HYUNDAI

THE ROAD TO **SUSTAINABILITY**

HYUNDAI MOTOR COMPANY 2006 Sustainability Report

About the Report

In line with our corporate transparent management objectives, the Hyundai Motor Company (hereinafter HMC) Sustainability Report has been published on an annual basis since 2003 in order to communicate its sustainability initiatives as a responsible global corporate citizen to its stakeholders. Based on its intentions, activities and performance related to the sustainability aspects affecting our stakeholders and the company, HMC strives to support stakeholders in making sound decisions regarding their involvement with HMC.

Purpose of this report

As the sustainability report is based on HMC's intentions, activities and performance related to the core sustainability issues affecting our stakeholders and the company, this year's report has been written with the purpose to assist associated stakeholders in making informed and objective decisions regarding the company.

Reporting Standard

The HMC 2006 Sustainability Report is written in line with the 2002 Global Reporting Initiatives (GRI) guidelines. In addition, we strive to report all aspects of our domestic and overseas business operations on the basis of consistency, relevance, reliability and comparability. However, readers may recognize some limitations as there exists a lack of generally accepted reporting standards. As a result, readers may not be able to accurately compare HMC's performance to that of other companies without further data, analysis and interpretation.

Scope and Coverage

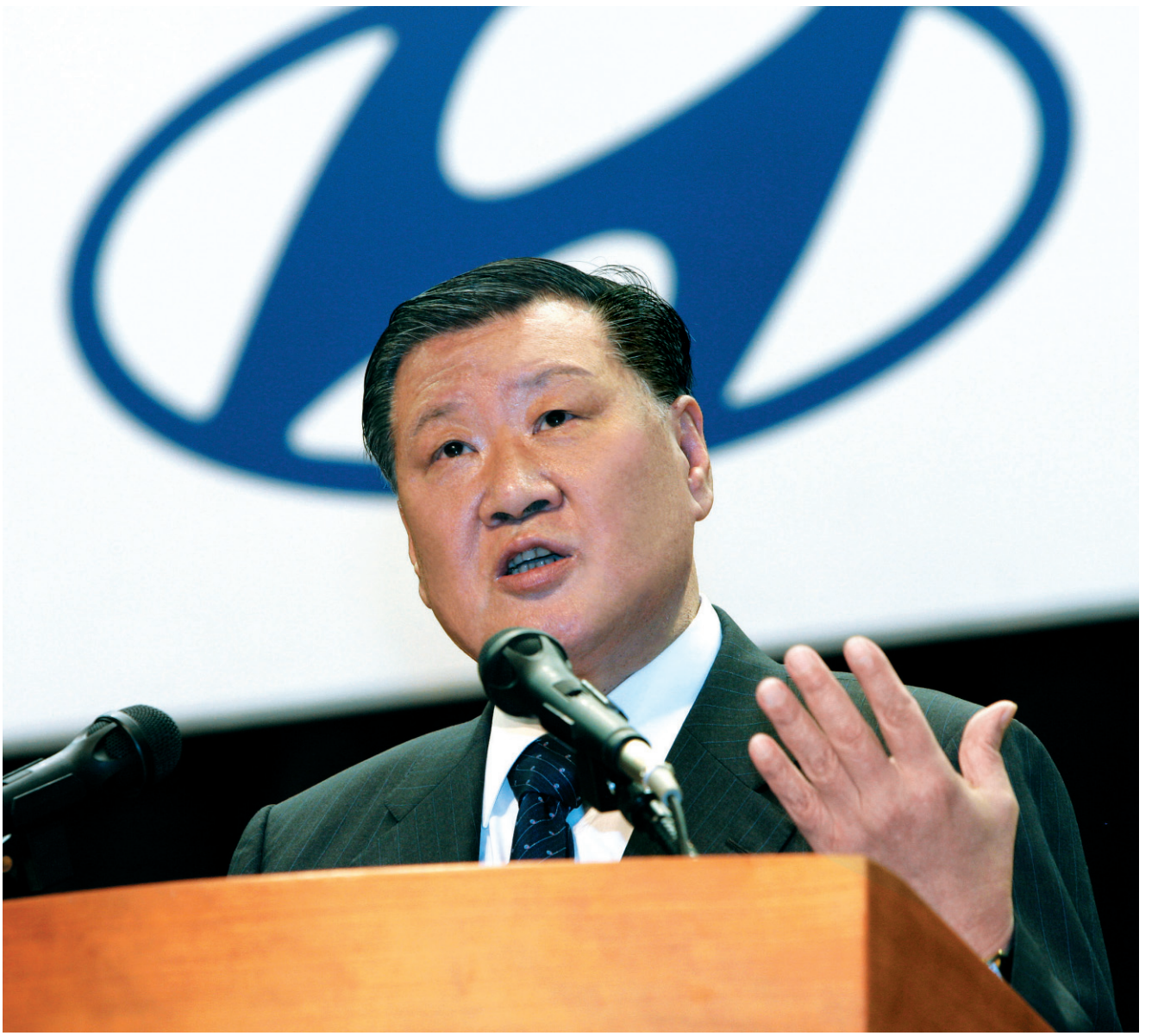
The scope of this year's sustainability report is expanded towards a more extensive global coverage of domestic operations (the Head Office, Hyundai-Kia R&D Center, Domestic Service Centers, and the Ulsan, Asan and Jeonju Plants), overseas manufacturing plants (India-HMI, Turkey-HAOS, China-BHMC, and USA-HMMA), overseas research facilities and regional headquarters.

This report includes HMC's sustainability activities from January 1, 2005 through June 30, 2006. Performance related data in this report are retrieved from data sets gathered from the period encompassing January 1, 2005 to December 31, 2005, HMC's fiscal period. For the collection of environmental and social data sets, HMC utilized Autoway, a corporate intranet database system used for data collection and classification. In addition, HMC applies the HMC Sustainability Reporting Guidelines in order to standardize internal data collection and reporting procedures.

Reporting Process

This report was written by the HMC Environmental Management Strategy Planning Team, the Corporate Planning Office of its headquarters. The information presented follows HMC's internal reporting guidelines and is based on official HMC documents. Content is reviewed by managers and employees of related departments and approved by the executive upper management before finalization and publishing.

As the fourth issue of its kind, this year's report focuses extensively on our commitments and achievements in the field of sustainability.



It is my great honor to present this report detailing the commitments and achievements in terms of our economical, environmental and social developments of the past year.

The year 2005 was a meaningful year to the Hyundai Motor Company. We successfully completed the construction of our Alabama plant in the United States, manufacturing the first US-made Sonata. Furthermore, it was a year of recognition and accolades for our ceaseless efforts to improve the quality of our vehicles. The Hyundai Motor Company was recognized as one of the Global Top 100 Brands, achieving an official brand value of US$3.5 billion. We became the first and only Korean automaker to achieve a such recognition. Such achievements clearly demonstrate that we are emerging as a global automaker not only quantitatively but also in terms of its qualitative aspects. We acknowledge that corporate social responsibility is one of the key elements of a successful global enterprise. Wherever we have established business roots, it has been our duty to nurture close corporate-community relations in order to ensure a brighter and more abundant future with a sense of togetherness based on social partnership.

At present, we face increasingly more complex global environmental regulations and a depletion of petroleum resources. Although such trends pose a significant threat to our business, we remain optimistic and embrace it as a challenge and a business opportunity. By pursuing more aggressive research and development activities and a sustainable business management model, we are striving to secure a competitive advantage.
I would like to stress that the foundation of our future is found in achieving a balanced and harmonious relationship with all of our stakeholders. The voices of our stakeholders represent a core element in our principle of sustainable management. Our efforts toward sustainable management begin with and focus on our mutual relationship with our stakeholders to share the fruits of our harmony and to develop a common understanding. Valuing your opinion is integral to our efforts to improve our business model.

Through passion and relentless effort, we have become a global competitor. However, we humbly pledge to continue such efforts without neglecting the all important elements of harmony, balance and unity in our relationship with our stakeholders. We will continue to listen to the voice of our stakeholders and remind ourselves that the key to the future is sustainable development based on balance, harmony and unity.

I would like to invite all of you to join us in our journey toward sustainable development. Once again, in presenting this sustainability report, I also would like to extend my deepest appreciation for all the loyalty and support you have shown.

October 2006

Mong-koo Chung
Chairman & CEO

The Hyundai Motor Company achieved global sales totaling 2.3 million automobiles in the year 2005. This achievement is all the more praiseworthy in light of record-high prices for oil, raw materials and the strengthening of the Korean won against the US dollar. Also, competition in the automotive market has been especially fierce during the past year. In spite of such hardships, we will continue our due efforts to develop more environment friendly and socially responsible business models on top of our economic success.

As a responsible global corporate citizen, we are keenly aware of our commitments to social partnership and sustainable development. In our efforts to reach such commitments, we humbly ask for your understanding and support as they will be our foundation for sustainable development.

All companies seek the trust and respect of its stakeholders. In order to earn the trust and respect of its stakeholders, companies must institute principles of unyielding integrity. At the same time, such principles should be methodically implemented with systems that are transparent and unbiased. Based on this belief, the Hyundai Motor Company is committed to establishing an open and direct communication process with its stakeholders. One such initiative is the inaugural Environmental Forum to be held in 2007.

We continue to be actively involved in a diverse range of social activities in order to further our commitment to social responsibility. We invest effort into developing innovative solutions for traffic related issues, which correspond directly with the nature of our business, such as the promotion of a safer driving culture and improvements in mobility for the physically challenged. Moreover, we support and encourage our employees to continue their activities to help the socially disadvantaged. At the same time, our overseas business units are engaged in building stronger community relationships.

We are focusing on reducing the adverse environmental footprint of our products throughout the entire life cycle. Climate change, resource depletion and other environmental issues are becoming more imminent day-by-day on a global scale. We have and will continue to invest our effort and resources to develop environmentally friendly technologies. We especially recognize climate change as the most significant and malevolent environmental issue confronting us in the 21st century. As such, we are committed more than ever to take an active role in the global effort to fight climate change.

The passion and participation of our employees are the principal factors that drive us to realize our commitment to corporate social responsibility. We are taking all the necessary steps to ensure that our employees have a thorough understanding of sustainable development and to make sure that they carry out their duties in accordance with these principles. By educating them with our sustainability values, we hope to spark self motivation, which is fundamental to practicing such values and bringing them to life.

As a responsible global corporate citizen, the Hyundai Motor Company will continue its effort to realize harmonious development within the business framework of sustainable development. We recognize our commitment to balance economical, environmental and social values and that will surely take us to the next level: a better future for all mankind.

October 2006

Dong-jin Kim, Ph.D.
Vice Chairman & CEO

Corporate Profile

Established in 1967, HMC launched its Pony model, becoming the first Korean-made automobile to be exported in 1976. Since the Pony, HMC has continued to expand its export volume and overseas market to include North America, Europe, China, Japan and other areas. HMC built Korea's first engine and transmission parts in 1991. By doing so, HMC greatly contributed to the Korean automobile industry by localizing the production of key components. In 2004, HMC exported 1 million automobiles and received the 'The Ten Billion Dollar Export Award' from the Korean government. HMC now produces and sells passenger vehicles, RVs, light trucks, dump trucks, commercial buses, vans and other specially designed vehicles in over 190 countries worldwide.

In 2005, HMC announced its new corporate vision 'Innovation for Humanity.' Following this vision, HMC has concentrated efforts to provide customers with products and services that not only meet their various requests, but also enhance their living values. As an automobile manufacturer, HMC aims to create and develop automobiles which respect and harmonize our planet, and reduce the overall environmental impacts of our business activities.

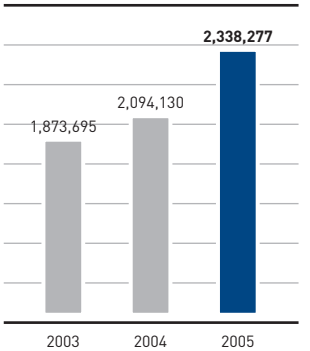
Corporate Facts

Hyundai Motor Company	Total Revenues: 27.4 trillion Korean won
Headquarters: Seoul, Republic of Korea	Total Assets: 26.6 trillion Korean won
Industry Sector: Manufacturing	Net Income: 2.3 trillion Korean won
Major Product: Automobiles	Date of Establishment: December 29, 1967
Sales: 1,700,843 units	

* Sales: Sales total from domestic sales and exports in 2005
* Total Revenues, Total Assets and Net Income: HMC's independent Financial Statement for fiscal year 2005

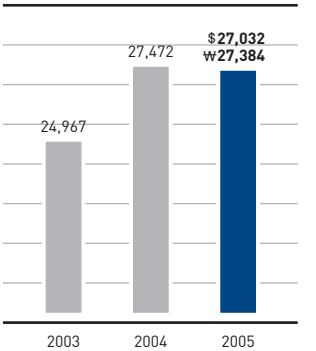
Global Sales

(unit)



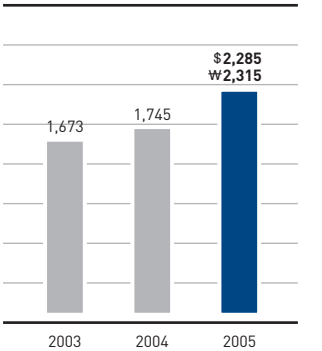
Total Revenues

(Korean won in billions, US dollars in millions)



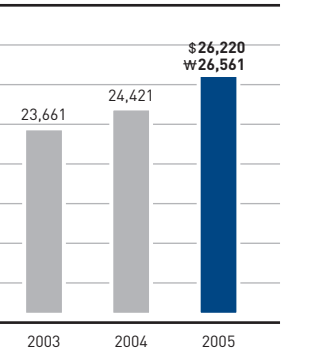
Net Income

(Korean won in billions, US dollars in millions)



Total Assets

(Korean won in billions, US dollars in millions)



* Total Revenues, Net Income and Total Assets: HMC Independent Financial Statements for the 2005 fiscal year
* Global Sales: Sales total from domestic sales, exports and local sales of overseas manufacturing plants

Corporate Philosophy

The harmonious development with all of its stakeholders is the core value at the Hyundai Motor Company (hereinafter HMC). The harmony, balance and unity with stakeholders is the foundation for HMC's sustainability management. HMC strives to contribute to the sustainable development of mankind by actively embedding sustainability management in its organization.

■ Management Philosophy

"With the spirit of creative challenge, HMC is doing its part to create a more affluent lifestyle for humanity, and is contributing to the harmony and co-prosperity with its shareholders, customers, employees and other stakeholders of the automobile industry."

The spirit of creative challenge, which has been firmly etched into our company since the beginning, drives innovation to actively solve various challenges in the business environment. Based on this spirit, HMC has been doing its part to create a more affluent lifestyle for humanity. In addition, HMC has taken the necessary steps forward along with its customers, employees, shareholders, business partners, local communities and other stakeholders on the basis of mutual trust.

■ Vision

In 2005, HMC launched its new corporate vision 'Innovation for Humanity.' This vision is influenced by the Korean heritage, which respects human value. 'Innovation for Humanity' embodies HMC's corporate culture sensitive to the needs of its people and customers by implementing 5 core strategies: Global Orientation, Customer Moving, Technical Innovations, Human Respect and New Culture Creation.

5 Core strategies	
• **Global Orientation**	Growing as a leading global automobile maker giving trust to the global community and being loved forever
• **New Culture Creation**	Creating an automobile culture in which people are respected and become central
• **Technical Innovation**	Innovating for advanced technology with people being central
• **Customer Moving**	Putting customers first to create a business culture and to further move customers
• **Human Respect**	Making contributions to human co-prosperity with leading environmentally friendly technologies

■ Management Policy

Since 2000, HMC has prescribed Trust-Based Management, Site-Intensive Management and Transparent Management as its 3 fundamental management policies. HMC's 3 management policies provide the strategical foundation of its key management activities.

Trust-Based Management

Trustworthiness, Trust-based management-labor, superior-subordinates and company-customer relationship

Honesty and respect of others is essential to earning the trust of people. Trust is deepened when all promises are kept. HMC strives to earn the trust of all stakeholders encompassing customers, employees, shareholders, business partners, local communities and other stakeholders through honest and transparent communication. For this purpose, HMC has published the sustainability report since 2003 in order to share in its economic, environmental and social performance and activities with its stakeholders.

Site-Intensive Management

Competency building and the raising of morale, Site-intensive management solution, Site-oriented management and R&D strategy, Real-time communication

HMC focuses on both site-intensive and market-oriented initiatives. As such, HMC concentrates on raising productivity and quality at its plants, and on improving sales efficiency and service quality in the market. In addition, HMC places greater emphasis on fostering its corporate culture sensitive to the needs of its customers. Under site-intensive Management, the Chairman and CEO, Mong koo Chung, visits key facilities on a regular basis in order to encourage employees and assess progress. These regular visits are an integral part of the CEO's philosophy that underscores a hands-on and micro-management approach to operations. In addition, all on-site problems are reported and HMC continues to actualize improvements through in-depth discussions.

Transparent Management

Transparent job specifications, Transparency in transaction and fair trade, Enhancing the ethics management system

As a responsible global corporate citizen, we are committed to creating a more transparent and viable society. The awareness of this social responsibility is the foundation of HMC's Transparent Management. In order to achieve Transparent Management, it is imperative to first raise employee ethical awareness and to help them make better ethical workplace decisions. HMC has adopted various ethics management programs since 2001. In 2005, HMC added new ethics regulations to its existing ethics charter and mapped out its first employee ethical code of conduct guidelines. However, there are a few HMC employees who are currently engaged in legal disputes and lawsuits over certain monetary transactions incurred in prior years. As we continue to prepare systematic revisions to promote transparent management throughout our operations, HMC will apply the above unethical cases as the basis of further efforts to embed ethical issues in decision-making within its organization. One of our systematic tools for Transparent Management is the Board of Directors, which is composed of internal and external directors. Discussion and approval regarding core management matters are passed directly through the Board of Directors and the annual general meeting for shareholders. At the same time, we initiate independent external audits relating to corporate accounting and to the entire scope of our business activities. Through the balance created by the Board of Directors, Shareholder Meetings and Independent external audits, HMC continues to move forward to create transparency and an ethical business environment.

Developed in 2005, the internal auditing system has been in operation since 2006 in order to further promote the transparency and reliability of our management activities.

Board of Directors (December 31, 2005)

Classification	Title	Name	Office
Internal Director	Chairman (Standing)	Mong-koo Chung	Chairman and CEO
	Vice Chairman (Standing)	Dong-jin Kim	Vice Chairman and CEO
External Director	Director (Non-Standing)	Cheon-soo Jeon	Vice Chairman of Hyundai Powertech
	Director (Non-Standing)	Masao Miyamoto	Mitsubishi Corp.
	Director (Non-Standing)	Dong-gee Kim	Member of Audit Committee
	Director (Non-Standing)	Byung-il Park	Member of Audit Committee
	Director (Non-Standing)	Kwang-nyun Kim	Member of Audit Committee

Ethics Charter

Contributions to our country and society

- We will contribute to our country' s economic growth through continuous employment creation and faithful tax payment.
- We will fully comply with all environment related laws and regulations to lead the way in environmental protection and make contributions to our society through cultural and welfare projects.

Promotion of customer and investor interests

- We will promote customer and investor rights and interests with the best products and service, will keep confidence with customer information, and will fulfill commitments with customers.
- We will manage and increase the assets of investors by improving the financial structure and by maximizing the efficiency of business management.

Human respect and talent merit

- We respect every employee as an independent character to form an advanced organizational culture based on mutual reliance and understanding and we will do our best to prevent sexual harassment.
- We strive for the cultivation of employee ethical awareness and provide long-term systematic support to train them to become flexible and creative individuals.

Establishment of partner relations with suppliers

- We actively assist our suppliers through technical support and management direction to further the synergetic effects and to allow them to obtain international competitiveness over the long haul.
- We deal with suppliers in a fair manner, never making any unfair demands by taking advantage of our prominent position.

Settlement of transparent management

- We will deal with all businesses using transparent standards and will establish fair trade practices securing the interests of each party using transparent terms and conditions with all business partners including customers and suppliers.
  Also, we will eliminate all requests from interested persons which may be adverse to fair practice, in connection with posts.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SPOTLIGHTS
2005 MANAGEMENT

HMC's management activities have always been centered on its customers. Since its foundation, HMC's management system has been evolving to realize the consumers' expectations of an automobile. With its new corporate vision of 2005, 'Innovation for Humanity,' HMC is driving forward the development of automobiles that meet the various requests of its customers and enhance their living values.

Key Management Activities of 2005

Global management, quality management and brand management are HMC's key management initiatives to enhance global customer satisfaction and to ensure sustainable growth. HMC continues to invest in establishing a full-fledged global management system from product development, design, production, marketing and sales to customer service and focuses on quality management to provide the highest quality vehicles for its customers. Moreover, following its declaration to move toward achieving status as a global leading brand, HMC is striving to elevate its brand value to world-class levels through diverse brand value enhancement programs.

■ Global Management

Global Management is one of HMC's core management initiatives to minimize the risk in the external business environment and to ensure its future success. From the first exports to Ecuador in 1976, followed by the export of the Excel to the American market in the 1980's, and to the establishment of its overseas manufacturing plants of HAOS in 1997, HMI in 1998, and BHMC in 2002, HMC has diversified operations with the establishment of a global production network.

With the construction and commissioning of HMMA, its Alabama Plant, together with the Hyundai-Kia America Technical Center (HATCI), the Hyundai-Kia California Design & Technical Center and the California Proving Ground etc., HMC has now established a full-fledged global management system from product development, design, production, marketing and sales to customer service ensuring customer satisfaction on a global scale. In 2006, HMC has been accelerating its globalization with plans to expand its production facilities in China and India.

China & India: The Expansion of HMC's Production Capacity

Anticipating a surge in China's economic growth precipitated by the 2008 Beijing Olympics and the 2010 Shanghai Expo, HMC has commenced the construction of a second production plant in China. When mass production begins in April 2008, the new plant will double Beijing Hyundai Motor Company (BHMC) production capacity to 600 thousand units. At the same time, this plant is expected to create some 3,200 jobs in and around the surrounding area.

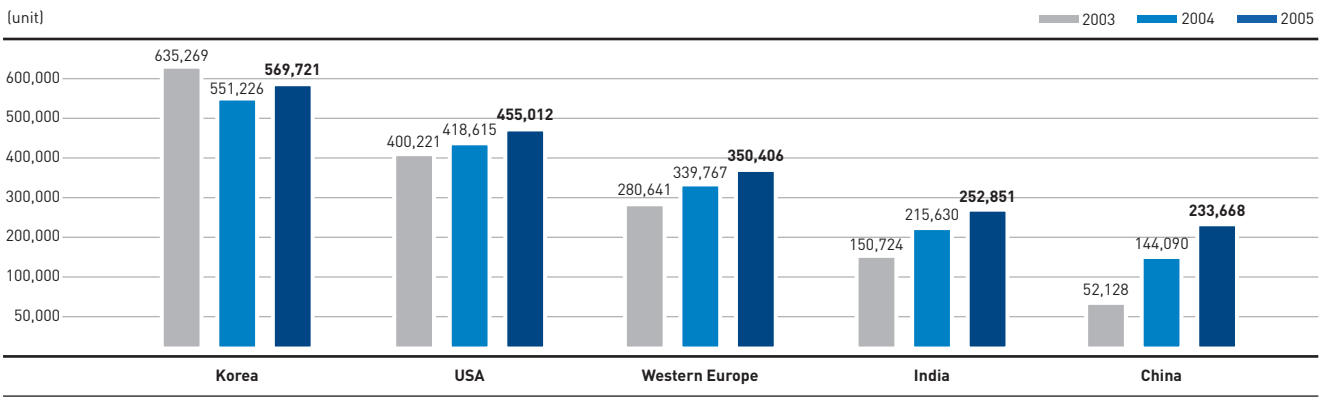
At the same time, in direct response to the fast growing demand in India's automobile market, which is capturing global attention along with China, HMC has established plans to expand production to 600 thousand units. With the completion of its 2nd plant set for 2007, HMI will double capacity at the site from 280 thousand units to 300 thousand units and then to 600 thousand units.

Global Sales in 2005

It was another record-setting year for HMC as worldwide sales reached 2.3 million automobiles. In terms of its overseas markets (exports and overseas production), HMC recorded total sales of 1.8 million units, a year-on-year increase of 13% and total domestic sales of 570 thousand units, a rise of 4% from the previous period. The Elantra claimed the title of HMC´s best-selling car worldwide, followed by the Accent, Getz, Sonata and Tucson.

The regional breakdown in the sale of exports is shown in the following: 455 thousand units in the United States, 350 thousand units in Western Europe, 253 thousand units in India and 234 thousand units in China.

Sales by Regions



Source: 2005 HMC Annual Report

Global Production Network

Ulsan Plant

Total plant site area of 5,000,000m²
Total floor space: 2,310,000m²
Production capacity: 1,530,000 (units/year)
Vehicles produced: Accent, Getz, Santa Fe, Centennenial, Tucson, Elantra, Coupe, Matrix, H-1, Trajet, H-100 Truck, H-1 Truck, Terracan
Address: 700 Yangjong-dong, Buk-gu, Ulsan, Korea

Asan Plant

Total plant site area of 1,811,000m²
Total floor space: 429,000m²
Production capacity: 290,000 (units/year)
Vehicles produced: Sonata, Grandeur (Azera)
Address: 123 Kumsong-ri, Inju-myun, Asan-si, Chungcheognam-do, Korea

Jeonju Plant

Total plant site area of 990,000m²
Total floor space: 363,000m²
Production capacity: 60,000 (units/year)
Vehicles produced: Medium and large size buses, medium and large size trucks, special duty cars
Address: 800 Yongam-ri, Bongdong-eup, Wanju-gun, Jeollabuk-do, Korea

Hyundai Assan Otomotive Sanayi (HAOS)

Address: Sehit Mehmet Fatih Ongul Sk. No: 2, 34742 Kozyatagi, Istanbul, Turkey
Total plant site area of 1,000,000m²
Production capacity: 60,000 (units/year)
Vehicles produced: Accent, H-1, H-100

Hyundai Motor India (HMI)

Address: A-30, Mohan Co-Operative Industrial Area, Phase-1 Mathura Road, New Delhi 110-044, India
Total plant site area of 2,148,000m²
Production capacity: 250,000 (units/year)
Vehicles produced: Santro, Elantra, Sonata

Beijing Hyundai Motor Company (BHMC)

Address: Room 601, Millennium Tower No.38 Xiaoyun Road, Chaoyang District, Beijing, China
Total plant site area of 670,000m²
Production capacity: 150,000 (units/year)
Vehicles produced: Sonata, Elantra, Tucson

Hyundai Motor Manufacturing Alabama (HMMA)

Address: 7515 Halcyon Summit Dr. Montgomery Alabama 36117, U.S.A.
Total plant site area of 6,900,000m²
Production capacity: 300,000 (units/year)
Vehicles produced: Sonata

Global R&D Network

Hyundai-Kia R&D Center

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

Hyundai Motor Europe Technical Center

Located in Russelsheim, Germany, this is a state-of-the-art multifunctional compound designed to develop high quality vehicles catering to the tastes and preferences of our European customers.
This center was especially designed to meet environmental standards in Europe, and to create vehicles that meet these same standards.
The center works in conjunction with our European subsidiary, managing product planning, marketing, and sales.

Hyundai Motor Japan R&D Center

Located in Chiba, on the outskirts of Tokyo, this impressive facility focuses on developing cutting-edge technologies in challenging new fields. Operations at the center are enhanced by their proximity to the Hyundai-Kia R&D Center in Korea.

Hyundai-Kia America Technical Center Inc.

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

Hyundai-Kia Motors California Design & Technical Center

Located in Irvine, California, The Hyundai-Kia Motors California Design & Technical Center is a cutting edge facility which is attracting, new design talent. Its principal role is to research new concepts and to develop vehicle designs that meet the unique tastes and needs of the North American customer.

California Proving Ground

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

■ Quality Management

The Highest Ranked Non-Premium Nameplate in the J.D. Power and Associates 2006 IQS.

Quality is the basis of a product's competitive power and is at the same time the major factor which is directly linked to a customer's safety and satisfaction. Recognizing that it is our responsibility to provide the highest quality vehicles for customers, HMC has been doing its best to improve overall product quality.

HMC began to renew efforts on quality management initiatives from 1999. In 2002, the HMC and Kia Motors' product quality divisions were unified to stimulate synergistic effects. For the management of overseas quality standards, HMC launched a North American product quality division and overseas quality department in charge of all overseas quality and maintenance problems.

Since 2004, HMC has operated a 24 hours a day, 365 days a year Global Quality Control Office in order to swiftly respond to a variety of global quality issues. However, more than anything else, we can not underscore the efforts of the Chairman & CEO, Mong koo Chung, who has concentrated heavily on raising the company's quality standards to world-class levels. Directly supervising all quality control meetings from the developmental stages to the inspection of parts received from suppliers, Chairman Chung continues to emphasize the importance of quality initiatives in everyday practice.

