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**HYUNDAI MOTOR COMPANY
AND SUBSIDIARIES**

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003
AND INDEPENDENT AUDITORS' REPORT

하나안진회계법인

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INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company (the "Company") and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean won (as restated—see Note 2). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. In 2004 and 2003, we did not audit the financial statements of certain subsidiaries, which statements reflect total assets of ₩17,125,773 million (US\$16,407,140 thousand) and ₩11,732,826 million (US\$11,240,492 thousand), respectively, and total revenues of ₩27,558,371 million (US\$26,401,965 thousand) and ₩15,172,943 million (US\$14,536,255 thousand), respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations and changes in the shareholders' equity and their cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated into U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

As discussed in Note 1, in 2004, the Company added two domestic companies, including Mseat Co., Ltd., and eight overseas companies, including Stamped Metal America Research Technology Inc., to its consolidated subsidiaries.

As explained in Note 1, on October 1, 2004, the Company sold 16,645,641 shares of common stock of Hyundai Capital Service Inc. (HCSI) to GE Capital International Holdings Corporation at ₩16,000 (US\$15.33) per share for the purpose of strategic cooperation with General Electric Capital Corporation. On October 14, 2004, the Company also participated in HCSI's capital increase and acquired 13,562,500 shares of common stock at ₩16,000 (US\$15.33) per share, which resulted to 61.08% ownership of HCSI.

As explained in Note 2, until 2003, the Company recognized accrued liabilities for the provision for the projected costs for dismantling and recycling vehicles the Company sold in the European Union region to comply with a European Parliament directive regarding End-of-Life Vehicles (ELV). However, in 2004, the Company revised the contracts with most of its agents in the European Union by which the agents are responsible for all of the costs of dismantling and recycling the vehicles placed in service in the future. As a result, the Company reversed the accrued liabilities exceeding the estimated expense by ₩305,765 million (US\$292,934 thousand) in 2004.

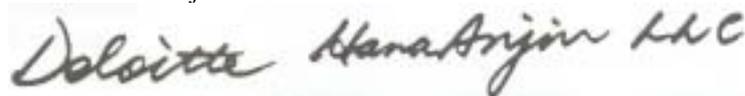
As explained in Note 10, in 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile Division and Machine Tool Division of Hyundai MOBIS (formerly Hyundai Precision and Industry Co., Ltd.), the carrying amount of cost in excess of fair value of net identifiable assets acquired amounting to ₩461,107 million (US\$441,758 thousand) is accounted for as impairment loss and charged to current operations.

As explained in Note 27, effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. ("HCVE"). Under the contract, the merger ratio is set at 1:0. Since Hyundai Commercial Vehicle Engine Co., Ltd. was a subsidiary of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (US\$31,534 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of HCVE is accounted for as deduction in capital surplus.

As explained in Note 30, in order to stabilize the fluctuations of the stock price in the exchange market, on February 4, 2005, the board of directors decided to reacquire 11,000,000 shares of common stock and 1,000,000 shares of preferred stock in the exchange market.

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

Deloitte HanaAnjin LLC



Seoul, Korea
April 14, 2005

Notice to Readers

This report is effective as of April 14, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

<u>ASSETS</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Current assets:				
Cash and cash equivalents (Note 17)	₩ 3,187,954	₩ 4,763,452	\$ 3,054,181	\$ 4,563,568
Short-term financial instruments (Note 17)	5,540,454	4,054,421	5,307,965	3,884,289
Short-term investment securities (Note 4)	471,218	393,798	451,445	377,273
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩258,146 million in 2004 and ₩284,470 million in 2003, and unamortized present value discount of ₩1,269 million in 2004 and ₩1,201 million in 2003	2,755,645	2,703,821	2,640,012	2,590,363
Inventories (Note 3)	6,940,542	5,498,529	6,649,303	5,267,799
Advances and other, net of allowance for doubtful accounts of ₩98,855 million in 2004 and ₩177,355 million in 2003, and unamortized present value discount of nil in 2004 and ₩5,735 million in 2003	2,654,980	1,918,753	2,543,572	1,838,239
Total current assets	21,550,793	19,332,774	20,646,478	18,521,531
Non-current assets:				
Long-term financial instruments (Note 17)	135,385	208,300	129,704	199,559
Long-term investment securities (Notes 5 and 17)	2,884,751	2,471,155	2,763,701	2,367,460
Investment securities accounted for using the equity method (Notes 6 and 17)	1,119,085	830,231	1,072,126	795,393
Property, plant and equipment, net of accumulated depreciation and accumulated impairment loss of ₩8,523,304 million in 2004 and ₩7,445,356 million in 2003 (Notes 7, 8, 9 and 17)	19,802,286	17,842,898	18,971,341	17,094,173
Intangibles (Note 10)	1,812,495	1,862,057	1,736,439	1,783,921
Other assets (Notes 11 and 17)	1,079,972	1,083,349	1,034,654	1,037,890
Deferred income tax assets (Note 19)	2,357,859	2,509,050	2,258,918	2,403,765
Total non-current assets	29,191,833	26,807,040	27,966,883	25,682,161
Other financial business assets (Note 12)	7,623,936	7,287,008	7,304,020	6,981,230
Total assets	₩ 58,366,562	₩ 53,426,822	\$ 55,917,381	\$ 51,184,922

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2004 AND 2003

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Current liabilities:				
Short-term borrowings (Note 13)	₩ 1,0571,772	₩ 9,457,854	\$ 10,128,159	\$ 9,060,983
Current maturities of long-term debt, net of Unamortized discount of ₩3,002 million in 2004 and ₩5,163 million in 2003 (Note 14)	3,998,768	5,653,180	3,830,971	5,415,961
Trade notes and accounts payable	6,374,259	4,230,095	6,106,782	4,052,591
Accrued warranties and product liabilities	1,395,228	1,220,380	1,336,681	1,169,170
Accounts payable-other	2,318,211	2,356,840	2,220,934	2,257,942
Accrued expenses	726,357	858,883	695,878	822,842
Income tax payable	596,285	725,739	571,264	695,285
Other current liabilities	740,777	815,259	709,693	781,049
Total current liabilities	26,721,657	25,318,230	25,600,362	24,255,823
Long-term liabilities:				
Long-term debt, net of current maturities (Note 14)	7,683,741	6,432,270	7,361,315	6,162,359
Accrued severance benefits, net of National Pension payments for employees of ₩80,850 million in 2004 and ₩104,223 million in 2003, and individual severance insurance deposits of ₩1,711,181 million in 2004 and ₩1,641,600 million in 2003 (Note 2)	1,005,201	1,031,582	963,021	988,295
Accrued loss on valuation of derivatives (Note 2)	24,693	209,285	23,657	200,503
Accrued warranties and product liabilities	3,594,569	3,391,690	3,443,733	3,249,368
Deferred income tax liabilities (Note 19)	1,036,499	911,537	993,005	873,287
Other long-term liabilities	1,061,524	703,381	1,016,981	673,866
Total long-term liabilities	14,406,227	12,679,745	13,801,712	12,147,678
Other financial business liabilities	108,843	-	104,276	-
Total liabilities	₩ 41,236,727	₩ 37,997,975	\$ 39,506,350	\$ 36,403,501

Commitments and contingencies (Note 24)

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2004 AND 2003

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Shareholders' equity:				
Capital stock (Note 15)	₩ 1,480,752	₩ 1,478,603	\$ 1,418,617	\$ 1,416,558
Capital surplus	5,161,875	5,328,775	4,945,272	5,105,169
Retained earnings				
(Net income of ₩1,686,831 million in 2004 and ₩1,792,655 million in 2003)	6,530,244	5,188,818	6,256,221	4,971,084
Capital adjustments (Note 16)	(139,065)	(28,357)	(133,230)	(27,167)
Minority interests	4,096,029	3,461,008	3,924,151	3,315,777
Total shareholders' equity	17,129,835	15,428,847	16,411,031	14,781,421
 Total liabilities and shareholders' equity	 ₩ 58,366,562	 ₩ 53,426,822	 \$ 55,917,381	 \$ 51,184,922

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Sales (Note 25)	₩ 53,100,621	₩ 46,588,410	\$ 50,872,409	\$ 44,633,464
Cost of sales	<u>39,419,561</u>	<u>32,801,126</u>	<u>37,765,435</u>	<u>31,424,723</u>
Gross profit	13,681,060	13,787,284	13,106,974	13,208,741
Selling and administrative expenses (Note 18)	<u>11,299,042</u>	<u>11,092,841</u>	<u>10,824,911</u>	<u>10,627,363</u>
Operating income	<u>2,382,018</u>	<u>2,694,443</u>	<u>2,282,063</u>	<u>2,581,378</u>
Other income (expenses), net:				
Interest expense, net	(1,178)	(47,804)	(1,129)	(45,798)
Gain (loss) on foreign currency translation, net	200,547	(65,155)	192,132	(62,421)
Gain on foreign currency transactions, net	184,966	26,877	177,204	25,749
Gain on valuation of investments accounted for using the equity method, net	284,264	219,571	272,336	210,357
Gain (loss) on disposal of investments and other assets, net	(15,990)	118,791	(15,319)	113,806
Loss on disposal of property, plant and equipment, net	(137,193)	(269,723)	(131,436)	(258,405)
Royalty income	202,630	140,208	194,127	134,325
Reversal of accrued warranties and product liabilities (Note 2)	305,765	2,959	292,934	2,835
Impairment loss on intangibles (Note 10)	(472,906)	(3,232)	(453,062)	(3,096)
Other, net	<u>(212,975)</u>	<u>(97,477)</u>	<u>(204,037)</u>	<u>(93,385)</u>
	<u>337,930</u>	<u>25,015</u>	<u>323,750</u>	<u>23,967</u>
Ordinary income	<u>2,719,948</u>	<u>2,719,458</u>	<u>2,605,813</u>	<u>2,605,345</u>
Extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Income before income tax	₩ 2,719,948	₩ 2,719,458	\$ 2,605,813	\$ 2,605,345
Income tax expense (Note 19)	<u>857,014</u>	<u>658,198</u>	<u>821,052</u>	<u>630,579</u>
Income before minority interests	1,862,934	2,061,260	1,784,761	1,974,766
Minority interests	<u>(176,103)</u>	<u>(268,605)</u>	<u>(168,713)</u>	<u>(257,334)</u>
Net income	<u>₩ 1,686,831</u>	<u>₩ 1,792,655</u>	<u>\$ 1,616,048</u>	<u>\$ 1,717,432</u>
Ordinary income per ordinary common share	<u>₩ 7,399</u>	<u>₩ 7,909</u>	<u>\$ 7.09</u>	<u>\$ 7.58</u>
Earnings per ordinary common share	<u>₩ 7,399</u>	<u>₩ 7,909</u>	<u>\$ 7.09</u>	<u>\$ 7.58</u>
Ordinary income per fully diluted common share	<u>₩ 7,380</u>	<u>₩ 7,885</u>	<u>\$ 7.07</u>	<u>\$ 7.55</u>
Earnings per fully diluted common share	<u>₩ 7,380</u>	<u>₩ 7,885</u>	<u>\$ 7.07</u>	<u>\$ 7.55</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won (in millions)					Total	Translation into U.S. dollars (Note 2) (in thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	amount	Total amount
January 1, 2003	₩1,476,454	₩5,286,061	₩3,701,201	₩(216,165)	₩3,010,309	₩ 13,257,860	\$ 12,701,533
Additional investment in subsidiaries	-	(124,104)	-	-	46,168	(77,936)	(74,666)
Disposal of subsidiaries' stock	-	138,579	(1)	-	-	138,578	132,763
Extinguishment of treasury stock by surplus	-	-	(58,367)	9,172	(49,878)	(99,073)	(94,916)
Application of the equity method	-	-	20,741	-	-	20,741	19,871
Effect of change in the scope of consolidation	-	(17,159)	(45,326)	-	131,065	68,580	65,702
Effect of change in the scope of equity method	-	-	(44,149)	-	-	(44,149)	(42,296)
Payment of cash dividends	-	-	(243,079)	-	(48,096)	(291,175)	(278,957)
Net income	-	-	1,792,655	-	-	1,792,655	1,717,432
Treasury stock	-	15,220	-	(15,848)	-	(628)	(602)
Discount on stock issuance	-	-	(171)	(2,641)	-	(2,812)	(2,694)
Gain on valuation of available-for-sale securities	-	-	-	395,026	-	395,026	378,450
Gain on valuation of investment equity securities	-	-	-	(132,619)	-	(132,619)	(127,054)
Stock options	2,149	-	-	3,061	-	5,210	4,991
Cumulative effect of foreign currency translation	-	-	-	38,420	-	38,420	36,808
Loss on transaction of derivatives	-	-	-	(106,763)	-	(106,763)	(102,283)
Effect of change in the minority interests	-	-	-	-	268,605	268,605	257,334
Others	-	30,178	65,314	-	102,835	198,327	190,005
December 31, 2003	<u>₩1,478,603</u>	<u>₩5,328,775</u>	<u>₩5,188,818</u>	<u>₩(28,357)</u>	<u>₩3,461,008</u>	<u>₩ 15,428,847</u>	<u>\$ 14,781,421</u>

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won (in millions)					Translation into U.S. dollars (Note 2) (in thousands)	
	Capital Stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total Amount
January 1, 2004	₩1,478,603	₩5,328,775	₩ 5,188,818	₩ (28,357)	₩3,461,008	₩ 15,428,847	\$ 14,781,421
Additional investment in subsidiaries	-	(84,296)	-	-	(42,096)	(126,392)	(121,088)
Disposal of subsidiaries' stock	-	95,489	(13,041)	(78,622)	241,929	245,755	235,443
Extinguishment of treasury stock by surplus	-	-	(65,092)	-	-	(65,092)	(62,361)
Increase in subsidiaries' capital-stock	-	(60,965)	-	-	287,517	226,552	217,045
Merger between subsidiaries	-	(32,409)	-	-	(506)	(32,915)	(31,534)
Consolidation	-	-	-	-	14,942	14,942	14,315
Payment of cash dividends (Note 20)	-	-	(285,674)	-	(70,096)	(355,770)	(340,841)
Net income	-	-	1,686,831	-	-	1,686,831	1,616,048
Treasury stock	-	-	-	(5,280)	-	(5,280)	(5,058)
Discount on stock issuance	-	-	-	(230)	-	(230)	(220)
Gain on valuation of available-for-sale securities	-	-	-	141,089	-	141,089	135,169
Gain on valuation of investment equity securities	-	-	-	(53,678)	-	(53,678)	(51,426)
Stock options	2,149	8,197	-	2,512	-	12,858	12,318
Cumulative effect of foreign currency translation	-	-	-	(180,962)	-	(180,962)	(173,368)
Loss on transaction of derivatives	-	-	-	64,463	-	64,463	61,758
Effect of change in the minority interests	-	-	-	-	176,103	176,103	168,713
Others	-	(92,916)	18,402	-	27,228	(47,286)	(45,303)
December 31, 2004	<u>₩1,480,752</u>	<u>₩5,161,875</u>	<u>₩ 6,530,244</u>	<u>₩ (139,065)</u>	<u>₩4,096,029</u>	<u>₩ 17,129,835</u>	<u>\$ 16,411,031</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won		Translation into	
	(in millions)		U. S. dollars (Note 2)	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income	₩ 1,686,831	₩ 1,792,655	\$ 1,616,048	\$ 1,717,432
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,622,192	1,437,823	1,554,121	1,377,489
Loss (gain) on foreign currency translation, net	(201,308)	65,305	(192,861)	62,565
Loss (gain) on disposal of investments and other assets, net	15,990	(118,791)	15,319	(113,806)
Gain on valuation of investments accounted for using the equity method, net	(284,264)	(219,571)	(272,336)	(210,357)
Loss on disposal of property, plant and equipment, net	137,193	269,723	131,436	258,405
Loss on valuation of inventories	23,795	15,002	22,797	14,372
Loss (gain) on redemption of debentures, net	(3,144)	115	(3,012)	110
Loss on impairment of investments	232,476	45,617	222,721	43,703
Loss on disposal of trade receivables	114,365	77,926	109,566	74,656
Impairment loss on intangibles	472,906	3,232	453,062	3,096
Amortization of discount on debentures	38,294	41,193	36,687	39,464
Amortization of intangibles, net	387,433	488,954	371,176	468,436
Provision for severance benefits	558,188	591,737	534,765	566,906
Provision for warranties and product liability, net	872,706	1,463,308	836,085	1,401,905
Provision for doubtful accounts	934,865	1,533,664	895,636	1,469,308
Amortization of present value discount accounts	-	(107,948)	-	(103,418)
Net income on minority interests	176,103	268,605	168,713	257,334
Others	(55,416)	(20,757)	(53,091)	(19,884)
Changes in operating assets and liabilities:				
Decrease in trade notes and accounts receivable	129,784	2,104,701	124,338	2,016,383
Decrease (increase) in advances	(51,189)	136,828	(49,041)	131,086
Increase in inventories	(1,341,159)	(1,412,848)	(1,284,881)	(1,353,562)
Increase in other current assets	(537,866)	(94,041)	(515,296)	(90,094)
Decrease in long-term notes and accounts receivables	-	4,346	-	4,164
Decrease (increase) in deferred income tax assets	102,091	(1,152,582)	97,807	(1,104,217)
Increase in other financial business assets	(1,329,469)	(1,666,097)	(1,273,682)	(1,596,185)
Increase (decrease) in trade notes and accounts payable	815,166	(464,741)	780,960	(445,240)
Increase (decrease) in accounts payable-other	200,316	(385,383)	191,910	(369,212)
Increase (decrease) in other current liabilities	(298,882)	487,079	(286,340)	466,641
Increase in individual severance insurance deposits	(69,580)	(19,526)	(66,660)	(18,707)
Increase (decrease) in accrued warranties and product liabilities	163,314	(129,315)	156,461	(123,889)
Decrease in accrued loss on valuation of derivatives	(152,035)	(961)	(145,655)	(921)
Increase in cumulative translation debits, net	-	(70,830)	-	(67,858)
Increase in deferred income tax liabilities	124,962	786,795	119,718	753,779
Payment of severance benefits	(538,361)	(406,840)	(515,770)	(389,768)
Others	67,495	(83,717)	64,664	(80,203)
	<u>4,013,792</u>	<u>5,260,660</u>	<u>3,845,365</u>	<u>5,039,912</u>

