,323,354
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	6,643,536	-	1,887,106	999,348	9,529,990
PTHD INTL. DEVE.	882,915	-	399,208	(119,801)	1,162,322
QINGDAO H.D SHIPBUILDING CO.,LTD.	7,827,996	-	70,605	1,499,948	9,398,549
HYUNDAI YEMEN LNG COMPANY LIMITED	5,887	-	(5,887)	-	-
	<u>₩ 53,731,809</u>	<u>₩ -</u>	<u>₩ 14,498,508</u>	<u>₩ (4,650,533)</u>	<u>₩ 63,579,784</u>

<sup>1</sup> Includes adjustments for the impairments, changes in equity method investees, and payments of dividends.

Changes in the difference between the initial purchase price and the net asset values of QINGDAO HYUNDAI SHIPBUILDING for the six-month period ended June 30, 2008 and year ended December 31, 2007, are as follows:

(in thousands of Korean won)	2008	2007
Beginning	₩ 331,872	₩ 497,808
Amortization <sup>1</sup>	<u>82,968</u>	<u>165,936</u>
Ending	<u>₩ 248,904</u>	<u>₩ 331,872</u>

<sup>1</sup> Amortization calculated based on using the straight-line method for five years.

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**8. Investments in Exploration of Resources**

The Company's investments in resource exploration projects with the consortium lead by Korea National Oil Corporation as of June 30, 2008 and December 31, 2007, are as follows:

*(In thousands of Korean won)*

<b>Project name</b>	<b>Accounts</b>	<b>2008</b>	<b>2007</b>	<b>Mass production status</b>
Vietnam (11-2 prospect)	Mining rights	₩ 28,450,464	₩ 29,173,832	Commenced in 2007
Yemen LNG <sup>1</sup>	Equity method investments	-	-	
	Investments in petrolerum development projects	79,934,569	92,117,825	Commenced in 2009 (expected)
	Long-term loans	32,862,930	38,537,265	
West Kamchatka Prospect	Available-for-sale securities	631,793	631,793	
	Investments in petrolerum development projects	7,342,943	3,711,766	Exploration ongoing
Oman LNG(KOLNG)	Equity method investments	2,563,208	2,162,904	Commenced in 2000
Katar LNG(KORAS)	Available-for-sale securities	3,490,050	3,490,050	Commenced in 1999
Peru prospect <sup>2</sup>	Investments in petrolerum development projects	3,080,156	3,080,156	Failed

<sup>1</sup> As of June 30, 2008, the Company discontinued the application of equity method of accounting for its investments in Yemen LNG because the Company's share in the accumulated losses of the investee exceeds the balance of the investments (Note 7).

<sup>2</sup> As of June 30, 2008, investments in the Peru project is under liquidation.

The revenues from investments in resource exploration for the six-month periods June 30, 2008 and 2007, are as follows:

*(In thousands of Korean won)*

	<b>Description</b>	<b>2008</b>	<b>2007</b>
Vietnam (11-2 prospect)	Sales	₩ 5,297,199	₩ 3,255,224
Oman LNG(KOLNG)	Equity method investments	12,474,184	6,395,506
Katar LNG(KORAS)	Dividend income	6,629,881	5,396,752
		<u>₩ 24,401,264</u>	<u>₩ 15,047,482</u>

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The percent of ownership related to investments in the exploration of resources as of June 30, 2008 and December 31, 2007, are as follows:

	Percentage of ownership of consortium in investments	Percentage of ownership of Company in consortium
Vietnam (11-2 prospect)	100.00%	4.88%
Yemen LNG	5.90%	51.00%
Kamchatka prospect	40.00%	5.00%
Oman LNG(KOLNG)	5.00%	20.00%
Katar LNG(KORAS)	5.00%	8.00%

**9. Property, Plant and Equipment**

Changes in property, plant and equipment for the six-month period ended June 30, 2008 and for the year ended December 31, 2007, are as follows:

*(in thousands of  
Korean won)*

	<b>2008</b>				
	<b>Buildings</b>	<b>Vehicles</b>	<b>Machinery and equipment</b>	<b>Others<sup>1</sup></b>	<b>Total</b>
Beginning balance	₩ 291,698	₩ 97,818	₩ 127,558	₩ 491,170	₩ 1,008,244
Acquisition	-	109,898	175,231	-	285,129
Disposal	-	-	-	(479,239)	(479,239)
Depreciation	(8,248)	(47,728)	(105,729)	(11,705)	(173,410)
Ending balance	₩ 283,450	₩ 159,988	₩ 197,060	₩ 226	₩ 640,724
Accumulated depreciation	₩ (211,445)	₩ (673,998)	₩ (9,194,973)	₩ (175,780)	₩ (10,256,196)
Accumulated impairment	(1,839,285)	-	-	-	(1,839,285)

*(in thousands of  
Korean won)*

	<b>2007</b>				
	<b>Buildings</b>	<b>Vehicles</b>	<b>Machinery and equipment</b>	<b>Others<sup>1</sup></b>	<b>Total</b>
Beginning balance	₩ 308,194	₩ 209,322	₩ 254,187	₩ 5,047,813	₩ 5,819,516
Acquisition	-	-	60,040	129,470	189,510
Disposal	-	(2,845)	(527)	(4,039,628)	(4,043,000)
Depreciation	(16,496)	(108,659)	(186,142)	(646,485)	(957,782)
Ending balance	₩ 291,698	₩ 97,818	₩ 127,558	₩ 491,170	₩ 1,008,244
Accumulated depreciation	₩ (203,197)	₩ (695,066)	₩ (9,094,493)	₩ (373,726)	₩ (10,366,482)
Accumulated impairment	(1,839,285)	-	-	-	(1,839,285)

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**10. Intangible Assets**

Changes in intangible assets for the six-month period ended June 30, 2008 and for the year ended December 31, 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>		
	<b>Mining rights</b>	<b>Other intangible assets</b>	<b>Total</b>
Beginning balance	₩ 29,173,832	₩ 387,416	₩ 29,561,248
Replacement	-	-	-
Acquisition	66,520	20,879,199	20,945,719
Amortization	(789,888)	(590,566)	(1,380,454)
Ending balance	<u>₩ 28,450,464</u>	<u>₩ 20,676,049</u>	<u>₩ 49,126,513</u>

<i>(in thousands of Korean won)</i>	<b>2007</b>		
	<b>Mining rights</b>	<b>Other intangible assets</b>	<b>Total</b>
Beginning balance	₩ -	₩ 418,608	₩ 418,608
Replacement	30,503,495	-	30,503,495
Acquisition	-	96,080	96,080
Amortization	(1,329,663)	(127,272)	(1,456,935)
Ending balance	<u>₩ 29,173,832</u>	<u>₩ 387,416</u>	<u>₩ 29,561,248</u>

Details of intangible assets as of June 30, 2008 and December 31, 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>		<b>2007</b>	
	Mining rights	Vietnam (11-2 prospect)	₩ 28,450,464	₩
Other intangible assets	Trademark <sup>1</sup>	20,182,500		-
	Others	493,549		387,416
		<u>₩ 49,126,513</u>	<u>₩</u>	<u>29,561,248</u>

<sup>1</sup> On December 26, 2007, the Company agreed to purchase Hynix Semiconductor Inc.'s trademark and exclusive license for ₩20.7 billion. Upon completion of the purchase during the six-month period ended June 30, 2008, advance payments made was reclassified as intangible assets.

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**11. Debentures**

Details of debentures as of June 30, 2008 and December 31, 2007, are as follows:

(in thousands of Korean won)

	Series	Maturity date <sup>1</sup>	Interest rate	2008		2007	
Non-guaranteed debentures	31 <sup>th</sup>	8/11/2006	6.30%	₩	8,130,000	₩	8,400,000
Non-guaranteed debentures	34 <sup>th</sup>	12/19/2008	7.08%		<u>52,580,000</u>		<u>54,300,000</u>
					60,710,000		62,700,000
			Less : Discount		(35,124)		(77,273)
				₩	<u>60,674,876</u>	₩	<u>62,622,727</u>

<sup>1</sup> According the Company's memorandum of understanding with its creditors, the maturity dates of these debentures are extended until the Company succeeds in its debt workout plan.