HMC's quality first initiatives have become the building blocks behind its rapid improvement in quality standards in a short period of time. In 2006, HMC became the highest ranked non-premium nameplate and was ranked 3rd among all nameplates in the 2006 Initial Quality Study SM (IQS) of J.D. Power and Associates. This means that HMC owners had fewer problems with their vehicles than any other non-premium car or truck brand. HMC has been steadily improving its nameplate ranking since 2002 with a ranking of 28th in 2002, 23rd in 2003, 7th in 2004, 10th in 2005 and 3rd in 2006.

In addition, highlights include a top ranking for the Tucson in the compact MAV (Multi-Activity Vehicles) segment, a disappointing ranking of 14th overall for the Santa Fe, and a top three segment performance for the Sonata (3rd place overall), the all-new Grandeur and the Tiburon (2nd place overall). This ranking demonstrates the tremendous strides HMC has made in quality, especially with an almost entirely new model lineup. The 2006 Initial Quality Study, which serves as the industry benchmark in terms of the quality of new vehicles was measured at 90 days of ownership from November 2005 to January 2006. Redesigned in 2006, the IQS now measures 217 attributes, up from the original 135 attributes, including overall driving experience, engine, transmission, performance, comfort, design and a broad range of defect and design related problems.

HMC's J.D. Power and Associates IQS Ranking	2002	2003	2004	2005	2006
HMC's Rating	156	143	102	110	102
Non-Premium nameplate Average	135	135	121	120	123
HMC's Ranking	28	23	7	10	3

Source : The 2006 Initial Quality Study issued by J.D. Power and Associates

■ Brand Management: Global Top 100 Brands

A brand is an enterprise's integrated value comprising of tangible factors such as production capacity and sales volume, and intangible factors such as quality, technological capabilities, human resources and so on. Not only does a strong brand result in higher profits, but it also plays an essential role in securing the sustainable success of a company through customer loyalty.

In January 2005, HMC announced the launch of its new global brand management strategy. This new brand strategy was designed to ensure that HMC reaches industry leading levels, not only in terms of size, but also in terms of customer perception and overall brand value. In accordance with the new strategy, HMC selected 'Drive your way™' as its new global brand slogan, which was designed to communicate the company's Brand Identity 'Refined and Confident.' Since its announcement, HMC has continued to integrate its respective brand strategies into all facets of its business including product development, design, marketing, sales and customers service. In addition, these brand strategies have been simultaneously implemented in strategic regions throughout Korea, the US, Europe, China and India.
In line with the objectives to promote an effective global brand strategy, HMC has established a brand committee, which includes a working level sub-committee. The committee regulates operations for brand consistency and enhances the brand management system.

2005 was the first year that HMC was recognized by Business Week and Interbrand as one of the Global Top 100 Brands. Having an official brand value of US$3.5 billion, HMC became the first and only Korean automaker to achieve such a recognition. One of the goals HMC is striving for is to place in the top 30 companies of this illustrious group along with a placement among the top 5 automobile manufacturers worldwide.

Ranked 29th in 2005 Accountability Rating

HMC was ranked 29th overall in the global Fortune 100 in the 2005 Global Accountability Rating which measures the responsible business practices of a company. Initiated by AccountAbility and csrnetwork, HMC earned a total rating of 43 points. Not only did HMC become the first Korean corporation to breakthrough the top 30, but it was ranked 6th highest among all automobile manufacturers.

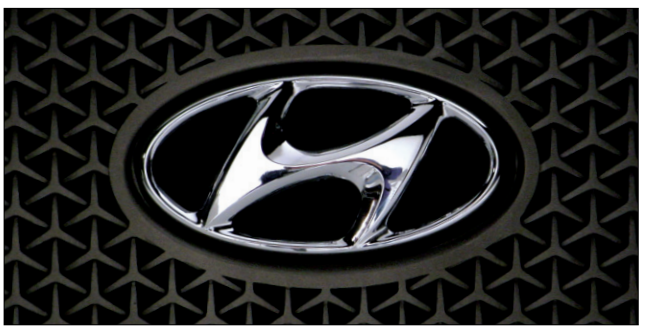
Brand Slogan

The slogan connotes that HMC will always give top priority to customer satisfaction and that they will do their best to enhance the life of customers as refined and confident.

Drive your way™

Brand Statement

For those rational customers who lead a balanced life, we offer stylish and refined cars that are easy to drive with the best quality and safety in the industry. Furthermore, we will always think of our customers and will inspire them by offering top-class services. Ultimately, it is our mission to make each one of our customer's life more Refined & Confident.



Brand Value Enhancement Programs

Sports sponsorship is one of the most effective marketing tools that reaches across all boundaries, communicating with customers around the globe. HMC's involvement with the world's most beloved game dates back to 1999 when we teamed up with FIFA, the world's governing body for football, and other leading football organizations to sponsor a sport which shares and delivers the exact same values (passion, fun and excitement) as HMC does, in its pursuit of developing the world's highest quality vehicles. The 2006 FIFA World Cup Germany™ provided a great stage where HMC commanded the international spotlight, projecting confidence and refinement as the newest major automotive brand. And through its premier partnership with FIFA, HMC is sure to further strengthen its bond with international football into the next decade thus providing HMC with the best possible showcase to develop more innovative marketing strategies and to raise brand awareness to even higher levels.

2006 FIFA World Cup Germany™

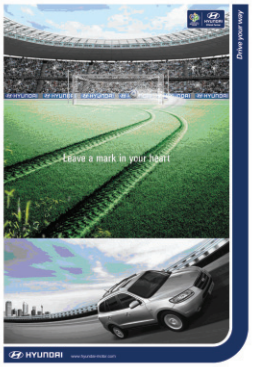
HMC was excited to once again be a part of the world's most prestigious sporting event. Efficient ground transportation is critical to the successful staging of an international event like the FIFA World Cup™. As an Official Partner, HMC provided approximately 1,000 sedans, minivans and SUVs, which were at the disposal of the national teams, media representatives, FIFA officials and VIPs. HMC also provided a fleet of buses that were used for inter-city transportation and shuttle services for the 32 national teams that were decorated with the national team flags and 'Be there with Hyundai' slogans. In addition, HMC provided football fans with entertaining and interactive programs such as 'The Fan of the Match,' 'Be There with Hyundai,' 'The Goodwill Ball Road Show,' 'Hyundai Football World Championship,' and 'Fan Fest 2006 FIFA World Cup™' in order to heighten the passion and excitement of the game.

Global Ad Manual

One of the ways to raise brand value in global markets is to expand amicable communication channels by providing customers with a consistent message. In order to achieve this, it is necessary to ensure a visual identity, which is capable of providing viewers with a unified visual effect. To ensure such a visual identity, HMC created and applies its Global Ad Manual in domestic and overseas advertising campaigns. The special features of the visual identity design were created on the basis of HMC's brand identity, 'Refined and Confident.' This was especially the case in the style of design and straight line used for the U and N of the Hyundai logo, embodying a refined and confident visual effect. In addition, the brand slogan of HMC, 'Drive Your Way™,' was created in the same light to fully reflect its dynamic and active appearance. The Global Ad Manual, which has shaped HMC's refined and confident image, is applied globally.

Brand Marketing Activities during 2006 FIFA World Cup Germany™

Corporate Ad



INTERVIEW

Jae-kook Choi
President

"With the globalization of its business, HMC acknowledges its increasing responsibility and role in the global community. Wherever we have put down business roots, it has been our duty to promote development that is beneficial to both HMC and the local community."

■ **What are some of the special characteristics of this year's edition of the sustainability report?**

This year's edition of HMC's Sustainability Report, the fourth of its kind, describes how well we have improved our economic, environmental and social performance for sustainable development in 2005. We have especially focused our efforts on helping to solve global environmental issues such as climate change, resource depletion and recycling etc., and have also included various communication activities with our stakeholders. In addition, you can find information on our key management activities and performance for sustainable growth. We have continued our efforts to widen the scope of this report to include our global operations by supplementing environmental and social data on the US Alabama Plant.

■ **Corporate Social Responsibility is integral to long-term business growth and success. In this regard, would you tell us about HMC's social activities and performance for 2005?**

As a leading member of society, a corporation has the social responsibility to play a significant role in the creation of a more viable and prosperous society. Based on this responsibility, we strive to solidify cooperative systems for the betterment of its stakeholders and are actively involved in a diverse range of social contribution activities.

With the globalization of its business, HMC acknowledges its increasing responsibility and role in the global community. Wherever we have put down business roots, it has been our duty to promote development that is beneficial to both HMC and the local communities involved. As our global management initiatives have accelerated, social activities have expanded to reach the global sphere. In terms of the operations in the US, HMMA donated US$1 million in relief aid to those afflicted by Hurricane Katrina and its employees were also actively engaged in voluntary restoration efforts from fundraising activities to blood donation campaigns for those ravaged by the devastating disaster.

■ **With respect to Environmental Management, what were the key issues in 2005?**

I believe the promotion of Environmental Management itself to be the core contribution to a society. At present, we are faced with a variety of environmental challenges. Climate change, resource depletion and other environment issues are becoming more imminent day-by-day on a global scale. We have been striving to play a leading role in helping to solve these global environmental issues through the research and development of environmentally friendly technologies. As climate change is the most significant and malevolent environmental issue of the 21st century, we have been heavily focused on efforts to curb CO_2 emissions through technological developments in fuel efficiency and have been carrying out these efforts from the entire value chain.

In addition, we continue our efforts to develop sustainable mobility in response to the depletion of fossil fuels. In 2004, we introduced the second generation Tucson Fuel Cell Electric Vehicle with significant upgrades from its predecessor and have, at present, been participating with other partners in the Hydrogen Fleet & Infrastructure Demonstration and Validation Project in the US. In addition, the Hybrid Electric Vehicle Demonstration Project in cooperation with the Korean Ministry of Environment has sped up efforts to commercialize HEV technology on Korea's roads.

■ **In order for a corporation to pursue sustainability management without end, it is very important to run its business profitably. From a financial growth standpoint, how did HMC perform in 2005?**

Despite the difficult economic environment such as the record-high prices for oil, raw materials and the strengthening of the Korean won against the US dollar, we recorded 34.9 trillion won based on the worldwide sale of 2.34 million automobiles in 2005. We posted domestic sales and exports of 570 thousand and 1.13 million automobiles (CKD excluded) respectively; our overseas production operations sold 636 thousand automobiles in local markets representing an increase of 53% from 2004. Even with the unfavorable market conditions of 2005, we achieved financial gains across the board supported by strong employee effort on the heels of customer centered management designed to elevate customer satisfaction levels and social partnerships based on mutual trust and benefits.

■ **Finally, as the fifth in its line of the Environment Report, what do you think is the role of the sustainability report?**

The sustainability report is one of several reports distributed along with the annual report and the corporate brochure, detailing the management and financial activities of the company with the aim of improving the channels of communications with its stakeholders. We have published the sustainability report since 2003, and have made an effort to report the economic, environmental and social activities and performance of our operations to our stakeholders in a transparent manner. I believe that the sustainability report serves as a scorecard of our efforts for sustainable development. Our performance for sustainable development has been improved by your valuable feedback from this report. In this respect, your continued opinions and participation are crucial to improving our business model.

ENVIRONMENT

Climate change, resource depletion and other environmental issues are becoming more imminent day-by-day on a global scale. Global environmental issues are no longer merely restricted to the ecosystem, but also have a greater affect on human life and business activities. As an automobile manufacturer, HMC strives to create and develop automobiles which respect and harmonize our planet.

Environmental Management

HMC announced its environmental management philosophy and global environmental management policies in 2003. Since then, HMC has also established and is implementing environment management strategies within the automobile industry's value chain encompassing R&D, purchasing, production, logistics, marketing & sales and customer service. In line with its environmental management strategy, HMC opened the Eco-Technology Research Institute in 2005 as the new home of its environmental research efforts.

■ Environmental Philosophy & Policy

The Chairman and CEO, Mong koo Chung, outlined HMC's Environmental Philosophy & Policy in June 2003. The initiatives called for HMC to respond diligently to global environmental issues and to transform itself into a model sustainable company. The accomplishment demonstrated HMC's desire to fulfill corporate social responsibility and it is expected to enhance the overall confidence of stakeholders.

Environmental Philosophy

For the harmony of humankind, the environment and society, the Hyundai Motor Company respects human value and fulfills corporate social responsibility through environmental preservation.

Global Environmental Policy

Based on corporate citizenship, the Hyundai Motor Company is dedicated to respecting human value and preserving the global environment. We, thereby proclaim this Global Environmental Policy for a sustainable society.

- Recognize the environment as a core element of business and create corporate value by proactively pursuing Environment Management.
- Promote the development and distribution of environmentally friendly products.
- Dedicate to reducing pollutants and to preserving resources and energy for sustainable use at all stages of our product life cycle, from development to production, sales, use and disposal.
- Endeavor to provide all employees with environmental training programs, to support suppliers in Environment Management and to contribute to public welfare.
- Comply with all international and national environmental regulations and to agreements. Continue to improve environmental management and to publicly disclose our performance.

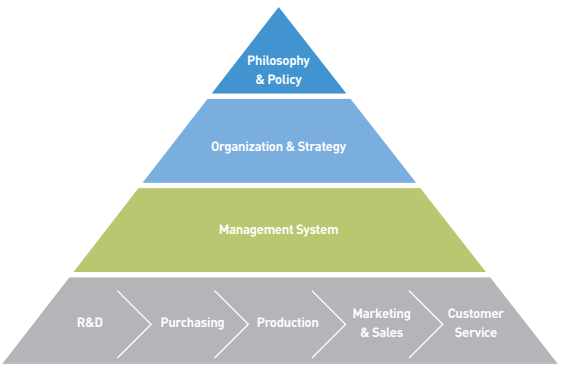
■ Environmental Committee

For the successful implementation of its environmental strategy, HMC organized a corporate-level environmental committee. The committee, chaired by the Chairman & CEO, is comprised of three independent committees: the Environmental Product Committee, the Environmental Production Committee and the Environmental Management Committee. The committees work together with the support of 12 subcommittees to establish corporate-wide and department-specific targets and action plans based on our environmental policy.

Environmental Product Committee	Environmental Production Committee	Environmental Management Committee
Fuel efficiency subcommittee	Production plant subcommittee	Marketing · Sales subcommittee
Emission subcommittee	Production technology subcommittee	Customer service subcommittee
Recycling subcommittee	Environmental purchasing subcommittee	Environmental accounting subcommittee
Next generation vehicle subcommittee	Environmental logistics subcommittee	Environmental communication subcommittee

*Secretariat : Environmental Management Strategy Planning Team

Environment Management Strategy



Philosophy & Policy
- Establishing environmental philosophy & policy

Organization & Strategy
- Establishing environment management strategy
- Operation of environmental committee

Management System
- Environmental accounting
- Establishing communication channels with stakeholders
- Improving environmental awareness of all employees
- Sustainability report publication

R&D
- Environmentally friendly design
- Fuel economy & vehicle emissions
- Expand Recycling
- Environmental information system
- Developing environmentally friendly vehicles

Purchasing
- Establishing green purchasing system
- Technical assistance for supplier
- Establishing SCEM
- Logistics optimization

Production
- Development of cleaner production system
- Recommending ISO 14001 certification
- Development of intergrated environmental management system
- Establishment of environment management strategy

Marketing & Sales
- Green marketing
- Green sales

Customer Service
- Green service
- Supporting Customer Service provider for EMS

■ Eco-Technology Research Institute

HMC established the Eco-Technology Research Institute on the southern edge of Seoul in September 2005, a facility which has systemized research efforts in environmental technology.

Since its foundation, the center has concentrated efforts on developing next generation green vehicles and environmental technologies with a focus placed on the following are: the development of core technologies for fuel cell and hybrid vehicles for mass production; the development of technologies to reduce exhaust emissions and to improve fuel efficiency; enhancements in vehicle recycling as well as the investigation into alternative materials to heavy metals; and the development of technologies to reduce air and water pollution during the manufacturing process and to improve the recycling of waste materials resulting from energy production.

In June 2003, HMC officially announced its Environment Management philosophy and global Environment Management policies. Since then, HMC has been striving to play a leading role in helping to solve global environmental issues. Situated on a 7.5 acre site, the 5-story, 3.5 acre, facility is home to more than 400 kinds of high-tech equipment. Facilities include a 700 bar hydrogen filling station, a fuel cell endurance tester, an emissions lab, dynamometers and other specialized equipment for testing electric propulsion systems.

Research Outlines of the Eco-Technology Research Institute

- **Next generation green vehicles**
  Hydrogen fuel cell system and vehicles, Fuel cell stack, Technologies for hydrogen storage
- **Electric dynamometer system for use in green vehicles**
  Fuel cell vehicle drive system, Energy storage system, Power devices and electric sub assembly for use in drives
- **Technologies for lowering exhaust emissions**
  Zero exhaust emission gasoline systems, Diesel exhaust filter and a nitrogen oxide (NOx) exhaust reduction system, Alternative fuel use technology
- **Clean production technologies and recycling**
  Environmentally friendly materials and dismantling design technologies, Technologies to enhance resource efficiency, CO_2 reduction technologies for all processes, Technologies to enhance factory energy efficiency

Eco-Technology Research Institute

Energy-Conserving Designs incorporated into the Eco-Technology Research Institute

The center itself was contracted using environmentally friendly materials and processes such as vacuum toilet systems as used in aircrafts, which in using on-tenth the water of a conventional flush toilet results in 1,500 tons of water savings annually, a double skin facility that is designed to create a greenhouse effect during the winter season and natural ventilation in the summer, and heating and air conditioning systems using geothermal heat. The center also has natural light systems using solar reflectors, floors made of scrapped tires and electric power created from actual fuel cell tests used during technology developments that results in a 1,000 ton reduction in CO_2 emissions. In addition, with the aim of providing employees with a peaceful resting area, afforestation was applied on the rooftop of the center.

Natural lighting systems using solar reflectors to reduce the use of energy,
Rooftop area (Summer: radiation is intercepted / Winter: insulation)

Environmentally Friendly Products

Creating and supplying environmentally and socially friendly automobiles that meet the transportation needs of people is the ultimate goal of HMC. To achieve such a goal, HMC recognizes climate change, the development of alternative fuel technology, the reduction of emissions, and recycling as vital long-term issues that must be addressed through R&D efforts. For example, HMC has been participating in the Hydrogen Fleet & Infrastructure Demonstration and Validation Project of the US Department of Energy since 2004. More recently, HMC successfully completed the test driving of fuel cell vehicles in real world situations during the 2006 World Cup Germany. Moreover, HMC provided 200 Accent HEVs in 2005 for the Seoul Metropolitan HEV Demonstration Project of the Ministry of Environment of South Korea, and plans to expand the production of HEVs.

■ Climate Change

Climate change is recognized as the most significant and imminent environmental issue of the 21st century. Once recognized as a distant future problem, it is becoming increasingly recognized especially as its effects have become more apparent to cause catastrophic events such as the increased frequency of typhoons, more intense summer heat waves, and severe rain storms. Since the burning of fossil fuels such as petroleum, gas and coal contributes to greenhouse gas(GHG) emissions, which is known to cause climate change, current automobiles that depend overwhelmingly on petroleum-based fuels face a major challenge.

The first efforts to reduce GHG began with the Kyoto Protocol in December 1997, yet it took 7 years for ratification. As GHG emissions including carbon dioxide (CO_2) represent a major contributory factor to climate change, efforts have finally begun to accelerate GHG emission reduction regulations centered on developed nations. Today, the reduction of transport related GHG emissions has become the greatest new challenge to the automobile industry.

Voluntary Agreement on New Car CO_2 Reduction Between EU and KAMA

The EU Commission and each of the three major automobile manufacturer's associations signed a voluntary agreement which targeted to reduce average CO_2 emission of newly registered passenger cars in the EU community to 140g/km in 2008 or 2009.

The ACEA (Association des Constructeurs Europeens d' Automobiles) agreed to reduce passenger vehicle average CO_2 emissions level to 140g/km by 2008. Similarly, KAMA (Korea Automobile Manufacturers Association) agree to achieve the reduction of average CO_2 emissions of passenger cars registered in 2009 to 140g/km.

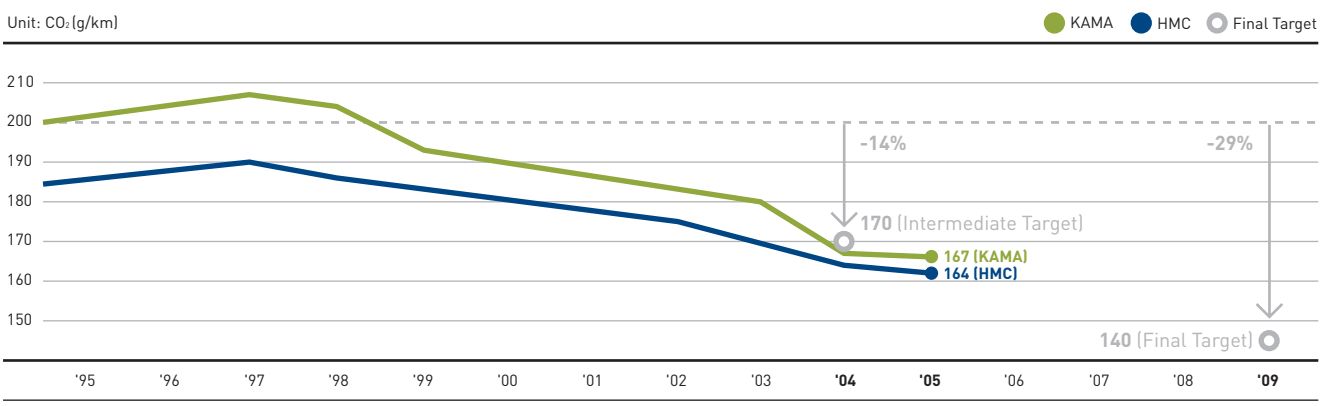
In response to the voluntary agreement for CO_2 reduction, HMC has

Outline of the Voluntary Agreement on EU CO_2 Emission Reductions

Unit: CO_2 (g/km)

	Intermediate Target		Final Target	
	Average CO_2 Emission	Target Year	Average CO_2 Emission	Target Year
KAMA	165~170	2004	140	2009
ACEA	165~170	2003	140	2008
JAMA	165~175	2003	140	2009

HMC's CO_2 Reduction Performance and Targets



focused on the development of clean diesel models and continues with efforts to reduce the average CO_2 level. With CO_2 emission levels of 116g/km and 120g/km, the diesel powered D-1.5 CRDi (Common Rail Direct injection) equipped Getz and the D-1.5 CRDi equipped Accent are examples that show HMC's commitment to CO_2 reduction activities. In 2004 and 2005, HMC vehicles sold in the EU region recorded average CO_2 emissions of 166g/km and 164g/km respectively, meeting the targets agreed between the EU and KAMA. HMC continues the development of low CO_2 emitting vehicles to meet the 2009 CO_2 emission target of 140g/km.

US Corporate Average Fuel Economy

The US Corporate Average Fuel Economy (CAFE) standard also has a commensurate effect on CO_2 emissions since the purpose of CAFE is to enhance the fuel economy of passenger cars and light trucks, which in turn, is directly related to CO_2 emissions.

As an automobile manufacturer focusing on the supply of fuel efficient vehicles, HMC achieved outstanding results in the CAFE standards for model year 2005. According to the fuel economy standards for passenger cars and light trucks sold in the US as established by the NHTSA, the 2005 fuel efficiency standard for passenger cars was set at 27.5 miles per gallon. Through continued efforts towards improvements in fuel efficiency, HMC recorded an average of 30.5 mpg for its passenger cars, 10.1% higher than the NHTSA's standard. In terms of the fuel economy standard of its light trucks, HMC recorded 24.8 mpg, 18.1% higher than the 21.0 mpg standard. The 2006 Elantra was also ranked as the most fuel efficient mid size car offering a manual transmission, with 26 mpg and 34 mpg for city and highway mode respectively. Considering today's high oil price, HMC vehicles also provide economic benefits to its consumers in addition to achieving environmental benefits. All in all, HMC's production and sale of fuel efficient vehicles is effectively contributing toward the Climate Change Convention's effort on lowering global emission levels of GHG.

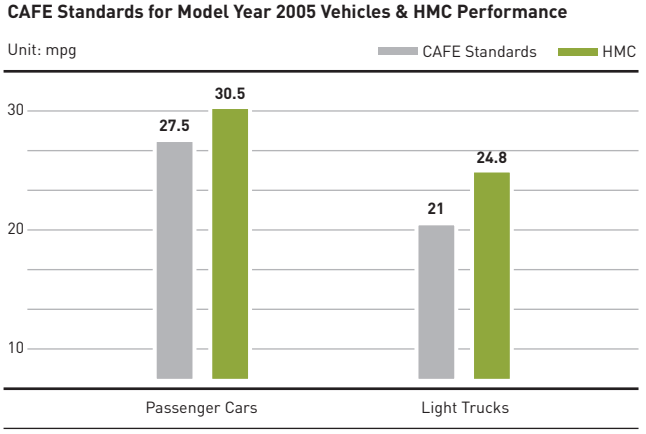
While there is no federal regulation on CO_2 emissions, the state of California has researched the effect of GHG emissions in California and has concluded that GHG emissions may intensify problems such as increased ground-level ozone, spring floods, and summer droughts. As a result, the state has announced GHG regulations to be enforced between 2009 and 2016, which call for active measures curbing the automobile emissions of CO_2, N_2O and other GHGs. Recently, more than 10 US states have increased their support of California's GHG emission standards, which could have a significant impact on the automobile industry. In order to respond to increasing GHG regulations, HMC continues to move forward to respond not only to CO_2 reductions but to other GHG emission reductions as well.

Canada, China

In April 2005, projections for 2010 business as usual (BAU) GHG emissions for Large Final Emitters (LFEs) as a group were used as the basis for deciding on a 5.3Mt reduction target for the automobile industry. This voluntary agreement, which was established by the Canadian government, includes directives to decrease CO_2 emissions and vehicle A/C refrigerants.

In the meantime, the Chinese government has implemented fuel efficiency regulations based on vehicle classes since July 2005 in preparation of the upcoming 2008 Beijing Olympics and plans have been initiated to apply more stringent standards starting from January 2008. Under the global trend to provide improved fuel efficient vehicles in response to climate change initiatives, HMC has been striving to reduce GHG emissions from its vehicles through fuel efficiency improvements.

CAFE Standards for Model Year 2005 Vehicles & HMC Performance



CO_2 emissions for the D-1.5 CRDi equipped Accent: 120g/km

CO_2 emissions for the diesel powered D-1.5 CRDi equipped Getz : 116g/km

Alternative Fuels

One of the challenges facing HMC is the development of alternative fuel vehicles. Not only does HMC focus on reducing exhaust emissions, but also on the development of alternative fuel vehicles in response to skyrocketing oil prices and the diversification of energy and fuel sources. Government promotion of alternative fuel usage has also become the basis for furthering HMC's efforts to developing alternative fuel vehicles and technologies. For example, Europe has converted its biofuel use recommendations as a mandatory obligation and the US is promoting policies to institute the obligatory use of ethanol. India, Brazil, China and other rapidly developing countries have also encouraged the use of alternative fuels to curb air pollution and to secure their energy supply. As an answer to these social demands, HMC is poised to secure competitiveness in environmental technology through development of alternative fuel vehicles such as fuel cell electric vehicles, hybrid electric vehicles and biofuel vehicles.

Hydrogen Fuel Cell Electric Vehicle

As a fuel with no hazardous emissions, hydrogen attracts much attention as a new generation vehicle fuel due to its environmental benefits. Accordingly, automobile manufacturers have placed great effort in the development and commercialization of the hydrogen fuel cell electric vehicle (FCEV), powered by electricity produced from hydrogen. The FCEV is powered by a fuel cell, an electric chemical device, and uses hydrogen as its main fuel source, which in reaction with oxygen, results in the outflow of electricity.

HMC has been working in cooperation with United Technologies Corporation's Power (UTC Power) to develop FCEV technology since March 2000, and completed the development of the 1st generation Santa Fe FCEV in October 2000. In June 2000, HMC became the sixth member in the world to join the California Fuel Cell Partnership and the first to apply a 350 bar hydrogen charging system in June 2001. In addition, HMC introduced the 2nd generation Tucson FCEV in December 2004, 18 months following the joint cooperation to develop FCEV technologies with UTC Power. As the successor to the 1st generation Santa Fe, the Tucson FCEV outperforms its predecessor in terms of dramatically improved startups, safety, drivability etc. All in all, HMC has achieved much success with the 2nd generation Tucson, which brings us one step closer to the commercialization of fuel cell vehicles.

The Tucson FCEV, equipped with an 80kW fuel cell stack and a lithium-ion polymer battery,has the ability to start and operate in sub-zero temperatures. Featuring a 350 bar hydrogen storage fuel tank, the Tucson FCEV can be driven a maximum of 300km on a single charge. Unlike its predecessor, which featured an under-floor installation, the fuel cell system has been relocated to the engine room and has achieved a top speed of 150km/h through the application of a high power lithiumion polymer battery.