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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of short-term investment securities	₩ 6,130,563	₩ 4,483,700	\$ 5,873,311	\$ 4,295,554
Reduction in short-term financial instruments and other current assets	355,002	6,071,479	340,105	5,816,707
Proceeds from disposal of long-term investment securities	815,601	972,547	781,377	931,737
Proceeds from disposal of investment securities accounted for using the equity method	43,397	1,515,544	41,576	1,451,949
Reduction in other assets	445,011	670,947	426,338	642,793
Proceeds from disposal of property, plant and equipment	<u>243,104</u>	<u>196,153</u>	<u>232,903</u>	<u>187,922</u>
	<u>8,032,678</u>	<u>13,910,370</u>	<u>7,695,610</u>	<u>13,326,662</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(1,660,920)	(7,728,526)	(1,591,224)	(7,404,221)
Acquisition of short-term investment securities	(6,216,350)	(4,084,863)	(5,955,499)	(3,913,454)
Additions to other current assets	(148,663)	(135,126)	(142,425)	(129,456)
Acquisition of long-term investment securities	(1,462,683)	(2,141,561)	(1,401,306)	(2,051,697)
Additions to other assets	(385,582)	(1,245,987)	(369,403)	(1,193,703)
Acquisition of property, plant and equipment	(3,412,036)	(2,830,903)	(3,268,859)	(2,712,112)
Expenditures for development costs	<u>(657,511)</u>	<u>(391,349)</u>	<u>(629,920)</u>	<u>(374,927)</u>
	<u>(13,943,745)</u>	<u>(18,558,315)</u>	<u>(13,358,636)</u>	<u>(17,779,570)</u>
	<u>(5,911,067)</u>	<u>(4,647,945)</u>	<u>(5,663,026)</u>	<u>(4,452,908)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	29,802,633	6,990,449	28,552,054	6,697,116
Proceeds from long-term debt	5,841,587	4,246,163	5,596,462	4,067,985
Proceeds from issuance of stock	6,404	236,816	6,135	226,879
Proceeds from disposal of treasury stock	-	86,502	-	82,872
Others	<u>433,209</u>	<u>194,262</u>	<u>415,030</u>	<u>186,110</u>
	<u>36,083,833</u>	<u>11,754,192</u>	<u>34,569,681</u>	<u>11,260,962</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(28,657,473)	(5,972,761)	(27,454,946)	(5,722,132)
Payment of current maturities of long-term debt	(5,595,553)	(3,152,809)	(5,360,752)	(3,020,511)
Payment of cash dividends	(285,674)	(395,989)	(273,687)	(379,372)
Repayment of long-term debt	(397,346)	(856,872)	(380,673)	(820,916)
Purchase of treasury stock	(209,268)	(192,957)	(200,487)	(184,860)
Others	<u>(508,549)</u>	<u>(120,746)</u>	<u>(487,208)</u>	<u>(115,679)</u>
	<u>(35,653,863)</u>	<u>(10,692,134)</u>	<u>(34,157,753)</u>	<u>(10,243,470)</u>
	<u>429,970</u>	<u>1,062,058</u>	<u>411,928</u>	<u>1,017,492</u>

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>Korean won</u> <u>(in millions)</u>		<u>Translation into</u> <u>U. S. dollars (Note 2)</u> <u>(in thousands)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Effect of exchange rate on cash	₩ (92,999)	₩ 55,623	\$ (89,098)	\$ 53,290
Effect of change in consolidated subsidiaries	<u>(15,194)</u>	<u>267,184</u>	<u>(14,556)</u>	<u>255,972</u>
Net increase (decrease) in cash and cash equivalents	(1,575,498)	1,997,580	(1,509,387)	1,913,758
Cash and cash equivalents, beginning of year	<u>4,763,452</u>	<u>2,765,872</u>	<u>4,563,568</u>	<u>2,649,810</u>
Cash and cash equivalents, end of year	<u>₩ 3,187,954</u>	<u>₩ 4,763,452</u>	<u>\$ 3,054,181</u>	<u>\$ 4,563,568</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

1. GENERAL INFORMATION:

The Company

Hyundai Motor Company (the "Company") was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974.

The Company has three domestic production plants as follows:

<u>Location</u>	<u>Commenced production</u>	<u>Types of major products</u>
Ulsan	December 1967	Passenger cars, Commercial vehicles (Small trucks)
Jeonbuk Jeonju	April 1995	Commercial vehicles (Bus and trucks)
Chungnam Ahsan	November 1996	Passenger cars

As of December 31, 2004, 44.17 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (14.59 percent) and INI Steel (5.30 percent), and the remaining 55.83 percent is owned by foreign investors including Mitsubishi of Japan (1.05 percent).

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than thirty percent of the voting shares. The consolidated subsidiaries as of December 31, 2004 are as follows:

<u>Subsidiaries</u>	<u>Business</u>	<u>Shareholders' equity</u>		<u>Shares (**)</u>	<u>Percentage ownership (**)</u>	<u>Indirect ownership (**)</u>
		<u>As of December 31, 2004</u>				
		<u>Korean won</u>	<u>Translation into</u>			
		<u>(in millions) (*)</u>	<u>U.S. dollars</u>			
			<u>(Note 2)</u>			
			<u>(in thousands)</u>			
Domestic subsidiaries:						
Kia Motors Corporation (KIA)	Manufacturing	5,099,089	4,885,121	157,965,491	45.49%	HCS - 6.82%
Hyundai HYSCO	"	958,200	917,992	40,248,868	50.19%	KIA - 24.06%
Hyundai Capital Service Inc. (HCS)	Financing service	588,260	563,575	56,730,289	61.08%	
Hyundai Card Co., Ltd.	"	137,743	131,963	154,245,226	80.52%	KIA - 21.50%
KEFICO Corporation	Manufacturing	194,855	186,678	1,670,000	50.00%	
Hyundai Powertech	"	266,140	254,972	48,000,000	100.00%	KIA - 50.00%
WIA Corporation (WIA)	"	264,518	253,418	6,991,206	90.44%	KIA - 45.14%
Dymos Inc. (DYMOS)	"	201,285	192,839	29,335,805	97.76%	KIA - 45.37%, WIA - 5.12%
Automobile Industrial Ace Corporation	"	(24,088)	(23,077)	1,592,054	68.23%	WIA - 68.23%
ROTEM	Manufacturing	275,390	263,834	40,306,304	78.36%	
Haevichi Resort	Real estate development	16,174	15,495	2,015,000	65.00%	KIA - 40% & WIA - 25%

Shareholders' equity						
As of December 31, 2004						
Subsidiaries	Business	Korean won (in millions)(*)	Translation into U.S. dollars		Percentage ownership (**)	Indirect ownership (**)
			(Note 2) (in thousands)	Shares (**)		
Bontek Co., Ltd.	Manufacturing	57,141	54,743	397,210	39.72%	KIA - 39.72%
Aju Metal Co., Ltd.	"	14,353	13,751	972,680	97.27%	WIA - 50% & DYMOS - 47.27%
Mseat Co., Ltd.	"	35,222	33,744	998,140	99.81%	DYMOS - 99.81%
Autoever Systems Corp. (formerly Autoever Co., Ltd.)	Information technology	23,945	22,940	499,000	49.90%	KIA - 20% & HCS 4.90%
Foreign subsidiaries:						
Hyundai Motor India (HMI)	Manufacturing	369,670	354,158	8,127,785	100.00%	
Hyundai Motor America (HMA)	Sales	950,806	910,908	1,150	100.00%	
Hyundai Motor Japan Co. (HMJ)	"	(48,462)	(46,428)	60,000	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	9,180	8,795	172,862	100.00%	
Hyundai Motor Europe GmbH (HME)	"	17,934	17,181	-	100.00%	
Hyundai Motor Company Australia (HMCA)	"	23,713	22,718	10,000,000	100.00%	
Hyundai Translead (HT)	"	27,971	26,797	1,160,000	100.00%	
Hyundai Machine Tool Europe GmbH (HYME)	"	6,694	6,413		100.00%	
Hyundai America Technical Center Inc. (HATCI)	R & D	15,049	14,418	1,000	100.00%	
Beijing Mobis Transmission Co., Ltd.	Manufacturing	44,015	42,168	-	60.00%	KIA - 30%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	432,108	413,976	-	100.00%	HMA - 100%
Hyundai Motor Finance Company (HMFC)	Financing service	296,246	283,815	750	100.00%	HMA - 100%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	105	101	100	100.00%	HMA - 100%
Sevenwood Property Inc.	Real estate rent	70	67	4,088,071	100.00%	HMA - 100%
World Marketing Group LLC (WMG)	Sales	12,584	12,056	-	100.00%	HMA - 50% & KMA - 50%
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing	6,149	5,891	9,996	99.96%	HT - 99.96%
Stampsted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	16,226	15,545	18,542,284	100.00%	HMA - 72.45%
Stampsted Metal America Research Technology LLC	Manufacturing	16,226	15,545	-	100.00%	SMARTI - 100%
China Millennium Corporations (CMEs)	Real estate development	33,376	31,975	-	89.90%	KIA - 30.3%
Beijing Hines Millennium Real Estate Development	Real estate development	15,807	15,144	-	100.00%	CMEs -99.00%
Kia Japan Co., Ltd. (KJC)	Sales	23,286	22,309	85,800	100.00%	KIA - 100%
Kia Motors America Inc. (KMA)	"	18,205	17,441	1,000,000	100.00%	KIA - 100%
Kia Motors Deutschland GmbH (KMD)	"	(7,814)	(7,486)	-	100.00%	KIA - 100%
Kia Canada, Inc. (KCI)	"	(15,078)	(14,445)	6,298	100.00%	KIA - 82.5% & KMA - 17.5%
Kia Motors Polska Sp.z.o.o. (KMP)	"	(6,484)	(6,212)	15,637	99.60%	KMD - 99.6%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	117,544	112,612	25,000	100.00%	KIA - 100%
Kia Motors Slovakia S.r.o. (KMS)	Sales	60,732	58,184	100	100.00%	KME - 100%
Kia Motors Belgium (KMB)	Sales	(1,228)	(1,176)	1,000,000	100.00%	KME - 100%
Kia Motors Czech s.r.o. (KMCZ)	"	2,079	1,992	106,870,000	100.00%	KME - 100%

Shareholders' equity As of December 31, 2004						
Subsidiaries	Business	Translation into U.S. dollars			Percentage ownership (**)	Indirect ownership (**)
		Korean won (in millions)(*)	(Note 2) (in thousands)	Shares (**)		
Kia Motors (UK) Ltd. (KMUK)	"	20,186	19,339	17,000,000	100.00%	KME - 100%
Kia Motors Austria GmbH (KMAS)	"	4,789	4,588	2,107,512	100.00%	KME - 100%
Kia Motors Hungary Kft (KMH)	"	4,508	4,319	30,000,000	100.00%	KME - 100%
Kia Motors Iberia (KMIB)	"	32,045	30,700	31,600,000	100.00%	KME - 100%
Kia Motors Sweden AB (KMSW)	"	3,700	3,545	4,400,000	100.00%	KME - 100%
Kia Automobiles France (KMF)	"	(6,995)	(6,701)	5,000,000	100.00%	KME - 100%
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing	119,514	114,499	-	100.00%	KIA - 50%
Hyundai Pipe of America, Inc.	Sales	6,017	5,765	250,000	50%	HYSCO -100%
Hysco America Co. Inc	Sales	10,146	9,720	1,000	100.00%	HYSCO -100%
Beijing Hyundai Hysco Steel Process Co., Ltd.	Manufacturing	9,641	9,236		100.00%	HYSCO -100%
Kia Heavy Industries U.S.A., Corp.	Sales	(1,488)	(1,426)	1,200	100.00%	WIA - 100%

(*) Local currency in foreign subsidiaries is translated into Korean won using the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2004

(**) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2004. Indirect ownership represents subsidiaries' holding ownership.

Among the consolidated domestic subsidiaries, Kia and Hyundai HYSCO have been listed on the Korea Stock Exchange.

In 2004, the Company added two domestic companies, including Mseat Co., Ltd. and Automobile Industrial Ace Corporation (AIA), and eight overseas companies, including Stamped Metal America Research Technology Inc., Stamped Metal America Research Technology LLC, China Millennium Corporations (CMEs), Beijing Hines Millennium Real Estate Development, Kia Motors Slovakia S.r.o., Kia Motors Iberia (KMIB), Kia Motors Sweden AB (KMSW) and Kia Automobiles France (KMF), to its consolidated subsidiaries due to the acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control or the increase in individual assets at the end of the preceding year exceeding the required level of ₩7,000 million (US\$6,706 thousand) for consolidation with substantial control.

In 2004, Hyundai Commercial Vehicle Engine Co., Ltd. (formerly Daimler Hyundai Truck Co., Ltd.) and e-HD.com, which had been included in the 2003 consolidation, are merged into the Company and WIA Corporation, one of the Company's domestic subsidiaries, respectively. In accordance with the financial accounting standards for consolidation in the Republic of Korea, which state that when consolidated companies are merged together during a fiscal year, consolidated financial statements would reflect this transaction as if the controlling company acquired additional interest rather than a merger took place. Net loss for Hyundai Commercial Vehicle Engine Co., Ltd. and e-HD.com for the period ended at the merger date is reflected in the consolidated statement of income.

