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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED
FINANCIAL STATEMENTS
AS OF JUNE 30, 2004 AND 2003
TOGETHER WITH INDEPENDENT
ACCOUNTANTS' REVIEW REPORT

안진회계법인

Audit•Tax•Consulting•Financial Advisory•



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Hyundai Motor Company (the "Company") as of June 30, 2004, and the related non-consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2004 and 2003, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with standards established by the Securities & Futures Commission of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review of interim financial statements is limited primarily to inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with financial accounting standards in the Republic of Korea (Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2003, which is presented in this report, and the related non-consolidated statement of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein); and in our report dated February 6, 2004, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2003 is fairly stated, in all material respects, in relation to the non-consolidated balance sheet from which it has been derived.

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 explained in Note 2, until 2003, the Company recognizes accrued liabilities of the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with an European Parliament directive regarding End-of-Life Vehicles (ELV), but in the first half of 2004, the Company has revised the contracts with agents in which agents are responsible for all portion of the cost of dismantling and recycling the vehicles placed in service in the future. In accordance with the revised contracts, the Company reversed the accrued liabilities of the provision related to ELV by ₩341,293 million (US\$296,133 thousand) in the first half of 2004.

As explained in Note 9, 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 and Machine Tool Divisions of formerly Hyundai Precision and Industry Co., Ltd. (presently Hyundai MOBIS), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$ 400,093 thousand) as of June 30, 2004, is accounted for as impairment loss and charged to current operation.

As explained in Note 14, the Company completed the 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. As a result of this stock retirement, the outstanding common shares are changed from 219,518,502 shares to 218,198,502 shares.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations 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 review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

A handwritten signature in black ink that reads "Anjin Deloitte LLC". The signature is written in a cursive, flowing style.

Anjin Deloitte LLC

Seoul, Korea
July 30, 2004

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2004 AND DECEMBER 31, 2003

(See Independent Accountants' Review Report)

<u>ASSETS</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Current assets:				
Cash and cash equivalents (Note 13)	₩ 1,171,377	₩ 1,442,517	\$ 1,016,379	\$ 1,251,642
Short-term financial instruments (Note 13)	4,127,471	3,389,683	3,581,320	2,941,157
Short-term investment securities (Note 4)	182,606	212,167	158,443	184,093
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩27,472 million and ₩27,628 million as of June 30, 2004 and December 31, 2003, respectively	1,356,652	1,463,770	1,177,138	1,270,082
Inventories (Note 3)	1,443,101	1,319,032	1,252,148	1,144,496
Advances and other	556,247	508,689	482,645	441,379
Total current assets	8,837,454	8,335,858	7,668,073	7,232,849
Non-current assets:				
Long-term investment securities (Notes 4 and 13)	271,052	320,046	235,186	277,697
Investment securities accounted for using the equity method (Notes 5 and 13)	5,007,101	5,047,877	4,344,556	4,379,937
Property, plant and equipment, net of accumulated depreciation of ₩4,336,056 million and ₩4,003,751 million as of June 30, 2004 and December 31, 2003, respectively (Notes 6, 7, 8 and 13)	8,477,556	8,475,827	7,355,797	7,354,297
Intangibles (Note 9)	515,970	948,472	447,696	822,969
Deferred income tax assets (Note 18)	501,683	576,329	435,300	500,069
Other assets (Notes 10 and 13)	606,629	545,736	526,359	473,523
Total non-current assets	15,379,991	15,914,287	13,344,894	13,808,492
Total assets	₩ 24,217,445	₩ 24,250,145	\$ 21,012,967	\$ 21,041,341

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2004 AND DECEMBER 31, 2003

(See Independent Accountants' Review Report)

