11. COMMITMENTS AND CONTINGENCIES:

(1) The Company has entered into bank overdraft agreements with 8 banks amounting to ₩231,000 million as of December 31, 2005.

(2) As of December 31, 2005, the Company has entered into credit facilities agreements with various banks for the Company's exports and imports such as letter of credit including usance L/C, totaling USD 1,450,215 thousand.

(3) In order to secure the guarantees provided by the banks for the borrowings and the performance of construction contracts entered into by the Company, the Company has provided 10 blank checks / notes as of December 31, 2005.

(4) The outstanding balance of the note receivables, guaranteed by the importers' Government or others, sold to financial institutions with recourse is USD50,435 thousand, equivalent to ₩51,090 million, as of December 31, 2005. Also, the Company's outstanding balance of trade receivables sold with recourse amounts to ₩2,886 million as of December 31, 2005.

(5) As of December 31, 2005, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies, amounting to USD167,068 thousand and ₩18,850 million. The Company has provided certain performance guarantees amounting to USD 1,657,778 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Also, the Company entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd. ("HSHI") for the construction of 43 ships (Contract amount: USD3,294,278 thousand).

(6) In connection with the Company's loans and contract performance guarantees, the Company has also been provided with guarantees up to ₩1,779,577 million and USD8,051,821 thousand by various banking facilities. Also, the Company entered into the contracts on the transfer of a real right with buyers.

(7) In an effort to alleviate fluctuations on the future cash flows that would be incurred out of the timing difference between the receipt of the ship sales and the payment of imported raw-materials, the Company has entered into currency forward contracts with various banks including Chohung Bank. As of December 31, 2005, the valuation and gain (loss) on transaction of the forward contracts is as follows (Won in millions, USD in thousands and EUR in thousands):

Purpose	Contract amount		Sales	Gain(loss)	Capital adjustment
Hedging	USD	6,781,385			
	EUR	184,918	₩ 212,815	₩ 17,558	₩ 167,812
Trading	USD	314,441	-	(65,784)	-
Total	USD	7,095,826			
	EUR	184,918	₩ 212,815	₩ (48,226)	₩ 167,812

As of December 31, 2005, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩121,664 million (net of deferred income tax adjustment of ₩46,148 million) as gain on valuation of derivative in capital adjustments. The expected period of exposure on cash flow risk, where cash flow hedging accounting is applied, is approximately within 36 months, and the amount among gain on valuation of foreign exchange contract that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2005 is ₩78,594 million. The valuation of the ineffective portion of the hedge and the valuation of other derivatives to which cash flow hedge accounting is not applied, are reflected in current operations.

Such contracts as described above that were incurred for the year ended December 31, 2005 resulted in gain (loss) on settlement of derivatives amounting to ₩21,872 million and ₩(55,996) million and gain (loss) on valuation of unsettled derivatives amounting to ₩13,718 million and ₩(27,819) million in non-operating income (expenses). As of December 31, 2005, in relation with the derivative contracts, the Company accounts for foreign currency forward contracts as current assets and liabilities amounting to ₩245,466 million and ₩25,440 million, respectively.

Besides the above financial derivative, the Company has entered into interest swap contract with CSFB to hedge the exposure to interest rate risk of floating rate debenture amounting to USD200,000 thousands (variable interest rate : 6M Libor, fixed interest rate : 4.50%, maturity date : September 22, 2008). As of December 31, 2005, the Company recorded the present value of the forecasted cash flow amounting ₩1,302 million and ₩423 million as derivative assets and derivative liabilities, respectively. Also, the Company accounted for the ineffective portion of the hedge amounting to ₩(235) million as non-operating expenses, the effective portion of the hedge amounting to ₩808 million (net of deferred income tax adjustment of ₩306 million) as gain on valuation of derivative in capital adjustments as of December 31, 2005.

(8) The Company has entered into seven operating lease agreements with Chohung Bank and three other financial institutions. Those agreements can be extended by a mutual agreement among the parties prior to the expiration of the relevant contracts.

Future anticipated lease payments under operating lease agreements as of December 31, 2005 are as follows (Korean won in thousands):

	Korean won		Foreign currency		Total
2006.1.1~2006. 10.19	₩	5,559,636	USD	5,724,261	₩ 11,358,313

(9) Hynix Semiconductor Inc. ("HSI") has entered into a Purchase Agreement (off-take agreement) with Hynix Semiconductor Manufacturing America Inc. ("HSMA"), an overseas subsidiary of HSI, as collateral for the long-term borrowings of HSMA. In addition, the Company has entered into a Group Support Agreement with HSMA together with two other companies within the Hyundai Group of companies, and provided this agreement as collateral for the long-term borrowings of HSMA. Under the Borrowing Agreement between HSMA and J.P. Morgan Chase Bank ("JPMC") mentioned above, JPMC can require HSMA to redeem the long-term borrowing early according to the off-take agreement and also based on the financial position of the three guarantors. The ultimate outcome of this agreement cannot presently be determined and no provision for any liability that may result has been made in the accompanying financial statements.

(10) Pursuant to the resolution of the board of directors on March 14, 2003, the Company entered into a common stock conversion agreement (the "Agreement") with IPIC, main shareholder of Hyundai Oilbank, together with USD 450 million financial supports of IPIC in 2002, and the Agreement has been finally executed on February 28, 2004. According to the Agreement, the Company has converted 16,233,514 shares of common stock, as part of 81,167,566 shares of common stock owned by the Company, to non-voting preference stock, which will be converted back to common stock upon satisfaction of certain condition. Also, the Company has provided call option right to IPIC to buy certain Hyundai Oilbank's shares owned by the Company until Hyundai Oilbank completes the payment of dividend obligation of USD 200 million to IPIC, which holds voting preference stock. IPIC gave a notice of the exercise of call option amounting to 20% of the total issued shares under the Agreement. Therefore, the Company recorded as loss on impairment of long-term investment securities amounting to ₩24,525 million, the difference between book value and sale price of the shares to be sold to IPIC according to the exercise of the call option, and the related 32,467,026 shares owned by the Company are supposed to be sold on February 27, 2006, pursuant to the resolution of the board of directors on February 2, 2006.