In terms of safety, the Tucson FCEV is now designed to prevent damage to the hydrogen tank and pipe during rear-end collisions, an improvement over its predecessor, and has utilized a hydrogen leak sensor and a crash sensor to curb hydrogen leaks in order to achieve safety compliance levels to those stated in US vehicle collision regulations.

Selected as a partner in the Hydrogen Fleet & Infrastructure Demonstration and Validation Project in April 2004, HMC's participation in this pilot project together with the development of hydrogen re-fuelling centers has helped to elevate its status as a global competitor.

Key Performance Indicators of the 1st and 2nd Generation Fuel Cell Electric Vehicle (FCEV)

	Santa Fe FCEV (1st generation)	Tucson FCEV (2nd generation)
Top Speed	124km/h	150km/h
Drive Range	160km	300km
Start-up Conditions	above zero temperatures	for use in all seasons

Tucson FCEV

① motor controller
② fuel cell stack
③ battery
④ hydrogen tank

The US Department of Energy validated HMC's competitiveness in fuel cell electric vehicles by taking HMC as a partner in the Hydrogen Fleet & Infrastructure Demonstration and Validation Project. Presently, a total of 32 HMC vehicles including the Tucson FCEV, are planned to be test driven by 5 organizations throughout 3 districts in the United States until 2009.

Through numerous test drives and the analysis of the test-drive data , HMC has taken a leading role in the development of FCEV technologies as well as the establishment of related standards and regulations pertaining to FCEV commercialization. In addition, HMC has been actively involved in the construction of hydrogen fueling stations in the United States.

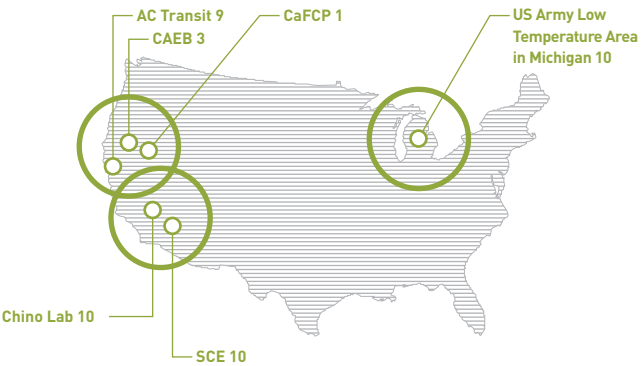
As part of the project, Chevron Texaco has set plans to build a total of 6 hydrogen fueling stations in the US to provide HMC with hydrogen fuel supplies. The first refueling station was constructed at the Hyundai-Kia America Technical Center in Chino in February 2005 and another 5 stations are soon expected to follow.

In South Korea, HMC will supply FCEVs, beginning with the 2006 demonstration project as sponsored by the Ministry of Commerce, Industry and Energy, and this will be followed by plans of further primary and secondary pilot provisions. With the participation of laboratories, agencies, manufacturers and distributors, the domestic hydrogen fleet demonstration project is expected to result in the establishment of at least 8 hydrogen fueling stations in major cities throughout the nation. This project is also expected to act as an evaluation standard with respect to the reliability of FCEVs, hydrogen infrastructure, and related technology in the domestic market. Moreover, HMC plans to expand the areas involved in the pilot project by encouraging the active participation of state and local government agencies and public transportation companies with the aim of establishing a market for FCEVs and as a means to facilitate the foundation of a fuel cell based public transportation industry.

To achieve the outlined purposes, HMC has secured independent design technology of the fuel cell system, and has established leading platform technologies in its efforts to independently develop core parts. Presently, HMC has been successful in developing 90% of the driving device parts as well as fuel cell stacks. One of the results in the development of such independent technologies has been the introduction of the 80kW Tucson FCEV.

Our emphasis on the independent research and development of FCEV technologies has allowed us to succeed in creating a fuel cell powered bus with an output of 160kW. The bus has a hydrogen tank that stores compressed hydrogen at 350 bar and can be driven a maximum

Test Driving Areas of the Hydrogen Fleet & Infrastructure Demonstration and Validation Project



01. The Tucson FCEV Test-Drive Ceremony with Republic of Korea President Roh **02.** Hydrogen Fueling Station in California
03. HMC delivers FCEVs to AC Transit, a US transport company for pilot operation delivery

01

02

03

distance of 300km on a single charge. HMC plans to continue R&D efforts in order to secure the necessary technologies for the full scale production of FCEVs, and has established plans to systematically improve fuel efficiency, performance and safety with a target to begin full scale production by as early as 2010.

As a sponsor of the 2006 World Cup in Germany, HMC participated actively in the global sporting event. HMC initiated a demonstration test drive event during the World Cup from June to July 2006 and offered its Tucson FCEV as the test drive vehicle. 14 Car of the Year (COTY) judges and 49 journalists were invited to take part in the event, in which test drivers were allowed to carry out tests in real world situations, a first in the automobile industry. Each test driver was given a chance to drive the Tucson FCEV for up to 50 to 80 km. Overall, the Tucson FCEV received high scores for performance and low driving noise.
In addition to the Tucson FCEV, HMC's independently developed FCEV bus was used for shuttle service purposes during the World Cup. In total, HMC's FCEV bus was driven 2,400km and 5,000 members of the international press had the opportunity to experience HMC's cutting-edge technology.

Hybrid Electric Vehicle

Hybrid Electric Vehicle (HEV) combines the conventional power-train with an electric motor and a battery system. As a result, HEV offers improved energy efficiency and an overall reduction in emissions. The hybrid system reduces the burden of engine power by allowing the engine to function at a level of optimum fuel efficiency during acceleration, and improves efficiency by storing kinetic energy of the vehicle as electricity in the battery. The stored electricity is then used to reduce fuel consumption as it is utilized during its next acceleration. In addition, fuel consumption is reduced through the application of a stop

Performance of the 2nd Generation Tucson FCEV

Particular	Performance
Fuel Cell Electric Stick	80kW
Operation Device	Independently Developed
Battery System	20kW-Li-ion Polymer battery
Drive Motor System	40kW/80kW
Hydrogen Tank	350bar
Vehicle Capacity	1,850kg
Accelerating Ability	18 seconds
Top Speed	150km/h

01. Domestic Environmentally Friendly VehicleTest-Drive Event **02.** Swedish Reporters Pilot Test the Tucson FCEV **03.** The Fuel Cell Electric Bus Pilot Operation at the 2006 World Cup in Germany™

01

02

03

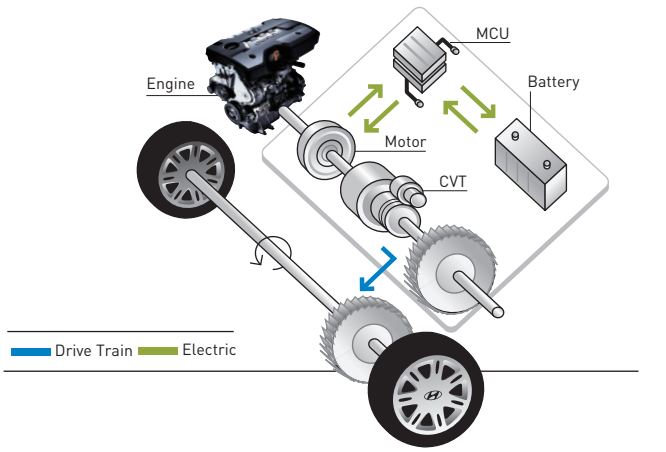
& start function to eliminate fuel consumption while in a standing mode by turning off the engine completely.

In 2004, HMC sponsored Korea's first official HEV Demonstration Project by providing 50 Getz HEVs to the Korean Ministry of Environment. In 2005, HMC supplied 200 Accent HEVs to public agencies and organizations located throughout Korea's metropolitan areas. Furthermore, a plan to provide another 230 HEVs for the same demonstration project has been initiated in 2006. At present, the Ministry of Environment has expanded the HEV project to include testing within the Seoul metropolitan area and throughout 5 major cities (Pusan, Gwangju, Daegu, Ulsan, and Daejeon) of Korea. HMC continues to strengthen research with the aim of improving existing HEV technologies in light of high gasoline price, climate change concerns, atmospheric environment protection efforts and increased environmental awareness.

2006 Verna Hybrid

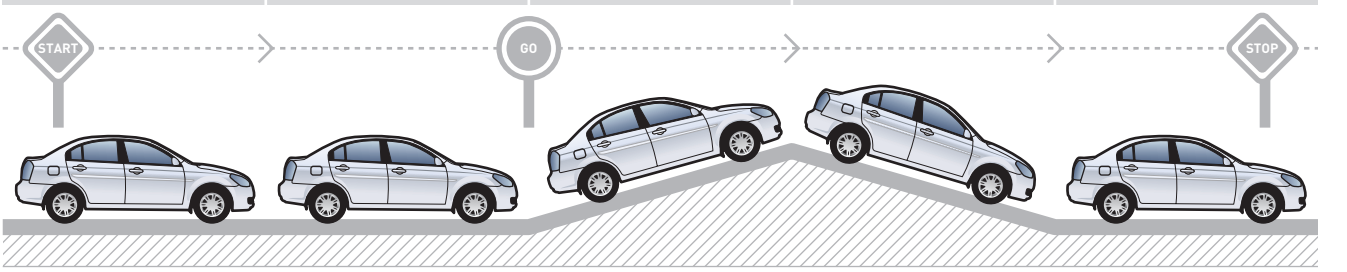
• Engine	Alpha II -1.4 CVVT
• Motor	BLDC/12kW
• Battery	Ni-MH Battery
• Transmission	Continuously Variable Transmission (CVT)
• Top Speed	164km/h
• Exhaust Emissions Level	Super Ultra Low-Emission Vehicle

Verna Hybrid's Drive Train



How Hybrids Work

1. During Startup	2. During Driving	3. During Acceleration	4. During Deceleration	5. During Stoppage
Engine startup is based on the motor.	Engine operates at the optimal state; the car runs; surplus driving power is stored in the battery.	When the car runs, the motor assists in driving power and the car accelerates.	Supplied fuel is discontinued and the vehicle's kinetic energy is transformed into electric energy and stored in the battery.	During full stops, the engine is automatically turned off, resulting in improved fuel efficiency and battery reductions.



Biofuel Vehicles

HMC has actively engaged in initiatives to develop vehicles capable of utilizing biofuels based on natural biomass including crops, plants etc. Among these, bioethanol and biodiesel are utilized as fuels for vehicles. More specifically, bioethanol is made of sugarcane and corn, and soy-bean oil, rape seed oil, and palm oil are used in the production of biodiesel. Biofuel, which removes CO_2 from the atmosphere as the biomass grows, is widely expected to serve as a clean fuel that will reduce overall GHG emissions in the future.

Bioethanol has become a popular fuel of choice in Brazil due to the abundance of sugarcane. Bioethanol can exist in many different forms according to its gasoline content. For example, E10 has a 10% ethanol blend, and E85 offers an 85% ethanol blend. In line with the recent spike in the international oil price, Flexible Fuel Vehicles (FFV), which are capable of utilizing fuel that has up to an 85% ethanol blend, have become increasingly popular. Even the US, with an abundant stock of corn, has been actively promoting the production of bioethanol. In response to this trend, HMC is now quickly preparing the production of vehicles that are capable of utilizing bioethanol as fuel.

In the meantime, the use of biodiesel is on the rise throughout Europe, where the use of diesel vehicles and the climate change awareness is relatively high. In the domestic market, the sale of BD5 (a 5 % biodiesel blend) consisting of soy-bean and rapeseed based biodiesel have been sold at designated service stations throughout the nation since July 2006. Considering the possibility of the wide spread use of biodiesel as a countermeasure to climate change, HMC has been strengthening R&D to actively respond to supply biodiesels of various blend ratios.

■ Air Quality

While vehicle exhaust emissions have been reduced through technological developments each year, the air quality in metropolitan areas continues to deteriorate as the number of cars and people have increased over time. As a response, vehicle exhaust emission regulations have accordingly become stricter in order to improve urban air quality. The EU has established one of the most stringent vehicle emissions standards in the world. Since 2005, the EU has set Euro-4 regulations allowing no higher than 0.025g of particulate matter (PM) and 0.25g of nitrogen oxide (NOx) for every 1km traveled by a diesel vehicle Presently, the EU is in the midst of finalizing Euro-5, which would place more stringent regulations on PM and NOx emissions.

Emissions from HMC Diesel Engine Passenger Vehicles

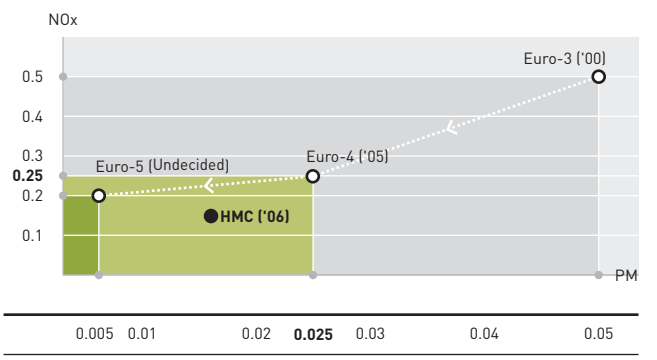
Model	Engine Displacement (CC)	Emission Standard (g/km)		Emission Test Results (g/km)		Emission Level Compared to Regulation Standard		Ranking
		HC+NOx	PM	HC+NOx	PM	HC+NOx	PM	
Grandeur 2.2 Diesel	2,188	0.56	0.05	0.152	0.000	27.1%	0.0%	First
Elantra 1.6 Diesel	1,582	0.56	0.05	0.207	0.015	37.0%	30.0%	Second

Since 2006, all HMC vehicles sold in Europe have been designed to meet the emission standards set in Euro-4. In response to the expected strengthening of regulations regarding PM emissions to a level of 5mg/km in the future, HMC plans to incorporate CPF (Catalyzed Particulate Filter) in all diesel models to fully satisfy the regulation.

In 2006, Euro-4 regulations were introduced in South Korea. As part of the efforts to reduce the level of PM emissions to the EU standard, HMC now incorporates CPF in larger diesel car models. Although diesel powered vehicles are highly economical due to good fuel efficiency and thus less CO_2 emissions, they emit relatively high levels of NOx and PM. In light of this, HMC has improved CPF technology to decrease the overall levels of PM and NOx emissions at the same time. The newly developed Grandeur equipped with a diesel 2.2 liter engine also has a CPF for reducing PM emissions to a level lower than that of a thousandth of a decimal. The Elantra with a 1.6 liter diesel powered engine, also has PM emissions to a level 30% below the regulated level. HMC will continue its efforts to reduce harmful emissions from diesel vehicles.

EU Standards for Diesel Vehicle Emissions

Unit: g/km



Types of Catalyst Systems for Emission Reduction	
For Gasoline Vehicles	**For Diesel Vehicles**
- Three way catalyst	- Diesel oxidation catalyst
- Hydrocarbon/NOx absorption Catalyst	- NOx removal catalyst
- Ultra-thin wall ceramic catalyst carrier catalyst	- Selective recovery NOx removal catalyst
- Inclined coated catalyst	- Catalyzed particulate filter
- Air cleaning radiator	- NOx absorption catalyst

Emission Reduction Technologies

HMC has renewed power-trains, emission control systems, and catalytic converters to minimize the amount of air pollutants emitted from its vehicles. Our new low emission gasoline engines and diesel engines are examples of our commitment. The catalyst system is a key technology to the after treatment of harmful air pollutants emitted from low emission engines. The catalyst system designed for gasoline fueled vehicles works to reduce HC, CO, and NOx. The catalyst system for diesel fueled vehicles are designed to reduce exhaust emissions in addition to particulate matters

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Low Emission Engines

Thanks to new low emission engines, new HMC vehicles have enhanced vehicle fuel efficiency, and have reduced CO_2 emissions and exhaust emissions. In 2005, the wide application of low emission engines helped HMC vehicles satisfy emissions regulations and minimize air pollution.

The newly developed low emission engines for 2005 include the Lamda 3.8 engine, which meets the Californian Super Ultra-Low Emission Vehicle (SULEV) regulations and the Mu 2.7, which satisfies the Low Emission Vehicle (LEV) regulations. In 2006, HMC developed the following low emission diesel engines that comply with the Euro-4 regulation: the A-VGT 2.5 engine, the D-VGT 2.0, the 2.2 engine, the U-VGT 1.6 engine, and the U-VGT engine etc. The aforementioned diesel engines that comply with the Euro-4 regulations are used in the Matrix, Getz, Accent, Elantra, Sonata, Tucson and the new Santa Fe.

Low Emission Exhaust System

Gasoline Exhaust System - In line with the rising concerns regarding air quality, countries throughout the world are strengthening vehicle emissions regulations. HMC has accelerated its efforts in order to effectively cope with the increasingly strict regulations. In addition, HMC promotes improvement in the engines of all vehicle models in order to satisfy the ULEV (Ultra low emission vehicle) standard of the United States. HMC developed a three-way catalyst system that meets the SULEV standard and has installed it on the Elantra models since 2002. Today, most of HMC's gasoline models meet the Euro-4 standards for vehicles sold in the European market. In Korea, the domestic market has adopted the North American LEV and ULEV gas emission regulations since 2003 and 2006, respectively.

Zero Exhaust Emission System for Gasoline Engines - In order to further improve air quality in urban areas and to satisfy the constantly tightening emissions regulations, HMC has been challenging the goal of meeting zero emissions for gasoline engines. As part of its efforts to achieve zero exhaust emissions, HMC has developed ultra high heat resistant catalysts, hydrocarbon absorption catalyst technology, ultra thin ceramic carriers, zone-flow coating technology and a dual pipe exhaust system to optimize low temperature catalyst activity and to remove more than 99.7% (based on hydrocarbons) of the exhaust emissions.

This system's performance can be further improved if coupled with an air purifying radiator to the system which is capable of removing hazardous ground level ozone from the air. HMC will continue its

Gasoline Powered Vehicle Emission Regulations - Based on Passenger Vehicles

Unit: g/mile (North America), g/km (Korea)

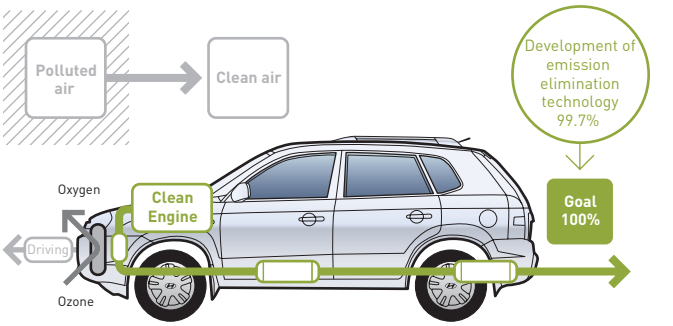
	CO	NOx	NMOG
North America LEV2 (2004~)	3.4/4.2	0.05/0.07	0.075/0.090
North America ULEV2 (2004~)	1.7/2.1	0.05/0.07	0.040/0.055
North America SULEV (2004~)	1.0	0.02	0.01
North America PZEV (2005~)	1.0	0.02	0.01
Korea (2006~)	1.06/1.31	0.031/0.044	0.025/0.034

- The North American emission warranty requirement is as follows:

  LEV2, ULEV 50,000/120,000 miles, SULEV 120,000 miles, PZEV 150,000 miles

- The Korean emission warranty requirement is 5 years/80,000km and 10 years/160,000km

Low Emission Exhaust System



Expanding Diesel Passenger Vehicle Lineup

HMC has expanded its lineup of diesel powered vehicles, beginning with the production of the Elantra diesel model, and followed by the Getz, Accent, and the Sonata VGT. With the application of advanced technologies, HMC's diesel car models provide outstanding economic value, offering fuel efficiency enhancements of 30% to 40% over the existing gasoline powered models. They also boast reduced wind noise and improved driver comfort at the same time. In addition, HMC's diesel car models are equipped with state-of-the-art low emission technologies to satisfy the Euro-4 standard, which is two times lower than current emission regulations, resulting in the dramatic reduction of emissions, mainly NOx and PM. Considering the special characteristics of diesel powered cars, the Sonata is equipped with a high capacity battery (90 ampere) to improve cold start-up performance, and a CPF (Catalyzed Particulate Filter) system to dramatically reduce PM.

Diesel Engine, Sonata Diesel Model

Catalyzed Particulate Filter System for Diesel Engines

efforts to develop various new combustion engines capable of cleansing 100% of harmful emissions.

Diesel (Low Emission) Exhaust System - Under South Korean regulations pertaining to diesel vehicles, which took effect in 2005, compact vehicles sold in 2005 had to comply with Euro-3 standards, and Euro-4 standards for vehicles sold in 2006. The H-1, H-1 Truck and H-100 Truck models sold in 2005 complied with the Euro-3 standard. As for the Matrix, Getz, Accent and Elantra, these models already satisfy the Euro-4 standards. The Elantra, Sonata, Tucson and the new Santa Fe, which meet the Euro-4 standards, have been sold since 2006.

Diesel Oxidation Catalyst

The diesel oxidation catalyst (DOC) facilitates the oxidation of soluble organic fraction (SOF), CO and HC, thereby reducing total diesel emissions. The DOC not only reduces and eliminates Hydrocarbon series emissions such as aldehyde and Polycyclic Aromatic Hydrocarbons (PAH), but also the odor of diesel exhaust emissions. Presently, all diesel car models are equipped with the DOC. In addition, the DOC technology, which complies with the South Korea and European regulations (Euro-4), has been developed and applied to the U-engine for the Matrix, Getz, Accent and the Elantra. The same

Diesel Powered Vehicle Emission Regulations - Based on Passenger Vehicles

Unit: g/km

	CO	NOx	HC+NOx	PM
Europe Euro-3 (2000~)	0.64	0.50	0.56	0.05
Europe Euro-4 (2005~)	0.50	0.25	0.30	0.025
Europe Euro-5 (undecided, 2008~)	0.50	0.20	0.25	0.005
Korea (2006~, Euro-4 standard)	0.50	0.25	0.30	0.025

- The European Euro-3 emission warranty requirement is 5 years/80,000km

- The European Euro-4 (after 2005) emission warranty requirement is 5 years/100,000km

technology is also incorporated in the D-engine that powers the Sonata, Tucson and the Santa Fe.

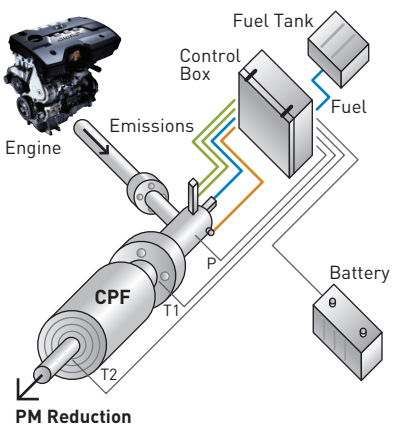
In order to meet the Euro-5 standard, which is expected to take effect in Europe in near future, HMC is presently working toward the development of a four-way catalyst to further reduce the emissions of particular matter. Along with the development of various catalysts, HMC has also been promoting research to improve the durability of the catalyst and exhaust systems.

Catalyzed Particulate Filter System for Diesel Engines

A diesel car generates much particulate matter (PM), which a gasoline car rarely generates. The recognition that such PM can be harmful to the human body by causing respiratory diseases has steadily increased. Consequently, HMC has been striving to reduce PM. The Catalyzed Particulate Filter (CPF) system, which conforms to the Euro-4 standard as introduced in Europe in 2005 and Korea in 2006, has been successful in reducing more than 90% of PM in diesel emissions.

As a filter regeneration, the collected particulates in the CPF are eliminated when the emission temperature reaches a level over the ignition point. HMC's particulate filters are coated with precious metals in order to prevent adverse conditions to the CPF system, which may

Burner System for Use in De-PM



New Clean Diesel Technology Symposium

Due to the increased interest in diesel cars, HMC has been making further efforts to establish global networks and work in close cooperation with related institutions. In 2005, HMC co-hosted the 5th annual 'Clean Diesel Technology Symposium' in cooperation with Bosch Korea. The purpose of this year's symposium was to foster a culture of sharing information with companies regarding the direction and strategies of the automobile industry. Topics included discussions on how to improve low-emission quality, performance, fuel efficiency and the durability aspects of diesel engines. The symposium was also designed to assess the possibility of expanding the sale of diesel cars in North America and Asia where diesel cars have yet to gain popularity. As the sale of diesel cars have begun in Korea, this year's event afforded a wonderful opportunity to enhance social interest and to promote the understanding of the environmental and economic benefits that diesel cars have to offer.

14 diesel engine related organizations and 240 domestic and foreign participants from governmental agencies and institutions to other related organizations attended the symposium held at the Hyundai-Kia Next Generation Vehicle Research Institute, Seoul National University in October 2005. An exhibition was held along with the symposium and new diesel engines and parts were displayed for viewing.

result from the repeated filter regeneration process. By coating the filter with precious metals, HMC lowered the combustion temperature of the PM while triggering filter regeneration at a given temperature and above. Moreover, the precious metals contained in the coating also reduces carbon monoxide resulting from the incomplete combustion of PM during filter regeneration. As for the diesel oxidation catalyst, it generates NO_2 which induces the natural oxidation of PM in addition to cleansing other emissions. Combined with NO_2, the CPF system also raises the temperature of emissions by oxidizing hydrocarbon elements left out of the engine control induced process. The Sonata and Tucson diesel models are equipped with the CPF system.

The filtered PM needs to be burned either naturally using the heat from emissions or artificially increased to burn PM. The coerced regenerative burner system is operated using diesel fuel, and it consists of a control system which monitors the quantity of PM accumulated in the filter and raises the temperature of the emissions by igniting the burner when regeneration of the filter becomes necessary. HMC has developed a burner system that can maintain a stable flame under diverse driving conditions for effective regeneration, and continues to focus on optimizing the regeneration frequency and the operating temperature in order to minimize any negative impacts on vehicle fuel efficiency.

NOx Reduction System

Compared to gasoline engines, diesel engines emit relatively more nitrogen oxide (NOx), which can negatively affect the air quality causing ozone generation, oxidation and eutrophication. As mentioned earlier, CO and HC are treated using the diesel oxidation catalyst and the majority of PM is removed by the CPF system. However, technology to reduce NOx remains insufficient. Currently, HMC's existing NOx reduction systems satisfy regulations through combustion improvement and Exhaust Gas Re-circulation (EGR). HMC realizes the need to develop an effective NOx Emission Reduction System in order to comply with the increasingly tightening emissions regulations. In this regard, HMC is actively engaging in research to complete the development of a NOx absorption catalyst system for diesel engines, which aims to reduce NOx emissions by more than 90%, by 2010. In order to achieve this, HMC has been continuing its efforts to develop an after-treatment system that will maintain a clean level of emissions from diesel engines by reducing PM and NOx emissions simultaneously.

Selective Catalyst Reduction System

HMC has been pursuing research to develop a selective catalyst reduction system that is designed to reduce NOx by injecting urea solution into the emission gas, which then results in the creation of ammonia. This ammonia then reacts with NOx in the diesel emission gas, which has much oxygen. During the reaction with ammonia, NOx is transformed into nitrogen and H_2O, both elements which are harmless to the environment. The selective catalyst reducing system is also better for fuel efficiency compared to other purifying systems. HMC will continue to improve after-treatment systems in order to further improve the emission performance of HMC vehicles.

Improving Durability of Emission After-Treatment System

Regulations on vehicle emissions have tightened throughout the world and durability requirements continue to increase. As a response, HMC has been pursuing research on the reduced efficiency of emission after-treatment systems by testing them in actual usage conditions and investigating the causes of reduced efficiency through the analysis of the catalyst system. Based on the research and results, HMC is developing an accelerated durability test method to accurately evaluate the durability performance of the system. Overall, HMC is striving to develop an enhanced emissions system which is capable of maintaining durability of up to 150,000 miles of operation.

Recycling

HMC has been continuing its efforts to develop environmental technologies in order to minimize possible environmental impacts throughout the entire vehicle life cycle. HMC has been implementing LCA (Life Cycle Assessment) to determine the overall environmental impact of the automobile at the design, production, use and disposal stages, and has also devoted much research and development to enhance the overall recycling rate in order to minimize the amount of waste generated at the disposal stage. With the long-term aim to achieve a 95% weight-based recycling rate for the End of Life Vehicle (ELV) by 2015, HMC has been striving to build necessary infrastructure and to develop related recycling technologies.

Recycling Center

HMC established the Recycling Center in October 2005, the country's first ever environmentally friendly vehicle disassembly plant, in order to develop technologies that comply with domestic and overseas vehicle recycling regulations. With a total investment of 4.1 billion Korean won, the center sits on a 2.7 acre site and has a 2-story structure. The center has a recycling capacity of 4,200 vehicles per year.

With the new addition of the vehicle recycling center and the Eco-Technology Research Institute, HMC's R&D is now capable of reducing environmental impacts from the entire lifecycle of automobiles. The Center is capable of collecting more than 85% of various remaining liquids and gases, which have been incompletely extracted during the dismantling process in the past. The recycling rates of various internal and external parts have also been increased to over 80%.