On October 1, 2004, the Company disposed of 16,645,641 shares of common stock of Hyundai Capital Service Inc. (HCSI) to GE Capital International Holdings Corporation at ₩16,000 (US\$15.33) per share for the purpose of strategic cooperation with General Electric Capital Corporation. On October 14, 2004, the Company also participated in HCSI's capital increase and acquired 13,562,500 shares of common stock at ₩16,000 per share, which resulted to 61.08% ownership of HCSI.

In 2003, the Company added two domestic companies, including Hyundai Card Co., Ltd., and four overseas companies, including Hyundai Motor Company Australia (HMCA), to its consolidated subsidiaries and excluded two companies, including Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi (HAOSVT). The details of these changes in the scope of consolidation are as follows:

- (1) Hyundai Card Co., Ltd. and Aju Metal Co., Ltd. are included in the consolidation mainly due to the holding and acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.
- (2) World Marketing Group LLC are included in 2003 consolidation since its individual total assets at the end of the preceding year exceeded the required level of ₩7,000 million (US\$6,706 thousand).

- (3) HMCA, Beijing Mobis Transmission Co., Ltd. and Beijing Hyundai Hysco Steel Process Co., Ltd. are included in the consolidation due to the new acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.
- (4) HAOSVT and WISCO, which had been included in the 2002 consolidation, are excluded in 2003 consolidation due to the disposal of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

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

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars based on the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. of ₩1,043.80 to US\$1.00 at December 31, 2004, solely for the convenience of the reader. This convenience translation into U.S. dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The Company prepared its financial statements as of December 31, 2004 in accordance with Financial Accounting Standards and Statements of Korea Accounting Standards (SKAS) in the Republic of Korea.

In 2004, the Company additionally adopted SKAS No. 10 – “Inventories” and No.13 – “Troubled Debt Restructurings”, which are effective from January 1, 2004.

The Company's accounting policies have not been changed since the preparation of the 2003 financial statements, except for changes due to the application of the above SKAS. The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than 30 percent of the voting shares, except for companies with total assets of less than ₩7,000 million (US\$6,706 thousand) at the end of the preceding fiscal year. Investments in affiliates in which a consolidated entity is able to exercise significant influence over the operating and financial policies of a non-consolidated company are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than twenty percent of the investee's voting shares unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,706 thousand), are not material, investments in affiliates can be excluded from using the equity method.

The investment account of the Company and corresponding equity accounts of subsidiaries are eliminated at the dates the Company obtained control over the subsidiaries. The difference between the investment cost and the fair value of the Company's portion of assets acquired less liabilities assumed of a subsidiary is accounted for as goodwill or negative goodwill. Goodwill is amortized on a straight-line basis over its useful life, not exceeding twenty years. The amount of negative goodwill not exceeding the total fair value of acquired identifiable non-monetary assets is recognized as income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable assets and the amount of negative goodwill in excess of the total fair value of the acquired identifiable non-monetary assets is recognized as non-operating gain at the date of acquisition.

When the Company acquires additional interests in a subsidiary after obtaining control over the subsidiary, the difference between incremental price paid by the Company and the amount of incremental interest in the shareholders' equity of the subsidiary is reflected in the consolidated capital surplus. In case a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stocks of subsidiaries to non-subsidiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as consolidated capital surplus.

When consolidated companies are merged together during a fiscal year, for purposes of consolidation, the merger is regarded as additional acquisition of ownership. The net income for the acquiree as of the merger date is reflected in the consolidated statement of income.

Inter-company receivables, payables, revenues and expenses arising from transactions between the Company and its subsidiaries or among subsidiaries are eliminated against each other in the consolidated financial statements. On sales from the Company to its subsidiaries (downstream sales), the full amounts of unrealized gains or loss are eliminated in the consolidated income and charged (credited) to the majority interests. On sales from a subsidiary to the Company (upstream sales), unrealized gains and losses are eliminated and allocated proportionately between majority and minority interests.

The accounting methods adopted by the Company and its subsidiaries for similar transactions and circumstances are generally the same. However, if the differences resulting from applying different accounting methods are not material, such different methods are applied. Financial statements of a subsidiary as of the same closing date of the Company are used in preparing the consolidation.

Revenue Recognition

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

In the case of subsidiaries in financial business, interest revenues earned on financial assets are recognized as time passes using the level yield method, and fees and commissions in return for services rendered are recognized as services are provided.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimated loss on uncollectible accounts.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average cost method.

Investment Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

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

Valuation of Securities

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

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold and if the securities are determined to be impaired, the lump-sum cumulative amount of capital adjustments are included in current operations. However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security stated at fair value, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security. For non-marketable equity securities accounted for at acquisition costs, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in capital adjustments. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in capital adjustments and amortized over the remaining term of the securities using the effective interest method.

Investment Securities Accounted for Using the Equity Method

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

Property, Plant and Equipment and Related Depreciation

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

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

	<u>Useful lives (years)</u>
Buildings and structures	2 – 60
Machinery and equipment	2 – 20
Vehicles	2 – 10
Tools, dies and molds	2 – 10
Other equipment	2 – 10

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

Intangibles

Intangible assets are stated at cost, net of accumulated amortization. Subsequent expenditures on intangible assets after their purchases or completions, which will probably enable the assets to generate future economic benefits and can be measured and attributed to the assets reliably, are treated as additions to intangible assets.

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

	<u>Useful lives (years)</u>
Goodwill (Negative goodwill)	Within 20 years
Industrial property rights	3 – 40
Development costs	3 – 10
Other	3 – 40

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

Financing Costs

The Company recognizes all financing costs including interest expense and similar expenses in current operations.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method.

Discount on Debentures

Discount on debentures is the difference between the issued amount and the face value of debentures. It is presented as a deduction from to the face value of debentures and amortized over the redemption period of the debentures using the effective interest rate method. Amortization of discount is recognized as interest expense on the debentures.

Accounting for Lease Contracts

In case the risk and benefit from the ownership of the leased property is de facto transferred to the lessee, such lease is classified as a financial lease, otherwise, it is classified as an operating lease.

The lease that is non-cancelable in substance for the entire lease term is classified as a financial lease if at least one of the following conditions are met: (1) The ownership of the leased property is to be transferred to the lessee at the end or before of the lease term for free or some agreed price; (2) The lessee has a bargain purchase option; (3) The lease term is not less than 75/100 of the estimated economic life of the leased property; and (4) The present value of the basic lease rentals as of the inception of the lease using the implicit interest rate is not less than 90/100 of the fair value of the leased property.

The lower of the present value after discounting basic lease rentals by the implicit interest rate and the fair value of leased property are respectively recorded as assets and liabilities on financial lease. Leased assets are depreciated consistently with the depreciation of the same or similar tangible assets, which the lessee owns.

In the case of an operating lease, basic lease rentals, in principle, are charged to expenses on a straight-line basis over the lease term. However, when there is any method that better represents the procedure of allocation of expenses related to lease, this method may be applied. Contingent rentals are charged to expenses when they are incurred. However, if payment of contingent rental is uncertain, contingent rentals may be charged as expense when they become due for payment.

Accrued Severance Benefits

Employees and directors of the Company and its subsidiaries are entitled to receive a lump-sum payment upon termination of their service based on the applicable severance plan of each company. The accrued severance benefits that would be payable assuming all eligible employees of the Company and its domestic subsidiaries terminated their employment amount to ~~¥~~2,797,232 million (US\$2,679,854 thousand) and ~~¥~~2,777,405 million (US\$2,660,859 thousand) as of December 31, 2004 and 2003, respectively.

Accrued severance benefits are funded through an individual severance insurance plan. Individual severance insurance deposits, of which a beneficiary is a respective employee, are presented as deduction from accrued severance benefits. Actual payments of severance benefits amounted to ~~¥~~538,361 million (US\$515,770 thousand) and ~~¥~~406,840 million (US\$389,768 thousand) in 2004 and 2003, respectively.

Accrued Warranties and Product Liabilities

The Company and its subsidiaries generally provide a warranty to the ultimate consumer with each product and accrue warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liability suits, pending voluntary recall campaign and other obligation as of the balance sheet date. Actual costs incurred are charged against the accrual when paid. Until 2003, the Company recognized accrued liabilities for the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with a European Parliament directive regarding End-of-Life Vehicles (ELV). However, in 2004, the Company revised the contracts with most of its agents in the European Union by which the agents are responsible for all of the costs of the dismantling and recycling the vehicles placed in service in the future. The Company reversed the accrued liabilities exceeding the estimated expense by ~~¥~~305,765 million (US\$292,934 thousand) in 2004.

Stock Options

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

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

The Company and its domestic subsidiaries entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2004 and 2003, the Company and its domestic subsidiaries deferred the loss of ₩17,051 million (US\$16,335 thousand) and ₩83,863 million (US\$80,344 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The Company and its subsidiaries recognized loss on valuation of the ineffective portion of such derivative instruments and the other derivative instruments in current operations. In 2004 and 2003, the Company and its subsidiaries recognized the net gain of ₩79,037 million (US\$75,720 thousand) and the net loss of ₩39,548 million (US\$37,888 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

<u>Contract Parties</u>	<u>Derivatives</u>	<u>Period</u>	<u>Number of KIA shares</u>	<u>Initial Price</u>
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
Credit Suisse First Boston International	Call option (*)	"	12,145,598	US\$ 11.5300
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	14,574,717	US\$ 7.8811

(*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of KIA shares is recognized in current operations. As of December 31, 2004, all premiums to be paid by the Company are recorded as accounts payable – other in current liabilities of ₩24,168 million (US\$ 23,154 thousand) and long-term other accounts payable in long-term liabilities of ₩60,492 million (US\$57,954 thousand), after deducting the present value discount of ₩11,891 million (US\$11,392 thousand) and the present value of all premiums on the effective date of contracts is recorded as deferred derivative assets in other assets. Also, as of December 31, 2004, all premiums to be received by the Company are recorded as accounts receivable-other in current assets of ₩3,962 million (US\$3,796 thousand) and long-term other accounts receivable in non-current assets of ₩9,771 million (US\$9,361 thousand), after deducting the present value discount of ₩2,115 million (US\$2,026 thousand) and the present value of such premiums on the effective date of contract is recorded as deferred derivatives liabilities in other long-term liabilities. As of December 31, 2003, all premiums to be paid by the Company are recorded as long-term other accounts payable in long-term liabilities of ₩89,864 million (US\$86,093 thousand) and accounts payable – other of ₩27,706 million (US\$ 26,543 thousand), after deducting the present value discount of ₩20,959 million (US\$20,080 thousand). Also, as of December 31, 2003, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩14,745 million (US\$14,126 thousand) and accounts receivable-other of ₩4,547 million (US\$4,356 thousand), after deducting the present value discount of ₩3,441 million (US\$3,297 thousand). The present value discount is amortized using the effective interest method.

Accounting for Foreign Currency Transaction and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the market average exchange rate announced by Seoul Money Brokerage Services, Ltd., which was ₩1,043.80 and ₩1,197.80 to US\$1.00 at December 31, 2004 and 2003, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of subsidiaries outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet dates; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year, which was ₩1,146.14 and ₩1,191.60 to US\$1.00 in 2004 and 2003, respectively. Cumulative translation debits or credits, which occurred in the translations of financial statements of foreign subsidiaries and branches, are recorded as capital adjustments.

Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets (liabilities).

Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends on preferred stock, by the weighted average number of common shares. The number of shares used in computing earnings per common share is 217,655,607 and 218,173,808 in 2004 and 2003, respectively. Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to dilutive securities on net income, by the number of the weighted average number of common shares plus the dilutive potential common shares. The number of shares used in computing earnings per diluted common share is 218,223,739 and 218,859,929 in 2004 and 2003, respectively.

Reclassifications

For comparative purposes, certain accounts in the consolidated subsidiaries' financial statements were reclassified to conform to the Company's financial statement presentation. Such reclassifications had no effect on the net income or the net equity reported in the consolidated subsidiaries' financial statements. Assets and liabilities in the financial industry are classified by method of current arrangement. When method of current arrangement is impossible, assets and liabilities are classified to other financial assets and liabilities. In addition, certain accounts in the consolidated financial statements of the prior period were reclassified for comparative purposes. Such reclassifications had no effect on the consolidated net income or net equity in the accompanying financial statements of the prior period.

3. INVENTORIES:

Inventories as of December 31, 2004 and 2003 consist of the following:

<u>Accounts</u>	<u>Korean won (in millions)</u>		<u>Translation into U. S. dollars (Note 2) (in thousands)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Finished goods and merchandise	₩ 4,297,037	₩ 2,844,499	\$ 4,116,725	\$ 2,725,137
Semi finished goods and work in process	794,303	829,780	760,972	794,961
Raw materials and supplies	866,274	650,427	829,923	623,134
Materials in transit	976,921	1,155,321	935,928	1,106,841
Other	6,007	18,502	5,755	17,726
	<u>₩ 6,940,542</u>	<u>₩ 5,498,529</u>	<u>\$ 6,649,303</u>	<u>\$ 5,267,799</u>

4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of December 31, 2004 consist of the following:

<u>Description</u>	<u>Korean won</u> <u>(in millions)</u>		<u>Translation into</u> <u>U.S. dollars</u> <u>(Note 2)</u> <u>(in thousands)</u>
	<u>Acquisition</u> <u>cost</u>	<u>Book value</u>	<u>Book value</u>
Trading securities			
Beneficiary certificates	₩ 240,396	₩ 241,309	\$ 231,183
Available-for-sale securities			
Government bonds	1,009	1,009	967
Asset backed securities	11,167	4,667	4,471
Beneficiary certificates	222,057	222,726	213,380
Held-to-maturity securities			
Government bonds	1,507	1,507	1,444
	<u>₩ 476,136</u>	<u>₩ 471,218</u>	<u>\$ 451,445</u>

Trading securities and available-for-sale securities in short-term investment securities are stated at fair value with the resulting net gain on valuation of trading securities amounting to ₩913 million (US\$875 thousand) recognized in current operations, and the differences between the acquisition costs and fair value of available-for-sale securities owned directly by the Company and the Company's ownership portion of such difference that occurred in the available-for-sale securities owned by its subsidiaries are recorded in capital adjustments (see Note 16).

Short-term investment securities as of December 31, 2003 consist of the following:

<u>Description</u>	<u>Korean won</u> <u>(in millions)</u>		<u>Translation into</u> <u>U.S. dollars</u> <u>(Note 2)</u> <u>(in thousands)</u>
	<u>Acquisition</u> <u>cost</u>	<u>Book value</u>	<u>Book value</u>
Trading securities			
Beneficiary certificates	₩ 55,168	₩ 26,634	\$ 25,516
Available-for-sale securities			
Government bonds	58	58	56
Asset backed securities	11,993	11,993	11,490
Beneficiary certificates	158,666	212,147	203,245
Other	136,521	136,521	130,792
Held-to-maturity securities			
Government bonds	6,445	6,445	6,174
	<u>₩ 368,851</u>	<u>₩ 393,798</u>	<u>\$ 377,273</u>

Trading securities and available-for-sale securities in short-term investment securities are stated at fair value with the resulting net loss on valuation of trading securities amounting to ₩28,534 million (US\$23,822 thousand) recognized in current operations, and the differences between the acquisition costs and fair value of available-for-sale securities owned directly by the Company and the Company's ownership portion of such difference that occurred in the available-for-sale securities owned by its subsidiaries are recorded in capital adjustments (see Note 16).