**12. Long-Term Borrowings**

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

(In thousands)

Creditor	Purpose	Interest rate(%)	2008		2007	
			U.S. dollar	Won	U.S. dollar	Won
Korea National Oil Corporation	Investments in petroleum development projects	3.75~7.00	US\$ 25,801,429	₩ 27,039,943	US\$ 23,269,744	₩ 22,443,041
Korea Exchange Bank	Operational borrowings	Libor (1month)+3	8,831,000	9,214,265	13,833,000	12,978,121
Woori Bank	Operational borrowings	Libor (3month)+3	20,703,000	21,601,510	25,054,000	23,505,663
The Korea Development Bank	Operational borrowings	Libor (3month)+3	19,873,052	20,735,542	24,375,759	22,869,337
NH Bank	Operational borrowings	Libor (3month)+3	7,509,575	7,835,491	9,593,000	9,000,153
SOCIETE GENERALE	Financial investments in overseas <sup>1</sup>	Libor (6month)+0.8	<u>37,193,045</u>	<u>38,807,223</u>	<u>14,392,111</u>	<u>13,502,677</u>
			<u>US\$ 119,911,101</u>	<u>₩ 125,233,974</u>	<u>US\$ 110,517,614</u>	<u>₩ 104,298,992</u>

<sup>1</sup> As of June 30, 2008, Korea Export Insurance Corporation has provided guarantees of up to a maximum amount of US\$ 90 million for the Company's borrowings from Societe Generale for its overseas investments.

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The payment schedule of long-term borrowings as of June 30, 2008, is as follows:

*(in thousands of Korean won)*

<b>Maturity</b>		
July 1, 2009 ~ June 30, 2010	₩	59,386,808
July 1, 2010 ~ June 30, 2011		-
July 1, 2011 ~ June 30, 2012		-
July 1, 2012 ~ June 30, 2013		-
Thereafter		65,847,166
	₩	<u>125,233,974</u>

**13. Accrued Severance Benefits**

Changes in accrued severance benefits for the six-month periods ended June 30, 2008 and 2007, are as follows:

*(in thousands of Korean won)*

	<b>2008</b>		<b>2007</b>	
Beginning balance	₩	7,645,884	₩	6,451,567
Payment		(1,009,318)		(1,410,460)
Increase		1,308,672		2,604,777
		<u>7,945,238</u>		<u>7,645,884</u>
Less : Severance benefit insurance deposits		-		(3,652,094)
Severance benefit fund deposits		(4,539,263)		(1,314,347)
Cumulative deposits to the National Pension Fund		(91,699)		(99,249)
Ending balance	₩	<u>3,314,276</u>	₩	<u>2,580,194</u>

The Company has a contract with The Korea Development Bank, to manage the Company's defined benefit pension plan. Details of severance benefit fund deposits as of June 30, 2008, consist of the following:

*(in thousands of Korean won)*

Cash	₩	18,758
Bank deposits		3,752,562
Beneficiary certificates		767,943
	₩	<u>4,539,263</u>

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**14. Commitments and Contingencies**

As of June 30, 2008, the Company is contingently liable for guarantees of its overseas subsidiaries and affiliated companies amounting to approximately US\$ 299,532 thousand for local financial transactions. The Company provided financial assistance to overseas subsidiaries such as the payment and the rollover guarantees for accounts receivables and account payables.

As a proprietor of Yemen LNG project, the Company offers a guarantee of US\$ 92,670 thousand to the Korea Gas Corporation.

The Company has been provided with guarantees amounting to US\$ 98,316 thousand as of June 30, 2008, by Seoul Guarantee Insurance Co., Ltd. to ensure the refund of advances from customers.

On June 30, 2008, the Company provided notes and checks, including 21 blank notes and blank checks as collaterals for the Company's various borrowings and guarantees of indebtedness.