In addition, the Center has a real-time monitoring system that verifies the volume of the vehicles to be scrapped and processed for recycling. Overall, the center is capable of handling a large quantity of vehicles using a continuous recycling process similar to that of an assembly line system.

Based on the technologies acquired from the operation of the Recycling Center, HMC continues to research part recycling and vehicle recycling technologies and to incorporate new findings in the design stage as 'Design for Recycling' technology. In addition, HMC is striving to set the standard for managing end of life vehicles in cooperation with South Korean vehicle disposal companies by promoting and sharing recycling operation know-how and technology for properly processing end of life vehicles.

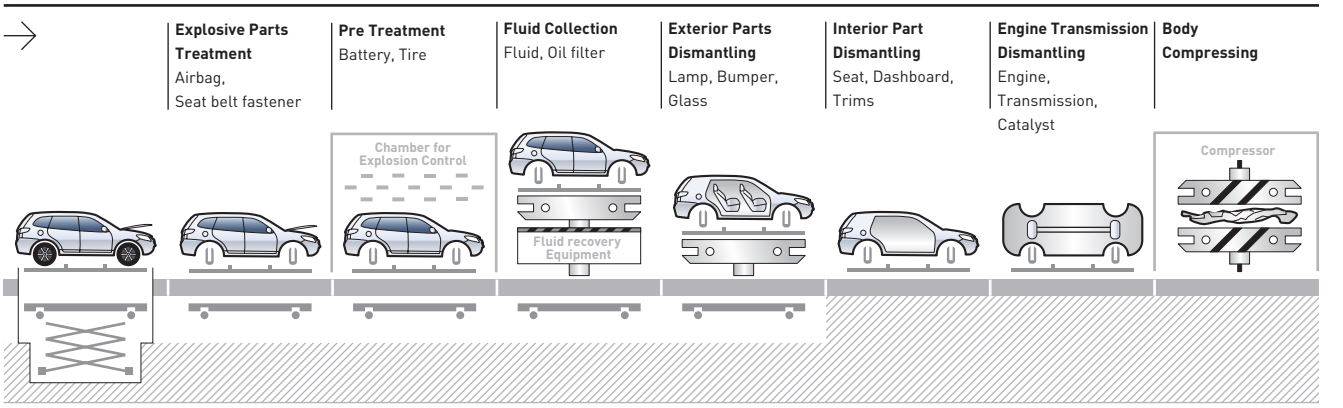
Recyclability Assessment Information System

EU Recyclability Assessment Information System for Homologation (RAIS-H)

The EU began requiring recyclability assessment as a part of homologation beginning from December 2005. As a response, HMC developed RAIS-H which allows for the assessment and calculation of recycling and re-collection ratios using a web database system connected with BOM, a system which contains the material information of parts used in HMC products. Using this system, it is possible to verify material markings on parts and their material composition. A custom-made program was built in the system in order to minimize the data input load for suppliers and related vehicle project staff.

The XML program contributed to reducing the total time required for assessment by more than 2 months. As an added benefit, the system is also capable of uploading and downloading complete data sets. Using the RAIS-H system, improvements in environmentally friendly design and design for recycling have become possible through the modification of non-recyclable components and materials at the design stage. Moreover, the system allows for improved comparison and analysis of

ELV Disassembly Procedures



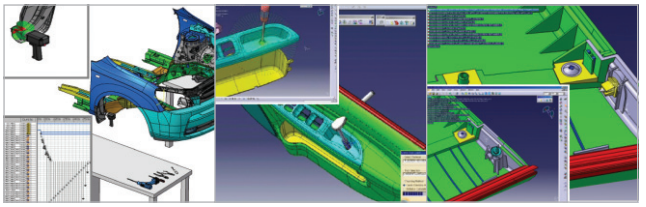
assessment results with additional functions ranging from the comparison of assessment results to the management of assessment records. HMC has applied this system to the new Elantra and the premium LUV Veracruz, and is presently calculating recycling and re-collection rates for both vehicles. HMC plans to establish an internal certification process and to employ the RAIS-H system for assessing the recyclability and re-collection rates of their entire vehicle line-up.

Design for Disassembly System (DfD)

HMC has been developing the CATIA-based design for dismantling (DfD) support system with the Korean government. The support system utilizes CATIA modeling data to automatically assess the optimal assembly·dismantling method. In addition, it also offers design alternatives that maximize dismantling potential while following general optimal design principles. Virtual dismantling simulation, quick assessment and virtual verification function of design alternatives are also included in the system.

The implementation of DfD at the design stage has potential to minimize the time required for vehicle dismantling as well as the costs required. Moreover, the incorporation of design for easier dismantling and recycling can lead to the design of more environmentally friendly vehicles with higher recyclability that better comply with related domestic and international regulations. The system is now going through a verification process in the developmental stages and the assessment for practical use is now in progress. HMC plans to apply the system to its entire vehicle line-up following the completion of system verification.

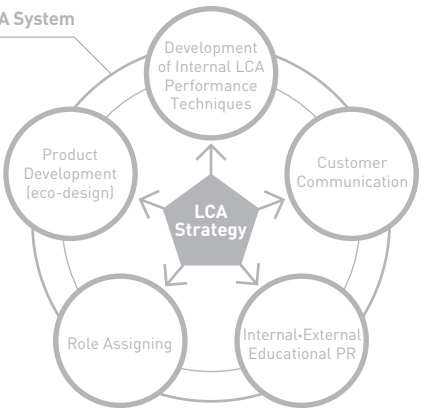
Disassembly Simulation, CATIA Based DfD Design Supporting System



Life Cycle Assessment

Since 1998, HMC has been studying Life Cycle Assessment (LCA) in order to determine the overall environmental impact of the automobile. Based on prior LCA assessment results of parts including bumpers, panels, hoods, engines etc., HMC conducted total car LCA analysis, examining the total environmental impact of the Tucson in 2006. Through Total Car LCA, HMC has analyzed all factors influencing the environmental impacts of its vehicles and has established an environmental impact assessment database for all parts and materials. Based on the database, HMC plans to actively apply LCA techniques at the vehicle developmental stages with the aim of developing sustainable environmentally friendly vehicles.

Total Car LCA System



Material Recycling for Disassembled Parts

The EU has set target to increase the recycling rate of end of life vehicles (ELV) to 85% by 2015. In response to these strict regulations, HMC is conducting the application of advanced disassembly techniques and continues to improve recyclability in order to heighten the environmental-friendliness, economic efficiency and work efficiency of select parts. HMC will continue to expand the application of improved parts in existing vehicle models as well as in new vehicle models in order to strengthen its environmental competitiveness.

Recycling of Polyamide (Nylon) Parts

Nylon is one of the most highly used plastic polymer materials found in an automobile. Nylon is applied in the end tank, and the radiator located at the front-end of a vehicle, serving as the pipes through which anti-freeze and coolant passes. However, nylon materials used in such automotive parts are mostly incinerated after use due to the difficulty in recycling. In order to improve this situation, HMC developed a new recycling technique aimed at recycling nylon materials in order to mitigate environmental problems caused by these materials.

The newly developed recycling technique consists of 1. a material selection stage that is designed to separate and remove iron, copper and rubber from nylon materials 2. a grinding stage that is designed to process the materials into an optimal size for cleaning and washing 3. a friction turning and cleaning stage to eliminate scale, liquid and fine dust particles, and finally 4. a re-compounding stage for reinforcing material strength and quality. After going through the recycling process, the nylon recompounding materials are reused as materials for making radiator fan-shrouds in the vehicle cooling system. Using this recycling technology, HMC has reduced costs for materials used in the fan-shroud by more than 15% and has achieved cost reductions through savings achieved from the elimination of nylon scrapping costs. Starting from August 2006, recycled nylon has been applied on fan shrouds equipped on every Sonata and Grandeur.

Bumper Recycling

Consisting of a cover and a back beam, the bumper, which is the most voluminous part among all plastic parts in a vehicle, acts as a functional shock absorption component in a vehicle. From bumper recovery to recycling, HMC's closed loop recycling system for the automotive bumper developed internally, is its solution to reusing bumpers which would be disposed otherwise.

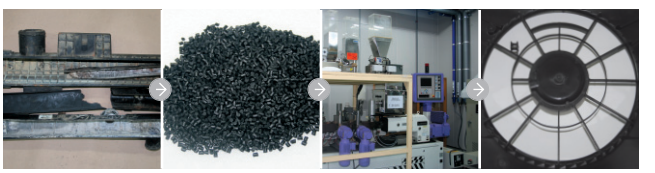
With the aim of improving recycling rate of bumpers, HMC has also developed a paint removal technology different from conventional technologies. This technology, which removes 100% of the coated film, uses pure H_2O, eliminating the creation of any secondary environmental pollution. Applying this technology in scrap bumpers destined for customer service markets, HMC has greatly strengthened the supply of green parts through environment related marketing initiatives.

In addition, HMC has developed technology to apply TPO (Thermo-Plastic Olefin, of which 5~35% is composed of rubber materials that increase shock absorption properties) in parts ranging from recycled bumper covers to wheel guard materials. HMC has applied this technology to the Sonata since August 2006 and plans to apply the technology to the Grandeur, Equus, Santa Fe and the Tucson etc. in the future. More recently, HMC has been developing technologies to improve the impact resistance and rigidity of the TPO and plans to apply this technology to cowl top covers.

Recycled Bumper Cover & Wheel Guard

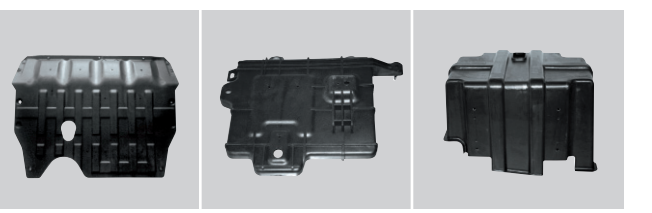
In the case of bumper back beams, HMC developed a high efficiency sealed grinding system and recompounding technology that is designed to improve the impact resistance of materials and flow characteristics, and is applying materials produced using the technology for the production of diesel engine covers and battery trays used in passenger and commercial SUV · RV vehicles.

Recycling Process of Polyamide (Nylon) Parts



Material Selection | Grinding | Recompounding | Fan Shroud Material Production

Recycled Engine Undercover, Battery Tray, Commercial Vehicle Undercover



Four Heavy Metals Ban

In compliance with the EU ELV directive, HMC bans the use of 4 heavy metals namely, lead, mercury, hexavalent chromium and cadmium in vehicles parts and materials. Working in cooperation with suppliers, HMC developed the Korean version of the International Material Data System (IMDS) website to monitor and manage the elimination of heavy metals, and has conducted user education training sessions for suppliers every year since the end of 2003. In addition, HMC has developed alternative materials free of heavy metal content and continues to monitor the use of heavy metals in vehicle parts. With some exception, HMC has established plans to prohibit the use of 4 main heavy metals in vehicles sold in the EU and Korea by the end of 2007. HMC also plans to expand its ban on the use of 4 heavy metals throughout its global operations step by step.

Lead

HMC has developed lead-free vehicle parts and materials including steel plates, electro-coating paint, cables, break linings, fuel tanks, horn pads, carbon brushes for electric motors, pads and etc. Moreover, in line with EU's strengthening regulations regarding ELV, HMC has begun to implement the development of alternative materials to bearing shells · bushes containing lead, which are scheduled to be banned starting from June 2008.

Mercury

HMC's use of mercury is limited to high-intensity discharge lamps and instrument panel displays which is exempted in the EU's regulations. Excluding this, HMC has never used mercury switches or batteries and does not use mercury for any other purposes.

Cadmium

The application of cadmium had been limited to its use in ECM (Electronic Chromic Mirror) for enhancing the adhesiveness of glue. However, company wide use of cadmium has been discontinued since 2005 as HMC has now adopted a new fastening method.

Hexavalent Chromium

The surface of most metallic materials has been widely coated with hexavalent chromium to give anti-corrosion, anti-discoloration, and coating properties. However, the use of hexavalent chromium will be replaced with dyadic chrome or non-chrome starting from December 2006. The hexavalent chromium-free alternatives will be applied to bolts, nuts, clamps, break tubes, oil coolers, regulators, mufflers, wipers, horns, steel plates, and fuel tanks etc.

■ Efforts to Expand Use of Environmental Technologies

HMC has held an R&D Environmental Forum since 2004 in order to collect new information regarding emerging environmental problems, and to discuss preventative solutions with external experts. So far, topics including 'VOC Removal Technology' and 'the Development of Heavy Metal Alternatives' in April, and 'Biofuels' in October 2006 were discussed. Out of the 250 participants, 130 employees of 50 suppliers participated in order to promote the mutual sharing of information.

Aside from the R&D Environmental Forums, HMC has made strong efforts to exchange information and to share related technologies with suppliers through various activities such as IMDS education, collaborative presentations and etc.

IMDS User Education and the Environmental Regulations Presentation

HMC has developed an IMDS (International Material Data System) education program and has held an annual presentation for suppliers on related environmental regulations since the end of 2003 as a way to help suppliers satisfy regulations pertaining to hazardous chemical materials. HMC provided 4 rounds of education for 921 participants of 641 companies in 2005, and has planned for 6 rounds of education for a total of 1,100 participants in 2006.

Unleaded Bearing Shell · Bush

Bolts and Nuts Coated with Dyadic Chrome

Cleaner Production

HMC initiates various activities in order to optimize the use of natural resources and to reduce environmental impacts in the entire stages of the production process. HMC plans to create a zero emissions system as a means to completely eliminate pollutants and wastes emitted from its factories. In addition, with the aim of actively responding to climate change, we continue to move forward to develop CO_2 reduction technologies. One of the ways we look to create cleaner production systems is through the adoption of Life Cycle Assessment (LCA) and Design for Environment (DfE) from the design stages of product development. In addition, we have been strengthening cooperative activities with suppliers in order to minimize the environmental impacts spanning the entire value chain of industrial activity through reductions in the usage of energy and raw materials.

Material Balance

HMC uses a variety of materials and energy throughout its 7 global manufacturing plants to produce vehicles and engines. Referencing the material balance chart below, HMC used 1.8 million CO_2 tons of energy in 2005. In addition, 14.8 million tons was acquired from external sources, of which 1.2 million tons of water was recycled.

In 2005, a total of 659,328 tons of raw materials like steel coil and aluminum, and 2,191 tons of chemicals were used. From the use of these resources, a total of 2,314,179 automobiles and 2,902,235 engines were produced. On the other hand, 1,151 tons of air pollutants and 193 tons of water pollutants were produced. 231,448 tons of waste were produced of which roughly 72% or 166,505 tons of this total was recycled. HMC continues to move toward the creation of a sustainable future by minimizing the use of energy and industrial pollution.

Climate Change

The burning of fossil fuels such as oil, gas and coal contributes to the emission of carbon dioxide and other greenhouse gases (GHG). These gases created by human economic activities have been the main cause of global warming and represent a major contributory factor to climate change on Earth. HMC strives to reduce GHG in its operational process by increasing energy efficiency, optimizing natural resources, and strengthening its partnership with stakeholders.

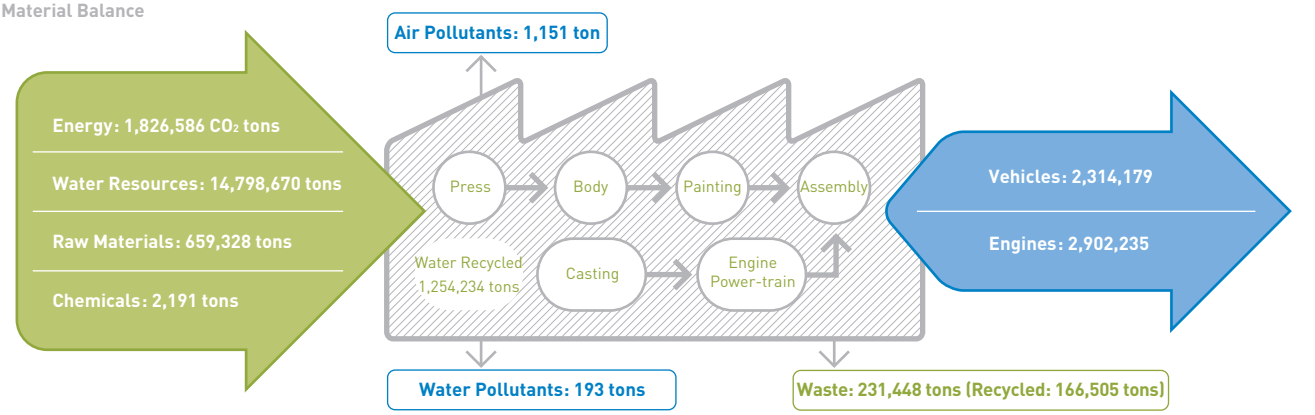
Energy Task Force

Climate Change and resource depletion are becoming more and more important issues. As a result, HMC continues to promote energy saving activities in order to optimize resources and to reduce GHG emissions which are the main contributor to global warming. To promote these efforts, we have organized and presently operate the energy task force. The energy task force focuses on revamping central issues, which can fundamentally reduce overall energy usage. The energy task force consists of experts from production departments which use energy, the maintenance departments which maintain and manage production equipment, the production technology departments which set up the

Improvements of Energy Task Force

Category	Cost Reductions (1,000 Korean won)	Improvements (Cases)
Prevention of Idling	1,097,550	271
Equipment Improvement	258,157	23
Optimizing Operation Conditions	401,134	30
Others	358,732	23

Material Balance



equipment, and the energy management team which manages energy strategy in its plant. Various fundamental energy saving subjects are chosen every quarter and improvements are promoted.

Under the initiatives of the energy task force in 2005, a total of 347 cases of energy reduction improvement tasks were executed, resulting in cost reductions of 2.1 billion Korean won. Such cases of improvements in departments are shared across the company through monthly management meetings and TEMS (Total Energy Management System), which is HMC's internal energy management system.

Energy

HMC promotes the introduction of high efficiency equipment through prior assessment when setting up equipment at a factory. HMC applies energy saving equipment, which retrieves and recovers high temperature heat derived from its painting booth, and continues to install systems which are able to control the load caused by shifting energy usage. In addition, HMC reduces electric power usage by replacing electric motors to appropriate capacities and has reduced energy consumption by applying standards for energy usage in non-production periods and through the efficient management of time.

In addition, as electricity and LNG represent more than 95% of the energy sources, the amount of CO_2 is relatively small in comparison to the other energy sources.

As this year's edition includes additional data sets retrieved from the Alabama Plant and the Eco-Technology Research Institute, our report now includes a broader scope of data sets. According to the inclusion of additional data sets and increased production of the past year, energy usage was recorded as 3,652GJ, an increase of 12% year-on-year.

With respect to energy usage per sales, our figures reported an increase of 4.9% from the previous period due to the broadening scope and increased production at our manufacturing facilities. In light of this, plans have been established in 2006 to promote further energy reduction improvements at the Alabama Plant.

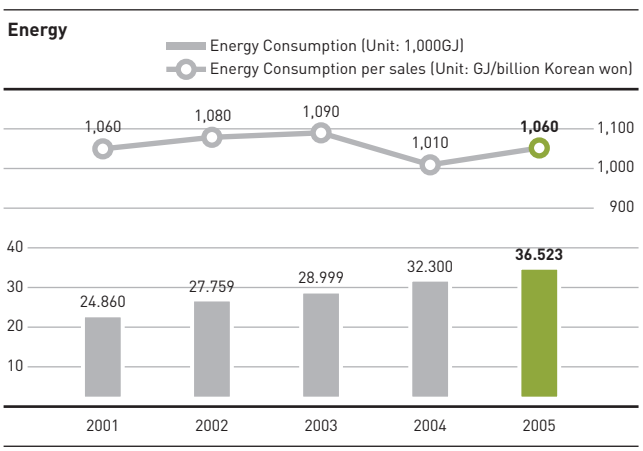
Total Energy Management System (TEMS)

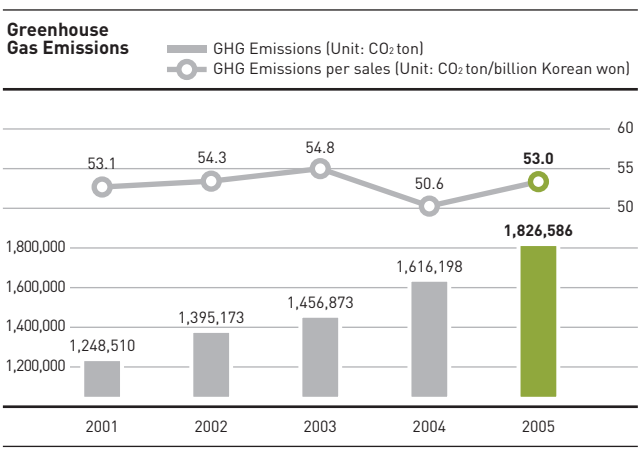
In order to operate energy management more efficiently, HMC developed and has operated TEMS in domestic plants since 2005. Through TEMS, HMC is able to obtain the real time analysis of data regarding utility usage and costs such as electricity, compressed air, steam, gas and other utilities. Aside from this, the system contributes largely to energy saving efforts through the efficient management of energy usage. The system also plays a role in helping HMC achieve efficient energy management by enabling the analysis of increases in energy usage and reduction potential through comparative analysis on a daily and monthly basis.

In addition, TEMS provides useful information related to statistical data in the form of energy improvements, results of energy inspections, climate change etc. that may be applied to business operations to incite efficient energy usage through the real time posting of present status details of energy reduction initiatives. HMC aims to actively manage global environmental issues such as climate change and resource depletion through the creation of a GHG management system. In line with this step, HMC plans to develop an integrated energy management system encompassing overseas operations by the first half of 2008.

Greenhouse Gas Inventory

In accordance with the Kyoto Protocol and the Convention on Climate Change, the Korean government and related industries have organized





a task force in order to strengthen greenhouse gas (GHG) reduction activities. Likewise, HMC is working in the task force with the Ministry of Commerce, Industry and Energy, and the Korea Automobile Manufacturers Association (KAMA) in order to promote various GHG emissions reduction activities. In 2005, HMC developed automobile related GHG guidelines together with the British Standards Institute (BSI) and is in the process of a pilot project that aims to develop a GHG inventory in order to assess GHG emission levels and reduction potential.

Having selected the Asan plant, HMC has begun to define GHG emissions and the inventory. In 2005, the Asan plant emitted a total of 187,879 tons of CO_2 of which 70,434 tons were emitted directly. Based on these results, HMC expects to extend this practice to other manufacturing plants and plans to strengthen GHG reduction activities in the future through GHS emission assessment and reduction potential analysis.

Energy Saving through Partnership (ESP)

In 2006, activities by the metal assembly organization were initiated under the guidance of the Korea Energy Management Corporation (KEMCO) in order to reduce energy usage through the fostering of cooperative relations and the sharing of best practices across related industries. Presently, every domestic automobile manufacturer, Doosan Heavy Industries & Construction Co., Ltd., and Hyundai Heavy Industries Co., Ltd., have voluntarily engaged in this partnership. Through these activities, related industries have formed a joint association in order to share energy saving technologies and related information. In addition, through analysis and joint research activities, this association aims to develop and employ improved methodologies.

Since its establishment in February 2006, this association has shared successful energy savings cases during quarterly meetings.

Resource Efficiency

HMC is reducing the use of resources through improvements in the production process. At the same time, HMC has systematically carried out cleaner production activities by minimizing waste-generating activities while increasing the recycling rate of the waste that results from the production process. In addition, HMC strives to develop technologies to realize a zero emissions factory.

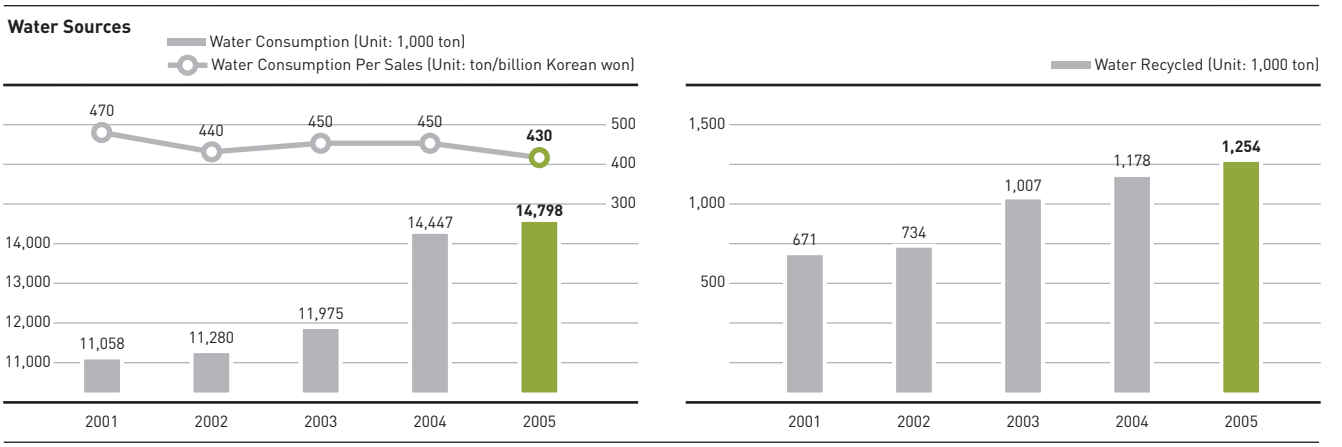
Water

In 2005, water consumption totaled 14,798 tons, an increase of 24% year-on-year due to the wider coverage of production monitoring activities and the rise in production volumes. However, water consumption per sales revenue decreased to 430 ton/billion Korean won, a drop-off of 4.4% from the previous year. As a result of the more efficient usage and increased recycling of water, the recycling rate of water usage has continued to increase from 8.2% in 2004 to 8.5% in 2005.

Waste

Various types of waste are generated from the automobile manufacturing process. These include paint and thinner wastes released by the painting process, package wastes such as vinyl, paper, wood, etc., cylinder blocks, and waste sand used in processes to create molds for cast components such as cylinder blocks. Since 2004, metal scraps and papers have been managed separately from wastes as they are 100% recycled.

In order to reduce waste generation while boosting the reusage rate, HMC unsynchronized waste-storage timing, which has enhanced the efficiency of reusable waste separation and has reduced the total amount of waste disposed. In addition, HMC continues technological developments to reduce sludge generated from wastewater and to develop waste sand reclamation in the casting process. Through these



efforts, HMC recorded total wastes of 223,155 in 2005, achieving a waste reduction of 18% from the previous year.

Wastewater Sludge

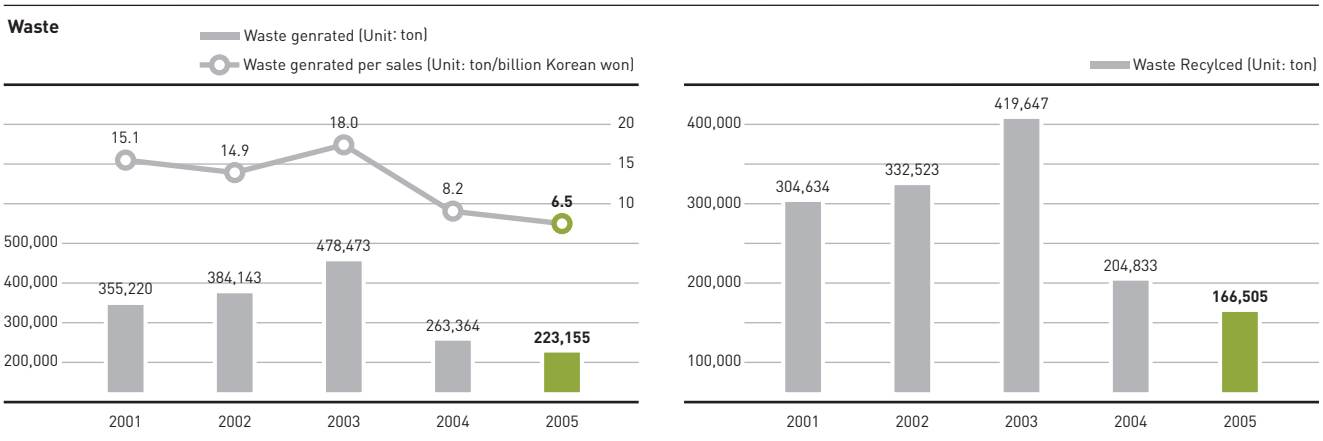
Sludge is the sediment generated from sewage disposal and the purification processes. In compliance with the expected reinforcement of the sea and ocean pollution protection law in 2006, HMC has developed a technology based on the electro-dehydrate technology, which is designed to reduce the amount of sludge in wastewater. This technology is expected to cut sludge in wastewater by up to 50%, reducing the water content to 65% that would have otherwise been 80~85%.