5. LONG-TERM INVESTMENT SECURITIES:

(1) Long-term investment securities as of December 31, 2004 and 2003 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Available-for-sale securities				
Equity securities stated at fair value	₩ 558,802	₩ 512,589	\$ 535,353	\$ 491,080
Equity securities stated at acquisition cost	192,608	173,243	184,526	165,973
Debt securities	<u>2,120,040</u>	<u>1,704,053</u>	<u>2,031,079</u>	<u>1,632,547</u>
	<u>2,871,450</u>	<u>2,389,885</u>	<u>2,750,958</u>	<u>2,289,600</u>
Held-to-maturity securities				
Debt securities	<u>13,301</u>	<u>81,270</u>	<u>12,743</u>	<u>77,860</u>
	<u>₩ 2,884,751</u>	<u>₩ 2,471,155</u>	<u>\$ 2,763,701</u>	<u>\$ 2,367,460</u>

(2) Equity securities stated at fair value included in long-term investment securities as of December 31, 2004 consist of the following:

Companies	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)		Ownership percentage (*2) (%)
	Acquisition cost	Book value	Book value		
INI Steel (*1)	₩ 137,175	₩ 317,911	\$ 304,571		25.76
Jin Heung Mutual Savings Bank	2,166	1,308	1,253		8.66
Korea Mutual Savings Bank	2,846	3,325	3,186		8.13
Saehan Media	4,933	3,499	3,352		6.52
KOENTEC	1,550	5,409	5,182		6.20
Korea Information Service, Inc.	5,252	4,140	3,966		4.41
Daewoo Engineering & Construction Co., Ltd.	42,483	64,511	61,804		3.05
Hyundai Heavy Industries Co., Ltd.	56,924	75,446	72,280		2.88
Daewoo International Corporation	9,822	24,648	23,614		2.49
Hyundai Information Technology Co., Ltd.	10,000	1,217	1,166		2.21
LG Telecom, Ltd.	19,851	14,895	14,270		1.34
Hyundai Corporation	13,626	850	814		1.08
Doosan Industrial Development Co., Ltd.	2,186	2,093	2,005		0.95
ICOLS Inc.	80	70	67		0.51
Hyundai Merchant Marine Co., Ltd.	7,329	8,432	8,078		0.55
Kanglim Co., Ltd.	347	31	30		0.38
KT Freetel	18,000	13,742	13,165		0.30
Hyundai Engineering & Construction Co., Ltd.	13,332	4,581	4,389		0.27
SeAH Besteel Co., Ltd. (formerly Kia Steel Co., Ltd.)	2,451	602	577		0.19
Hynix Semiconductor Inc.	2,047	8,411	8,058		0.16
Wigoglobal Co., Ltd.	904	5	5		0.12
Tong Yang Investment Bank	282	36	34		0.01
Aztech WB	152	60	57		-
Treasury Stock Fund	3,425	3,498	3,351		-
Other	<u>67</u>	<u>82</u>	<u>79</u>		-
	<u>₩ 357,230</u>	<u>₩ 558,802</u>	<u>\$ 535,353</u>		

(*1) Excluded in applying the equity method since a part of ownership is restricted to voting rights in accordance with the laws, and the Company and its subsidiaries believe there is no significant influence on the investees.

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

The differences between the acquisition cost and the book value stated at fair value in short-term investment securities and long-term investment securities are recorded in capital adjustments (see Note 16). As of December 31, 2004, gain on valuation of available-for-sale securities in capital adjustments of ₩490,869 million (US\$470,271 thousand) consist of the difference that occurred in the investment securities owned directly by the Company and the Company's ownership portion of such difference that occurred in the investment securities owned by its subsidiaries.

Equity securities stated at fair value included in long-term investment securities as of December 31, 2003 consist of the following:

Companies	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	Ownership percentage (*2) (%)
	Acquisition cost	Book value	Book value	
INI Steel (*1)	₩ 137,175	₩ 247,264	\$ 236,888	23.81
Jin Heung Mutual Savings Bank	2,166	1,990	1,906	8.66
Korea Mutual Savings Bank	2,846	3,501	3,354	8.13
Saehan Media	4,933	3,284	3,146	6.52
Korea Information Service, Inc.	5,252	8,301	7,953	4.41
Daewoo Engineering & Construction Co., Ltd.	42,483	56,945	54,555	3.06
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	78,679	2.88
Daewoo International Corporation	9,822	17,301	16,575	2.51
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,207	2.21
Korea Industrial Development Co., Ltd.	5,058	3,279	3,141	2.20
ICOLS Inc.	160	272	261	1.78
LG Telecom, Ltd.	19,851	13,536	12,968	1.34
Hyundai Corporation	13,626	747	716	1.08
Chohung Bank	73,545	26,705	25,585	0.95
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	5,332	0.55
Hyundai Engineering & Construction Co., Ltd.	13,332	3,053	2,925	0.53
Kanglim Co., Ltd.	347	48	46	0.38
KT Freetel	18,000	10,627	10,181	0.29
Prochips Technology Inc.	904	33	32	0.22
Kia Steel Co., Ltd.	955	779	746	0.19
Hynix Semiconductor Inc.	2,047	4,043	3,873	0.16
Treasury Stock Fund	4,067	1,498	1,435	-
Stock Market Stabilization Fund	6,010	20,414	19,558	-
Other	313	19	18	-
	<u>₩ 437,145</u>	<u>₩ 512,589</u>	<u>\$ 491,080</u>	

(*1) Excluded in applying the equity method since a part of ownership is restricted to voting rights in accordance with the laws, and the Company and subsidiaries believe there is no significant influence on the investees.

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

The differences between the acquisition cost and the book value stated at fair value in short-term investment securities and long-term investment securities are recorded in capital adjustments (see Note 16). As of December 31, 2003, gain on valuation of available-for-sale securities in capital adjustments of ₩361,630 million (US\$346,455 thousand) consist of the difference that occurred in the investment securities owned directly by the Company and the Company's ownership portion of such difference that occurred in the investment securities owned by its subsidiaries.

(3) Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2004 consist of the following:

Companies	Korea won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)		Ownership percentage (*3) (%)
	Acquisition cost	Book value	Book value		
Hyundai Motor Norway AS	₩ 2,123	₩ 2,123	\$ 2,034		100.00
Hyundai Motor Hungary	721	721	691		100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	4,907	4,907	4,701		91.75
NGVTEK.com (*1)	571	571	547		53.66
Hyundai-Motor Group China Ltd.	2,534	2,534	2,428		50.00
Seoul Metro 9 th line (*2)	2,153	2,153	2,063		29.40
Michigan Global Culture Investment	1,000	1,000	958		20.00
Amco Corp.	1,024	1,024	981		19.99
Heesung PM Tech Corporation	1,194	1,194	1,144		19.90
Dongyong Industries Co., Ltd.	241	241	231		19.23
Hyundai RB Co.	550	550	527		18.64
Jinil MVC Co., Ltd.	180	180	172		18.00
Mobil.Com Co., Ltd.	1,800	1,800	1,724		17.39
Clean Air Technology Inc.	500	500	479		16.13
Industri Otomotif Komersial	4,439	4,439	4,253		15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302		14.97
Hyundai Unicorns Co., Ltd.	5,795	137	131		14.90
Hyundai Research Institute	1,359	1,271	1,218		14.90
Mando Map & Soft Co., Ltd.	778	778	745		14.00
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,395		13.66
Kihyup Finance, Inc.	3,700	3,700	3,545		12.75
Micro Infinity	607	607	581		10.50
Yonhap Capital Co., Ltd.	10,500	10,500	10,059		10.49
3Gcore, Inc.	225	225	216		10.43
Toba Telecom	405	-	-		10.02
Wisco Co., Ltd.	349	349	334		9.68
Hyundai Finance Corporation	9,888	9,888	9,473		9.29
Daejoo Heavy Industry Co. Ltd.	650	650	623		9.29
Namyang Industrial Co., Ltd.	200	200	192		8.00
Hankyoreh Plus Inc.	4,800	284	272		7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	85,128		7.24
Korea Credit-card Electronic-settlement Service Co., Ltd.	484	254	243		6.72
Korea Smart Card Co., Ltd.	1,628	1,628	1,560		5.00
Hyundai Asan Corporation	22,500	5,405	5,178		4.61
U.S. Electrical Inc.	2,204	2,204	2,112		3.80
Space Imaging LLC	5,319	432	414		2.16
Dongwon Capital Co., Ltd.	3,000	3,000	2,874		1.77
KIS Information & Communication, Inc.	220	220	211		1.67
ROTIS	1,000	8	8		1.33
Koryo Co., Ltd.	6,625	728	697		1.02
Korea Software Financial Cooperative	500	500	479		0.60
Cheju International Convention Center	500	500	479		0.59
Korea Economy Daily	168	168	161		0.22
Daewoo Motor Co., Ltd.	2,213	-	-		0.02
Pilot beneficiary certificates	10,786	10,786	10,333		-

Companies	Korea won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	Ownership percentage (*3) (%)
	Acquisition cost	Book value	Book value	
Machinery Insurance Cooperative	10,501	10,501	10,060	-
Badbank Harmony Co., Ltd.	13,905	-	-	-
Korea Defense Industry Association	4,890	4,890	4,685	-
Other	5,530	3,011	2,885	-
	<u>₩ 251,013</u>	<u>₩ 192,608</u>	<u>\$ 184,526</u>	

- (*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,706 thousand), are not material.
- (*2) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.
- (*3) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

In 2004, impairment loss between the acquisition cost and the estimated recoverable amount of Hyundai Information Technology Co., Ltd., Hyundai Corporation, Hyundai Asan Corporation, Space Imaging LLC, Badbank Harmony Co., Ltd. and others are recognized in current operations.

Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2003 consist of the following:

Companies	Korea won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	Ownership percentage (*2) (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	₩ 2,019	₩ 2,019	\$ 1,934	84.87
NGVTEK.com (*1)	571	571	547	53.66
Amco Corp.	950	950	910	19.99
Dongyong Industries Co., Ltd.	241	241	231	19.35
Jinil MVC Co., Ltd.	180	180	172	18.00
Mobil.Com Co., Ltd.	1,800	1,800	1,724	17.39
Industri Otomotif Komersial	4,439	4,439	4,253	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302	14.97
Hyundai Unicorns Co., Ltd.	5,795	137	131	14.90
Hyundai Research Institute	1,359	1,271	1,218	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,395	13.66
Kihyup Finance, Inc.	3,700	3,700	3,545	12.75
3Gcore, Inc.	225	225	216	10.43
Hyundai Motor Deutschland GmbH	863	863	827	10.00
Wisco Co., Ltd.	348	280	268	9.68
Hyundai Finance Corporation	9,888	9,888	9,473	9.29
Namyang Industrial Co., Ltd.	200	200	192	8.00
KOENTECH	1,550	1,550	1,485	7.50
Hankyoreh Plus Inc.	4,800	284	272	7.41
Hyundai Oil refinery Co., Ltd.	88,857	88,857	85,128	7.24
Korea Credit-card Electronic-settlement Service Co., Ltd.	484	255	244	6.72
Hyundai Asan Corporation	22,500	8,861	8,489	5.00
Dongwon Capital Co., Ltd.	3,000	3,000	2,874	4.62
U.S. Electrical Inc.	2,204	2,204	2,112	3.80
ROTIS	1,000	-	-	3.76

Companies	Korea won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	Ownership percentage (*2) (%)
	Acquisition cost	Book value	Book value	
KIS Information & Communication, Inc.	220	220	211	1.67
Yonhap Capital Co., Ltd.	10,500	10,500	10,059	1.49
Koryo Co., Ltd.	6,625	727	697	1.02
Korea Software Financial Cooperative	500	500	479	0.60
Cheju International Convention Center	500	500	479	0.59
Daewoo Motor Co., Ltd.	2,213	-	-	0.02
Machinery Insurance Cooperative	8,188	8,188	7,844	-
Space Imaging LLC	5,319	5,319	5,096	-
Korea Defense Industry Association	4,690	4,690	4,493	-
Daejoo Heavy Industry Co. Ltd.	650	650	623	-
Hyundai RB Co.	550	550	527	-
Yonhi Information & Communication Co., Ltd.	500	-	-	-
Toba Telecom	405	-	-	-
Other	5,332	2,634	2,523	-
	<u>₩ 210,155</u>	<u>₩ 173,243</u>	<u>\$ 165,973</u>	

(*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,706 thousand), are not material.

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

In 2003, impairment loss between the acquisition cost and the estimated recoverable amount of Hyundai Unicorns Co., Ltd., Hankyoreh Plus Inc. (formerly Internet Hankyoreh Inc.), ROTIS Inc. and others are recognized in current operations.

- (4) Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2004 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	Acquisition cost	Book value	Book value
Government bonds	₩ 6,046	₩ 6,501	\$ 6,228
Corporate bonds	6,085	6,085	5,830
Asset backed securities	2,302,323	2,107,097	2,018,679
Other	1,153	357	342
	<u>₩2,315,607</u>	<u>₩2,120,040</u>	<u>\$ 2,031,079</u>

Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2003 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	Acquisition cost	Book value	Book value
Government bonds	₩ 6,683	₩ 6,683	\$ 6,402
Corporate bonds	8,584	6,204	5,944
Asset backed securities	1,735,478	1,690,816	1,619,866
Other	1,153	350	335
	<u>₩1,751,898</u>	<u>₩ 1,704,053</u>	<u>\$ 1,632,547</u>

- (5) Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2004 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	Acquisition cost	Book value	Book value
Government bonds	₩ 12,612	₩ 12,612	\$ 12,083
Corporate bonds	689	689	660
	<u>₩ 13,301</u>	<u>₩ 13,301</u>	<u>\$ 12,743</u>

- Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2003 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	Acquisition cost	Book value	Book value
Government bonds	₩ 21,015	₩ 21,015	\$ 20,133
Corporate bonds	789	789	756
Other	64,700	59,466	56,971
	<u>₩ 86,504</u>	<u>₩ 81,270</u>	<u>\$ 77,860</u>

- (6) Maturity of debt securities as of December 31, 2004 and 2003 consist of the following:

Maturity	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
	Book value	Book value	Book value	Book value
1 year ~ 5 years	₩ 1,760,504	₩ 1,648,494	\$ 1,686,630	\$ 1,579,320
6 years ~ 10 years	372,337	136,829	356,713	131,087
Over 10 years	500	-	479	-
	<u>₩ 2,133,341</u>	<u>₩ 1,785,323</u>	<u>\$ 2,043,822</u>	<u>\$ 1,710,407</u>

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

- (1) Investment securities accounted for using the equity method as of December 31, 2004 and 2003 consist of the following:

Description	Ownership percentage (*2)	Historical cost	Book value			
			Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
			2004	2003	2004	2003
Kia Tigers Co., Ltd. (*1)	100.00	₩ 20,300	₩ 6,024	₩ 10,090	\$ 5,771	\$ 9,667
HMJ R&D (*1)	100.00	1,510	2,245	2,391	2,151	2,291
Yan Ji Kia Motors A/S (*1)	100.00	1,792	1,792	1,792	1,717	1,717
Kia Motors Australia Pty Ltd.(*1)	100.00	825	825	-	790	-
Wia Automotive Parts Co., Ltd.(*1)	100.00	6,975	6,975	-	6,682	-
Beijing-Hyundai Motor Company	50.00	133,691	292,896	281,997	280,606	270,164
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOSVT)	50.00	48,013	24,765	25,859	23,726	24,774
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	50.00	571	571	-	547	-
Donghui Auto Co., Ltd.	35.10	10,530	7,695	5,608	7,372	5,373

Description	Ownership percentage (*2)	Historical cost	Book value			
			Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
			2004	2003	2004	2003
Korea Space & Aircraft Co., Ltd.	33.33	129,800	81,827	79,312	78,394	75,984
PT. Kia Timor Motors	30.00	10,908	10,337	12,865	9,903	12,325
Hyundai Motor Deutschland GmbH	30.00	6,761	12,589	-	12,061	-
Hyundai Motor Group China, Ltd.	30.00	1,508	1,508	-	1,445	-
Korea Economy Daily	29.57	19,973	14,247	14,129	13,649	13,536
TRW Steering Co., Ltd.	29.00	8,952	7,598	8,254	7,279	7,908
NGVTEK.com	24.39	250	250	250	240	240
Hyundai MOBIS	20.45	118,993	546,923	310,060	523,973	297,049
EUKOR Car Carriers, Inc.	20.00	48,912	80,809	53,323	77,418	51,085
Iljin Bearing Co., Ltd. (formerly Iljin Automotive Co., Ltd.)	20.00	826	13,102	12,794	12,552	12,257
Daesung Automotive Co., Ltd.	20.00	400	6,094	5,619	5,838	5,383
Kia Service Philippines Co.	20.00	185	-	185	-	177
Eukor Car Carriers Singapore Pte.	20.00	13	13	13	12	12
Hysco America Co., Ltd.	-	-	-	5,690	-	5,451
		<u>₩ 571,688</u>	<u>₩1,119,085</u>	<u>₩ 830,231</u>	<u>\$1,072,126</u>	<u>\$ 795,393</u>

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$6,706 thousand).