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Current liabilities:				
Short-term borrowings (Note 11)	₩ 606,211	₩ 628,726	\$ 525,997	\$ 545,532
Current maturities of long-term debt (Note 12)	710,055	945,906	616,100	820,743
Trade notes and accounts payable	3,239,603	3,318,713	2,810,935	2,879,577
Accrued warranties	693,419	602,028	601,665	522,367
Accounts payable-other	579,192	935,040	502,553	811,315
Income tax payable	344,907	501,727	299,269	435,338
Withholdings and other	<u>843,012</u>	<u>476,974</u>	<u>731,463</u>	<u>413,860</u>
Total current liabilities	<u>7,016,399</u>	<u>7,409,114</u>	<u>6,087,982</u>	<u>6,428,732</u>
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 8 and 12)	999,295	1,013,680	867,067	879,549
Accrued severance benefits, net of National Pension payments for employees of ₩41,872 million and ₩54,225 million as of June 30, 2004 and December 31, 2003, respectively, and individual severance insurance deposits of ₩707,508 million and ₩791,614 million as of June 30, 2004 and December 31, 2003, respectively (Note 2)	397,333	406,638	344,757	352,831
Accrued warranties	2,710,668	2,709,331	2,351,990	2,350,830
Other	<u>171,392</u>	<u>213,457</u>	<u>148,712</u>	<u>185,212</u>
Total long-term liabilities	<u>4,278,688</u>	<u>4,343,106</u>	<u>3,712,526</u>	<u>3,768,422</u>
Total liabilities	<u>11,295,087</u>	<u>11,752,220</u>	<u>9,800,508</u>	<u>10,197,154</u>
Commitments and contingencies (Note 13)				
Shareholders' equity:				
Capital stock (Note 14)	1,478,603	1,478,603	1,282,953	1,282,953
Capital surplus (Note 15)	5,384,271	5,384,271	4,671,819	4,671,819
Retained earnings (Note 16) (Net income of ₩973,023 million and ₩1,749,371 million for the six-month period ended June 30, 2004 and for the year ended December 31, 2003, respectively)	5,774,464	5,170,067	5,010,381	4,485,958
Capital adjustments (Note 17)	<u>285,020</u>	<u>464,984</u>	<u>247,306</u>	<u>403,457</u>
Total shareholders' equity	<u>12,922,358</u>	<u>12,497,925</u>	<u>11,212,459</u>	<u>10,844,187</u>
Total liabilities and shareholders' equity	<u>₩ 24,217,445</u>	<u>₩ 24,250,145</u>	<u>\$ 21,012,967</u>	<u>\$ 21,041,341</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won				Translation into U. S. dollars (Note 2)	
	(in millions, except per share amounts)				(in thousands, except per share amounts)	
	Three-month		Six-month		Six-month	
	2004	2003	2004	2003	2004	2003
Sales (Note 21)						
Domestic sales	₩ 2,735,193	₩ 2,739,846	₩ 5,207,843	₩ 5,771,246	\$ 4,518,736	\$ 5,007,589
Export sales	<u>4,448,080</u>	<u>3,841,232</u>	<u>8,182,769</u>	<u>6,895,212</u>	<u>7,100,016</u>	<u>5,982,830</u>
	<u>7,183,273</u>	<u>6,581,078</u>	<u>13,390,612</u>	<u>12,666,458</u>	<u>11,618,752</u>	<u>10,990,419</u>
Cost of sales	<u>5,329,893</u>	<u>4,717,151</u>	<u>9,884,457</u>	<u>9,060,308</u>	<u>8,576,535</u>	<u>7,861,439</u>
Gross profit	1,853,380	1,863,927	3,506,155	3,606,150	3,042,217	3,128,980
Selling and administrative expenses (Note 22)	<u>1,140,927</u>	<u>1,239,191</u>	<u>2,332,312</u>	<u>2,347,530</u>	<u>2,023,698</u>	<u>2,036,902</u>
Operating income	<u>712,453</u>	<u>624,736</u>	<u>1,173,843</u>	<u>1,258,620</u>	<u>1,018,519</u>	<u>1,092,078</u>
Other income (expenses), net:						
Interest income, net	16,384	7,817	30,714	12,130	26,650	10,525
Foreign exchange income, net	9,008	45,168	39,153	18,949	33,972	16,442
Gain on valuation of investments accounted for using the equity method	169,173	10,840	237,141	5,291	205,762	4,591