Body Panel Reinforcement Sealer

Sealing refers to the process in which the automobile body is sealed to prevent water leakage, and dust penetration at the edges. Among the most common types are the spot weld sealer application in the body welding process and the body sealer application in the painting process. HMC developed a resource saving Body Panel Reinforcement (BPR) sealer that economizes resources in order to minimize costs in an environmentally sound manner. The resource saving BPR sealer system signifies the sealer system that reinforces the body panels of an automobile. This process replaces the conventional ANTI-PAD (sticker type) system in which sealer was manually applied. The BPR system automatically applies sealers on panels more effectively, thereby increasing the overall efficiency of the sealing process and diminishing the usage of sealer and the generation of substances of concern.

■ Substances of Concern

In order to reduce air pollution, wastewater, and wastes in the production process, HMC stringently enforces internal standards that are higher than those stipulated in domestic regulations. Through strict internal management, HMC concentrates on making proactive efforts by improving and developing technology that reduces pollutants beforehand. Moreover, HMC evaluates the efficiency of the microorganism water reactant and the toxicity in order to develop technologies for high-density & non-dissolvable wastewater treatments.



Air Emissions

Air pollutants are mainly emitted from the painting and casting processes in the form of paint particles, volatile organic compounds and sand particles. HMC strives to minimize air pollutants by continuously implementing strict internal pollution standards at 10~30% levels above domestic regulations.

The widespread use of clean energy optimizing the operations of the air pollution prevention equipment, and replacing iron-cast shops, which use massive amounts of sand to aluminum-cast shops, accounted for the annual emission amount totaling 1,151 tons, a 7.4% reduction compared to the previous year.

Internal Standard for Air Emission

Category	Unit	Domestic Regulation	Internal Standards	Actual Discharge
SOx	ppm	500 (core manufacturing)	150	50~65
PM	mg/sm^3	100	Electric Induction Furnaces: 3	2~3
			Other Facilities: 30	12~15
HCL	ppm	6.0 (cupola)	1.2	0.3~0.6
HF	ppm	3.0 (cupola)	1.0	0.1~0.5
THC	ppm	50 (t/up painting, oven)	15	3~8
	g/m^2	90 (vehicle)	70	65

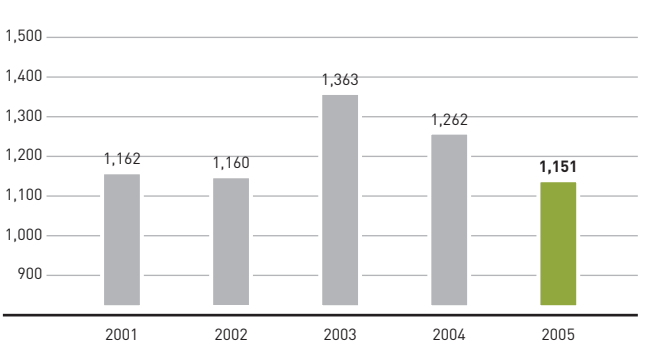
Volatile Organic Compounds (VOCs)

As substances required to ensure the efficiency in paint dilution and the painting equipment cleaning process, VOCs are vital in the automobile manufacturing process. However, due to the negative effects of these substances on the environment and human health, emission levels of these substances are currently regulated by law. In 2005, the emission levels of VOCs totaled 10,289 tons, a slight jump year-on-year resulting from increased production volume and the change in the calculation method under Korea law, while the recovery rate of organic solvents increased from 31% to 37% from the previous year.

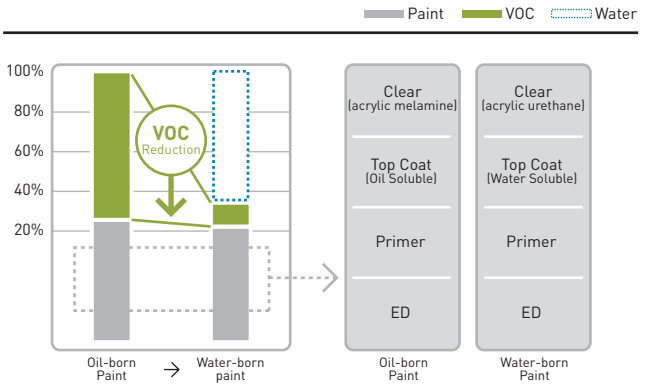
HMC continues to substitute oil-born paints with water-born paints in order to reduce VOCs emissions. Presently, water-born paint usage is adopted in some domestic plants and in the Alabama plant with expectations for domestic-wide adoption by 2007. Moreover, HMC is stepping toward the extensive use of water-born paints in its entire operations. By widening the use of water-born paints, HMC continues to decrease VOC emissions and to increase the recycling rate of organic solvents.

Air Pollutants (Domestic)

Unit : ton



Layers of Water-born Paint



VRS (VOCs Recovery System) Pilot Project

HMC has carried out a VRS pilot project at the Ulsan plant which is a new VOCs treatment system. Currently, VOCs that are generated from ovens in the painting process are thermally decomposed by the RTO (Regenerative Thermal Oxidizer) system. However, the VOCs recovery system currently in the testing stages employs special solvents to capture and recover the discharged VOCs. As the first technology of its kind, HMC continues to collaborate with CH2MHILL, through joint research initiatives.

Amine Odor Reduction

Amine, which is a branch of Ammonia, is applied as a hardening agent in the casting shop. The odor emitted from amine has continued to be an issue with local stakeholders due to its evaporation properties in normal temperature conditions. Corresponding to the related problem, HMC recently developed a technology that reduces amine emissions during plant operations. The technology involves the installation of collection hoods and other equipment that delivers the collected amine to the neutralizing dock where it reacts with acid solutions and becomes alkaline. Correspondingly, the neutralized wastewater is properly treated at the wastewater treatment facility.

Wastewater

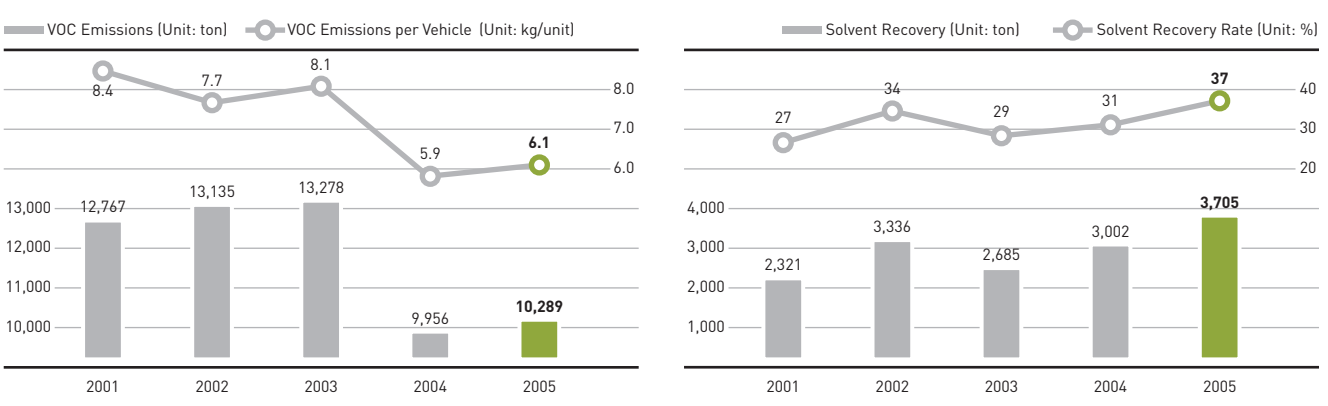
Industrial wastewater during production is mainly attributable to the vehicle body cleaning process, and dust collector machining process. Sewage is mainly released from cafeterias, employee residential areas, restrooms, and shower rooms. HMC has installed and is implementing a consolidated wastewater treatment facility at each factory in its plants. In the Ulsan plant, wastewater is treated through 7 sub treatment facilities, 2 wastewater sewage treatment facilities and 1 wastewater treatment facility. The Asan plant and HMI operate on a zero discharge system.

In addition, the main managing indexes are as follows: Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), suspended substances, and normal hexane (N-H). In 2005, discharged water pollutants totaled 193 tons, a drop of 6% year-on-year. COD discharge, which increased in 2004, was drastically reduced while the discharge density of BOD, SS, and N-H discharges showed slight increases.

Zero Discharging Wastewater System

By collecting and purifying wastewater from production activities through a reverse osmosis system, the Asan plant self-supplies industrial water required for its own operations. For this purpose, the Asan plant installed a wastewater treatment complex in 1996, which

VOC



was designed to treat industrial wastewater from industrial activities and sewage released from factories and residential areas. The wastewater treatment complex comprises two processes: wastewater treatment and purification. The wastewater treatment process consists of physical, chemical, and organic filtering procedures whereas the purification process includes a chelate agent, micro filtering, reverse osmosis, concentrated evaporation, and drying procedures. The water that is treated through the purification process is reused as industrial water. To ensure the self-sufficiency of the industrial water supply, HMC utilizes rain water collected from the Asan plant area. As the surface water supplements the industrial water through the pump system and pipes, the plant maintains 100% self-sufficiency. Any shortages in industrial water supplies are supplied in a self-sufficient manner through industrial wastewater and sewage retreatment processes.

Chemicals

Hazardous chemicals are toxic chemical substances and other chemical substances that cause harm to the human body and the environment. Presently, regulations regarding chemical substances have been reinforced with causing them to become a serious trading issue among corporations and countries. In 2003, the European Union Commission proposed a new chemical regulatory framework called REACH (Registration, Evaluation and Authorization of CHemicals), which is expected to enter into force in 2007.

HMC continues to strive for the establishment of a comprehensive harmful chemical substance management system in order to correspond to domestic and global regulations. Furthermore, in compliance with the 1987 Montreal Protocol and as a commitment to preserve the global environment, HMC has established an internal policy to prohibit ozone depletion substances.

Aside from this, HMC continues to develop systematic maintenance and reduction technologies with respect to chemicals as used internally at our plants in order to improve the overall working environment. At present, HMC is developing chemical harm assessment techniques and chemical hazard related forecasting techniques. In addition, HMC continues with research efforts to develop chemical reduction technologies at each plant, pollutant atmospheric diffusion modeling techniques and a design support system for ventilation equipment in order to enroot an atmosphere based maintenance process throughout its entire facilities.

HMC also strictly monitors chemical usage, especially that of sodium hydroxide (NaOH), sulphuric acid (H_2SO_4), nitric acid (HNO_3) and hydrochloric acid (HCl). Despite the increased production volume in 2005, total chemical substance usage decreased by 23% compared to the previous year due to the reduced usage of chemical agents for wastewater treatment.

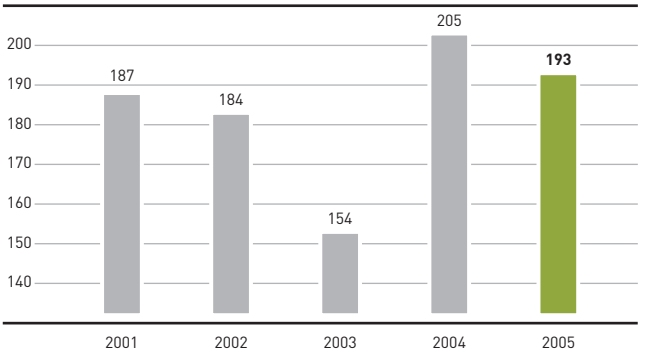
Not only does HMC take initiative to reduce the use of chemical substances, but it also focuses on conducting environmentally healthy after-production activities by appropriately handling, storing, and disposing of chemical substances. Additionally, striving to become socially responsible, HMC has entered into an agreement with the Ministry of Environment, Ulsan City, and NGOs, setting reduction targets regarding chemical discharge amounts for 2009.

Lead, Tin free Paint

Lead and tin, which have been used as paints, are known to be harmful to the human body and the environment. Lead, used as a stabilizer in paints, permeates into rivers and soil in the end-of-life vehicle phase, and vegetables grown on contaminated soil delivers lead to humans who consume them. The use of tin, which is added as a hardening catalyzer of paint, is currently restricted in developed countries, due to

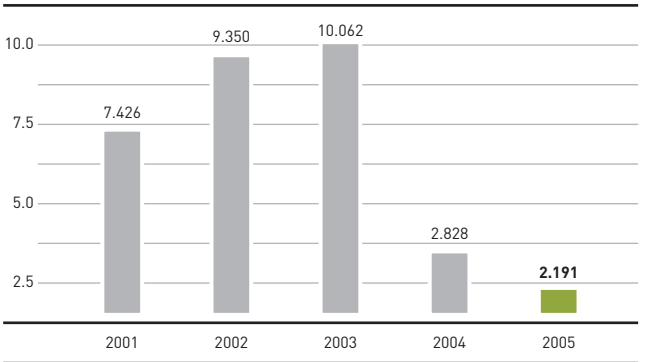
Water Pollutants (Domestic)

Unit: ton



Chemical Substances (Domestic)

Unit: ton



the detrimental effects it brings to the ecosystem, such as causing imposex to clams. HMC has developed and continues to use an environmentally friendly paint instead of lead and tin containing paint.

■ ISO 14001

Corresponding with its effort to establish clean manufacturing plants, HMC endeavors to acquire ISO 14001 certification in both domestic and overseas operations. Beginning with the Ulsan plant in 1995, all of HMC's domestic operations, including its 23 service centers and R&D center, have been ISO 14001 certified by TUV-Korea as well as being stringently managed every year.

With respect to its overseas operations, the HAOS and HMI plants obtained the ISO 14001 certificate in 2003 and BHMC did so in 2006. Founded in May 2005, HMMA is currently preparing for ISO 14001 certification. HMC also encourages its first tiers suppliers to acquire ISO 14001 certification. As a result, as of the end of 2005, 178 out of 439 suppliers had developed environmental management systems and had obtained ISO 14001 certification. In addition, with the goal to maintain and improve ever-changing environmental management systems, HMC has been publishing and distributing environmental management guidebooks to assist managers of environment management. Aside from this, HMC continues to support its suppliers by providing environmental management education and training programs on an annual basis.

■ Environment Award

In 2005, the Ulsan plant was selected as the 'Ulsan Environment Grand Prize' winner held jointly by the city of Ulsan and the Ulsan public prosecutor's office. In 2002, the Ulsan public prosecutor's office established the Ulsan Environment Award in order to promote corporations' voluntary actions to establish environmentally friendly management systems and to take stewardship in environmental preservation. Since 2003, the Ulsan district public prosecutor' office, in joint cooperation with the city of Ulsan, has been awarding corporations that have been operating in an examplatory manner.

The Ulsan plant received the 'Ulsan Environment Grand Prize' in recognition of its environmentally friendly production activities and its contributions to the local community. The Ulsan plant, which received ISO 14001 certification in 1995, was appointed by the Ministry of Environment as an environmentally friendly company and plans to perpetually commit itself to environmental preservation in all areas of management for years to come.

■ Environmental Cost

As described in the following chart, HMC's environment preservation-related expenditures have been classified into 5 categories - direct environmental pollution reduction costs that comprise environmental equipment-related costs, indirect environmental pollution reduction costs that comprise employee environmental education, environmental risk management costs, waste treatment & recycling costs, and social environmental costs. HMC plans to introduce an environmental accounting system to further systemize the entire environmental management system. In 2005, total environmental costs amounted to 45 billion Korean won, a 21% increase year-on-year.

Asan Plant Wastewater Treatment Complex

Environmental Accounting (Domestic)

	Category	Korean won
Environmental costs	Direct cost	21,332,200,150
	Indirect cost	12,572,774,072
	Environmental risk management cost	51,166,305
	Waste treatment & recycling cost	9,666,763,967
	Social environmental cost	1,438,339,000
	Total	**45,061,243,494**
Sales of recyclable materials		**62,893,887,355**

PEOPLE & SOCIETY

Corporations, the surrounding societies and the people inside: These are inseparable and interdependent. HMC's core value is to realize sustainable development based on balance, harmony and unity with people and societies. As a responsible global corporate citizen, HMC strives to nurture mutually beneficial relationships with all stakeholders and to ensure a more abundant and viable society.

Customers

Customers are placed first in all management activities carried out by HMC. Since its foundation, HMC has actively fulfilled responsibilities to provide customers with the highest quality vehicle and first rate service. Through active communication with customers, HMC has also intensified efforts to apply customer requests in the scope of its management activities.

■ Customer Center

First opened in 1995 as the 'Customer Counseling Center,' HMC renamed the center as the 'Customer Center' in 1999. Under the changed name, the customer center unified customer counseling operations to seek friendly, prompt, and accurate service. In 2002, HMC's counseling channels were diversified with the establishment of a cyber vehicle maintenance counseling service. With 130 counselors as of 2005, HMC's customer center not only responds to general inquiries via the Internet and a telephone system, but also provides professional counseling services under the Case Manager System. The collection of VOC (Voice of Customer) as handled by the customer center is analyzed internally and in turn leads to improvements in the operational processes of related departments in order to reduce and prevent future complaints.

■ HCSI (Hyundai Customer Satisfaction Index)

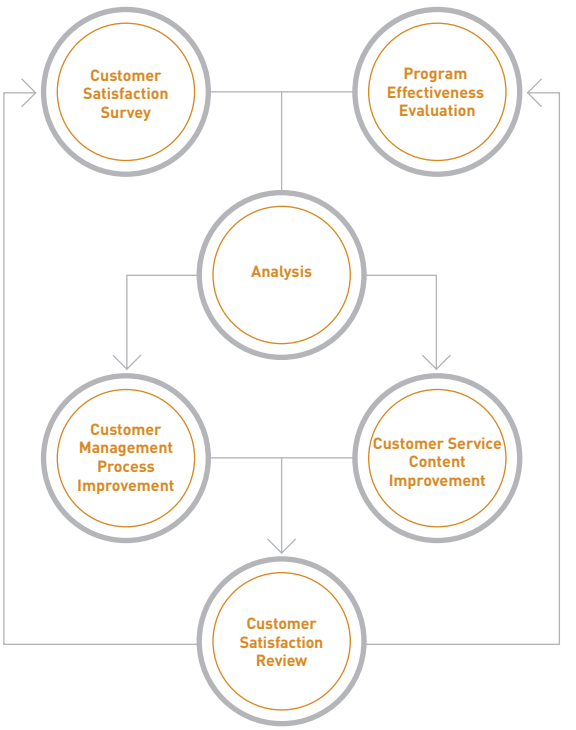
HMC has performed customer satisfaction surveys since the development of the HCSI in 1996. Under this program, HMC investigates and analyzes customer satisfaction under 4 subsections, products, company image, sales, and maintenance services and produces HCSI, a combined customer satisfaction index. The result of HCSI is reflected to improve the overall operational process. Aside from the HCSI, HMC also actively applies the internal customer survey, the KCSI (conducted by KMAC), the NCSI (conducted by the Korea Productivity Center), and the KS-SQ (conducted by the Korean Standards Association) in improving customer satisfaction.

■ Women Customer Program

For the rapidly increasing number of women drivers in the domestic market, HMC established a community website for women known as 'Woman Hyundai' in 2005. This website provides women drivers with essential driving related information and tips together with other non-related driving information such as information relating to fashion, culture, interior and so on. Moreover, HMC has operated a self-maintenance class for women who maintain substantially lower levels of automobile related knowledge than their male counterparts.

* www.woman-hyundai.com

Customer Opinion Reflection Process



Self-Maintenance Classes for Women

■ CS (Customer Satisfaction) Program

Established in 1994, HMC expanded the CS Project Team to the CS office in 1996 as part of its effort to enroot a CS culture in its overall management policies. In addition, HMC has intensified the CS program globally to meet the increasing requirements of its customers.

CS Management System

Under the CS management system, HMC promotes improvement in on-the-job-centered CS based on the analysis of information gathered from regular CS monitoring activities from direct contact with customers, such as sales, delivery, maintenance etc. In addition, HMC leads employees in voluntary CS activities and rewards outstanding centers, dealerships and employees. Aside from this, HMC offers a complete range of CS education to employees through the CS Academy and provides special education for selected CS conductors in order to promote a CS mentality in its employees.

In addition, HMC has been operating the CS Plaza to improve and facilitate employee sharing of CS related analysis since 2004. Through the CS Plaza, employees have the opportunity to verify customer voices and various customer satisfaction surveys, and to obtain information regarding CS trends, customer response manuals and education materials etc. At the same time, HMC is expanding the usage scope of the CS Plaza to maintenance suppliers in order to improve the effectiveness of customer service.

* http://csplaza.hmc.co.kr

Global CS

In line with the annual growth in global sales, HMC has been striving to enhance overseas dealer operations and to foster dealer staff through training. In addition, HMC continues customer satisfaction research in key markets and applies this information to promote improvements in CS for each corresponding area.

Auto-Prosumer

HMC introduced the Auto-Prosumer system in 2006, a large scale marketing activity where a total of 15, 000 customers participate in panels, in order to actively apply customer voices in overall management decisions.

Auto-Prosumer is a combination of auto, producer, and customer and denotes the coexistence of a customer in the producer's development of automobiles. In other words, under the Auto-Prosumer system, customer opinions are collected during the entire ownership period of a vehicle so that such views may be actively reflected from the initial stages of new product•service planning in order to maximize customer satisfaction.

As of part of these very efforts, HMC invited 5,000 Hyundai vehicle owners as of August 2006 to join in panels and participate in the corresponding HMC operated pilot program. HMC plans to invite a further 10,000 passenger vehicle and RV owners and to operate panels forming a total of 15,000 customers.

CS Education for Chinese Dealers

Customer Safety

HMC has long been pursuing the safety of its drivers, passengers and pedestrians alike. In line with these initiatives to heighten safety, HMC has implemented a super computer simulation program to set various crash test scenarios from the initial stages of automobile development. These efforts have led to the development of ASV (advanced safety vehicles), which not only secures safety in actual crash situations but also pre-perceives possible accidents and prevents them from occurring.

As a fact, HMC has continued to receive recognition throughout the world as a leading manufacturer developing and selling the safest automobile. The Sonata received a 5 star rating for driver and passenger seats during head-on collisions and 5 stars for side collisions, top marks for safety in the National Highway Traffic Safety Administration's New Car Assessment Program (NCAP) for 2005. In terms of RVs, the Tucson obtained a 5-star rating for driver and passenger seats, and side collisions respectively, which is accordingly the highest safety record among mid-sized passenger vehicles (for leisure use).

Furthermore, the Sonata recorded outstanding results in the safety assessment test performed by the USA Insurance Institute for Highway Safety (IIHS). Aside from these efforts, as the concept of the automobile further develops from a means of transportation to a movable living space, HMC is further endeavoring to construct a ubiquitous environment where drivers are able to swiftly obtain convenient automobile related information while at the handle of the wheel.

Crash Safety

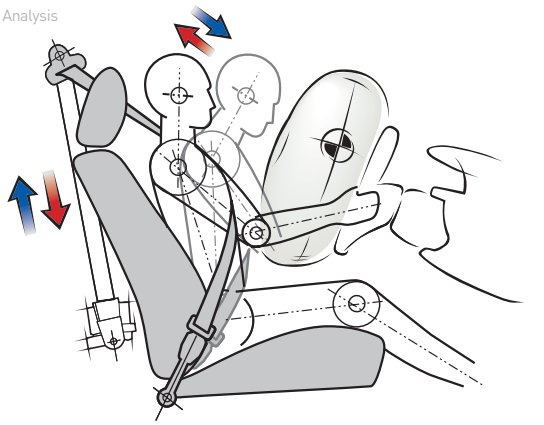
To seek the best in crash safety, HMC secures a safe omni-directional frame construction to disperse collision energy. HMC also applies sophisticated safety devices such as side curtain airbags to minimize the possibility that occupants may be ejected from the vehicle or from broken pieces entering into the vehicle through various computer simulations. In addition, HMC applies dual pretensioners to strengthen a passenger's binding force at the time of a collision, and active headrests, which automatically move upward and forward depending on the load to the upper body during a rearview collision in order to lessen a passenger's risk of head and neck injuries etc.

Passenger Behavior during Collisions

During a collision, the passenger is influenced by many kinds of design variations, such as vehicle body transformation, a passenger's binding device, the layout of passenger seats and a passenger's physical characteristics. In this regard, HMC continues to perform Occupant Analysis to measure the extent of the influence any design variations may have on passengers.

Airbag

Occupant Analysis



Passenger and Vehicle Analysis

Since any car accidents occur while passengers are stationed inside the vehicle, it is inevitable that the analysis of collision safety, conducted by way of a computer simulation program, is performed on the structural body of a vehicle along with a crash dummy that replicates a human body. With such an integral analysis of a given vehicle and its passengers, the transformation of a vehicle's body frame and the safety of its passengers can be easily verified. In this regard, HMC has carried out the analysis of vehicles and its passengers using integral safety-based technology in order to more accurately predict and improve collision safety.

Advanced Safety Vehicles (ASV)

More so than safety advancements, which can minimize the damage after the occurrence of a traffic accident such as airbags, seat belts, or high safety vehicle frames, HMC's technology aims at a more active and intelligent Advanced Safety Vehicle, which actively prevents and minimizes vehicle accidents.

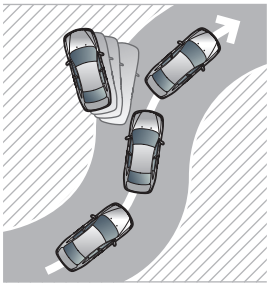
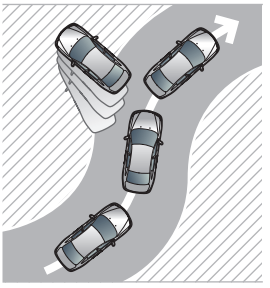
In line with its initiatives to offer a safe driving environment, HMC constantly endeavors to develop and apply various intelligent safety vehicle technologies, such as Vehicle Dynamic Control (VDC), the Adaptive Cruise Control System (ACC), and the Lane Departure Warning and Prevention System etc.

Crash Analysis

Mozen

Mozen is a comprehensive telematics system linked with the Mozen Information Center providing drivers with vehicle related information in real-time in order to address potential vehicle accidents or theft. Under the Mozen system, a driver can obtain various information regarding the news, stocks, leisure, culture as well as traffic conditions while behind the wheel of the car. Furthermore, as the terminal equipped with the GPS antenna and communication modem is closely connected with the vehicle, it is designed to provide essential services related to driver safety, such as tracing a stolen vehicle, etc. Following a traffic accident, Mozen can directly report on the location of the car including the current situation to the home, police station, service center, and insurance company through the Air-bag status tele-monitoring service. Other key services of Mozen are traffic and information services (Off-board Traffic & Information Service), and emergency services such as the tele-locksmith service, which allows for swift settlement when a driver's vehicle is locked. In response to such a call, the Mozen Center transmits instructions to the terminal once the identification of the owner has been verified. Beginning with the Mozen service, HMC is continuing to make advancements in the automobile ubiquitous era where information is obtained at the touch of a dial.

Fundamental Theory of Vehicle Dynamics Control (VDC)

	During Under steering	During Over steering
Dangerous Conditions		
Phenomenon	The front part springs out of the curb	The rear part springs out of the curb
The role of VDC	Control of the rear right wheel of the vehicle	Control of the rear left wheel of the vehicle

Customer Service

Based on the spirit of trust, speed, accuracy, and friendliness, HMC has established a national wide maintenance network with 23 directly operating service centers together with 1,500 outstanding maintenance suppliers in order to provide customers with more convenient services. In addition, HMC provides various services such as special mobile services for the physically challenged, residents of remote areas and drivers of delivery vehicles, free checkup services to vehicles damaged by natural disasters and a 24-Hour Emergency Vehicle Rescue Service etc.

Aside from these activities, HMC has developed and supplied advanced computer diagnostic devices through the operation of a High-tech Center for difficult vehicle maintenance issues in order to enforce maintenance technology using a more systematic and scientific approach. In addition, HMC has established a digital maintenance website known as 'Global Service Way,' which posts various information relating to maintenance techniques, as a commitment to progress together with its suppliers.

* www.globalserviceway.com

Emergency Vehicle Rescue Service and Self-Maintenance Training Program

HMC operates a 24-Hour Emergency Vehicle Rescue Service, which provides emergency measures to vehicles, for the safety and convenience of customers under difficult situations due to vehicle-related problems. Participation in the Emergency Vehicle Rescue Service not only includes all employees of the HMC customer service department but volunteering local taxi drivers. Aside from the Emergency Vehicle Rescue Service, HMC operates a self-maintenance training program to promote safe driving practices and to enhance vehicle maintenance skill. Following the completion of the program, drivers learn how to manage their vehicles in emergency situations and how to drive their cars for better fuel economy.

BASIC Movement

HMC carries out a service quality innovation campaign, the BASIC Movement, to improve customer satisfaction and to heighten work efficiency. The BASIC Movement aims to provide customers with a Beautiful, Attractive and Safe service shop through continuous Innovation and Control. Applying the step by step BASIC movement, HMC achieved overall improvements in service quality and cleanliness at maintenance service centers. Recently, HMC has undertaken the second phase of the service quality innovation campaign, named BEST, with a focus on 4 core objectives: Improvements in Brand, the Environment, Clean Service and Technology.

Overseas Customer Service

With the increase in annual global sales, HMC has intensified overseas customer service to enhance customer satisfaction globally. As part of such efforts, HMC has held the Hyundai World Skill Olympic events bi-annually since 1995, and has operated a domestic training tour program to promote maintenance skills and the overall competence of overseas mechanics.