(*2) Ownership percentage is calculated by combining the ownership of the Company and its subsidiaries.

(2) The changes in investment securities accounted for using the equity method in 2004 are as follows:

Affiliated Company	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)	
	Beginning of year	Gain (loss) on valuation	Other changes (*)	End of year	End of year	
Kia Tigers Co., Ltd.	₩ 10,090	₩ (4,066)	₩ -	₩ 6,024	\$ 5,771	
HMJ R&D	2,391	88	(234)	2,245	2,151	
Yan Ji Kia Motors A/S	1,792	-	-	1,792	1,717	
Beijing-Hyundai Motor Company	281,997	120,120	(109,221)	292,896	280,606	
HAOSVT (Turkey)	25,859	7,165	(8,259)	24,765	23,726	
Donghui Auto Co., Ltd.	5,608	2,087	-	7,695	7,372	
Korea Space & Aircraft Co., Ltd.	79,312	2,516	(1)	81,827	78,394	
PT. Kia Timor Motors	12,865	201	(2,729)	10,337	9,903	
Korea Economy Daily	14,129	98	20	14,247	13,649	
TRW Steering Co., Ltd.	8,254	(656)	-	7,598	7,279	
NGVTEK.com	250	-	-	250	240	
Hyundai MOBIS	310,060	121,862	115,001	546,923	523,973	
EUKOR Car Carriers, Inc.	53,323	28,196	(710)	80,809	77,418	
Iljin Bearing Co., Ltd. (formerly Iljin Automotive Co., Ltd.)	12,794	381	(73)	13,102	12,552	
Daesung Automotive Co., Ltd.	5,619	555	(80)	6,094	5,838	
Kia Service Philippines Co.	185	-	(185)	-	-	
Eukor Car Carriers Singapore Pte.	13	-	-	13	12	
Kia Motors Australia. Pty	-	-	825	825	790	
Wia Automotive Parts Co., Ltd.	-	-	6,975	6,975	6,682	
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	-	-	571	571	547	
Hyundai Motor Deutschland GmbH	-	5,717	6,872	12,589	12,061	
Hyundai Motor Group China, Ltd.	-	-	1,508	1,508	1,445	
Hysco America Co., Ltd.	5,690	-	(5,690)	-	-	
	<u>₩ 830,231</u>	<u>₩ 284,264</u>	<u>₩ 4,590</u>	<u>₩ 1,119,085</u>	<u>\$ 1,072,126</u>	

(*) Other changes consist of the increase of acquisition cost mainly due to the acquisition and participation in investees' additional paid-in capital, decrease mainly due to disposal of investments, decrease due to receipt of the dividends, and other change of shareholders' equity due to change of subsidiaries' shareholders' equity.

The changes in investment securities accounted for using the equity method in 2003 are as follows:

Affiliated Company	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)
	Beginning of year	Gain (loss) on valuation	Other changes (*)	End of year	End of year
Kia Tigers Co., Ltd.	₩ 14,083	₩ (3,993)	₩ -	₩ 10,090	\$ 9,667
Hysco America Co., Ltd	-	(265)	5,955	5,690	5,451
HMJ R&D	2,090	43	258	2,391	2,291
Yan Ji Kia Motors A/S	-	-	1,792	1,792	1,717
Beijing-Hyundai Motor Company	129,468	152,701	(172)	281,997	270,164
HAOSVT (Turkey)	-	21,379	4,480	25,859	24,774
Donghui Auto Co., Ltd.	10,530	(4,869)	(53)	5,608	5,373
Korea Space & Aircraft Co., Ltd.	84,690	3,455	(8,833)	79,312	75,984
PT. Kia Timor Motors	10,996	1,241	628	12,865	12,325
Korea Economy Daily	17,568	(2,437)	(1,002)	14,129	13,536
TRW Steering Co., Ltd.	8,692	(438)	-	8,254	7,908
NGVTEK.com	-	-	250	250	240
Hyundai MOBIS	173,550	50,410	86,100	310,060	297,049
EUKOR Car Carriers, Inc.	-	649	52,674	53,323	51,085
Iljin Bearing Co., Ltd. (formerly Iljin Automotive Co., Ltd.)	11,890	1,128	(224)	12,794	12,257
Daesung Automotive Co., Ltd.	5,200	567	(148)	5,619	5,383
Kia Service Philippines Co.	-	-	185	185	177
Eukor Car Carriers Singapore Pte.	-	-	13	13	12
First CRV	99,240	-	(99,240)	-	-
Wuhan Grand Motor Co., Ltd.	8,018	-	(8,018)	-	-
	<u>₩ 576,015</u>	<u>₩ 219,571</u>	<u>₩ 34,645</u>	<u>₩ 830,231</u>	<u>\$ 693,130</u>

(*) Other changes consist of the increase of acquisition cost mainly due to the acquisition and participation in investees' additional paid-in capital, decrease mainly due to disposal of investments, decrease due to receipt of the dividends, and other change of shareholders' equity due to change of subsidiaries' shareholders' equity.

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) within 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The unamortized balance of goodwill and unreversed balance of negative goodwill as of December 31, 2004 are ₩24,790 million (US\$ 23,750 thousand) and ₩23,336 million (US\$ 22,357 thousand), respectively.

7. LEASED ASSETS:

The Company and its subsidiaries have entered into lease agreements for certain machinery and equipment. The capital lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on these lease agreements as of December 31, 2004 are as follows (won in millions):

	Financial leases		Operating leases	
	Lease payments	Interest portion	Lease obligation	Lease payments
2005	₩ 10,692	₩ 1,930	₩ 8,762	₩ 11,042
2006	47,185	7,828	39,357	1,153
2007	48,104	484	47,620	591
2008	20,762	-	20,762	-
	<u>₩ 126,743</u>	<u>₩ 10,242</u>	<u>₩ 116,501</u>	<u>₩ 12,786</u>

8. INSURED ASSETS:

As of December 31, 2004, certain property, plant and equipment are insured for ₩11,200,967 million (US\$10,730,951 thousand) and the Company and certain subsidiaries carry general insurance for vehicles and workers' compensation and casualty insurance for employees. In addition, the Company and KIA carry products and completed operations liability insurance with a maximum coverage of ₩215,979 million (US\$206,916 thousand) with Hyundai Marine & Fire Insurance Co., Ltd.

9. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment as of December 31, 2004 and 2003 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Buildings and structures	₩ 6,518,904	₩ 5,759,631	\$ 6,245,357	\$ 5,517,945
Machinery and equipment	10,290,771	8,633,803	9,858,949	8,271,511
Vehicles	183,877	168,568	176,161	161,495
Tools, dies and molds	4,017,552	3,603,200	3,848,967	3,452,002
Other equipment	1,279,070	1,048,891	1,225,398	1,004,877
	22,290,174	19,214,093	21,354,832	18,407,830
Less: Accumulated depreciation	(8,515,806)	(7,445,356)	(8,158,465)	(7,132,934)
Accumulated impairment loss	(7,498)	-	(7,183)	-
	13,766,870	11,768,737	13,189,184	11,274,896
Land	4,084,137	3,983,127	3,912,758	3,815,987
Construction in progress	1,951,279	2,091,034	1,869,399	2,003,290
	₩ 19,802,286	₩ 17,842,898	\$ 18,971,341	\$ 17,094,173

The changes in property, plant and equipment in 2004 are as follows:

	Korean won (in millions)						Translation into U. S. dollars (Note 2) (in thousands)	
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of year	End of year
Land	₩ 3,983,127	₩ 80,341	₩ 85,056	₩ (70,959)	₩ -	₩ 6,572	₩ 4,084,137	\$ 3,912,758
Buildings and structures	4,829,780	430,848	389,724	(109,323)	(202,319)	56,019	5,394,729	5,168,355
Machinery and equipment	5,359,327	332,771	1,669,801	(185,733)	(858,578)	96,626	6,414,214	6,145,060
Vehicles	109,296	11,773	28,045	(6,957)	(25,542)	1,025	117,640	112,704
Tools, dies and molds	1,007,225	77,571	392,590	(12,035)	(365,051)	73,257	1,173,557	1,124,312
Other equipment	463,109	79,722	132,564	(26,347)	(170,702)	188,384	666,730	638,753
Construction in progress	2,091,034	2,399,010	(2,708,146)	(38,658)	-	208,039	1,951,279	1,869,399
	₩ 17,842,898	₩ 3,412,036	₩ (10,366)	₩ (450,012)	₩ (1,622,192)	₩ 629,922	₩ 19,802,286	\$ 18,971,341

As of December 31, 2004 and 2003, the value of the land, which the Company and its subsidiaries own domestically, totals ₩3,915,257 million (US\$3,750,965 thousand) and ₩3,340,181 million (US\$3,200,020 thousand), respectively, in terms of land prices officially announced by the Korean government.

10. INTANGIBLES:

Intangibles as of December 31, 2004 and 2003 consist of the following:

Description	Korean won (in millions)				Translation into U. S. dollars (Note 2) (in thousands)		
	2004		2003		2004	2003	
	Acquisition cost	Accumulated amortization	Accumulated Impairment loss	Book value	Book value	Book value	
Goodwill	₩ 1,120,625	₩ 199,536	₩ 461,107	₩ 459,982	₩ 805,751	\$ 440,680	\$ 771,940
Negative goodwill	(79,678)	(7,365)	-	(72,313)	(83,596)	(69,279)	(80,088)
Industrial property rights	44,836	24,057	-	20,779	21,204	19,907	20,314
Development costs	2,518,157	1,172,965	18,880	1,326,312	1,032,995	1,270,657	989,648
Other	119,299	41,564	-	77,735	85,703	74,474	82,107
	<u>₩ 3,723,239</u>	<u>₩ 1,430,757</u>	<u>₩ 479,987</u>	<u>₩ 1,812,495</u>	<u>₩ 1,862,057</u>	<u>\$ 1,736,439</u>	<u>\$ 1,783,921</u>

The changes in intangibles in 2004 are as follows:

Description	Korean won (in millions)					Translation into U. S. dollars (Note 2) (in thousands)	
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
Beginning of the year	₩ 805,751	₩ (83,596)	₩ 21,204	₩ 1,032,995	₩ 85,703	₩ 1,862,057	\$ 1,783,921
Addition:							
Expenditures	244,554	-	8,399	1,311,550	12,860	1,577,363	1,511,174
Deduction:							
Disposal	-	-	-	(2,701)	(8,384)	(11,085)	(10,620)
Amortization	(130,098)	6,923	(7,966)	(237,222)	(12,147)	(380,510)	(364,543)
Research	-	-	-	(628,237)	-	(628,237)	(601,875)
Ordinary development	-	-	-	(139,012)	-	(139,012)	(133,179)
Impairment loss	(461,107)	-	-	(11,799)	-	(472,906)	(453,062)
Other	882	4,360	(858)	738	(297)	4,825	4,623
End of the year	<u>₩ 459,982</u>	<u>₩ (72,313)</u>	<u>₩ 20,779</u>	<u>₩ 1,326,312</u>	<u>₩ 77,735</u>	<u>₩ 1,812,495</u>	<u>\$ 1,736,439</u>

Amortization on intangible assets except negative goodwill is recorded in selling and administrative expenses and manufacturing cost, and amortization on negative goodwill is recorded in other income. In addition, the Company accounted for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

As of December 31, 2004, goodwill consists of ₩322,655 million (US\$309,116 thousand) related to investments in subsidiaries and ₩137,327 million (US\$131,564 thousand) related to mergers with non-subsidiary companies or business divisions. As of December 31, 2003, goodwill consists of ₩305,419 million (US\$292,603 thousand) related to investments in subsidiaries and ₩500,332 million (US\$479,337 thousand) related to mergers with non-subsidiary companies or business divisions.

As of December 31, 2004, negative goodwill consists of ₩68,813 million (US\$65,926 thousand) related to investments in subsidiaries and ₩3,500 million (US\$3,353 thousand) related to mergers with non-subsidiary companies or business divisions. As of December 31, 2003, negative goodwill is ₩79,596 million (US\$76,256 thousand) related to investments in subsidiaries and ₩4,000 million (US\$3,832 thousand) related to mergers with non-subsidiary companies or business divisions.

In 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile Division and Machine Tool Division of formerly Hyundai MOBIS (formerly Hyundai Precision and Industry Co., Ltd.), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$441,758 thousand), is accounted for as impairment loss and charged to current operations.

11. OTHER ASSETS:

Other assets as of December 31, 2004 and 2003 consist of the following:

Description	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩61 million in 2004 and ₩314 million in 2003, and unamortized present value discount of ₩3,110 million in 2004 and ₩3,853 million in 2003	₩ 25,154	₩ 25,974	\$ 24,098	\$ 24,884
Lease and rental deposits	378,137	391,939	362,269	375,492
Long-term deposits	49,055	18,659	46,997	17,876
Deferred gain on valuation of derivatives (see Note 2)	200,830	162,722	192,403	155,894
Long-term loans, net of allowance for doubtful accounts of nil in 2004 and ₩133 million in 2003.	77,994	168,182	74,721	161,125
Other	348,802	315,873	334,166	302,619
	<u>₩ 1,079,972</u>	<u>₩ 1,083,349</u>	<u>\$ 1,034,654</u>	<u>\$ 1,037,890</u>

12. OTHER FINANCIAL BUSINESS ASSETS:

Other financial business assets as of December 31, 2004 and 2003 consist of the following:

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Finance receivables	₩ 4,836,945	₩ 5,303,541	\$ 4,633,977	\$ 5,080,993
Lease receivables	1,078,509	680,011	1,033,252	651,476
Card receivables	1,700,092	1,294,349	1,628,753	1,240,036
Other	8,390	9,107	8,038	8,725
	<u>₩ 7,623,936</u>	<u>₩ 7,287,008</u>	<u>\$ 7,304,020</u>	<u>\$ 6,981,230</u>

13. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2004 and 2003 amount to ₩10,571,772 million (US\$10,128,159 thousand) and ₩9,457,854 million (US\$9,060,983 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 0.25 percent to 3.45 percent.