As of June 30, 2008, the Company has filed two suits claiming US\$ 8,948 thousand in damages. And the Company is a plaintiff in five lawsuits totaling US\$ 6,915 thousand and ₩80 million. As of balance date, the outcome of these cases cannot be reasonably determined.

The Company sells notes receivable issued by its customers at a discount, of which US\$ 212,781 thousand and US\$ 151,060 thousand have not matured as of June 30, 2008 and December 31, 2007, respectively.

Commitments for trade financial transactions with Korea Exchange Bank as of June 30, 2008, are as follows:

<i>(in thousands of US dollars)</i>	<b>Limit amount</b>		<b>Used amount</b>	
D/A	US\$	325,492	US\$	211,721
Usance L/C		105,669		89,409
Local L/C		116,948		112,437
Bond		92,161		80,317
	US\$	640,270	US\$	493,884

Gain or loss on valuation of derivative instruments for the six-months period ended June 30, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>				<b>2007</b>			
	<b>Gains</b>		<b>Losses</b>		<b>Gains</b>		<b>Losses</b>	
Foreign currency forward	₩	15,290	₩	2,873,163	₩	-	₩	10,223
Commodity futures		-		12,023		-		-
	₩	15,290	₩	2,885,186	₩	-	₩	10,023

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The Company enters into foreign currency forward contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. Details of foreign currency exchange contracts as of June 30, 2008, are as follows:

*(in thousands of Korean won)*

Position	Contract amounts	Contract rate	Gain(loss) on valuation of derivative
Selling	US\$ 621,150	1,017.30	₩ (16,304)
Selling	US\$ 2,607,000	1,028.90	(38,725)
Selling	US\$ 243,093	1,047.90	1,002
Selling	US\$ 1,061,176	1,042.40	(2,335)
Selling	US\$ 4,354,560	1,031.00	(60,851)
Buying	US\$ 1,049,800	1,032.50	14,111
Selling	US\$ 367,920	1,046.70	177
Selling	US\$ 25,000,000	949.10	(2,397,012)
Buying	EUR 627,000	1.5886	(6,913)
Buying	EUR 132,000	1.5933	(2,102)
Selling	EUR 3,780,000	1.5473	(110,759)
Selling	EUR 5,510,000	1.5453	(172,914)
Selling	EUR 5,844,000	1.5681	(41,380)
Selling	EUR 1,241,584	1.5555	(23,868)
			₩ (2,857,873)

The Company has an aluminum future contract, and recorded it as firm commitment assets and gain on valuation of firm commitment of ₩12,023 thousand, respectively, as of June 30, 2008.

**15. Income Tax**

The income tax expense for the six-month periods ended June 30, 2008 and 2007, consists of the following:

*(in thousands of Korean won)*

	2008	2007
Current income tax	₩ -	₩ -
Deferred income tax due to temporary differences	(1,827,512)	(7,378,359)
Items charged directly to shareholders' equity	516,215	-
Cumulative effect of accounting change	576,603	-
Income tax expenses	₩ (734,694)	₩ (7,378,359)

Income before income taxes and income tax expenses as of June 30, 2008 and 2007, are as follows:

*(in thousands of Korean won)*

	2008	2007
Net income before tax	₩ 24,285,404	₩ 21,599,168
Income tax based on statutory rate	₩ 6,678,486	₩ 5,939,771
Adjustments	(7,413,180)	(13,318,130)
Income tax expense	₩ (734,694)	₩ (7,378,359)