Hyundai World Skill Olympic

HMC has held the Hyundai World Skill Olympic every other year since 1995 to enhance the overall ability of overseas mechanics. HMC plans to continue holding the bi-annual Hyundai World Skill Olympic event in order to improve technology by motivating mechanics, technology exchange, and maximizing customer satisfaction by obtaining global competitiveness in the field of customer service.

Overseas 24-Hour Emergency Vehicle Rescue Service

With the aim of increasing customer satisfaction among the ever increasing Chinese consumers, HMC has commenced 24-Hour Emergency Vehicle Rescue Service in China. The promotion of this service is in active response to the increasing needs and standards of Chinese consumers with respect to vehicle quality and service. BHMC's 24-Hour Emergency Vehicle Rescue Service offers 24 hours a day, 7 days a week assistance anywhere and at anytime. Through the supply of all local dealers with emergency vehicle rescue service at the touch of a fingertip, HMC has now established the foundation for an emergency service system in China.

01

02

03

04

01. Special Mobile Service for the Residents of Remote Areas
02. Hyundai World Skill Olympic
03. Getz Speed Festival
04. Overseas 24-Hour Emergency Vehicle Service

■ Customer Events

HMC provides customer pleasure by holding various annual events such as the 'Getz Speed Festival,' the 'Summer Auto Camp,' and the 'HMC Cup Amateur Ski and Board Competition,' etc. The 'Getz Speed Festival' has been held since 2003. As the biggest such event in Korea, which allows participants the opportunity to race, to participate in a racing school, and to test drive new vehicles etc., the Getz Speed Festival continues to contribute to the popularization of domestic motor sports for all ages.

Additionally, in line with the release of new vehicles, HMC presents consumers with the opportunity to participate in large scale test driving events. As part of its efforts to promote communication with customers, HMC continues to provide various programs such as support for Internet based vehicle club programs and activities.

■ Customer Information Security Program

Customer information is closely managed and supervised under very strict internal security regulations. HMC's security regulations clearly indicate the persons in charge of customer information security in every department, and restrict the extent of available information according to the objectives of use and the users. In the event an internal employee requires the use of customer information, (s)he is required to fill out an application to receive full authorization from the person-in-charge. Where an outsourcing company requires the use of any customer information, the company is obligated to sign an Individual Information Protection Agreement and is required to have the document notarized. Furthermore, once any tasks are completed, the outsourcing company is required to collect and destroy the information, and to write a Customer Information Destruction Confirmation in order to ensure and prevent any leaking of customer information. In line with this initiative, HMC operates customer information security training more than once per quarter for the customer information managing department and operative system users, and implements the Database Security System (DDS), which is an intensified system protecting individual information on the Internet.

Domestic Customer Satisfaction

NCSI Winner for 5 Years and Running

Selected as the 2005 winner of the National Customer Satisfaction Index (NCSI) award in the production of passenger vehicles, HMC has held this title for the last 5 consecutive years now. The NCSI survey is conducted annually by the Korea Productivity Center and Gallup Korea and is performed on 4 areas of the Korean industry every quarter. The NCSI survey, which was initiated in 1998, measures customer satisfaction for products and services produced domestically or overseas but consumed in Korea. The results of the NCSI survey are applied to gain an accurate read of customer satisfaction with a company.

KCSI Winner for 12 Years and Running

The Korean Customer Satisfaction Index (KCSI) has ranked HMC number 1 for the last 12 years in a row in the field of the passenger vehicles, an outstanding feat considering the consecutive length of this achievement. In addition, HMC has garnered top spot for RVs for 2 consecutive years since the KCSI first began the separate classification of passenger vehicles and RVs last year.

The KCSI, conducted by KMAC from May to August 2005, was based on individual interviews of 1,100 customers, who have owned and operated automobiles for the last 3 years or less. As the representative customer satisfaction index in Korea enjoying the longest public trust since 1992, the KCSI indicates improvements in quality with the standard of customer satisfaction on products and service.

Superior Initial Quality

HMC outpaced all other domestic automobile manufacturers in the Initial Quality Study performed by Marketing Insight, a domestic market research firm. Conducted against 130,630 domestic vehicle owners from the period of July 4 to August 20, 2005, HMC obtained a score of 164 PPH (Problems Per Hundred vehicles), the lowest ranking among domestic vehicle manufactures. The domestic Initial Quality Study is conducted against the number of PPH that customers have encountered within the first 3 months of a new vehicle purchase.

Overseas Customer Satisfaction

2005 Strategic Vision Total Quality Study Winner

HMC garnered two segment winners in the 2005 Strategic Vision Total Quality Study. In the influential US market study, the Tucson and Accent topped the Small SUV and Small Car segments respectively. In addition, 73.61% of HMC owners reported no problems with their new vehicles, slightly ahead of the industry average of 73.43%. HMC set a new benchmark for the Small SUV segment with its Tucson. Tucson owners rated it higher on roominess, road noise and innovation and reported that it provided them with feeling of refinement, which is typically not present in vehicles in this segment.

The Accent offered its buyers with superior craftsmanship, style and thoughtfulness. The Total Quality Study surveyed over 40,000 new-vehicle buyers who purchased their new 2005 vehicles during the October-November 2004 time period. Buyers were asked an extensive array of questions about their complete ownership experience including buying, owning, and driving their new vehicles.

Sonata Named the Best Family Sedan in the US

MotorWeek, America's most popular automotive video magazine show, recognized the HMC Sonata as the Best Family Sedan in its 2006 Drivers' Choice Award. A team of 15 judges, comprised of the writers, producers and crew of MotorWeek evaluated more than 150 cars and trucks, looking for superior performance, technology, practicality and dollar value. Each vehicle tested underwent road and track tests and comprehensive competitor comparisons. The Sonata beat other vehicles in its class by combining performance, safety and comfort in an attractive and affordable package for families. The American-made Sonata was the first Korean-brand car to ever win the Best Family Sedan award of MotorWeek and did so with a tremendous combination of roomy comfort, quality assembly and most of all safety.

US Durability Quality Survey

HMC recorded the highest rate of improvement in the VDS (Vehicle Durability Quality) survey of customers by J.D. Power and Associates.

Sonata

With the rapid improvement in the initial quality of new vehicles, HMC improved by 115 points, the highest such improvement within the automobile industry in the VDS. Such success is due to HMC's Quality First management initiatives. Unfortunately, as the aforementioned score has yet to live up to the average level, HMC is making every effort to improve overall quality. According to the vehicle class assessments of this study, Sonata garnered 3rd place in the Entry Midsize vehicle class, and the Accent occupied the 2nd spot in the Entry Compact Car class.

Five HMC Models Named 'Best Bet' in The Car Book 2005

Five HMC models, the Accent, Elantra, Santa Fe, Sonata and Tiburon (Coupe) earned the title 'Best Bet' in Jack Gillis' The Car Book 2005. The Car Book, in cooperation with the Center for Auto Safety, selects vehicles for this distinction based on how well they respond to the safety and performance needs of today's consumer.

Having five HMC models identified by The Car Book as 'Best Bets' demonstrates how well HMC vehicles are fitting the needs of the American consumer. The 5 models earned recognition for industry-leading standard safety features, like side-impact air-bags and Electronic Stability Control. This recognition from The Car Book validates that customers are considering safety equipment as standard, not optional. The Car Book has analyzed new vehicles each year for the past 25 years to identify vehicles that have made a significant contribution to bettering the market. 'Best Bets' is The Car Book's list of highest-rated cars in each of the size categories.

Top Marks in the UK Quality Reliability Survey

HMC obtained the top ranking in the quality reliability survey performed by the UK automobile magazine, 'WHAT CAR?.' The survey, which was conducted by 'WHAT CAR?' and Warranty Direct, a warranty provider, ranked HMC 6th overall and awarded HMC vehicles with the top ranking of 5 stars along with the brands ranked from 1st to 5th. Regarding the number of cases of quality problems and the average costs and time required for maintenance, HMC was ranked 6th among the 30 companies with a total of 16.2 cases of quality problems for 100 vehicles and was ranked first with a cost of 135 British Pounds and 1.2 hours required for maintenance.

Sonata Honored as the Best Brand of Chinese Lifestyle

Conducted by the Chinese World Trade Organization Research and the Chinese Broadcasting Television Association, the Sonata was honored as the best brand representing Chinese lifestyle in the '2005 Chinese lifestyle survey,' which closely followed members of the Chinese political, economic and academic elite.

The '2005 Chinese Lifestyle Best Brand Award' selected 1 representative from leading sectors, namely, the IT, financial, consumer electronics, furniture, clothing, food, real estate, and the automobile fields etc. to properly reflect the representative local and foreign brands most actively used by and influencing Chinese lifestyle in 2005.

Sonata Wins the 'Good Design Award' in Japan

The Sonata was chosen as the winner of the 'Good Design Award' among imported vehicles, the highest accolade in the field of passenger vehicles conducted by the Japanese Association of Industrial Design. HMC's best design award for 2 years running, namely, the 'Good Design Award' for the Sonata following the heels of the Tucson's achievement in 2004, indicates that HMC's designs are reaching world-class levels.

The 'Good Design Award,' which is based on the Good Design Product Selection System (known as the G-Mark) and established by the Ministry of Economy, Trade and Industry in 1957, is the foremost composite assessment of design and the most prestigious design award in Japan.

Employees

HMC employees are the driving force behind the present day success of the company and are essential for its future success. Through various internal and external educational programs, HMC helps employees realize their potential. In addition, HMC strives to provide a safe and healthy working environment and to improve the social welfare of its employees by providing various welfare-related programs.

Number of Employee

As of December 2005, a total of 71,650 workers were employed in domestic and overseas operations at HMC. According to regional distribution totals, 54,440 workers were employed in Korea, 7,570 in North America, 7,160 in China and India, and 2,250 in Europe. HMC has been recruiting new talent in local and major global markets in order to secure recruitment and to foster new talent.

Diversity and Equal Opportunities

In line with the globalization of its business, HMC has continued to increase the recruitment of local talent. In addition, HMC is furthering its efforts to provide equal opportunities to all employees and has implemented various programs in order to raise the diversity and inclusiveness of its employees. HMC regards diversity as a valuable asset towards becoming a global company.

Female Employees

Accounting for 4% of the total employee work pool, the female employee base at HMC totaled 2,230 employees in 2005. With increasing emphasis placed on the importance of the employment of females throughout the globe, HMC has begun to increase the recruitment of new female employees. For the welfare of female employees, they receive an additional day of paid leave per month, and a 90-day pre or post maternity leave. In addition, HMC operates a day care center at the manufacturing plant in Ulsan.

HMMA Diversity Program

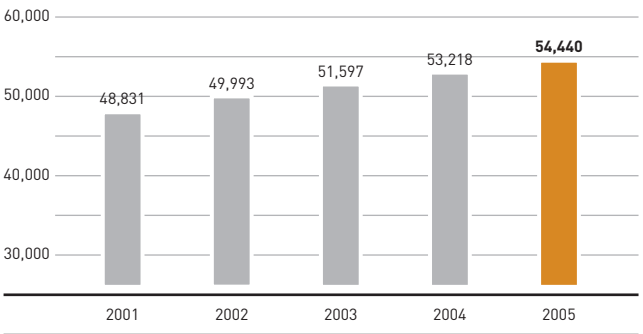
Diverse membership is encouraged in HMMA. HMMA operates The Diversity Action Team (DAT) composed of employees of which members volunteer for. The DAT promotes diversity and inclusiveness at HMMA by using a combination of cultural, civic and business knowledge and plans activities and programs for HMMA employees in an effort to promote an inclusive environment and assist HMMA in identifying issues, needs and opportunities within the company. Also the DAT involves HMMA employees in the community outreach portion of the diversity program. The DAT supports the development of a 'valuing diversity' process directed toward achieving the HMMA vision.

Equal Opportunities

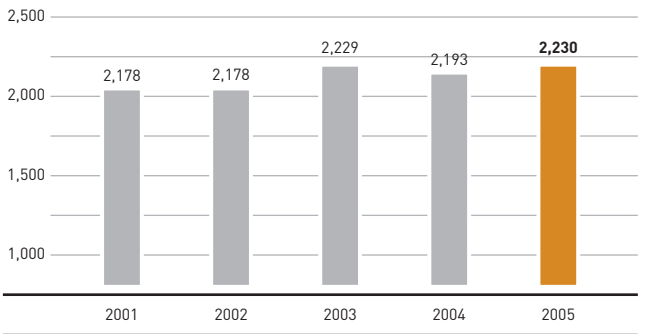
HMC prohibits all forms of discrimination (ethnicity, age, religion, gender, nationality, etc.) in employment, job post assignment, performance evaluation, compensation, training and promotion. HMC recruits new employees by applying strict yet fair recruitment and screening standards. During their stay at the new employee camp, all recruits undergo a series of consultations and interviews for job posting. HMC does not recognize performance evaluation and recommendation for promotion other than what is described in the standardized protocol. Accordingly, all forms of discrimination are strictly prohibited.

Members of HMMA Diversity Action Team

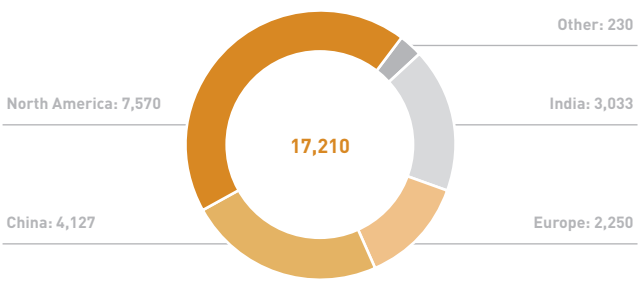
Number of Domestic Employees



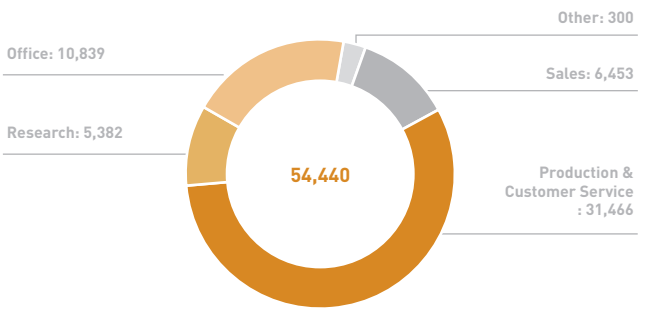
Number of Female Employees



Overseas Employees by Region



Number of Domestic Employees by Occupation



As of December 2005 · unit: person

Diversity Action Team Member

INTERVIEW

Donna Barnhart
HMMA Tech Support Engine Supplier Quality

"The reason why I decided to participate in the Diversity Action Team is that I thought the DAT might give me a chance to work together with many people and engage in various activities. It is always good for me to come to know my colleagues and to engage in social activities with my neighbors through the engagement in DAT activities. The DAT has supported HMMA's diversity initiatives and has coordinated activities to promote its diversity. Also, it has planned activities to build connections with others. Every October is known as the Diversity Appreciation Month. Throughout October, we have an opportunity to increase our knowledge and understanding of others with different cultural backgrounds through various diversity programs such as cultural displays and cultural food appreciation and so on. Aside from these activities, the DAT involves HMMA employees in community outreach activities such as the American Cancer Society, the Christmas party and Rebuilding Together. I am truly proud to be a part of the Diversity Action Team because I find much meaning in being able to give back to the community to which I belong."

Human Rights and the Ethics Program

Established in 2001, HMC's Code of Conduct ensures human rights to be one of the key elements in all of HMC's operations. HMC complies with all laws and regulations governing a specific region with regard to human rights issues, and also operates programs to promote human rights awareness such as the Employee Grievance Remedy Committee along with the office of the ombudsman. At the same time, HMC also operates ethics programs in order to foster ethical awareness and ethical decision making of all employees in all facets of its business.

Child Labor and Forced Labor

Prohibiting all forms of child labor in its operations, HMC strictly adheres to all domestic and international laws regarding the practice of child labor. In compliance to local and international regulations, HMC bans the employment of those below the minimum legal age. In addition, HMC prohibits forced labor as the indemnity for employee labor is regulated under HMC's corporate wage policy, and relevant laws and regulations.

Sexual Harassment Counseling Center

In compliance with the Gender Equality Employment Act, HMC operates a Sexual Harassment Counseling Center. In addition, the center provides education on sexual harassment prevention to all employees on a regular basis.

Mentor Programs for New Employees

HMC assigns a mentor, similar to the Big Brother program, to new employees for their first 6 months on-the-job. The program aims to help new employees become better accustomed to their new surroundings and to resolve any potential problems through peer networking.

Compliance Program for Fair Trade

HMC is working toward a more transparent management of its business. Through the operation of a Compliance Program, HMC aims to better conform to regulations and laws and to minimize economic losses. Along with these initiatives, HMC makes concerted efforts to enroot ethical culture into the company through employee wide fair trade compliance training.

Cyber Audit Office and Whistleblower Hotline

The Cyber Audit Office and the Whistleblower Hotline play a key role as HMC's office of the ombudsman in ethics and management. Upon receiving reports on unethical or unfair business practices, it orders corrective actions and conducts disciplinary training to prevent recurrences. With confidentiality policy on the report, corrective actions and conduct disciplinary training are ordered when unethical or unfair business practices are reported.

Labor Union and the Freedom of Association

HMC complies with all domestic and international labor-related laws and regulations assuring the freedom of association. Domestically, all new employees are required to join the labor union in accordance to domestic labor laws and the collective labor agreement. In terms of overseas operations, the Labor Management Association in HMI and the Public Association in BHMC are utilized as channels for communication between the union and management.

Participating in Management Form Indigenous Employees

Valuing the views of indigenous employees in its overseas operations, HMC continues to reflect the views of local employees in all management decision making processes. With respect to BHMC, 3 Chinese directors and 3 Korean directors are teamed together to participate during HMC's Board of Director meetings. In addition, HMC's global operations have implemented policies reflecting the view of the local people in order to ensure the diverse reflection of values in corporate decision making activities.

Human Resources

In order to maintain consistency and efficiency in Human Resources throughout its entire global operations, HMC has established its global talent and HR strategy in 2006.

Global Talent

Reflecting the past and present strongpoints along with the future elements essential for sustainable growth, HMC has established global talent in 2006, which is comprised of 5 core values: creativity, challenge, passion, cooperation and the global mind.

Five Core Values

- **Creativity:** Looking at problems with a new perspective regardless of pre-existing precedents and mentalities; applying creative thinking and actions to business practices
- **Challenge:** Taking on certain tasks or objectives that require not yielding to any hardships, fearlessness of failure and a consistency of highly goal oriented will when pursuing assignments
- **Passion:** Taking on full responsibility by leading company and consumer assignments with an intense dedication for and belief in building a better company
- **Cooperation:** Respectfully sharing outlooks and proactively engaging with other organizations to enhance synergetic outcomes in the overall company basis
- **Global Mind:** With foundational insight into international business, developing professionalism on a world-wide level through global practices and networking

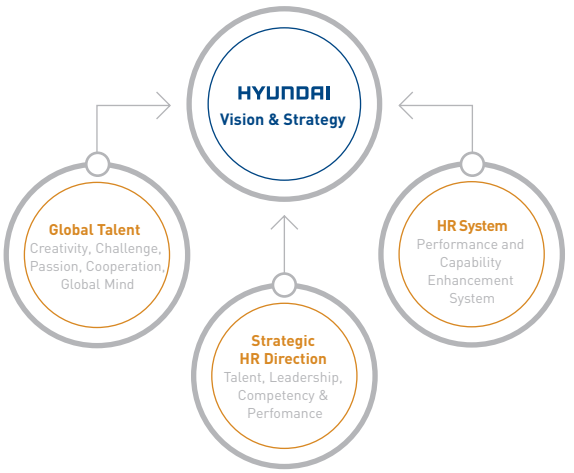
Global HR Strategy

The global HR strategy is designed to retain core talents, develop leadership and establish an efficient performance oriented HR system in order to align with HMC' vision and business objectives.

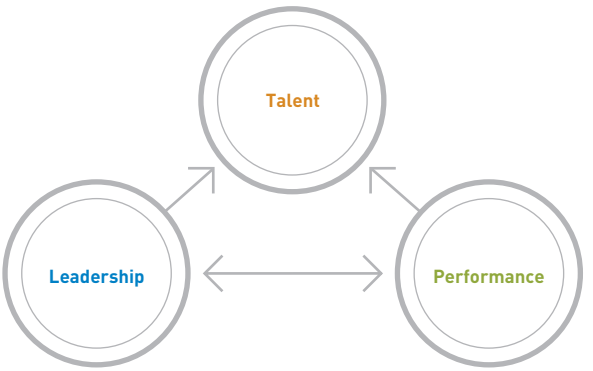
Recruiting Program for Global Talent

On an annual basis since 2002, HMC has placed emphasis on the recruitment of graduate and doctorate students graduating from renowned university programs throughout Europe and the USA. Along with these initiatives, HMC has placed a high priority on the recruitment of experienced personnel who have worked for at least 2 years in related overseas based automobile companies.

Global HR System



Global HR Strategy



- **Talent Innovation**
  - Optimization of HR Management
  - Enhancement of core competency development
  - Fostering internal/external core talents
- **Leadership Innovation**
  - Enhancement of global leadership
  - Enhancement of HR Management skills of leaders at work site
  - Continuously identifying and developing future leaders
- **Performance Innovation**
  - High performance by enhancing company-wide teamwork
  - Enhancement of performance management
  - Reward system for performance

■ Training and Education Program

HMC provides systematic job training as well as higher educational opportunities in order to maximize individual potential. In 2005, HMC invested 18.4 billion Korean won for training and education, which amounted to an average of 102 man-hours per employee. In response to the globalization of its business, training and education for overseas subsidiaries have been maximized in line with the characteristics of the specific overseas operation.

Training and Education in 2005 (Domestic)

	Number of Employees	Total Training and Education/Year	Avg. Training and Education/Year
Director	253	17,997	71
Office	10,586	2,194,125	207
R&D	5,382	1,076,349	200
Sales	6,453	223,760	35
Production, A/S	31,466	2,008,689	70
Other	300	29,206	97
Total	**54,440**	**5,550,126**	**102**

Core Talent Program

- **CEO Program**

To foster future leaders:

Prominent domestic universities' director program and overseas business schools' CEO program

- **Next Generation Automobile Industry Leader**

To foster automobile industry leader:

Prominent domestic and international business graduate schools (MBA programs) and renowned international university management programs

- **Core Technical Specialist**

To foster core technical personnel:

International Dual Engineering program and prominent engineering graduate courses

- **Overseas Job-Related Study and Training**

To foster regional and R&D specialists:

Overseas training and education, and training with a specialist from a foreign institution

Core Talent Program

HMC operates a core talent program in cooperation with prominent domestic and global universities to nurture next generation CEOs, automobile industry leaders and core technical personnel. In addition, HMC provides job related overseas study and training in order to foster regional and R&D specialists.

Nurturing Core R&D Engineers

HMC continues to place heavy emphasis on the recruitment and fostering of outstanding R&D engineers. HMC has sponsored the R&D scholarship program to identify and nurture future leaders graduating from engineering fields since 2003. HMC provides 4 billion Korean won in scholarships, and practical training sessions on vehicle design, parts development and vehicle. In 2005, 138 outstanding students successfully completed the training program and joined the company as new employees. In 2006, 161 R&D scholarship students were selected and are presently in the midst of completing the final stages of training and education. Additionally, HMC officially opened the Next Generation Vehicle Research Institute at the Seoul National University in 2004 in order to conduct research on futuristic vehicles and to nurture R&D professionals. HMC supports the NGVRI's faculties and R&D staff in its research of next generation vehicle technologies and share in its findings.

Research Paper Contest & Technology Exhibition

To encourage employee research activities and the sharing of knowledge, HMC annually hosts a research paper contest and a new technology exhibition at the Hyundai-Kia R&D Center.

2005, being the 13th year of this event, saw the gathering of R&D and production line specialists from domestic and global operations, including overseas R&D employees. Every year, topics ranging from automobile kinetics, engine·transmission, environmentally friendly

Technology, Production Technology, electronics · ITS etc. are discussed with an average of 200 research papers presented annually. The best 50 research papers are reviewed and selected by an HMC appointed panel, which are then allotted with prize money totaling 35 million Korean won. In addition, a cutting edge technology exhibition is also hosted to provide R&D engineers with a future outlook on core technologies.

Environment & Sustainability Training and Education

Since 2004, HMC has been operating training and education in sustainability management strategy for new employees in order to spread environmental and sustainability awareness. In February 2006, a pocket-sized edition of its sustainable management was published and distributed to all employees.

■ Employee Welfare Programs

HMC provides its employees with various welfare and benefit programs in accordance with the cultures and requirements of each region. In Korea, HMC offers both regulatory and non-regulatory welfare programs. Regulatory welfare programs include health insurance, industrial accident insurance, national pension fund and employee insurance and medical welfare programs. Non-regulatory welfare programs include family based educational coverage, weekend trips to farms, an English camp, cultural events and other related welfare programs.

Overseas operations offer a variety of welfare and benefit programs in line with local regulations governing the customs and special characteristics of each region.

Education for Family Members

HMC offers various continuous education programs for the family members of its employees. Some of the programs that the whole family can participate in and enjoy include a Parents day event, Summer Camp, a Children's Day celebration etc. HMC is actively involved in providing and subsidizing various family focused events in order to emphasize family value and to improve the livelihood of its employees. In addition, HMC provides a free summer·winter English camp for employee children, which is one of the ways it is able to lesson the burden of rising educational related expenditures.

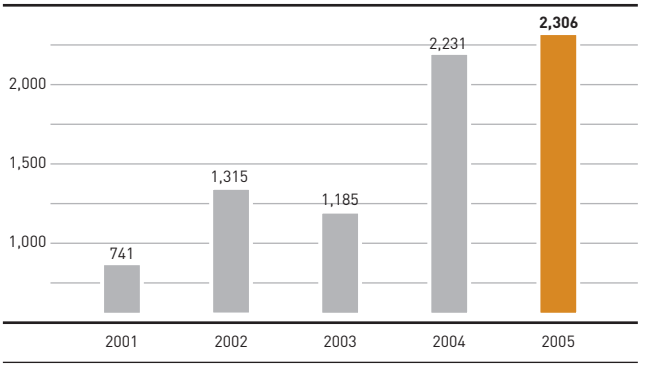
English Camp for Employee Children

Since 2000, HMC has provided a free summer·winter English Camp for middle school children of its employees. The camp offers these children with a higher level of English education and affords employees the opportunity to cut down on extra-curricular expenditures as rising educational related expenses have become a big burden on the Korean family budget. The number of applicants has progressively increased since the inception of this program.

Led by specialized foreign instructors, students are required to undergo testing for class placement with a limitation of 13 students per class in order to maximum the learning experience. Children are kept interested with a variety of general reading, writing and listening sessions not to mention pop-song singing, English newspaper making, and English letter writing classes etc.

Number of Employee Children who have participated in the English Camp

Unit: person



Safety & Health

The safety and health of employees is not only an essential element of a corporation's competitiveness, but a fundamental social responsibility. HMC continues its support for the improvement in a safe and healthy working environment. On site, safety is the most important issue at HMC. HMC operates various safety programs in order to prevent on site industrial accidents in its operations.

Industrial Accidents

According to Korean regulations, 2005 saw a total of 879 industrial accidents in HMC's domestic operations. Sadly, this number included a total of 6 fatalities and 873 cases of injuries or diseases. 2004 also saw a year-on-year increase in the total number of industrial accidents due to the rising number of laborers who received medical treatment. In part, this number was magnified as HMC began to provide examinations for employees afflicted by musculoskeletal diseases in repetitive job operations. As part of the ongoing compliance, HMC continues to provide rehabilitation and related health programs for its employees. This success resulted in the marked fall in the total number of musculoskeletal disease patients to a 1.64% industrial accident rate in 2005. In line with safety and health objectives, HMC aims to achieve a 1% industrial accident rate in the foreseeable future.

i-ESH System

The i-ESH system is a comprehensive information and data management system, which collects information related to environmental, safety and health issues from domestic plants. Data is recorded and archived by the system for statistical purposes and used in operations by HMC employees. In addition, it is accessible by intranet and contains useful information regarding relevant laws and regulations, technical standards, ESH FAQs and training materials.

Safety Training & Campaign

HMC continues to improve environmental safety and health conditions by providing ESH training and campaigns to its employees. At its manufacturing plants, HMC provides training in safety compliance through safety campaigns to raise the overall employee ESH standards that surpass domestic legal requirements. In addition, specialized training and education in safety and health are provided to employees responsible for ESH.