14. LONG-TERM DEBT:

Long-term debt as of December 31, 2004 and 2003 consists of the following:

Description	Interest rate (%)	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
Debentures	2.60 ~ 9.40	<u>₩ 10,028,072</u>	<u>₩ 10,543,894</u>	<u>\$ 9,607,273</u>	<u>\$ 10,101,450</u>
Won currency loans					
Capital lease	9.68 ~ 11.75	14,772	46,214	14,152	44,275
Reorganization claims	(*)	328,136	434,895	314,367	416,646
Composition obligation	-	-	25,968	-	24,878
General loans	1.00 ~ 8.90	<u>451,022</u>	<u>369,778</u>	<u>432,096</u>	<u>354,261</u>
		<u>793,930</u>	<u>876,855</u>	<u>760,615</u>	<u>840,060</u>
Foreign currency loans					
Capital lease	L+0.98 ~ 4.18	1,643	156,654	1,574	150,080
Reorganization claims	(*)	84,994	121,596	81,427	116,494
Other	L+1.1 ~ 5.58	<u>773,870</u>	<u>386,451</u>	<u>741,397</u>	<u>370,236</u>
		<u>860,507</u>	<u>664,701</u>	<u>824,398</u>	<u>636,810</u>
		11,682,509	12,085,450	11,192,286	11,578,320
Less: Current maturities		<u>(3,998,768)</u>	<u>(5,653,180)</u>	<u>(3,830,971)</u>	<u>(5,415,961)</u>
		<u>₩ 7,683,741</u>	<u>₩ 6,432,270</u>	<u>\$ 7,361,315</u>	<u>\$ 6,162,359</u>

(*) 3 year non-guaranteed bond circulating earning rate at the end of every quarter

Debentures as of December 31, 2004 and 2003 consist of the following:

Description	Maturity	Annual interest rate (%)	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
			2004	2003	2004	2003
Domestic debentures						
Guaranteed debentures	18 Mar, 2005 ~ 18 Dec, 2007	3.95 ~ 6.80	<u>₩ 220,000</u>	<u>₩ 10,000</u>	<u>\$ 210,768</u>	<u>\$ 9,580</u>
Non-guaranteed debentures	29 Oct, 2004 ~ 11 Oct, 2009	2.60 ~ 9.20	8,608,332	8,568,260	8,247,109	8,208,718
Convertible bonds	31 Jan, 2009	4.0	135,120	299,946	129,450	287,360
Overseas debentures	18 Oct, 2004 ~ 19 Dec, 2008	5.30 ~ 9.40	<u>1,098,887</u>	<u>1,741,601</u>	<u>1,052,775</u>	<u>1,668,520</u>
			10,062,339	10,619,807	9,640,102	10,174,178
Discount on debentures			<u>(34,267)</u>	<u>(75,913)</u>	<u>(32,829)</u>	<u>(72,728)</u>
			<u>₩10,028,072</u>	<u>₩10,543,894</u>	<u>\$ 9,607,273</u>	<u>\$ 10,101,450</u>

Convertible bonds as of December 31, 2004 and 2003 are all issued by Hyundai Card Co., Ltd., a subsidiary.

The maturity of long-term debt as of December 31, 2004 is as follows:

	Korean won (in millions)			Translation into U.S dollars (Note 2) (in thousands)	
	Debentures	Local currency loans	Foreign currency loans	Total	Total
2005	₩ 3,796,213	₩ 159,282	₩ 46,275	₩ 4,001,770	\$ 3,833,847
2006	2,572,792	199,395	43,862	2,816,049	2,697,882
2007	2,021,913	201,523	604,386	2,827,822	2,709,161
2008	1,488,801	160,287	131,789	1,780,877	1,706,148
Thereafter	182,620	73,443	34,195	290,258	278,078
	10,062,339	793,930	860,507	11,716,776	11,225,116
Less: Discount on debentures	(34,267)	-	-	(34,267)	(32,829)
	<u>₩ 10,028,072</u>	<u>₩ 793,930</u>	<u>₩ 860,507</u>	<u>₩ 11,682,509</u>	<u>\$ 11,192,287</u>

15. CAPITAL STOCK:

Capital stock as of December 31, 2004 consists of the following:

	Authorized	Issued	Par value	Korean won	Translation into
				(in millions)	U.S dollars (Note 2) (in thousands)
Common stock	450,000,000 shares	218,628,302 shares	₩ 5,000	₩ 1,149,741	\$ 1,101,496
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	317,121
				<u>₩ 1,480,752</u>	<u>\$ 1,418,617</u>

Capital stock as of December 31, 2003 consists of the following:

	Authorized	Issued	Par value	Korean won	Translation into
				(in millions)	U.S dollars (Note 2) (in thousands)
Common stock	450,000,000 shares	219,518,502 shares	₩ 5,000	₩ 1,147,592	\$ 1,099,437
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	317,121
				<u>₩ 1,478,603</u>	<u>\$ 1,416,558</u>

In 2004 and 2003, a part of the stock options granted to the directors were exercised at an exercise price of ₩14,900 (US\$14,275) and new common stock of 429,800 shares were issued, respectively. This issuance of new common stock resulted in the increase of paid-in capital in excess of par value by ₩8,197 million (US\$7,853 thousand) in 2004 and 2003, respectively.

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 2004, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

The Company issued 10,000,000 Global Depository Receipts (GDRs) representing 5,000,000 shares of preferred stock in November 1992, 4,675,324 GDRs representing 2,337,662 shares of preferred stock in June 1995 and 7,812,500 GDRs representing 3,906,250 shares of preferred stock in June 1996, all of which have been listed on the Luxembourg Stock Exchange.

In 1999, the Company issued 45,788,000 Global Depository Shares representing 22,894,000 common shares for ₩601,356 million (US\$576,122 thousand), which include paid-in capital in excess of par value of ₩486,886 million (US\$466,455 thousand).

16. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2004 and 2003 consist of the following:

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
	Treasury stock	₩ (98,341)	₩ (93,191)	\$ (94,214)
Discounts on stock issuance	(3,244)	(3,015)	(3,108)	(2,888)
Gain on valuation of available-for- sale Securities (see Notes 4 and 5)	490,869	361,630	470,271	346,455
Loss on valuation of investment securities accounted for using the equity method	(316,820)	(194,082)	(303,526)	(185,938)
Stock option cost	19,130	16,667	18,327	15,968
Cumulative translation adjustments	(213,608)	(32,503)	(204,645)	(31,139)
Loss on valuation of derivatives (see Note 2)	(17,051)	(83,863)	(16,335)	(80,344)
	<u>₩ (139,065)</u>	<u>₩ (28,357)</u>	<u>\$ (133,230)</u>	<u>\$ (27,167)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 820,910 common shares and 3,138,600 preferred shares with a carrying value of ₩90,348 million (US\$86,557 thousand) as of December 31, 2004 and 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US\$85,942 thousand) as of December 31, 2003, respectively, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund. In addition, the Company's ownership portion of subsidiaries' treasury stock held by themselves, amounting to ₩7,993 million (US\$7,658 thousand) and ₩3,485 million (US\$3,339 thousand) as of December 31, 2004 and 2003, respectively, are included in the treasury stock.

(2) Discounts on stock issuance

Certain subsidiaries accounted for expense on issuance of new stock as discounts on stock issuance. The Company's ownership portion of these discounts amounting to ₩3,244 million (US\$3,108 thousand) and ₩3,015 million (US\$2,888 thousand) is accounted for as a debit to capital adjustments as of December 31, 2004 and 2003, respectively.

(3) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011) and ₩14,900 (grant date: March 10, 2000, beginning date for exercise: March 10, 2003, expiry date for exercise: March 9, 2008). These stock options all require at least two-year continued service starting from the grant date. If all of the stock options as of December 31, 2004 are exercised, 1,752,400 shares (1,322,000 shares and 430,400 shares for the options granted on February 14, 2003 and March 10, 2000, respectively) will be issued as new shares or using treasury stock or will be compensated by cash, according to the decision of the Board of Directors. In 2004 and 2003, 429,800 shares of stock options granted as of March 10, 2000 were exercised by directors, respectively (see Note 15).

The Company calculates the total compensation expense using the option-pricing model. In the model, the risk-free rate of 4.94% and 9.04%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent and 71.1 percent are used for the options granted on February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ~~¥~~15,141 million (US\$14,506 thousand) and ~~¥~~11,832 million (US\$11,336 thousand) for the options granted on February 14, 2003 and March 10, 2000, respectively, have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(4) Cumulative translation adjustments

Cumulative translation debits of ~~¥~~213,608 million (US\$204,645 thousand) and ~~¥~~32,503 million (US\$31,139 thousand) as of December 31, 2004 and 2003, respectively, which result from the translation of financial statements of overseas subsidiaries and the two branches located in the United States, are included in capital adjustments on the basis set forth in Note 2.

(5) Gain (loss) on valuation of derivatives

The gain (loss) on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports is included in capital adjustments on the basis set forth in Note 2. The Company recorded a loss of ~~¥~~17,051 million (US\$16,335 thousand) and ~~¥~~83,863 million (US\$80,344 thousand) as of December 31, 2004 and 2003, respectively.

17. PLEDGED ASSETS, CHECKS AND NOTES:

As of December 31, 2004, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ~~¥~~3,216 billion (US\$3,081 million).
- (2) The Company's and its domestic subsidiaries' cash and cash equivalents of ~~¥~~10,258 million (US\$9,828 thousand), financial instruments of ~~¥~~136,969 million (US\$131,221 thousand), some investment securities, including 1,593,466 shares of KIA, 2,640,000 shares of Eukor Car Carriers Inc. and others, are pledged as collateral for various borrowings, debentures, payables, lease agreements, guarantees of a customer financing system and others.
- (3) Certain overseas subsidiaries' receivables, inventories and other financial business assets are pledged as collateral for their borrowings.
- (4) 104 blank checks, 197 blank promissory notes, 2 checks amounting to ~~¥~~2,624 million (US\$2,514 thousand) and 3 promissory notes amounting to ~~¥~~21,562 million (US\$20,657 thousand) are pledged as collateral to financial institutions and others.

18. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses are as follows:

	Korean won		Translation into	
	(in millions)		U.S. dollars (Note 2)	
	2004	2003	2004	2003
Salaries	₩ 1,925,695	₩ 1,728,168	\$ 1,844,889	\$ 1,655,651
Export related expenses	1,238,938	925,061	1,186,950	886,243
Sales promotion	1,903,907	2,320,814	1,824,015	2,223,428
Sales commission	531,333	403,840	509,037	386,894
Sales warranties	2,084,101	2,028,818	1,996,648	1,943,684
Taxes and dues	59,088	55,574	56,609	53,242
Communications	78,058	79,475	74,783	76,140
Utilities	47,866	46,065	45,857	44,132
Freight and warehousing	202,529	145,941	194,030	139,817
Rent	65,630	73,693	62,876	70,601
Travel	125,297	114,055	120,039	109,269
Service charges	784,157	539,698	751,252	517,051
Supplies	99,045	84,031	94,889	80,505
Research	628,237	478,197	601,875	458,131
Depreciation	213,053	219,658	204,113	210,441
Amortization	217,691	233,051	208,556	223,272
Provision for bad debt	933,732	1,532,102	894,551	1,467,812
Other	160,685	84,600	153,942	81,050
	<u>₩11,299,042</u>	<u>₩11,092,841</u>	<u>\$ 10,824,911</u>	<u>\$ 10,627,363</u>

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

Income tax expense in 2004 and 2003 consists of the following:

Description	Korean won		Translation into	
	(in millions)		U.S. dollars (Note 2)	
	2004	2003	2004	2003
Income tax currently payable	₩ 846,929	₩ 1,145,758	\$ 811,390	\$ 1,097,680
Changes in deferred income taxes due to:				
Temporary differences	148,523	(406,091)	142,291	(389,051)
Tax loss carried forward	(88,794)	(61,446)	(85,068)	(58,868)
Tax credit carried over	(49,644)	(20,023)	(47,561)	(19,183)
	<u>10,085</u>	<u>(487,560)</u>	<u>9,662</u>	<u>(467,101)</u>
Income tax expense	<u>₩ 857,014</u>	<u>₩ 658,198</u>	<u>\$ 821,052</u>	<u>\$ 630,579</u>

As of December 31, 2004, accumulated temporary differences of the Company and its subsidiaries amount to ₩4,231,280 million (US\$4,053,727 thousand) and net operating loss carry-forwards and tax exemption carry-forwards of subsidiaries amount to ₩1,907,444 million (US\$1,827,404 thousand) and ₩215,098 million (US\$113,540 thousand), respectively. Some portion of the temporary difference, net operating loss carry-forwards and tax exemption carry-forwards, which are more likely than not, were not recognized as deferred tax assets. Deferred tax assets were calculated using the expected tax rate (27.5%) with residual temporary differences. As of December 31, 2004 and 2003, deferred tax assets amount to ₩2,357,859 million (US\$2,258,918 thousand) and ₩2,509,050 million (US\$2,403,765 thousand), respectively and deferred tax liabilities amount to ₩1,036,499 million (US\$993,005 thousand) and ₩911,537 million (US\$873,287 thousand), respectively.

20. DIVIDENDS:

The computation of the proposed dividends for 2004 is as follows:

	Number of shares	Dividend rate	Korean won (in millions)	Translation into U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	217,807,392	23%	₩ 250,479	\$ 239,968
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	24%	29,391	28,158
Second preferred shares	37,571,005	25%	46,963	44,992
			<u>₩ 326,833</u>	<u>\$ 313,118</u>

The computation of the proposed dividends for 2003 is as follows:

	Number of shares	Dividend rate	Korean won (in millions)	Translation into U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	218,629,032	20%	₩ 218,629	\$ 209,455
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	21%	25,717	24,638
Second preferred shares	37,571,005	22%	41,328	39,594
			<u>₩ 285,674</u>	<u>\$ 273,687</u>

The proposed dividends for 2004 and 2003 were approved at the shareholders' meeting on March 4, 2005 and March 12, 2004, respectively.

21. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

Unrealized profits and losses resulting from inter-company sales are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements. Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2004 are as follows:

	Korean won (in millions)			Translation into U.S. dollars (Note 2) (in thousands)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩ 11,063	₩ 2,381	₩ -	\$ 10,599	\$ 2,281	\$ -
Downstream sales	432,445	48,890	273,433	414,299	46,838	261,959
Sales between consolidated subsidiaries	465,351	8,800	-	445,824	8,431	-

Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2003 are as follows:

	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	Inventories	Property, plant and equipment	Inventories	Property, plant and equipment
Upstream sales	₩ 3,442	₩ 11,616	\$ 3,298	\$ 11,129
Downstream sales	338,234	24,269	324,041	23,251
Sales between consolidated subsidiaries	315,921	1,067	302,664	1,022

22. INTER-COMPANY TRANSACTIONS:

Significant transactions in 2004 and 2003 between the Company and consolidated subsidiaries are as follows:

	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)			
	2004		2003		2004		2003	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's Income	Company's expenses
Hyundai Capital Service Inc.	₩ 1,000	₩ 35,737	₩ 13,476	₩ 1,949	\$ 958	\$ 34,237	\$ 12,911	\$ 1,867
KEFICO Corporation	19,297	337,208	65	310,959	18,487	323,058	62	297,911
Hyundai Powertech	17,604	179,653	28,489	151,647	16,865	172,114	27,294	145,284
Dymos Inc.	12,766	334,607	7,092	296,523	12,230	320,566	6,794	284,080
Kia Motors Corporation	1,008,767	355,184	979,937	415,209	966,437	340,280	938,817	397,786
Hyundai HYSCO	4,693	209,993	3,294	196,561	4,496	201,181	3,156	188,313
WIA Corporation	1,079	258,192	2,982	161,650	1,034	247,358	2,857	154,867
Autoever Systems Corp.	853	52,880	1,230	50,396	817	50,661	1,178	48,281
Aju Metal Co., Ltd.	2,236	5,890	-	-	2,142	5,643	-	-
Hyundai Motor America	6,227,807	-	6,424,304	-	5,966,475	-	6,154,727	-
Hyundai America Technical Center Inc.	-	30,417	-	26,476	-	29,141	-	25,365
Hyundai Motor India	432,282	15,037	267,171	75	414,143	14,406	255,960	72
Hyundai Motor Japan Co.	25,898	-	23,031	-	24,811	-	22,065	-
Hyundai Motor Manufacturing Alabama, LLC	51,608	-	-	-	49,442	-	-	-
Hyundai Motor Poland Sp. Zo. O	145,667	-	87,350	-	139,555	-	83,685	-
Hyundai Motor Europe GmbH	2,276,451	-	972,411	-	2,180,926	-	931,607	-
HAC	726,549	-	742,206	-	696,062	-	711,062	-
Hyundai Motor Company Australia	389,220	-	181,678	-	372,888	-	174,054	-
Hyundai Machine Tool Europe GmbH	3,673	-	13,192	-	3,519	-	12,638	-