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Details of deferred income tax assets (liabilities) as of June 30, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>				<b>Deferred income tax assets (liabilities)</b>
	<b>Beginning</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending</b>	
Allowance for doubtful accounts	₩ (64,830,930)	₩ (67,889,423)	₩ (64,830,930)	₩ (67,889,423)	₩ 18,669,591
Accrued severance benefits	(5,126,720)	(946,588)	(519,460)	(5,553,848)	1,527,308
Deposit for retirement insurance	4,966,441	92,282	519,460	4,539,263	(1,248,297)
Impairment of investments in Peru prospect	(2,652,403)	-	-	(2,652,403)	729,411
Impairment of available-for-sale securities	(111,602,735)	(27,749)	(57,043,583)	(54,586,901)	15,011,398
Bad debt expenses	(226,781)	-	-	(226,781)	62,365
Other accounts payable	(1,890,968)	-	-	(1,890,968)	520,016
Gain (loss) on foreign currency translation	(1,702,567)	3,259,546	-	1,556,979	(428,169)
Impairment of investments	(334,999)	-	-	(334,999)	92,125
Equity-method investments	(203,785,767)	(7,207,368)	971,630	(211,964,765)	58,290,310
Accrued income	915,188	907,651	915,188	907,651	(249,604)
Other	(4,269,791)	(3,399,915)	(155,711)	(7,513,995)	2,066,349
	<u>(390,542,032)</u>	<u>(75,211,564)</u>	<u>(120,143,406)</u>	<u>(345,610,190)</u>	<u>95,042,803</u>
Net accumulated comprehensive income of equity method investees	3,642,599	3,747,900	-	7,390,499	(61,518)
Net accumulated comprehensive expense of equity method investees	<u>(11,195,174)</u>	<u>-</u>	<u>(3,712,543)</u>	<u>(7,482,631)</u>	<u>577,733</u>
	<u>(7,552,575)</u>	<u>3,747,900</u>	<u>(3,712,543)</u>	<u>(92,132)</u>	<u>516,215</u>
Net operating loss carryforwards	<u>(72,175,166)</u>	<u>(18,617,508)</u>	<u>-</u>	<u>(90,792,674)</u>	<u>24,967,985</u>
Allowance for doubtful accounts	<u>₩ (470,269,773)</u>	<u>₩ (90,081,172)</u>	<u>₩ (123,855,949)</u>	<u>₩ (436,494,996)</u>	<u>₩ 120,527,003</u>
Unutilized deferred income tax assets					₩ (90,241,391)
Recognized deferred income tax assets					30,285,612

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won)

2007

	Beginning	Increases	Decreases	Ending	Deferred income tax assets (liabilities)
Allowance for doubtful accounts	₩ (88,116,536)	₩ (64,621,480)	₩ (88,116,536)	₩ (64,621,480)	₩ 17,770,907
Impairment of property, plant and equipment	(1,839,285)	-	(1,839,285)	-	-
Accrued severance benefits	(3,755,597)	(2,021,158)	(627,505)	(5,149,250)	1,416,044
Deposit for retirement insurance	3,603,708	1,990,238	627,505	4,966,441	(1,365,771)
Impairment of investments in Peru prospect	(2,652,403)	-	-	(2,652,403)	729,411
Impairment of available-for-sale securities	(113,238,607)	(1,861,970)	(3,497,843)	(111,602,734)	30,690,752
Bad debt expenses	-	(226,781)	-	(226,781)	62,365
Other accounts payable	(71,798)	(1,819,170)	-	(1,890,968)	520,016
Gain (loss) on foreign currency translation	-	(1,702,567)	-	(1,702,567)	468,206
Impairment of investments	(334,999)	-	-	(334,999)	92,125
Notes receivable for deferred payment	19,098,529	-	19,098,529	-	-
Equity-method investments	(206,998,351)	(11,852,610)	(15,065,193)	(203,785,768)	56,041,086
Accrued income	133,036	915,188	133,036	915,188	(251,677)
Other	(3,829,982)	(2,008,121)	(1,892,268)	(3,945,835)	1,085,105
	<u>(398,002,285)</u>	<u>(83,208,431)</u>	<u>(91,179,560)</u>	<u>(390,031,156)</u>	<u>107,258,569</u>
Gain (loss) on valuation of available-for-sale securities	<u>6,620,676</u>	<u>-</u>	<u>6,620,676</u>	<u>-</u>	<u>-</u>
	<u>6,620,676</u>	<u>-</u>	<u>6,620,676</u>	<u>-</u>	<u>-</u>
Net operating loss carryforwards	<u>(118,172,430)</u>	<u>-</u>	<u>(45,878,264)</u>	<u>(72,294,166)</u>	<u>19,880,896</u>
	<u>₩ (509,554,039)</u>	<u>₩ (83,208,431)</u>	<u>₩ (130,437,148)</u>	<u>₩ (462,325,322)</u>	<u>₩ 127,139,465</u>
Unutilized deferred income tax assets					₩ (98,681,365)
Recognized deferred income tax assets					28,458,100

Increase(decrease) of temporary differences includes the differences between the tentative and final tax returns.