Gain (loss) on valuation of derivatives, net	(35,563)	4,460	35,167	2,964	30,514	2,572
Reversal of accrued warranties (Note 2)	341,293	-	341,293	-	296,133	-
Rental and royalty income	32,067	28,149	71,608	42,495	62,133	36,872
Impairment loss on cost in excess of fair value of net identifiable assets acquired (Note 9)	(461,107)	-	(461,107)	-	(400,093)	-
Other, net	<u>(73,859)</u>	<u>15,949</u>	<u>(85,052)</u>	<u>28,258</u>	<u>(73,798)</u>	<u>24,519</u>
	<u>(2,604)</u>	<u>112,383</u>	<u>208,917</u>	<u>110,087</u>	<u>181,273</u>	<u>95,521</u>
Ordinary income	709,849	737,119	1,382,760	1,368,707	1,199,792	1,187,599
Income tax expense (Note 18)	<u>200,054</u>	<u>166,246</u>	<u>409,737</u>	<u>380,229</u>	<u>355,520</u>	<u>329,917</u>
Net income	<u>₩ 509,795</u>	<u>₩ 570,873</u>	<u>₩ 973,023</u>	<u>₩ 988,478</u>	<u>\$ 844,272</u>	<u>\$ 857,682</u>
Earnings per common share (Note 2)	<u>₩ 2,267</u>	<u>₩ 2,551</u>	<u>₩ 4,308</u>	<u>₩ 4,400</u>	<u>\$ 3.74</u>	<u>\$ 3.82</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 2,260</u>	<u>₩ 2,544</u>	<u>₩ 4,296</u>	<u>₩ 4,388</u>	<u>\$ 3.73</u>	<u>\$ 3.81</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in millions)				Translation into U. S. dollars (Note 2) (in thousands)	
	Three-month		Six-month		Six-month	
	2004	2003	2004	2003	2004	2003
Cash flows from operating activities:						
Net income	₩ 509,795	₩ 570,873	₩ 973,023	₩ 988,478	\$ 844,272	\$ 857,682
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	185,807	190,497	371,244	378,483	322,121	328,402
Gain on foreign currency translation, net	(13,516)	(56,235)	(38,751)	(14,125)	(33,623)	(12,256)
Loss on disposal of investments, net	3	272	3	272	3	236
Gain on valuation of investments accounted for using the equity method	(169,173)	(10,840)	(237,141)	(5,291)	(205,762)	(4,591)
Amortization of discount on debentures	13,678	12,074	8,863	16,603	7,690	14,406
Impairment loss on intangibles	-	10	-	84	-	73
Loss (gain) on disposition of short-term investment securities, net	28	616	(120)	632	(104)	548
Loss (gain) on disposition of long-term investment securities, net	809	(1)	(1,051)	(6,396)	(912)	(5,550)
Impairment loss on long-term investment securities	-	100	42,175	11,267	36,594	9,776
Impairment loss on cost in excess of fair value of net identifiable assets acquired	461,107	-	461,107	-	400,093	-
Reversal of accrued warranties	(341,293)	-	(341,293)	-	(296,133)	-
Loss (gain) on valuation of derivative instruments, net	35,563	(4,460)	(35,167)	(2,964)	(30,514)	(2,572)
Amortization of intangibles	53,166	52,758	93,291	126,237	80,947	109,533
Provision for severance benefits	104,787	37,906	149,154	83,763	129,418	72,679
Provision for warranties	281,926	338,849	637,768	649,971	553,378	563,966
Changes in operating assets and liabilities:						
Decrease (increase) in trade notes and accounts receivable	695,391	(400,354)	87,126	(358,915)	75,597	(311,423)
Decrease (increase) in inventories	77,534	(210,030)	(186,113)	(600,066)	(161,486)	(520,665)
Decrease (increase) in other current assets	22,577	15,480	(24,151)	25,530	(20,955)	22,152
Decrease (increase) in long-term notes and accounts receivables	-	(2,608)	-	5,416	-	4,699
Decrease (increase) in deferred income tax assets	89,225	(107,319)	74,646	(141,487)	64,768	(122,765)
Increase (decrease) in trade notes and accounts payable	(113,823)	(203,499)	(78,066)	161,503	(67,736)	140,133