Significant transactions in 2004 and 2003 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income
Hyundai Capital Service Inc.	Kia Motors Corporation	₩ 28,586	₩ 2,786	\$ 27,386	\$ 2,669
	Hyundai Card	6,710	5,942	6,428	5,693
Autoever Systems Corp.	Kia Motors Corporation	34,574	4,304	33,123	4,123
	Hyundai Capital Service Inc.	6,394	7,458	6,126	7,145
	Hyundai Card	7,100	8,467	6,802	8,112
	Hyundai HYSCO	9,844	-	9,431	-
Hyundai Card	Hyundai Capital Service Inc.	4,048	3,374	3,878	3,232
KEFICO Corporation	Kia Motors Corporation	81,246	60,376	77,837	57,842
	Hyundai Powertech	61,022	15,897	58,461	15,230
Dymos Inc.	Kia Motors Corporation	58,151	22,851	55,711	21,892
	ROTEM	60,620	20,111	58,076	19,267
WIA Corporation	Kia Motors Corporation	727,697	530,520	697,161	508,258
	Aju Metal Co., Ltd.	47,598	-	45,601	-
	Kia Heavy Industries U.S.A., Corp.	21,568	-	20,663	-
Hyundai Powertech	Kia Motors Corporation	350,327	199,208	335,627	190,849
Hyundai HYSCO	Kia Motors Corporation	49,801	76,872	47,711	73,646
Hyundai Motor America	Hyundai America Technica Center Inc.	4,553	-	4,362	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	18,360	-	17,590	-

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)		
		2004	2003	2004	2003	
		Subsidiary's income	Subsidiary's income	Subsidiary's income	Subsidiary's income	
Kia Motors Corporation	WIA Corporation	-	281	-	269	
	Kia Motors Deutschland GmbH	654,879	443,686	627,399	425,068	
	Kia Canada, Inc.	400,462	389,781	383,658	373,425	
	Hyundai Powertech	8,557	1,179	8,198	1,130	
	Kia Motors America Inc. and others	4,589,058	3,341,616	4,396,492	3,201,395	
	KEFICO Corporation	3,416	-	3,273	-	
	Kia Motors Europe GmbH	1,664,717	938,173	1,594,862	898,805	
	Dong Feng Yueda Kia Motor Co., Ltd.	178,974	-	171,464	-	
	Kia Motors Belgium	-	25,609	-	24,534	
	Kia Motors (UK) Ltd.	-	279,197	-	267,481	
	Kia Motors Austria GmbH	-	53,363	-	51,124	
	Kia Motors Europe GmbH	Kia Motors Deutschland GmbH	-	428,553	-	410,570
		Kia Motors Czech s.r.o.	38,004	21,781	36,409	20,867
		Kia Motors Hungary Kft	36,556	23,469	35,022	22,484
Kia Motors (UK) Ltd.		588,456	259,884	563,763	248,979	
Kia Automobiles France		193,904	-	185,767	-	
Kia Motors Iberia		605,045	-	579,656	-	
Kia Motors Belgium		70,185	24,910	67,240	23,865	
Kia Motors Sweden AB		41,671	-	39,922	-	
Kia Motors Austria GmbH		105,819	51,893	101,379	49,715	
Aju Metal Co., Ltd.		WIA Corporation	68,461	-	65,588	-
	ROTEM	Hyundai HYSCO	2,960	-	2,836	-
Kia Motors Deutschland GmbH	Kia Motors Corporation	4,406	-	4,221	-	
	WIA Corporation	2,590	-	2,481	-	
World Marketing Group LLC	Kia Motors Polska Sp.z.o.o.	7,064	-	6,768	-	
	Hyundai Motor America	6,806	-	6,520	-	
	Kia Motors America Inc.	13,606	-	13,035	-	

As of December 31, 2004 and 2003, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)			
	2004		2003		2004		2003	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Capital Service Inc.	₩ 19,966	₩ 10,123	₩ 34,852	₩ 7,931	\$ 19,128	\$ 9,698	\$ 33,390	\$ 7,598
ROTEM	316	5,382	902	11,842	303	5,156	864	11,345
Hyundai Card	21,466	60,679	38,334	57,371	20,565	58,133	36,725	54,964
KEFICO Corporation	2,086	51,232	2,365	54,579	1,998	49,082	2,266	52,289
Hyundai Dymos	1,123	84,412	7,666	73,276	1,076	80,870	7,344	70,201
Hyundai Powertech	9,930	48,257	17,927	30,669	9,513	46,232	17,175	29,382
WIA Corporation	7,548	67,849	3,327	36,175	7,231	65,002	3,187	34,657
Kia Motors Corporation	174,496	119,381	264,780	13,211	167,174	114,372	253,669	12,657
Mseat Co., Ltd.	1,371	20,789	-	-	1,313	19,917	-	-
Autoever Systems Corp.	20	59,665	5,114	53,034	19	57,161	4,899	50,809
Hyundai HYSCO	2,051	26,119	100	30,786	1,965	25,023	96	29,494
Aju Metal Co., Ltd.	113	2,803	-	-	108	2,685	-	-
HAC	179,748	7,131	111,876	4,989	172,205	6,832	107,181	4,780
HMCA	130,247	1,315	104,932	2,030	124,782	1,260	100,529	1,945
HME	342,935	-	61,947	-	328,545	-	59,348	-
Hyundai Motor America	90,149	5,013	1,276,476	48,700	86,366	4,803	1,222,912	46,656

	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)			
	2004		2003		2004		2003	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Motor Manufacturing Alabama, LLC	9,885	-	4,552	-	9,470	-	4,361	-
Hyundai America Technical Center Inc.	-	4,002	-	10,040	-	3,834	-	9,619
Hyundai Motor India	15,513	2,859	33,039	68	14,862	2,739	31,653	65
Hyundai Motor Japan Co.	1,495	-	38,959	-	1,432	-	37,324	-
Hyundai Motor Poland Sp. Zo. O	5,892	1,226	13,233	76	5,645	1,175	12,678	73

As of December 31, 2004 and 2003, significant balances related to the transactions between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
Kia Motors Corporation	WIA Corporation	₩ 159,987	₩ 610	\$ 153,274	\$ 584
	Autoever Co., Ltd.	14,683	-	14,067	-
	Hyundai Card	30,529	-	29,248	-
	Hyundai HYSKO	12,781	-	12,245	-
	Dymos Inc.	21,641	-	20,733	-
	KEFICO Corporation	11,618	-	11,130	-
	Mseat Co., Ltd.	6,628	-	6,350	-
	Hyundai Powertech	63,030	-	60,385	-
	ROTEM	9,433	-	9,037	-
	Kia Motors America Inc.	1,070,653	683,481	1,025,726	654,801
	Kia Canada, Inc.	127,266	113,620	121,926	108,852
	Bontek Co., Ltd.	3,284	-	3,146	-
	Kia Motors Deutschland GmbH	261,988	39,065	250,994	37,426
	Kia Motors Polska Sp.z.o.o.	644	24,309	617	23,289
	Dong Feng Yueda	-	-	-	-
	Kia Motor Co., Ltd.	20,297	-	19,445	-
	Kia Motors Europe	Kia Motors Europe GmbH	827,780	349,486	793,045
Kia Motors Belgium		-	17,424	-	16,693
Kia Motors (UK) Ltd.		330	114,492	316	109,688
Kia Motors Austria GmbH		-	26,470	-	25,359
Kia Motors Deutschland GmbH		246,413	166,831	236,073	159,830
Kia Motors Czech s.r.o.		15,140	12,088	14,505	11,581
Kia Motors Hungary Kft		15,345	12,317	14,701	11,800
Kia Motors UK		267,700	110,851	256,467	106,199
Kia Automobiles France		129,389	-	123,960	-
Kia Motors Iberia		337,026	-	322,884	-
Kia Motors Sweden AB		17,100	-	16,382	-
Kia Motors Belgium	41,162	17,444	39,435	16,712	
Kia Motors Austria GmbH	47,011	27,125	45,038	25,987	
Autoever Co., Ltd.	Kia Motors Corporation	14,683	12,340	14,067	11,822
KEFICO Corporation	Kia Motors Corporation	11,618	10,136	11,130	9,711
	Hyundai Powertech	-	2,636	-	2,525
Hyundai Dymos	Kia Motors Corporation	21,614	5,927	20,707	5,678
Hyundai Capital Service Inc.	Hyundai Powertech	-	13,151	-	12,599
Hyundai Card	Hyundai Capital Service Inc.	24,183	-	23,168	-
Hyundai Powertech	Kia Motors Corporation	63,030	46,845	60,385	44,879
ROTEM	Dymos Inc.	4,731	-	4,532	-

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
WIA Corporation	Kia Motors Corporation	159,987	83,813	153,274	80,296
	Hyundai HYSCO	1,029	-	986	-
	Kia Heavy Industries U.S.A., Corp.	-	16,747	-	16,044
Hyundai HYSCO	Kia Motors Corporation	12,781	7,918	12,245	7,586
AIA	WIA Corporation	16,301	-	15,617	-
Aju Metal Co., Ltd.	Dymos Inc.	1,112	-	1,065	-
	WIA Corporation	11,325	-	10,850	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	2,471	3,749	2,367	3,592
World Marketing Group LLC	Kia Motors America Inc. and others	23,619	-	22,628	-
Kia Heavy Industries U.S.A., Corp.	WIA Corporation	14,398	-	13,794	-
Kia Motors America Inc.	World Marketing Group LLC	23,619	-	22,628	-

23. RELATED PARTY TRANSACTIONS:

In 2004, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
		Hyundai Motor Company	Hyundai Mobis	₩ 482,053	₩ 1,579,099
	Amco Corp.	-	195,199	-	187,008
	Glovis Co., Ltd.	-	311,790	-	298,707
Kia Motors Corporation	Hyundai Mobis	44,851	1,492,643	42,969	1,430,009
	Amco Corp.	361	151,279	346	144,931
	Glovis Co., Ltd.	3,003	145,802	2,877	139,684

In 2003, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
		Hyundai Motor Company	Hyundai Mobis	₩ 133,565	₩ 953,080
	Amco Corp.	-	127,068	-	121,736
	Glovis Co., Ltd.	-	210,534	-	201,700
Kia Motors Corporation	Hyundai Mobis	46,798	488,651	44,834	468,146
	Amco Corp.	43	123,293	41	118,119
	Glovis Co., Ltd.	1,812	63,223	1,736	60,570

As of December 31, 2004, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related Party	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩ 47,101	₩ 396,959	\$ 45,125	\$ 380,302
	Glovis Co., Ltd.	-	51,833	-	49,658
Kia Motors Corporation	Hyundai Mobis	12,051	310,850	-	297,806
	Amco Corp.	6	81,348	6	77,934
	Glovis Co., Ltd.	559	21,376	536	20,479

As of December 31, 2003, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related Party	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩ 56,098	₩ 178,071	\$ 53,744	\$ 170,599
	Glovis Co., Ltd.	-	40,409	-	38,713
Kia Motors Corporation	Hyundai Mobis	33,031	150,626	31,645	144,305
	Amco Corp.	-	10,092	-	9,669
	Glovis Co., Ltd.	-	52,047	-	49,863

24. COMMITMENTS AND CONTINGENCIES:

- (1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of related parties including subsidiaries as of December 31, 2004 as follows:

Company providing guarantee of indebtedness	Beneficiary Companies	Korean won (in millions)	Translation into U.S. dollars (Note 2) (in thousands)	
Hyundai Motor Company	Hyundai Merchant Marine	₩ 294,484	\$ 282,127	
	Hyundai Motor America	223,185	213,820	
	Hyundai Motor Manufacturing Alabama LLC	417,520	400,000	
	Hyundai Motor Finance Company	396,644	380,000	
	Hyundia Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi	78,285	75,000	
	Hyundai Motor Europe GmbH	73,994	70,889	
	Hyundai Translead	145,088	139,000	
	Hyundai Machine Tool Europe GmbH	1,044	1,000	
	Hyundai Motor Poland Sp.Zo.O	12,095	11,587	
	Hyundai Motor Japan Co.	35,422	33,936	
	HMJ R&D Center Inc.	2,631	2,521	
	Hyundai Motor Company Australia	12,194	11,682	
	Equus Cayman Finance Ltd.	417,520	400,000	
	Smart Alabama LLC	37,577	36,000	
	Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,610	2,500	
	Hyundai Card Co., Ltd.	4,175	4,000	
	Other domestic companies	305	292	
	Dymos Inc.	WIA Corporation	64,778	62,060
	WIA Corporation	Dymos Inc.	19,099	18,298
	Hyundai HYSCO	Other foreign subsidiaries	24	23
Hyundai Pipe of America, Inc.		10,438	10,000	
Hysco America Company, Inc		15,657	15,000	
	Beijing Hyundai Hysco Steel Process Co., Ltd.	31,361	30,045	

- (2) As of December 31, 2004, the outstanding balance of accounts receivable discounted with recourse and transferred by the Company and its subsidiaries amounts to ₩145,737 million (US\$139,622 thousand).
- (3) The Company and its subsidiaries have used a customer financing system related to a long-term installment sales system and have provided guarantees to related banks amounting to ₩201,018 million (US\$192,583 thousand) as of December 31, 2004. These guarantees are all covered by insurance contracts, which specify the customer and the Company and its subsidiaries as contractor and beneficiary, respectively.
- (4) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2004 will not have any material effect on its financial position.

Kia Motors Corporation, a domestic subsidiary, is a defendant pertaining to its claim in the in-court reorganization proceeding, the lawsuits related to its operation such as product liabilities, lawsuits for compensation of losses or damages. KIA also has a pending lawsuit in a Brazilian court pertaining to the disputes with the Brazilian Government and the Brazilian shareholders of Asia Motors Do Brasil S.A. (AMB), which was established as a joint venture by Asia Motors with a Brazilian investor. Also, in 2002, KIA brought the case to the International Court of Arbitration to settle the disputes. KIA, a stockholder of AMB, had already written off its investment of ₩14,057 million (US\$13,467 thousand) and estimates that the above matter does not and will not affect its financial statements at this time. The outcome of the creditors' claims in relation to KIA's denial of their claims in the in-court reorganization proceedings is not currently determinable.