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized ₩30,285,612 thousand as the deferred income tax asset as of June 30, 2008. And the Company did not recognize deferred tax assets from valuation loss on equity-method investments, amounting to ₩194,354,526 thousand as disposal of such investments is unlikely in the near future.

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Unexpired net loss carry forwards as of June 30, 2008, are as follows:

*(in thousands of Korean won)*

Year incurred	Amounts	Expiration
2005	₩ 72,175,166	2010
2008	18,617,508	2013
	₩ 90,792,674	

The financial statements for the six-month period ended June 30, 2008, reflect the adoption of the Korea Accounting Institute's opinion on the Korean Accounting Statement Implementation 06-2, *Accounting treatment for taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures*, recognizing the deferred tax assets and liabilities from investments in subsidiaries regardless of the nature of the temporary differences. The prior year financial statements, presented herein for comparative purposes, have not been restated. Instead, the Company reflected this change on the January 1, 2008 balances. The effects of the change in accounting policy on the June 30, 2008 financial statements were an increase in deferred tax assets and retained earnings of ₩576,603 thousand each.

**16. Treasury Stock**

As of June 30, 2008, the Company has nine treasury shares, which it plans to dispose of in the future.

**17. Disposition of Undisposed Accumulated Deficit**

Details of disposition of undisposed accumulated deficit, are as follows:

*(in thousands of Korean won)*

2000	Retained earnings and additional paid-in capital	₩ 79,522,378
2001	Additional paid-in capital	8,594,019
2004	Gains on capital reduction	329,670,300
2006	Gains on capital reduction	207,356,604
		₩ 625,143,301

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**18. Earnings Per Share**

Basic earnings per share for the six-month periods ended June 30, 2008 and 2007, is computed as follows:

	2008		2007	
	Three months	Six months	Three months	Six months
Net income for common stock	₩ 16,975,283,717	₩ 25,020,097,514	₩ 21,261,946,077	₩ 28,977,527,025
Weighted-average number of common stocks outstanding	22,329,793	22,329,793	22,329,793	22,329,793
Basic earnings per share	₩ 760	₩ 1,120	₩ 952	₩ 1,298

As there are no diluted securities outstanding as of June 30, 2008 and 2007, diluted earnings per share is identical to basic earnings per share. Basic earnings per share for the year ended December 31, 2007, is ₩1,967 (March 31, 2008: ₩360).

**19. Related Party Transactions**

Details of the subsidiaries as of June 30, 2008, are as follows:

	Capital stock (in thousands of Korean won)	Number of shares owned	Percentage of ownership (%)	Location	Balance sheet date
HYUNDAI CORP. USA	₩ 27,138,658	236,180	100.00	USA	December 31
HYUNDAI SANGSA H.K., LTD.	19,658,652	13,806,090	100.00	Hongkong	December 31
HYUNDAI CORP. EUROPE GMBH	80,296,417	-	100.00	Germany	December 31
HYUNDAI CANADA INC.	1,739,443	20,962	100.00	Canada	December 31
HYUNDAI JAPAN CO., LTD.	11,096,775	23,276	100.00	Japan	December 31
HYUNDAI AUSTRALIA PTY., LTD.	11,813,429	14,570,951	100.00	Australia	December 31
HYUNDAI SGP PTE., LTD.	38,639,744	57,073,550	100.00	Singapore	December 31
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	20,088,400	-	80.00	China	December 31
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	8,904,240	-	70.50	India	March 31
HYUNDAI YEMEN LNG COMPANY LIMITED	11,544	6,120	51.00	Bermuda	December 31
PTHD INTI. DEVE.	5,283,233	-	55.00	Indonesia United	December 31
HYUNDAI CORP. U.K., LTD.	In the process of liquidation		100.00	Kingdom	December 31