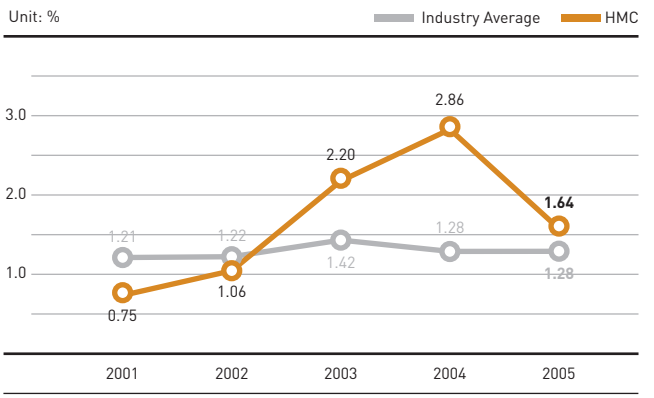
Medical Examinations

Domestically, all HMC office workers receive bi-annual medical check-ups whereas production workers are provided with a regular medical examination on a yearly basis. In 2003, HMC became the first Korean corporation to offer employees with traditional oriental medical diagnosis treatments. In addition, employees over the age of 40 including family members are eligible to receive comprehensive medical check-ups.

Industrial Health Center

In 2001, HMC successfully inaugurated a domestic industrial health center providing comprehensive medical facilities and treatment. Equipped with a 24-hour emergency treatment center, a radiation center, a hearing center, an ultrasound room, and an orthopedic

Industrial Accident Rate (Domestic)



i-ESH System

manual therapy center, this state of the art facility is stationed with medical professionals and provides medical service for workers. Provided services are divided in terms of regular and special medical needs and include a special physical strength measuring and physical fitness program as operated by the physical strength center. In addition, HMC offers a specially designed health program for those employees afflicted by on the job diseases such as musculoskeletal, brain and heart-related illnesses.

Since 2003, HMC has been offering free medical service for supplier employees working at the Ulsan plant. This program is more helpful to supplier employees who are medically uninsured. Aside from this, free influenza vaccinations are provided free of charge on an annual basis.

■ Fitness Center

The Ulsan plant affords employees the luxury of a advanced fitness center to improve on a healthy lifestyle. The center is specially designed for employees currently away from the job due to disease and those rehabilitating from disease in order to help a quick and healthy recovery.

In cooperation with the Labor-Management Industrial Safety & Health Committee, the Ulsan plant formally opened a advanced fitness center outside of the plant in 2005. This facility is equipped with a total of 50 state of the art exercise equipment comprising machines designed to measure body fat composition, and equipment to improve cardiovascular fitness, muscular strength, and flexibility.

■ Labor-Management Industrial Safety & Health Committee

Comprised of 7 executive managers, 7 members of the labor union and an honorary advisor, HMC's Labor-Management Industrial Safety and Health Committee continues to hold regular and non-regular quarterly meetings for the purpose of preventing industrial accidents and to provide better workplace conditions for its employees.

Ulsan Plant's Fitness Center

Musculoskeletal-Related Disease Treatment Program

As musculoskeletal-related diseases have been increasing since 2000, the labor union and management have been working closely to combat against this illness. They launched the musculoskeletal-related illness prevention committee in 2002. The committee concentrated efforts on research and survey regarding the cause and prevention of musculoskeletal illness. In 2004, the committee made a medical examination of employees who had symptoms of musculoskeletal-related diseases with the Industrial Health Center. In order to treat these patients, a doctor, an orthopedic manual therapist and a trainer were appointed, followed by the establishment of an advanced fitness center which offers exercise and training programs for those afflicted.

Additionally, HMC continues to contribute more than 5 billion Korean won annually to improve the workplace environment. Through its efforts, the number of musculoskeletal-related patients has rapidly decreased from 1,600 in 2004 to 600 in 2005. HMC will continue its efforts to prevent musculoskeletal disease through ergonomics improvements and guidance on correct working postures.

Suppliers

An automobile is composed of over 20,000 parts. As such, it is essential to maintain long-term cooperative relationships with parts suppliers based on mutual trust. HMC supports suppliers in their efforts to develop high quality technologies and a stable management environment. In addition, HMC has been conducting SCEM (Supply Chain Environment Management) and SCEP (Supply Chain Eco-Partnership) to embed the environmental management system in parts suppliers.

Win-Win and Cooperative Program for SMEs

HMC operates various support programs in order to promote a win-win system with suppliers. HMC has especially strengthened the support for small to medium-sized suppliers suffering from difficult economic environments such as record-high prices for oil and raw materials and the strengthening of the Korean won against the US dollar by providing essential support services through COD payments since May 2006. This is just one of the ways that HMC has aggressively applied initiatives to promote the mutual growth between the company and its suppliers.

Additionally, HMC has set plans to increase support funds destined for suppliers from 13 trillion Korean won to 15 trillion Korean won by 2010 in order to improve their technological capabilities. As of 2006 alone, HMC has already set aside 2.5 trillion Korean won in this initiative. Along with these support funds, HMC continues to strengthen various technology support programs such as guest engineering, advanced technology cooperative benchmarking, the transfer of new technology and patent related technologies. In addition, HMC conducts job training consortiums together with suppliers to provide enhanced training for supplier employees who lack the opportunity to receive proper training. Moreover, HMC also offers training in technology, quality, and management on a regular basis and has increased the total number of trainees from 13,000 participants in 2005 to 20,000 in 2006.

Outside of these activities, HMC and its suppliers have initiated a win-win system where benefits in cost reduction efforts are transparently shared together. As well, a Win-Win and Cooperation Promotion Team has been created to further develop and manage the cooperative system and programs respectively.

Organization for Win-Win and Cooperation

Goal: Nurturing SMEs with global competitiveness

Suppliers: First tier suppliers and the expansion to second and third tier suppliers

Organizations: Win-Win and Cooperation Committee, and Win-Win and Cooperation Promotion Team within HMC Procurement Division, The Korea Automotive Parts Industry

Outline of Win-Win and Cooperative Programs

- **Nurturing Core Capability**
  5-Star system, guest engineering system, advanced technology cooperative benchmarking, transfer of new technology and patent related technologies, foundation of Korea Automotive Parts Industry
- **Improving the Management Structure into an Advanced Profit Structure**
  COD payments, a benefit sharing system, a job training consortium, information support, joint purchase
- **Developing an Integrated Global Management System**
  Overseas joint order receiving activities, joint advancement in the global market
- **Strengthening the Support for Second Tier Suppliers**
  SQ mark certification, quality and technology training service, job training consortium
- **Promoting an Environment Management System**
  SCEM & SCEP

Quality and Technology Support Program for Suppliers

■ Purchasing Ethics Program

HMC established an online purchasing system called VAATZ (Value Advanced Automotive Trade Zone) in 2002 in order to provide transparency in the selection of suppliers with respect to the procurement of goods and services and to realize effectiveness in vehicle part management. VAATZ has improved the effectiveness and transparency of all purchases through the online systemization of the entire transaction stage from supplier application, bidding, consideration, and finalization to the purchase and payment of parts. Aside from this, suppliers evaluation systems such as the 5-star evaluation system and the SQ mark certification system have helped to increase the transparency and impartiality when selecting and evaluating suppliers. In addition, HMC established an ethics charter for the purchasing division and an employee code of conduct guidelines in 2001. The ethics charter and an employee code of conduct guidelines of the purchasing division stress the importance of fair and transparent purchasing activities along with the mutual benefit and development together with suppliers. The employee code of conduct guidelines specifies behavioral regulations related to gifts and money for favors, information usage, and job related duties.

Since 2003, HMC has operated a 'Supplier Employee Support Center' through its online purchasing system, VAATZ, in order to provide assistance services to supplier employees regarding issues ranging from unfair treatment at work to the improvement of working conditions, etc.

Ethics Charter of the Purchasing Division

Our goal is to improve the quality of life by developing and supporting environmentally friendly products.

We seek mutual development with domestic and overseas suppliers by creating the highest value through fair and transparent transactions.

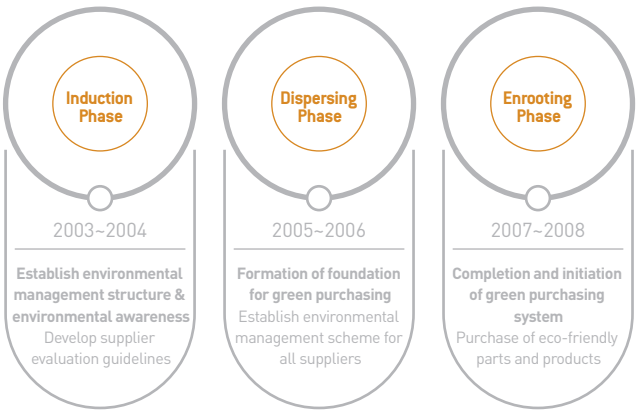
We aim to attain ethical transparent management through responsible conduct.

We endeavor to earn respect by creating a transparent and fair purchasing culture, respecting ourselves by maintaining our dignity.

■ Green Purchasing System

HMC has been cooperating with suppliers to establish environmental management systems. As part of its management strategy and green purchasing system, HMC provided environmental management training to first tier suppliers. In 2005, HMC expanded this to second and third tier suppliers. In addition, HMC added elements relating to environmental performance to its supplier evaluation system in 2004. HMC requests that its suppliers acquire ISO 14001 certification and take measures not to use heavy metal content. As of 2005, 178 out of the 439 first tier suppliers had acquired ISO 14001 certification and plans have been established for all first tier suppliers to acquire the ISO 14001 certification by the year 2010.

Green Purchasing Plan



■ SCEM & SCEP

To cope with the increasing level of environmental regulations placed on the automobile industry from governments over the globe, HMC has been conducting the Supply Chain Environmental Management (SCEM) and the Supply Chain Eco-Partnership (SCEP) project since 2003. The project was initiated to increase global competitiveness through the establishment of an environmentally friendly supply chain management system. In June 2006, HMC successfully completed the 3 year SCEM pilot project in cooperation with 15 selected suppliers under the direction of the Korea National Cleaner Production Center (KNCPC). Through this project, suppliers had been supported in an effort to establish environmental strategies encompassing the entire value chain. Since 2003, HMC had been providing training and educational sessions for employees of participating suppliers. The participating suppliers had not only developed their environmental strategy but also achieved an overall improvement in the manufacturing process leading to cost reductions. Applying the success of this project as a basis, HMC has successfully established integrated Environmental Management Guidelines and an SCEM online network system.

In April 2006, HMC initiated the SCEP as its succeeding project. The SCEP project involves 12 second and third tier suppliers and has placed focus on expanding the environmental management initiatives to suppliers.

HMC will continue its efforts to spread environment management projects to its suppliers in order to help transform the automobile industry into an environmentally friendly industry.

The SCEM Board of Directors Education

SCEM & SCEP Participant Company INTERVIEW

Mr. Young-ok Yoo
President of SCEM Supplier Doowon Climate Control Co., Ltd.

■ What are your reflections on the SCEM project ?

We have participated in the HMC Supply Chain Environmental Management (SCEM) project since July 2003. I think this project is very appropriate considering that global environmental regulations are increasing and intensifying. Moreover, it is very meaningful that HMC helps suppliers to build environmental management systems. HMC's environmental supports like SCEM are a great inspiration to us.

■ What are some of the changes following your participation in this project?

We have learned many lessons in the 3 years following our participation in the SCEM project. I think that the changing attitude of our employees to deal with environmental issues is probably the greatest change of all.

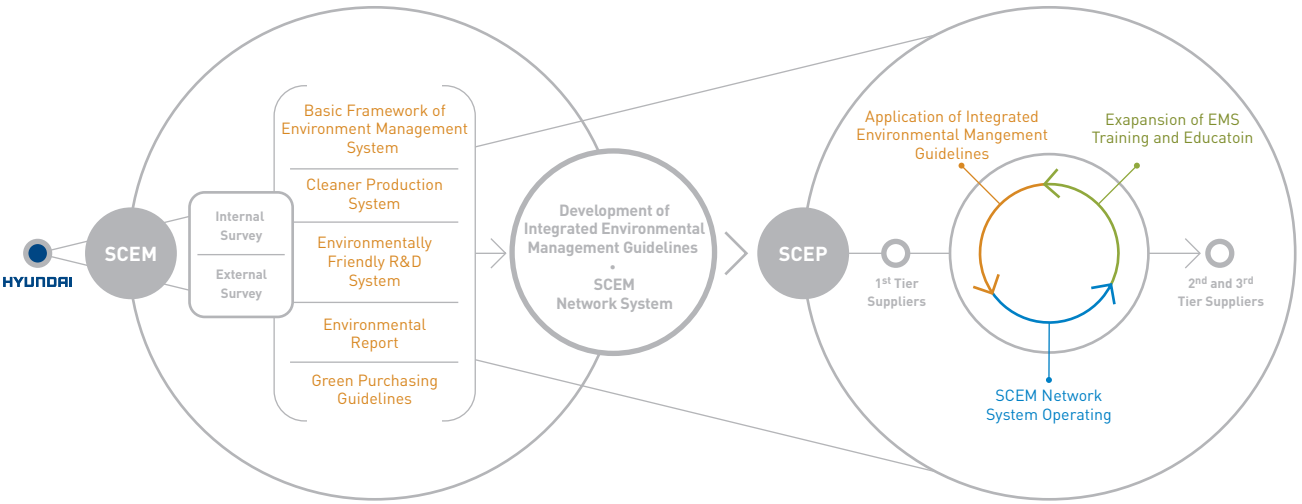
■ What do you think are the strengths and weaknesses of the SCEM ?

In my opinion, the strength of the SCEM project is HMC's direct encouragement and support for the environmental management activities of its suppliers. As a result, participating suppliers have been able to achieve more effective environmental and financially beneficial results through systematic and strategical activities. However, it is a little bit disappointing that the number of suppliers participating in SCEM and SCEP are so small compared to the total number of suppliers.

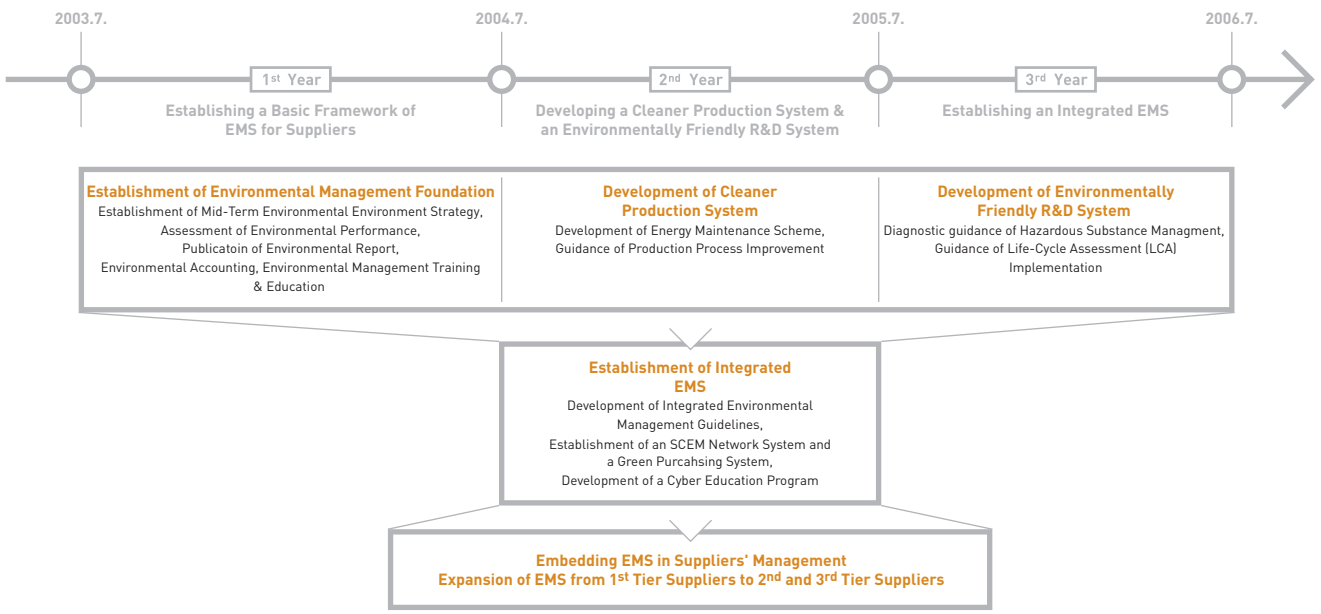
■ Would you tell us your company's future plans for environmental management?

Global environmental regulations are increasing and intensifying day-by-day on a global scale. At Doowon, we recognize it will bring us long-term benefits to promote environmental management. As a car air-conditioner supplier, we will strive to reduce the environmental impacts of our products and production.

Outline of SCEM & SCEP Project



SCEM Project



Shareholders & Investors

HMC endeavors to actualize mutual benefits for the company, stakeholders and investors alike. As one of these efforts, HMC holds briefings for domestic investors on a quarterly basis and for foreign investors aperiodically to build mutual trust.

IR activities

Since 2004, HMC has been providing real time information such as financial reports, share price trends and sales information through its IR web site. Recognized as the model corporation striving to provide profits to its shareholders and investors through engagement in active and effective IR activities, HMC was awarded the first prize in the securities market segment of the 5th IR competition held annually by Korea Investor Relations (KIRA).

Dividend

The automobile industry is an industry, which requires continuous investments. As a corporation requiring such, the amount of dividends payable by HMC is determined in consideration of the available investment resources and shareholder value. In 2001, HMC carried out the capital reduction of 10 million shares of common stock and 1 million shares of preferred stock respectively, and followed this with the reduction of 1.32 million shares of common stock in 2004 to create dividends by decreasing the number of issued shares, thus increasing the overall value of its shares while providing return profits for its shareholders.

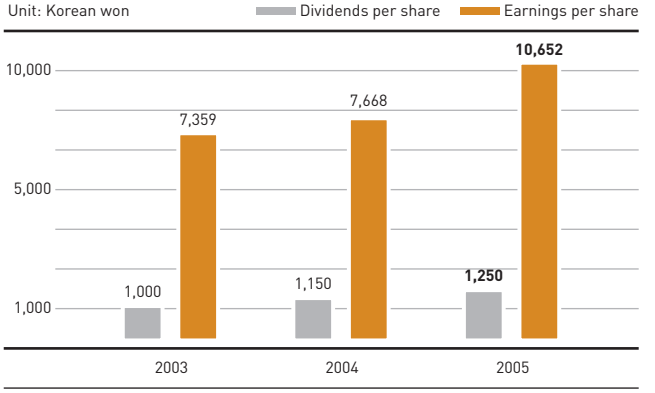
2005 Global Automotive Shareholder Value Award Winner

In January 2006, HMC was named the PricewaterhouseCoopers and Automotive News 2005 Global Automotive Shareholder Value Award Winner. Presented at the 30th Automotive News World Congress in Dearborn, Michigan, this award recognizes automotive manufacturers, suppliers and retail distributors with top shareholder returns in their categories. According to the PricewaterhouseCoopers Shareholder Value Index (SVI), HMC posted shareholder returns of 79.6% and 328.5% over the past 1 and 3 year periods, respectively. The SVI is accepted as the standard measure of relative shareholder value in the automotive industry. HMC also received this recognition in 2003.

Corporate Confidence

Since 2004, HMC has been rated Baa3 by financial ratings agency Moody's investors and BBB- by Standard & Poors. This endorsement means that HMC's commercial paper is rated as investment quality, further recognizing HMC's sound management.

Dividends per share & Earnings per share



Source: 2005 HMC Annual Report

A Corporate Presentation in New York

■ Communication with Other Stakeholders

Communication with Overseas Distributors and Dealers

HMC holds the Hyundai Convention for its overseas distributors and dealers twice a year. The convention of the first period is held in each region: Asia Pacific, Middle Asia & Africa, Eastern Europe and Central & South America, which is for the presidents of distributors and dealers all over the world to introduce our business record and long-term strategies and also to enhance friendship and collaboration between dealers and companies. The convention held in the second half of the year is mainly for new distributors and dealers as well as winners of sales promotions. Different from the first, they are invited to Korea to visit HMC's manufacturing and R&D facilities.

In 2005, 523 dealers from 75 countries visited Korea during the Hyundai Convention. Through the Hyundai Convention, HMC will continue to move forward with efforts to maintain win-win cooperative relationships with overseas dealerships and dealers using trust as its foundation.

NGO Communication

HMC has been actively engaging in communication activities with various associated stakeholders. At HMC, we are especially strengthening the communication channels with NGOs that demand a more active role and responsibility of a corporation regarding environmental and social issues. HMC is making efforts to reflect the voices of NGOs in management activities and continues to build direct and indirect lines of communication channels with government and non-profit organizations to enhance cooperative relationships.

Young Community

HMC operates various programs for Korean colleges and universities such as 'Be Global Friends with Hyundai,' and the Student Marketing Forum and Design Contest. The 'Be Global Friends with Hyundai' program supports students from domestic colleges and universities to experience the global community.

Factory Tour Program

HMC conducts factory tour programs in domestic and overseas plants as one of the ways to improve communications with its stakeholders. With respect to the Ulsan plant, over 200 thousand domestic and foreign people have visited the plant per year. As such, the factory tour to the Ulsan plant has earned the reputation as the largest industrial facility tour course in Korea. In 2005, the number of visitors to the Ulsan plant totaled 218,657 visitors with a breakdown of 198,522 domestic and 20,135 foreign visitors respectively.

Beautiful Tax Duty Best Partner

HMC was awarded with the best partner award in the 'Beautiful tax duty administration best partner selection' ceremony overseen by the Tax Board. This award, which is part of the Tax administration partner program, was first created in 2005 by the Tax Board as a social benefit program in light of the honest taxpayer.

The best partner selection is awarded to a corporation that has not violated tax law including delinquency with late payments for the past 2 years, a score of at least 90 in the law compliance ratings, a ranking of A or B in the case of import companies, and exceeding 100 imported items and over 1 billion Korean won on average in tax payment for the last 3 years.

Hyundai Convention

Society

The main role of a corporation has been to promote economic growth in society. However, with the increasing number of social problems, emphasis has now been placed on the corporation's social commitments and responsibilities. HMC carries out social contribution activities understanding that society and the corporation are mutually dependent, namely, that a sound and viable society can create a sound and viable corporation.

Social Contribution

Based on the continuous engagement in social volunteer activities since its foundation, HMC launched the Social Contribution Council together with 8 subsidiaries including Kia Motors and Hyundai Mobis in October 2003. Hyundai-Kia Automotive Group's social contribution philosophy, vision, and working plan was established through this Council. In 2004, its slogan and symbol, 'Moving the World Together' was announced. The Social Contribution Council, consisting of 16 subsidiaries including HMC as of 2006, promotes public contribution programs in the area of the environment, social welfare, voluntary service, culture and art, international exchange, and the support of sporting events etc. At the same time, the Council operates a variety of social contribution programs of the Hyundai-Kia Automotive Group.

As primary activities, HMC invests much effort in traffic related issues, which correspond directly with the nature of HMC's business, such as the promotion of a safe driving culture, and improvements in the mobility for the physically challenged. Moreover, HMC supports and encourages its employees to continue their activities to help the socially disadvantaged.

Social Contribution Philosophy

HMC's mission and key value platform for social contribution activities is based on the Hyundai-Kia Automotive Group management philosophy, 'The Pursuit of Happiness through the Automobile.' In line with the mission, HMC has engaged in systematic Hyundai-Kia Automotive Group wide social activities to fulfill its social commitment as a responsible corporate citizen.

Hyundai-Kia Automotive Group Management Philosophy

The Pursuit of Happiness through the Automobile

Mission for Social Contribution

To contribute to the sustainable development of mankind, as a company at the forefront leading the automobile culture, through more environmentally friendly and socially responsible business activities.

Core Values of Social Contribution

- We contribute to environment conservation through environmentally friendly business activities.
- We make efforts to fulfill social responsibilities based on the guidance of corporate citizenship.
- We contribute to the creation of a sustainable and civil society.
- We seek social value to respect humans and to realize the happiness of people.
- We make efforts to respond promptly to global social issues.

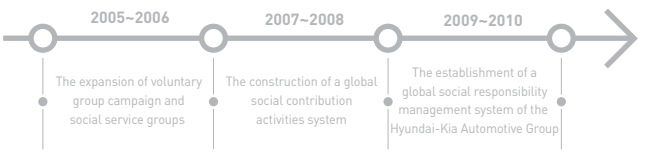
함께 움직이는 세상

Moving the World Together

Slogan and Symbol for Social Contribution

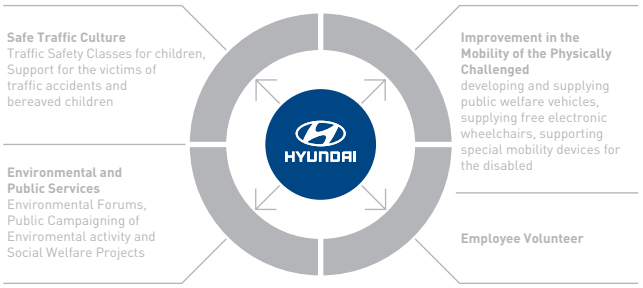
- **The Slogan (Moving the World Together):** The slogan intensively expresses our social contribution philosophy. In other words, 'together' emphasizes the partnership to keep harmony with society as a corporate citizen, 'moving' reflects our efforts to create change that is to make the world a better place, 'the world' connotes the conveyance of love and dream to every corner of the earth. The slogan 'Moving the World Together' reflects our will to change the world through love together with our neighbors.
- **The Symbol:** The circle formation created by the connection of the two arms represents a wheel moving both Hyundai and the earth. Furthermore, the circle expresses the will to repay society's faith in us with more love. The two figures walking side by side represent the harmony, balance and unity with people, society and nature for sustainable development.

Social Contribution Vision



Key Social Contribution Activities

HMC has established and continuously maintains business systems for social contribution activities. This includes the expansion of a safe traffic culture, the improvement in the mobility of the physically challenged, employee volunteer services, public campaigning of environmental and social welfare projects.



Social Contribution Council

Established in October 2003, the Social Contribution Council has been responsible for planning and designing Hyundai-Kia Automotive Group's social contribution activities. With a total of 16 subsidiaries as of 2006, the Council holds regular monthly meetings to discuss and initiate its social contribution business programs and plans.

■ Social Contribution Activities

Children's Traffic Safety

According to UNICEF, child related deaths caused by safety accidents are 4 to 5 times higher in Korea than for developed countries. Among this, the rate of child related deaths from traffic accidents is the highest among the 26 OECD member countries.

HMC has been operating safety education programs to prevent child related traffic accidents since 2002 and to create safer streets for children. HMC has engaged in various types of traffic safety education for kindergarten and primary school students to enhance their awareness in traffic safety. The Junior Traffic Safety Campaign, which has been undertaken since 2002 in partnership with the Citizen's Coalition for Safety, educates children to acquire the independent ability to respond to various types of traffic accidents.

HMC operates the 'HMC child traffic safety class' where its 24 sales districts are partnered with selected primary schools to provide practical application education through the study of past traffic accident incidents.

In cooperation with the Children's Safety Foundation, HMC carries out 'Mobility Safety Education for Children' through visits to kindergartens, nursery schools, and facilities for the disabled in major metropolitan areas using specially designed educational vehicles.

* www.go119.org

Support of Victims of Traffic Accidents and the Bereaved Children

HMC has been supporting the victims of traffic accidents and bereaved children in partnership with Greentransport since 2004. As part of its support, HMC provides victims, who are not eligible to receive medical services due to economic hardship, with medical expenses and rehabilitation devices, and helps bereaved children by supporting school tuition so that they may concentrate on studying.

Three Leaf Clover Program

Since April 2005, HMC has provided a 'Three Leaf Clover' program to children who have lost their parents in fatal traffic accidents. The program closely resembles the Make-A-Wish Foundation program, a wish granting organization for children. In 2005, 22 bereaved children were selected and granted their wishes.

Improving Mobility for the Physically Challenged

To enhance the mobility of the physically challenged and the elderly, HMC is the first domestic automobile manufacturer to develop vehicles for the physically challenged. The Sonata and Trajet have been specially equipped with factory-installed features for the disabled to enhance mobility. HMC has set plans to establish a society enabling the disabled to move more conveniently through the continuous development and increased supply of welfare vehicles.

Sonata and Trajet for the Physically Challenged

Employee Volunteer Services

Under the faith that 'love grows when shared,' HMC employees are actively engaged in volunteer services for the underprivileged.

HMC Volunteer Groups

As of 2005, there were a total of 106 HMC volunteer groups which have built one-on-one partnerships with local social welfare organizations. The groups visit local social welfare organizations once a month and practice sharing. The groups are supported by HMC with monthly assistance and through voluntary fundraising activities initiated by members of the groups.

Farm Loving Campaigns

HMC initiates a Farm Loving Campaign to aid rural communities through the creation of cooperative ties with farming villages. HMC's 54 local operations, having built one-on-one partnerships with farm villages, carry out various activities such as providing a helping hand during the agricultural season, managing the online and offline markets of farmers to promote the increased consumption of agricultural products, promoting information systems to improve welfare in farming villages, and supplying legal advice and related services etc.