- (5) As of December 31, 2004, the Company's consolidated subsidiaries have been provided for payment guarantee by other companies as follows:

<u>Consolidated Subsidiaries</u>	<u>Company providing guarantee of indebtedness</u>	<u>Amounts of guarantee</u>	<u>Translation into U.S. dollars (Note 2) (in thousands)</u>
Dymos Inc.	The Korea Exchange Bank & other	KRW 19,291	\$ 18,482
KEFICO Corporation	The Korea Exchange Bank and other	USD 417,000	417
		JPY 834,170,000	8,088
		EUR 228,000	311
ROTEM	The Korea Development Bank and other	SEK 7,228,000	1,093
		KRW 683,204	654,535
		USD 64,360,947	64,361
		EUR 4,031,040	5,495
		NTD 19,340,000	606
		HKD 45,138,196	5,805

25. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2004 and 2003, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheet as of December 31, 2004

	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
<u>ASSETS</u>				
Current assets:	₩ 20,004,949	₩ 1,635,450	\$ 19,165,500	\$ 1,566,823
Non-current assets:				
Investments, net of unamortized present value discount	5,705,511	3,206,150	5,466,096	3,071,613
Property, plant and equipment, net of accumulated depreciation	19,667,696	150,506	18,842,399	144,190
Intangibles, net of amortization	1,765,121	19,549	1,691,053	18,729
Other financial business assets	-	7,813,618	-	7,485,743
Total non-current assets	<u>27,138,328</u>	<u>11,189,823</u>	<u>25,999,548</u>	<u>10,720,275</u>
 Total assets	<u>₩ 47,143,277</u>	<u>₩ 12,825,273</u>	<u>\$ 45,165,048</u>	<u>\$ 12,287,098</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities	₩ 19,252,339	₩ 7,606,850	\$ 18,444,471	\$ 7,287,651
Non-current liabilities	10,299,945	4,193,856	9,867,738	4,017,813
Other financial business liabilities	-	-	-	-
Total liabilities	<u>29,552,284</u>	<u>11,800,706</u>	<u>28,312,209</u>	<u>11,305,524</u>
Shareholders' equity:				
Capital stock	1,480,752	1,653,342	1,418,167	1,583,964
Capital surplus	5,168,673	296,732	4,951,785	284,281
Retained earnings	7,650,491	(1,159,206)	7,329,460	(1,110,564)
Capital adjustments	(142,726)	233,699	(136,737)	223,893
Minority interests	3,433,803	-	3,289,714	-
Total shareholders' equity	<u>17,590,993</u>	<u>1,024,567</u>	<u>16,852,839</u>	<u>981,574</u>
 Total liabilities and shareholders' equity	<u>₩ 47,143,277</u>	<u>₩ 12,825,273</u>	<u>\$ 45,165,048</u>	<u>\$ 12,287,098</u>

Consolidated Balance Sheet as of December 31, 2003

	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
<u>ASSETS</u>				
Current assets:	₩ 18,052,541	₩ 1,454,071	\$ 17,295,019	\$ 1,393,055
Non-current assets:				
Investments, net of unamortized present value discount	6,152,022	514,252	5,893,870	492,673
Property, plant and equipment, net of accumulated depreciation	17,709,142	133,755	16,966,031	128,142
Intangibles, net of amortization	1,851,280	9,486	1,773,596	9,088
Other financial business assets	-	9,681,586	-	9,275,327
Total non-current assets	<u>25,712,444</u>	<u>10,339,079</u>	<u>24,633,497</u>	<u>9,905,230</u>
 Total assets	<u>₩ 43,764,985</u>	<u>₩ 11,793,150</u>	<u>\$ 41,928,516</u>	<u>\$ 11,298,285</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities	₩ 18,080,346	₩ 7,469,636	\$ 17,321,658	\$ 7,156,194
Non-current liabilities	9,287,739	3,350,055	8,898,006	3,209,480
Other financial business liabilities	-	-	-	-
Total liabilities	<u>27,368,085</u>	<u>10,819,691</u>	<u>26,219,664</u>	<u>10,365,674</u>
Shareholders' equity:				
Capital stock	1,478,603	1,153,978	1,416,558	1,105,555
Capital surplus	5,313,892	287,897	5,090,910	275,816
Retained earnings	5,524,904	(675,422)	5,293,067	(647,080)
Capital adjustments	279,970	207,006	268,222	198,320
Minority interests	3,799,531	-	3,640,095	-
Total shareholders' equity	<u>16,396,900</u>	<u>973,459</u>	<u>15,708,852</u>	<u>932,611</u>
 Total liabilities and shareholders' equity	<u>₩ 43,764,985</u>	<u>₩ 11,793,150</u>	<u>\$ 41,928,516</u>	<u>\$ 11,298,285</u>

Consolidated Statement of Income for the year ended December 31, 2004

	Korean won		Translation into	
	(in millions)		U.S. dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩ 51,094,313	₩ 2,267,519	\$ 48,950,290	\$ 2,172,369
Cost of sales	38,606,878	983,007	36,986,854	941,758
Selling and administrative expenses	<u>9,740,445</u>	<u>1,660,632</u>	<u>9,331,716</u>	<u>1,590,948</u>
Operating income (loss)	2,746,990	(376,120)	2,631,721	(360,337)
Other income (expenses), net	<u>845,177</u>	<u>(204,260)</u>	<u>809,712</u>	<u>(195,689)</u>
Ordinary income (loss)	3,592,167	(580,380)	3,441,432	(556,026)
Extraordinary item	-	-	-	-
Income (loss) before income tax	3,592,167	(580,380)	3,441,432	(556,026)
Income tax expense	<u>1,027,470</u>	<u>24,843</u>	<u>984,355</u>	<u>23,801</u>
Income (loss) before minority interests	2,564,697	(605,223)	2,457,077	(579,827)
Minority interests	<u>415,920</u>	-	<u>398,467</u>	-
Net income (loss)	<u>₩ 2,148,777</u>	<u>₩ (605,223)</u>	<u>\$ 2,058,610</u>	<u>\$ (579,827)</u>

Consolidated Statement of Income for the year ended December 31, 2003

	Korean won		Translation into	
	(in millions)		U.S. dollars (Note 2)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩ 44,420,334	₩ 2,264,339	\$ 42,556,365	\$ 2,169,323
Cost of sales	31,985,626	878,383	30,643,443	841,524
Selling and administrative expenses	<u>8,791,409</u>	<u>2,173,053</u>	<u>8,422,503</u>	<u>2,081,868</u>
Operating income (loss)	3,643,299	(787,097)	3,490,419	(754,069)
Other income (expenses), net	<u>23,471</u>	<u>(69,257)</u>	<u>22,486</u>	<u>(66,351)</u>
Ordinary income (loss)	3,666,770	(856,354)	3,512,905	(820,420)
Extraordinary item	-	-	-	-
Income (loss) before income tax	3,666,770	(856,354)	3,512,905	(820,420)
Income tax expense (benefits)	<u>938,879</u>	<u>(66,316)</u>	<u>899,482</u>	<u>(63,534)</u>
Income (loss) before minority interests	2,727,891	(790,038)	2,613,423	(756,886)
Minority interests	<u>476,462</u>	-	<u>456,469</u>	-
Net income (loss)	<u>₩ 2,251,429</u>	<u>₩ (790,038)</u>	<u>\$ 2,156,954</u>	<u>\$ (756,886)</u>

The above consolidated financial statements by industry type are prepared independently between non-financial industry and financial industry. Therefore, the total amounts, such as assets and net income for each industry, do not tally with the corresponding amounts in the consolidated balance sheets and statements of income.

(2) Regional Results of Operations

Results of operations, by region where the Company and its subsidiaries in 2004 are located, are as follows:

	Korean won (in millions)				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
Total sales	<u>₩ 52,535,991</u>	<u>₩13,383,736</u>	<u>₩ 3,030,102</u>	<u>₩ 6,718,250</u>	<u>₩(22,567,458)</u>	<u>₩ 53,100,621</u>
Inter-company sales	<u>(21,921,418)</u>	<u>(68,512)</u>	<u>(15,037)</u>	<u>(562,491)</u>	<u>22,567,458</u>	<u>-</u>
Net sales	<u>₩ 30,614,573</u>	<u>₩13,315,224</u>	<u>₩ 3,015,065</u>	<u>₩ 6,155,759</u>	<u>₩ -</u>	<u>₩ 53,100,621</u>
Operating income	<u>₩ 2,202,845</u>	<u>₩ (57,311)</u>	<u>₩ 130,071</u>	<u>₩ (1,513)</u>	<u>₩ 107,926</u>	<u>₩ 2,382,018</u>
Total assets	<u>₩ 57,481,991</u>	<u>₩ 4,337,373</u>	<u>₩ 1,872,023</u>	<u>₩ 507,140</u>	<u>₩ (5,831,965)</u>	<u>₩ 58,366,562</u>

Results of operations, by region where the Company and its subsidiaries in 2003 are located, are as follows:

	Korean won (in millions)				Consolidation adjustments	Consolidated amounts
	Domestic	North America	Asia	Europe		
Total sales	<u>₩ 45,546,451</u>	<u>₩13,376,443</u>	<u>₩ 1,714,070</u>	<u>₩ 4,398,121</u>	<u>₩(18,446,675)</u>	<u>₩ 46,588,410</u>
Inter-company sales	<u>(17,954,166)</u>	<u>(54,932)</u>	<u>(3,148)</u>	<u>(434,429)</u>	<u>18,446,675</u>	<u>-</u>
Net sales	<u>₩ 27,592,285</u>	<u>₩13,321,511</u>	<u>₩ 1,710,922</u>	<u>₩ 3,963,692</u>	<u>₩ -</u>	<u>₩ 46,588,410</u>
Operating income	<u>₩ 2,654,952</u>	<u>₩ 25,069</u>	<u>₩ 148,442</u>	<u>₩ (13,293)</u>	<u>₩ (120,727)</u>	<u>₩ 2,694,443</u>
Total assets	<u>₩ 51,896,896</u>	<u>₩ 6,301,869</u>	<u>₩ 1,184,506</u>	<u>₩ 1,209,251</u>	<u>₩ (7,165,700)</u>	<u>₩ 53,426,822</u>

26. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES:

Hyundai Capital Service Inc., Hyundai Card Co., Ltd. and Hyundai Motor Finance Company dispose their finance receivable assets to special purpose companies or financial intermediaries for the purpose of funding its operating capital. Hyundai Capital Service Inc. disposed such assets of ₩4,366,544 million (US\$4,183,315 thousand) and ₩6,154,972 million (US\$5,896,697 thousand) in 2004 and 2003, respectively, with a resultant net gain of ₩24,180 million (US\$23,165 thousand) and ₩25,216 million (US\$24,158 thousand) in 2004 and 2003, respectively. Also, Hyundai Card Co., Ltd. disposed its finance receivable assets of ₩1,338,602 million (US\$1,282,432 thousand) and ₩549,555 million (US\$526,495 thousand) in 2004 and 2003, respectively, on a basis of the carrying amount. The gain on disposal of finance receivables assets were accounted for as operating income and included in sales in the consolidated financial statements.

27. MERGER AND SALES OF BUSINESS DIVISION BETWEEN SUBSIDIARIES:

- (1) Effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. (HCVE) with assets of ₩125,110 million (US\$119,860 thousand) and liabilities of ₩127,418 million (US\$122,071 thousand) without issuing new common stock for its shareholders (the exchange rate for merger – the Company : HCVE = 1 : 0). Since HCVE was a subsidiary of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (US\$31,534 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of the HCVE is accounted for as deduction in capital surplus.

- (2) Effective February 1, 2004, Autoever Systems Corp. acquired On-Line Education Business division with assets of ₩446,639 million (US\$427,897 thousand) and the related personnel from e-HD.com by cash payment of ₩941,139 million (US\$901,647 thousand). Since both Autoever Systems Corp. and e-HD.com were subsidiaries of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩494,500 million (US\$473,750 thousand) of the cash payments over the carrying amount of acquired assets of e-HD.com is accounted for as deduction in retained earnings instead of capital surplus, which does not exist.
- (3) Effective February 1, 2004, ROTEM acquired Aircraft Business division from Hyundai MOBIS with assets and liabilities of ₩15,399 million (US\$14,753 thousand) and ₩504 million (US\$483 thousand), respectively, by cash payment of ₩14,895 million (US\$14,270 thousand).
- (4) Effective March 31, 2003, WIA Corporation merged with e-HD.com by issuing new common stock for its shareholders (the exchange rate for merger – WIA Corporation : e-HD.com = 1 : 0.0162). WIA Corporation recorded acquired assets and liabilities of ₩40,507 million (\$38,807 thousand) and ₩35,028 million (US\$33,558 thousand), respectively, on a consolidated basis of the carrying amount as of the merger date.
- (5) To prohibit having competition with GE Capital Korea Ltd., the subsidiary of GE Holdings, which has the same business with Hyundai Capital Service Inc. (HCSI), one of the Company's domestic subsidiaries, after GE Holdings' acquisition of HCSI's shares, HCSI entered into a business transfer contract with GE Capital Korea at the extraordinary shareholders' meeting on October, 1, 2004, wherein GE Capital Korea transferred the right of business of installment financing for new or used vehicles made by the Company and Kia Motors Corporation, tangible assets related to such right of business (including lease contract of sales office and related fixtures and equipments) and related employees. In accordance with such business transfer contract, HCSI paid ₩17,958 million (US\$17,204 thousand) for the considerations of the business transfer. According to the business transfer agreement, the considerations of the business transfer on the personal credit loans are to be paid depending on the personal credit loan business performance (net income that are computed by the agreed earn-out payment model) in three years from the business transfer date.
- (6) Effective June 4, 2003, Hyundai Card Co., Ltd. merged First CRV, which had been the sole owner of Hyundai Card Co., Ltd., by issuing new common stock for its shareholders. Applying the pooling of interest method, Hyundai Card Co., Ltd. recorded acquired assets and liabilities on a basis of the carrying amount as of the merger date. Through this issuance of new common stock, the treasury stock of ₩118,295 million (US\$113,331 thousand) held by Hyundai Card Co., Ltd. was all retired in accordance with approval at the shareholders' meeting on September 3, 2003.
- (7) Effective July 1, 2003, Autoever Systems Corp. entered into a sales contract of Used Cars Auction Business division with Glovis Co., Ltd. under the decision of the board of directors on June 10, 2003. In accordance with the contract, Autoever Systems Corp. transferred the assets and liabilities of ₩1,141 million (US\$1,093 thousand) and ₩1,350 million (US\$1,293 thousand), respectively, and paid cash of ₩209 million (US\$200 thousand) for the excess of transferred liabilities over transferred assets.

28. SALES AND ACQUISITION OF ASSETS:

- (1) Effective March 5, 2004, WIA Corporation acquired plant equipments by the payment of ₩22,258 million (US\$21,324 thousand) from Kovico. Ltd. in accordance with the decision of the board of directors on February 28, 2004. The excess cost of the acquisition over the fair value of the plant equipments, amounting to ₩5,151 million (US\$4,935 thousand), is recorded as goodwill.
- (2) Kia Motors Corporation entered into a trust contract for maintenance and disposal of receivables, long-term investment securities and properties (book value of ₩154,892 million (US\$148,392 thousand)) of the Company with Woori Bank ("trustee" hereinafter) on December 27, 2004, and received Class A Certificate and Class B Certificate for the trust contract from the trustee on December 30, 2004. The Company disposed the Class A Certificate (face value of ₩158,000 million (US\$151,370 thousand)) to Pilot Asset Securitization Specialty Co. Also, the Company entered into a lease contract (lease period: 2 years and 6 months) on the trusted property (land and buildings) with Woori Bank. Also, the Company did not recognize the value of the Class B Certificate from the trust contract of property on the balance sheet due to the uncertainty of inflow of economic benefits in the future. As result of this transaction, the Company recorded ₩6,308 million (US\$6,043 thousand) of gain on disposal of investments and ₩3,482 million (US\$3,336 thousand) of loss on disposal of property, plant and equipment as other income and other expenses in 2004.

- (3) Hyundai Hysco made a consortium with INI Steel and entered into a contract for acquisition of assets of Hanbo Iron & Steel Co., Ltd., effective July 31, 2004, to satisfy the increasing demand of steel plate (specially coated steel plate) used for vehicle manufacture. On October 1, 2004, the consortium acquired the assets by the payment of remaining consideration on September 10, 2004.

29. THE STOCK RETIREMENT OF SUBSIDIARIES:

Kia Motors Corporation completed retirement of 12,500,000 shares and 10,000,000 shares of treasury stock, which were acquired at ₩136,700 million (US\$130,964 thousand) and ₩88,742 million (US\$85,018 thousand), respectively, for the purpose of such retirement based on the decision of the board of directors on March 19, 2004 and May 9, 2003, respectively.

30. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE:

- (1) Sales of Assets and Liabilities of Machine Tool Division and Share of Hyundai Machine Tool Europe GmbH

Effective January 1, 2005, the Company sold assets and liabilities of Machine Tool Division and investment securities of Hyundai Machine Tool Europe GmbH to WIA Corporation for ₩46,124 million (US\$44,189 thousand).

- (2) Decision of Treasury Stock Acquisition

In order to stabilize the fluctuation of the stock price in the exchange market, on February 4, 2005, the board of directors' decided to reacquire 11,000,000 shares of common stock and 1,000,000 shares of preferred stock in the exchange market.

- (3) Appointment as Primary Negotiator for the Acquisition of Hyundai Autonet Co., Ltd.

On March 9, 2005, the Company was appointed as primary negotiator for the acquisition of Hyundai Autonet Co., Ltd., an automobile audio and digital road navigator manufacturer through the consortium with Siemens Group, and the procedures for the decision of the acquisition are in progress.

- (4) New Shares Issued by WIA Corporation

WIA Corporation, one of the domestic subsidiaries, issued 14,000,000 shares of new common stock at ₩5,000 per share on January 14, 2005 based on the decision of the Board of Directors on November 1, 2004. Twenty percent of new issued shares were distributed to the employees.