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Significant transactions with related parties for the six-month period ended June 30, 2008 and 2007, are as follows:

*(in thousands of Korean won)*

	Sales		Purchases	
	2008	2007	2008	2007
<b>Subsidiaries</b>				
HYUNDAI CORP. USA	₩ 145,331,205	₩ 103,153,415	₩ 50,557	₩ 122,834
HYUNDAI SANGSA H.K., LTD.	26,585,712	151,942	237,712	128,670
HYUNDAI CORP. EUROPE GMBH	2,391,341	-	688,416	547,706
HYUNDAI CANADA INC.	11,295,030	5,176,667	-	-
HYUNDAI JAPAN CO., LTD.	47,751,327	49,615,265	11,657	5,582
HYUNDAI AUSTRALIA PTY., LTD.	5,611,487	2,474,610	-	-
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	25,263,632	1,671,825	-	-
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	6,416,097	32,550,077	32,776	-
HYUNDAI YEMEN LNG COMPANY LIMITED	26,965	26,965	-	-
HYUNDAI SGP PTE.,LTD.	-	92,289	-	37,949
PHD INT'L DEVELOPMENT	-	78,639	-	-
<b>Equity method investee</b>				
KOREA LNG LIMITED	-	6,395,506	-	-
	₩ 270,672,796	₩ 201,387,200	₩ 1,021,118	₩ 842,741

Significant receivables and payables with related parties as of June 30, 2008 and December 31, 2007, are as follows:

*(in thousands of Korean won)*

	Receivables		Payables	
	2008	2007	2008	2007
<b>Subsidiaries</b>				
HYUNDAI CORP. USA	₩ 77,916,835	₩ 70,311,000	₩ 744,477	₩ 508,184
HYUNDAI SANGSA H.K., LTD.	711	640	248,018	516,253
HYUNDAI CORP. EUROPE GMBH	1,214,760	1,046,045	10,900,728	10,562,692
HYUNDAI CANADA INC.	6,250,289	7,139,863	-	-
HYUNDAI JAPAN CO., LTD.	2,898,067	2,560,068	32,854	35,566
HYUNDAI AUSTRALIA PTY., LTD.	3,580,559	334,051	141,894	234,288
QINGDAO HYUNDAI SHIPBUILDING CO., LTD.	33,618,127	3,414,021	2,493,056	1,819,170
POS-HYUNDAI STEEL MFG. (I) PVT.LTD.	711	2,831,568	-	-
HYUNDAI YEMEN LNG COMPANY LIMITED	115,205,210	133,901,695	-	-
HYUNDAI CORP. U.K., LTD.	-	-	43,022	38,708
HYUNDAI SGP PTE.,LTD.	-	-	141,298	127,052
	₩ 240,685,269	₩ 221,538,951	₩ 14,745,347	₩ 13,841,913

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As of June 30, 2008, the Company has financial instruments of ₩120,132 million as well as borrowings of ₩120,097 million from the same financial institution. For the six-month period ended June 30, 2008, ₩20,000 million of those borrowings were repaid.

For the six-month periods ended June 30, 2008 and 2007, the Company recorded wages of ₩322,833 thousand and ₩299,360 thousand, respectively, and severance benefits of ₩97,008 thousand and ₩281,474 thousand, respectively, as key management compensation. Key management consists of executive officers who have the authority and responsibility in the planning, directing and control of the Company's operations.

Allowance for doubtful accounts with related parties as of June 30, 2008, amounted to ₩10,473,238 thousand.