HMC Volunteers

2005 Public Campaigning of Social Welfare Projects

HMC provides the necessary support to various social welfare organizations in order to aid desolate groups from the elderly living in solitude to foreign blue collar workers. In May 2005, HMC announced its intention to launch a public campaign in support of initiating social welfare programs in cooperation with various organizations. Submitted proposals reflected 4 main areas including social welfare programs designed for the physically challenged, the elderly, adolescents and local communities & women's associations. Final decisions regarding approval were reached by an admissions Board, which was comprised of a group of experts and professors. In total, 22 programs were granted approval for HMC funding and support in 2005. The selected proposals included programs to help in the social adjustment of the physically challenged, programs to improve the living standards of the elderly living in solitude, school violence prevention programs and programs related to helping foreign blue collar workers.

The Organization Selected by 2005 Public Campaigning of Social Welfare Projects INTERVIEW

Hyun-jung Im
A Social Worker of the Samjeon General Social Welfare Institution

"The Samjeon General Social Welfare Institution has been engaged in various counseling programs for local juveniles, especially in relation to school violence over the years. Understanding that the solution to adolescent problems is to teach them to handle and solve these problems independently, we had been involved in a school violence prevention program. In 2005, we found out that HMC had launched a public campaign in support of initiating social welfare programs in cooperation with social welfare organization. Fortunately, we had the opportunity to complete our program by participating in the Hyundai social welfare project. Through HMC's assistance, the percussion instrument performance based on the school violence prevention mentoring program known as the 'Samjeon play group' for violent trouble-makers was launched in August 2005. The mentoring program was formed of violent trouble-making students and regular students who met 2 times a week for 3 months. The members engaged in percussion performance workshops and received mentoring group counseling. Following 2~3 months of concert planning and preparation, they performed a concert and a campaign under the theme 'School Violence Prevention.' For the past year, 2 groups have successfully completed 6 months of the program and have continued to participate in volunteer club activities through musical performances.

In comparison with other public projects, HMC's social welfare project allows each organization to maximize its role. If it were not for the support of HMC, I am not certain that we would have been able to operate this program as successfully as we did. I expect that HMC will continue to play a key role in solving and preventing various problems facing local communities."

Local Community

Ulsan Manufacturing Plant

The Ulsan plant, consisting of 5 independent manufacturing facilities and covering 1,215 acres of land, has continued to grow while leading the economic development of the Ulsan area. As the face of the Ulsan, the Ulsan Manufacturing Plant is actively engaged in various social contribution activities to nurture closer corporate-community relationships.

Ulsan Welfare Complex Center

The Ulsan plant has set plans to construct a welfare complex center for Ulsan citizens. The welfare complex center, to be donated to the Ulsan North District Office, is scheduled to be built in Yeonam-dong on a 2.2 acre building site with a floor space of 2.9 acres. The center will have various facilities for sports, culture, and education, etc. HMC plans to invest a total of 20 billion Korean won in the construction project aiming to complete its construction for the end of 2007 or the first half of 2008.

Social Contribution Reward System

The Ulsan plant is home to voluntary activities performed by about 10 voluntary service communities, which engage in district-related contribution activities. In 2005, the plant introduced a social contribution reward system to encourage more employees to take part in the contribution activities.

Registered Blood Donation Organization – Winner of the First Prize of the 1st Ulsan Social Contribution Reward Competition

Established in 2000, the 'Registered Blood Donation Organization,' one of the volunteer groups at the Ulsan plant, engages in district contribution activities for Ulsan citizens under the philosophy of 'love and service.' With a group membership totaling 76, the group has acted as life evangelists by initiating various blood donation drives through visits to blood centers. In 2004, the 'Registered Blood Donation Organization' held a 'hematopoietic stem cell donation campaign,' and received the pledges of bone marrow donations from 219 employees at the Ulsan plant.

Recognized for its achievements and contributions to blood drives, the organization was awarded the Red Cross President prize in 2004 and 2005, and first prize in the 1st Ulsan Social Contribution Reward Competition.

Asan Manufacturing Plant

The Asan plant carries out active support activities for local community members such as campaigns to help malnourished children in the Asan area, service activities through cooperative relationships, campaigns to aid rural communities through one-company to one-farm cooperation, and a junior science class, etc. In addition, the Asan manufacturing plant contributes to the development of local cultural arts through its support of the cultural festival, the 'Asan General Lee Sun Shin Festival.'

Jeonju Manufacturing Plant

Each division of the Jeonju plant operates a volunteer group that collaborates with various internal associations such as women, Catholic, and Christian groups, etc. to expand various voluntary activities in the surrounding area. Aside from these, training courses for newcomers and employees include a one-day volunteer program where participants are required to engage in activities assisting the sick and elderly in eating and bathing.

Members of the Registered Blood Donation Organization at the Ulsan Plant

Global Society

With the globalization of its business, HMC's overseas operations are engaged in various social contribution activities to pursue development, which is mutually beneficial to HMC and local communities.

Hyundai Motor Manufacturing Alabama (HMMA)

HMC unveiled HMMA in the US in May 2005, and began operations with the production of the Sonata and continuing on with the official launching of the Santa Fe in April 2006. With its 10th place ranking out of 73 automobile manufacturing plants in the US Motor Plants Assessment by J.D. Power and Associates in 2006, HMMA has already established itself as a successful automobile manufacturing plant since its inception. Of course, none of HMMA's success could have been possible without the full support of the Alabama State government and the local community. As a way of returning this wholehearted support, HMMA has engaged in diverse community outreach activities.

Contribution of US$1 million to the Alabama Governor's Emergency Relief Fund

"Hyundai is an outstanding corporate citizen reaching out to Alabamians in need. During these difficult times, it is very meaningful to know that Hyundai is willing to help our citizens who are suffering"

– Bob Riley Alabama Governor

In August 2005, HMMA donated US$1 million in aid to the Alabama State government in support of Alabama residents who were devastated by Hurricane Katrina, one of the worst disasters to hit the American Southwest. Along with these efforts, its employees were actively engaged in voluntary restoration efforts from fundraising activities to blood donation campaigns for those ravaged by the devastating disaster.

Automotive Training Program

As one of its efforts to foster skilled laborers and to further create an automobile culture in the area, HMMA supports vehicle technology training programs and has provided 72 Sonatas for on the spot training programs designed for local area students ranging from designated middle schools, high schools and colleges. HMMA's support of automobile technology training programs has been recognized as a good model for the academic industrial cooperation program.

Public School Drivers Education Program

"We are proud to have Hyundai as part of our community and they honor us with this generous gift. I am confident that the partnership between Hyundai and the Montgomery School System will continue to grow and benefit our students, Hyundai and our community."

– Dr. Carlinda Purcell, Montgomery Public Schools Superintendent

One of HMC's primary social contribution activities has been its support of fostering a safe driving culture. In line with these initiatives, HMMA demonstrated its support for safe driving by donating 26 Sonatas to Alabama's River Regions' high schools for use in driver's education programs.

Public Tour Program

In 2005, there were a total of 4,408 visitors to HMMA facilities. With facilities possessing the latest in cutting edge production line equipment, HMMA's public tours have garnered much more local interest since tours to the general public were first offered in October 2005. The general public can now enjoy tours of HMMA's facilities every Mondays, Wednesdays and Fridays. Aside from the public tours, HMMA also offers invitational tours specially designed for a variety of associated stakeholders.

HMMA President Ahn Joo-soo Presents Alabama's Governor with a US$1 million Check

Hyundai Motor India (HMI)

In April 2006, HMI announced the launch of the 'Hyundai Motor India Foundation' (HMIF), a public charitable trust. The objective of this trust is to extend support to the surrounding Chennai area in the field of Health Care, Educational and Vocational training, Environment, Road Safety, Art, Science and Technology. As its first contribution, HMIF contributed 3.5 million Rupees to the University of Madras and HMIF plans to continue to contribute 100 Rupees of each car sale to the fund.

Aside from this, HMI and the Institute of Road Traffic Education (IRTE) in coordination with Delhi Traffic Police jointly launched a year long project known as the 'Student Traffic Volunteers Scholarship' scheme (STVS) under the name the 'Hyundai Traffic Squad' to create road safety awareness and support Delhi Traffic Police in improving the Traffic Management System in Delhi in January 2005. Under the IRTE developed Student Traffic Volunteers Scholarship Scheme, young college and university students have been assisting the local police in traffic management. The scheme offers a monthly stipend to 100 students, who have already been selected for the purpose under the banner 'Hyundai Traffic Squad.' One of the main objectives of this initiative is to promote overall public awareness in road safety.

Hyundai Motor America (HMA)

Since its foundation, HMA has sold over 4.3 million automobiles in the American market over the last 20 years. HMA, which is responsible for sales, marketing and customer service in the United States, has expanded social contribution activities to the local public.

Hope on Wheels

HMA together with 690 Hyundai dealers across the country have been helping children fight cancer. Their support began in 1998 through the efforts of Boston-area Hyundai dealers and their donations benefiting The Jimmy Fund at the Dana-Farber Institute. In 2004, Hyundai established the 'Hope On Wheels' tour to benefit pediatric cancer institutions throughout the US. This tour includes a Hyundai Santa Fe that travels across the country collecting handprints from children who are battling and beating pediatric cancer. At each stop, local children contribute their colorful handprints to the hundreds of others on the car, in celebration of reaching milestones in their cancer treatment. Local Hyundai dealers in each city also present a donation to the hospital, earmarked specifically for pediatric cancer research.

On top of this, HMC has been in partnership with the Cure-Search National Childhood Cancer Foundation since 2005 to help continue raising awareness and much-needed funding for this important cause.

* www.hyundaihopeonwheels.com

The First Contribution of HMIF to the University of Madras

HMI's Hyundai Traffic Squad

Soccer for Hope

HMA actively supports 'Soccer for Hope,' a program designed to build hope and aspirations in children suffering from life threatening diseases. Soccer for Hope, a non-profit organization, receives funding through corporate sponsorship and participation fees for its high quality soccer camps, soccer clinics and Soccer for Hope Inspirational Walks. Children learn about soccer while also being made aware of the challenges that children with life threatening diseases face. On top of this, HMA is expanding research and treatment projects for children with incurable diseases such as pediatric cancer and donates shirts, soccer balls, and other fun giveaways in support of African children in partnership with Soccer for Hope.

* www.soccerforhope.org

Traffic Safety Program

Research developed by the National Highway Traffic Safety Administration shows that motor vehicle-related accidents are the leading cause of death among Hispanics aged 1 to 34. HMA launched an educational campaign known as The ABCs of Traffic Safety in 2003. Working in collaboration with local governmental agencies, this campaign is designed to reduce the disproportionate number of traffic accidents within the Hispanic community. HMA also operates Hyundai Safetyville in Los Angeles, a series of pedestrian safety workshops designed to raise community awareness among children and adults. In addition, HMA launched a teen traffic safety campaign during the high school graduation peak in the Miami area as Florida death rates for motor vehicle crashes are disproportionately higher than the national average.

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01.02. Hyundai Hope on Wheels
03.HMA Soccer for Hope
04.HMA's Support of African children with Soccer for Hope

■ Ecosystem Conservation Activities

Together with Ulsan City, the Ulsan manufacturing plant promotes a project for the restoration of Sericinus montela, an endangered butterfly, in the Ulsan area. The Sericinus montela Restoration Project was initiated in March 2005, and will go through restoration activities for a period of 3 years until 2007, ultimately aiming at the permanent restoration of the Sericinus montela in the Ulsan area. By 2007, it is expected that the Sericinus montela will be available to be witnessed in the Ulsan Public Park, the Munsu Sports Park, the Wild Flower Park, the Taehwa River Eco Park (Samho island), etc.

The Ulsan plant, which artificially restored 400 butterflies in the Ulsan Public Park, held an Sericinus montela event where there was the opportunity to witness the transformation of a butterfly from an egg into an adult. Prior to the event, the Ulsan plant together with Ulsan city also planted 2,300 food plants in 6 areas of Ulsan including the Ulsan public park, the Taehwa river eco park, the Munsu sports park etc.

In the meantime, you can catch a glimpse of the Sericinus montela in Korea during the Spring to Autumn seasons. Possessing a tail looking like a fiber of silk, this butterfly flies in the breeze appearing to glide when flying over flat ground or grass. Due to such appearance and movement, it is known as a gentle and elegant butterfly.

Also, the Ulsan plant has implemented a forestation project on Mooryong Mountain in cooperation with the local government, which had lost 15 ha of 20-to-60 year old pine trees and main hiking trails due to the forest fires in February 2004. 2,500 Cornus kousa Buerg in 2004 and another 1,000 maple trees in 2005 were planted on Mooryong Mountain in line with its forestation project plan.

In addition, HMC has been engaging in environmental clean-up activities throughout the country to restore mountain, river, and sea areas. The Ulsan plant's clean-up activities are executed in areas close to the Taehwa river, the Dongcheon river, and the Jeonja beach, etc. The Asan and Jeonju plants have also joined in efforts to restore mountain areas. The Jeonju plant has especially continued to conduct clean-up activities near the sea together with its scuba diving club.

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01. Sericinus montela
02.A larva of Sericinus montela
03. Foodplants of Sericinus montela

■ Hyundai-Kia Automotive Group's Social Contribution Activities

As a responsible global corporate citizen, HMC has made efforts to fulfill responsibilities along with its subsidiaries through various social contribution activities.

HMC holds 'Blood Donation Campaigns' together with its subsidiaries each year. As the recent decline in blood donations have resulted in a chronic shortage of blood supplies, voluntary blood donation campaigns led by HMC employees have provided much help to those suffering from leukemia and hemophilia. The Ulsan plant holds the largest corporate blood donating campaign with the blood supplies donated amounting to 13% of the total quantity in the Ulsan district. Recognized for its extensive blood donation activities, HMC has even received an appreciation plaque from the Korean Red Cross. In addition, HMC donated 10 billion Korean won to the Social Welfare Fund Raising Association at the end of 2005, and continues to help solitude citizens spend the winter warmly by designating three weeks every December as the period for public service and by providing daily necessities amounting to 1 billion Korea won. During the weeks of public service, all HMC employees with subsidiaries employees conduct public service activities and provide 2 billion Korean won worth of rice to 45,000 low-income households across the country. Aside from this, HMC established an employee wide emergency relief aid volunteer group in November 2005, the first for a domestic company. Developed as a systematic and professional system to respond swiftly to national emergencies, the volunteer group is trained to provide professional services at sites damaged by national disasters such as typhoons, floods, and earthquakes etc. and to work together in cooperation with other volunteer service association of the enterprise in order to carry out relief activities.

In addition, HMC has emphasized various assistance activities for the 140 thousand foreign laborers working in the country by providing free medical services in cooperation with MUMK (Union for migrant workers in Korea), supporting child care facilities, and by supplying heating fuel for foreign laborers shelters.

Hyundai-Kia Automotive Group's Social Contribution Activities

GLOBAL NETWORK

Headquarters, Ulsan Plant, Asan Plant, Jeonju Plant, Hyundai-Kia R&D Center
Overseas Production Facilities
Overseas Sales Subsidiaries
R&D Center
Regional Headquarters
Regional Offices
Overseas Subsidiaries
Overseas CKD Assembly Facilities

GRI INDEX

The HMC Sustainability Report is written in line with the Global Reporting Initiatives (GRI). This index shows its application level of the GRI guidelines. The GRI guidelines are composed of the following indicators: information relating to the reporting organization (C1~C3), economic performance (EC), environmental performance (EN), and social performance (LA, HR, SO, PR).

No.	Indicator Description	Page
	Vision and Strategy	
C1.1	Vision and Strategy	8~9
C1.2	Statement from the CEO	2~5
	Profile	
C2.1	Name of reporting organization	6~7
C2.2	Major products and/or services	6~7
C2.3	Operational structure of the organization	6~7
C2.4	Major divisions, subsidiaries and joint ventures	1, 13, 14
C2.5	Countries in which the organization operations are located	82~83
C2.6	Nature of ownership; legal form	9
C2.7	Nature of markets served	-
C2.8	Scale of the reporting organization	6~7
C2.9	List of stakeholders	8
C2.10	Contact person(s) for the report	89
C2.11	Reporting period	1
C2.12	Date of most recent previous report (if any)	1
C2.13	Boundaries of report	1
C2.14	Significant changes since the previous report	-
C2.15	Basis for reporting on joint ventures, subsidiaries, etc., that can affect comparability	-
C2.16	Explanation of any restatements of information provided in earlier reports	-
C2.17	Decisions not to apply GRI principles or protocols	1
C2.18	Criteria/definitions used in economic, environmental,and social accounting	1, 47
C2.19	Significant changes from previous years in the measurement methods	40
C2.20	Internal process ensuring reliability of the report	86
C2.21	Independent assurance	87
C2.22	Means by which report users can obtain additional information	88
	Governance Structure and Management Systems	
C3.1	Governance structure	9
C3.2	Percentage of independent, non-executive directors	9
C3.3	The expertise of board members	9
C3.4	Board-level processes for identifying risks and opportunities	-
C3.5	Linkage between executive compensation and achievement of the organization goals	-
C3.6	Organizational structure and key individuals responsible for sustainability related policies	9, 22, 73
C3.7	Mission and values, codes of conduct or principles, and polices relevant to sustainability	9, 22, 72
C3.8	Mechanisms for shareholders to provide recommendations	-
C3.9	Basis for identification and selection of major stakeholders	8
C3.10	Approaches to stakeholder consultation	51, 60, 75
C3.11	Type of information generated by stakeholder consultations	75
C3.12	Use of information resulting from stakeholder engagements	75
C3.13	Explanation of whether and how the precautionary approach or principle is addressed	-
C3.14	Subscription to externally developed sustainability principles	24~25
C3.15	Principal memberships in industry and business associations and/or national/international advocacy organizations	-
C3.16	Policies and/or systems for managing upstream and downstream impacts	68~69
C3.17	Approaches to managing indirect economic, environmental,and social impacts	-
C3.18	Major decisions during the reporting period regarding the location of, or changes in, operations	-
C3.19	Programs and procedures pertaining to economic, environmental, and social performance management systems	8~81
C3.20	Present Status of Sustainability Related External Authentication	87
C4.1	GRI content index	84~85
	Economic Performance	
EC1.	Net sales	6~7
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EC3.	Cost of all goods, materials, and services purchased	-
EC4.	Percentage of contracts that were paid in accordance with agreed terms	-
EC5.	Total payroll and benefits broken down by country or region	59, 63
EC6.	Distributions to providers of capital broken down by interest, borrowings, and dividends	-
EC7.	Increase/decrease in retained earnings at the end of the period	-
EC8.	Total sum of taxes of all types paid broken down by country	-
EC9.	Subsidies received broken down by country or region	-
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EN2.	Percentage of materials used that are wastes from external sources	-
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EN6.	Location and size of land owned, leased, or managed in biodiversity-rich habitats	-
EN7.	Description of the major impacts on biodiversity	-
EN8.	Greenhouse gas emissions	41
EN9.	Use and emissions of ozone-depleting substances	46

EN10.	NOx, SOx, and other significant air emissions by type	44
EN11.	Total amount of waste by type and destination	43
EN12.	Significant discharges to water by type	46
EN13.	Significant spills of chemicals, oils, and fuels	-
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EN15.	Percentage of the weight of products sold that is reclaimable after use and percentage that is actually reclaimed	36
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EN20.	Water sources and related ecosystems/habitats significantly affected by use of water	-
EN21.	Annual withdrawals of ground and surface water	-
EN22.	Total recycling and reusage of water	40, 42
EN23.	Total amount of land owned, leased, or managed for production activities	-
EN24.	Amount of impermeable surface as a percentage of land purchased or leased	-
EN25.	Impacts of activities and operations on protected and sensitive areas	-
EN26.	Changes to natural habitats resulting from activities and percentage of habitat protected or restored	-
EN27.	Objectives, programs, and targets for protecting and restoring native ecosystems and species in degraded areas	80
EN28.	Number of IUCN Red List species with habitats in areas affected by operations	-
EN29.	Business units currently operating or planning operations in and around protected or sensitive areas	-
EN30.	Other relevant indirect greenhouse gas emissions	24, 41
EN31.	Production, transfer, import and export levels of pollutants	46
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LA2.	Net employment creation and average turnover segmented by region/country	59
LA3.	Percentage of employees represented by independent trade union or other bona fide employee representatives	60
LA4.	Policy and procedures involving information, consultation, and negotiation with employees	60
LA5.	Practices on recording and notification of occupational accidents and diseases and their relation to the ILO Code	64
LA6.	Formal joint health and safety committees	65
LA7.	Standard injury, lost day, and absentee rates and number of work-related fatalities	-
LA8.	Policies or programs on HIV/AIDS	-
LA9.	Average hours of training per year per employee by category of employee	62
LA10.	Equal opportunity policies or programs	58
LA11.	Composition of senior management and corporate governance bodies	58
LA12.	Employee benefits beyond those legally mandated	63
LA13.	Provision for formal worker representation in decision-making or management	60
LA14.	Evidence of substantial compliance with the ILO Guidelines	-
LA15.	Formal agreements with trade unions or other bona fide employee representatives covering health and safety at work	65
LA16.	Programs to support the continued employability of employees and to manage career endings	61~62
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HR1.	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights	60
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HR4.	Global policy and procedures/programs preventing all forms of discrimination	58
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HR7.	Policy and procedures/programs to prevent forced and compulsory labor	60
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HR11.	Human rights training for security personnel	-
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SO3.	Compliance mechanisms for managing political lobbying and contributions	-
SO4.	Awards received relevant to social, ethical, and environmental performance	47
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PR6.	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility	-
PR7.	Instances of non-compliance with regulations concerning product information and labeling	-
PR8.	Policy, procedures/management systems, and compliance mechanisms related to customer satisfaction	50
PR9.	Advertising and related voluntary standards and policies	-
PR10.	Instances of non-compliance with advertising and marketing regulations	-
PR11.	The number of cases and instances of consumer privacy violations	-

Process to Strengthen the Reliability of our Sustainability Report

Internal Process Ensuring the Reliability of the Report

Content from this report is based on input from stakeholders as well as from HMC's business performance. The report was written by an internal team of the HMC Environmental Management Strategy Planning Team. The information presented follows HMC's internal reporting guidelines and is based on official HMC documents and on information received from related employees and departments. Content is reviewed by managers and employees of related departments and approved by the upper management of HMC before finalization and publishing.

Sustainability Issue Deduction Process

The environmental and social information provided in the 2006 Sustainability Report reflect external sustainability issues, which influence the management decisions at HMC. These issues have been reflected referencing 12 key environmental and 15 social issues as selected from the external survey conducted by the HMC Environmental Management Strategy Planning Team.

External Assurance Process

The external assurance process of the Sustainability Report is conducted in joint cooperation with an auditing firm and the HMC Environmental Management Strategy Planning Team together with the participation of related internal departments. The assurance process of this report undergoes interviews with the management, systematic management of data and accuracy assurance of investigation and sampling tests through on-site inspections of our factories and the head office. To this end, the reliability of the information contained in this report is assured through the opinions of third-party consulting experts.

Independent Assurance

Independent Assurance Statement to the Management of the Hyundai Motor Company

Introduction

We have performed an assurance engagement on the economic, environmental and social aspects of the Hyundai Motor Company 2006 Sustainability Report (hereinafter, the Report). The Report is the responsibility of the Hyundai Motor Company, with whom the objective and terms of the engagement were agreed. We are responsible for expressing our conclusions based on this engagement. We have based our approach on emerging best practices for independent assurance on environmental and sustainability reporting, including ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) and AA1000Assurance Standard, issued by AccountAbility.

Subject matter

The subject matter is described as follows;

1. The process that the Hyundai Motor Company at the corporate level has put in place for the preparation of the Report.
2. Whether the data, reported from Hyundai Motor Company's production plants, are consistent with the source documentation supporting the submitted data
3. The procedures and practices for the collection, calculation, aggregation and validation of performance figures for 2005 on Economic, Environmental, and Social sections, as described in the section 'About the REPORT,' and whether such data collected in this way are appropriately reflected in the sections of the Report.
   - Economic (pages 06 to 19) : Vision/Strategy, Production, Sales,
   - Environmental (pages 20 to 47) : Clean production, etc.
   - Social (pages 48 to 81) : Industrial Health & Safety, etc.

Procedures

Our objective was to achieve limited assurance. Based on an assessment of materiality and risk, we gathered and evaluated evidence supporting the conformity with criteria for the subject matters described. This work included analytical procedures and interviews with management representatives and employees at the Hyundai Motor Company Headquarters in Seoul and at four manufacturing plants (Ulsan, Jeonju, and Asan in Korea, and the Alabama manufacturing plant in the U.S.). For the remaining three plants (Chennai, India; Izmit, Turkey; Beijing, China), our work was limited to the review of 2005 data submitted to us by the Headquarters. Our work was performed on a sample basis, as we deemed necessary in the circumstance, but no substantial testing was undertaken. Therefore, the assurance that we obtained from our evidence gathering procedures is limited. We believe that our work provides an appropriate basis for our conclusion.

Results

Based on our work described in this report, we conclude that nothing came to our attention that causes us not to believe that in all material respects;

1. Hyundai Motor Company has applied detailed and systematic methodologies and processes for the preparation of the Report in order to achieve its reporting objective.
2. At the Korean production plants, the specified data submitted to the Hyundai Motor Company Headquarters were consistent with instructions from the Headquarters. Data was consistent with the source documentation presented to us. With respect to overseas plants in Chennai, India; Izmit, Turkey; Beijing, China; Alabama, the U.S., instructions from the Headquarters were not fully implemented. As a consequence, as mentioned in the Report, certain data from these plants were excluded from consolidation for 2005. We also identified certain errors in the report preparation processes that do not materially affect our conclusion. The Hyundai Motor Company has made respective adjustments to the Report. Hereafter, those data were appropriately reflected in this Report.
3. The Hyundai Motor Company at Headquarters level has applied detailed and systematic procedures for the purpose of collecting, calculating, aggregating, and validating performance data for 2005 on environmental and social performance, from reporting units for inclusion and appropriate reflection in the Report.

Recommendations

We recommended an update to the Hyundai Motor Company's Sustainability Reporting Guidelines as the new trend in sustainability reports further develops in more diverse areas of corporate activities of the reporting entity and the new international reporting guidelines are released.

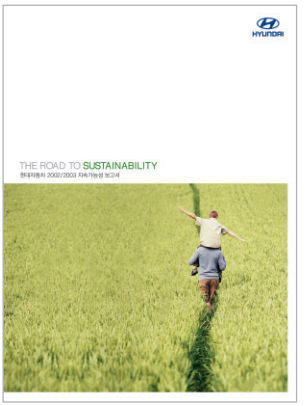
Seoul, October 30, 2006
DELOITTE Anjin LLC.

Byoung doo Lee
Head of Deloitte Sustainability Consulting Center

Deloitte.

HMC Sustainability Report

HMC first published an environmental report in 2002. The report was renamed the sustainability report in 2003, which was our first sustainability report. HMC has been publishing the sustainability report annually under the title of 'THE ROAD TO **SUSTAINABILITY**' since 2003 as a part of its initiatives to actively communicate with its stakeholders. The content presented in this report is based on HMC's economic, environmental and social activities together with the corresponding results. In order to enhance the overall reliability of this report, HMC continues to undergo external assurance processing.



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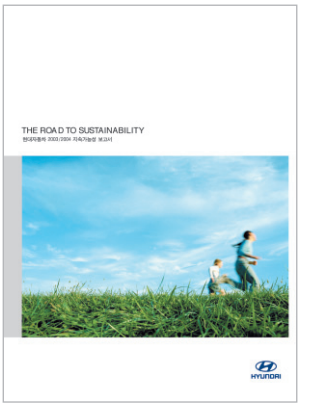
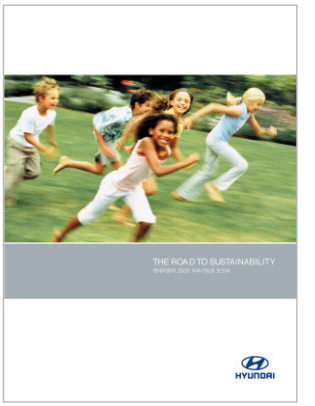


2003/2004



2005

Diverse information regarding HMC is available through its websites.

The 2006 HMC Sustainability Report along with previous editions are now also available for viewing on-line at http://www.hyundai-motor.com in PDF format.

Global Sites	
Head Office (HMC)	www.hyundai-motor.com
Hyundai Motor America (HMA)	www.hyundaiusa.com
Hyundai Motor Europe (HME)	www2.hyundai-europe.com
Hyundai Motor Manufacturing Alabama (HMMA)	www.hmmausa.com
Beijing Hyundai Motor Company (BHMC)	www.beijing-hyundai.com.cn
Hyundai Motor India (HMI)	www.hyundai.co.in
Hyundai Assan Otomotive Sanayi (HAOS)	www.hyundai.com.tr
Hyundai · Kia America Technical Center Inc. (HATCI)	www.hatci.com

Administrative Sites	
Corporate Ethics	audit.hyundai-motor.com
Investor Relations	ir.hyundai-motor.com
Social Contribution Activities	shareway.hyundai-motor.com

Other Sites	
Women Hyundai	www.woman-hyundai.com
Young Hyundai	www.young-hyundai.com
Mozen	www.mozen.com

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