**20. Segment Information**

The Company's financial information by segments is as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>		<b>2007</b>	
	<b>Sales</b>	<b>Operating income (expense)</b>	<b>Sales</b>	<b>Operating income (expense)</b>
Machinery and plant	₩ 372,369,924	₩ 8,051,174	₩ 140,646,615	₩ 2,848,329
Steel	759,886,978	12,092,887	602,036,832	7,563,043
Chemicals	47,690,919	153,343	7,090,127	(388,060)
Electricity and electronics	10,375,055	3,867,671	8,325,181	2,254,743
Others	84,206,235	2,263,445	19,928,412	(111,504)
	<u>₩ 1,274,529,111</u>	<u>₩ 26,428,520</u>	<u>₩ 778,027,167</u>	<u>₩ 12,166,551</u>

**21. Comprehensive Income**

Comprehensive income for the six-month periods ended June 30, 2008 and 2007, are as follows:

<i>(in thousands of Korean won)</i>	<b>2008</b>	<b>2007</b>
Net income	₩ 25,020,097	₩ 28,977,527
Cumulative effect of accounting change	576,603	-
Other comprehensive income and expense		
Capital changes under equity method, net of tax of ₩(61,518) thousand (2007: Nil)	3,686,382	902,238
Negative capital changes under equity method, net of tax of ₩577,733 thousand (2007: Nil)	4,290,276	6,543
Comprehensive income	<u>₩ 33,573,358</u>	<u>₩ 29,886,308</u>

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**22. Selling and Administrative Expenses**

Selling and administrative expenses for the six-month periods ended June 30, 2008 and 2007, are as follows:

*(in thousands of Korean won)*

	<b>2008</b>		<b>2007</b>	
Wages	₩	7,044,156	₩	6,067,811
Provision for severance benefits		1,308,672		1,492,441
Welfare expenses		616,196		502,653
Education and training expenses		86,151		67,775
Travel and transportation		881,949		705,425
Communication expenses		210,604		218,699
Supplies expenses		19,470		24,800
Books and periodicals		77,481		85,977
Utility expenses		384,787		374,609
Taxes and dues		352,206		322,193
Entertainment expenses		529,148		483,839
Expenses of overseas branches		3,725,175		2,757,433
Vehicles maintenance expenses		73,500		78,562
Repairs expenses		21,364		14,765
Depreciation		161,786		119,008
Amortization of intangible assets		590,566		61,261
Freight expenses		24,920		32,135
Rental expenses		997,462		969,475
Commissions		1,178,568		1,581,951
Advertising expenses		16,048		34,635
Foreign market development costs		441,232		549,264
Bad debt expenses		3,025,242		61,562
Insurance premium		154,254		72,749
Electronic expenses		1,157,852		1,115,979
Others		162,262		117,951
	₩	23,241,051	₩	17,912,952

See Report of Independent Accountants



**HYUNDAI CORPORATION**  
**Notes to Non-Consolidated Financial Statements**  
**June 30, 2008 and 2007, and December 31, 2007**  
**(Unaudited)**

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**23. Debt Workout Plan**

The Company entered into a memorandum of understanding (MOU) for a debt workout plan with its creditors in 2003. The MOU, which originally expired on December 31, 2006, was amended, extending the expiration until December 31, 2008. The MOU includes the rollover, debt-equity swap and capital reduction.

The original and amended memoranda of understanding include:

1. The extension of maturity dates of current debts until December 31, 2008.
2. The creditors decided on a debt-to-equity swap of ₩310 billion on conditions that the debts should be converted into common shares before an exercise date, and the debts will be condoned if they are not converted.
3. The sale of the shares from the debt-to-equity conversion and from the conversion of convertible bonds is restricted until December 31, 2008, except for extraordinary circumstances.

In 2003, debts amounting to ₩76,527 million were converted into common shares, while debts amounting to ₩220,156 million were converted into convertible bonds. In 2005, these convertible bonds were converted into common shares as well. The capital reduction with the ratio of 3:1 was completed in 2005. Currently, the Company is continuously implementing the debt workout plan by disposing of certain assets, exerting vigorous effort in collecting bad debts and receivables, downsizing its overseas subsidiaries.

**24. Uncertainty of the Successful Completion of the Debt Workout Plan**

As mentioned in Note 23, the Company has continuously implemented the debt workout plan which helped the Company achieve financial stability and has so far resulted in net income for the Company since 2004.

However, as of balance sheet date, the successful completion of the Company's debt workout plan could not be ascertained.

**25. Reclassification of Prior Period Financial Statements**

Certain amounts in the June 30, 2007 and December 31, 2007 financial statements have been reclassified to conform to the June 30, 2008 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.