Increase (decrease) in accounts payable-other	(7,165)	108,289	(381,174)	(24,886)	(330,737)	(21,593)
Increase (decrease) in income tax payable	(169,428)	8,985	(156,820)	47,305	(136,070)	41,046
Increase in other current liabilities	148,966	259,706	366,867	455,126	318,323	394,903
Decrease in accrued warranties	(92,704)	(99,069)	(203,747)	(214,326)	(176,787)	(185,966)
Payment of severance benefits	(132,920)	(71,723)	(255,234)	(200,634)	(221,461)	(174,086)
Decrease (increase) in individual severance insurance deposits	15,881	(12,749)	84,106	28,706	72,977	24,908
Other	78,146	5,472	75,129	35,766	65,187	31,034
	<u>1,734,367</u>	<u>423,000</u>	<u>1,485,674</u>	<u>1,446,052</u>	<u>1,289,088</u>	<u>1,254,709</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (In millions)				Translation into U. S. dollars (Note 2) (in thousands)	
	Three-month		Six-month		Six-month	
	2004	2003	2004	2003	2004	2003
Cash flows from investing activities:						
Cash inflows from investing activities:						
Proceeds from disposal of short-term investment securities	₩ 215	₩ 12,204	₩ 12,772	₩ 12,354	\$ 11,082	\$ 10,719
Reduction in other current assets	89,499	-	89,799	12,200	77,917	10,586
Proceeds from disposal and dividends of long-term investment securities	9,499	120,091	14,885	-	12,915	-
Proceeds from disposal of investment securities accounted for using the equity method	113,601	62,824	113,826	100,542	98,764	87,238
Reduction in other assets	40,678	14,433	62,734	21,163	54,433	18,363
Proceeds from disposal of property, plant and equipment	4,833	1,261	9,542	6,092	8,279	5,286
Proceeds from disposal of intangibles	<u>2,561</u>	<u>2,085</u>	<u>2,701</u>	<u>3,964</u>	<u>2,344</u>	<u>3,439</u>
	<u>260,886</u>	<u>212,898</u>	<u>306,259</u>	<u>156,315</u>	<u>265,734</u>	<u>135,631</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(559,421)	-	(737,789)	(131,442)	(640,164)	(114,049)
Acquisition of short-term investment securities	(240)	(24,140)	(623)	(72,093)	(541)	(62,554)
Acquisition of long-term investment securities	-	(528,584)	(2,888)	(648,250)	(2,506)	(562,473)
Acquisition of investment securities using the equity method	(66,469)	-	(77,572)	-	(67,308)	-
Additions to other current assets	(88,900)	-	(110,399)	(12,200)	(95,791)	(10,586)
Additions to other assets	(49,345)	(28,194)	(74,408)	(36,602)	(64,561)	(31,758)
Acquisition of property, plant and equipment	(196,347)	(139,650)	(340,554)	(278,047)	(295,492)	(241,256)
Expenditures for development costs	<u>(65,416)</u>	<u>(48,614)</u>	<u>(121,550)</u>	<u>(78,582)</u>	<u>(105,466)</u>	<u>(68,184)</u>
	<u>(1,026,138)</u>	<u>(769,182)</u>	<u>(1,465,783)</u>	<u>(1,257,216)</u>	<u>(1,271,829)</u>	<u>(1,090,860)</u>
	<u>(765,252)</u>	<u>(556,284)</u>	<u>(1,159,524)</u>	<u>(1,100,901)</u>	<u>(1,006,095)</u>	<u>(955,229)</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	<u>252,254</u>	<u>675,507</u>	<u>1,314,892</u>	<u>1,770,260</u>	<u>1,140,904</u>	<u>1,536,017</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(531,901)	(685,429)	(1,328,384)	(1,483,296)	(1,152,611)	(1,287,024)
Payment of cash dividends	(285,659)	(243,079)	(285,659)	(243,079)	(247,860)	(210,915)
Purchase of treasury stock	(65,092)	-	(65,092)	-	(56,479)	-
Repayment of long-term debt	<u>(216,074)</u>	<u>(67,204)</u>	<u>(233,047)</u>	<u>(524,804)</u>	<u>(202,210)</u>	<u>(455,361)</u>
	<u>(1,098,726)</u>	<u>(995,712)</u>	<u>(1,912,182)</u>	<u>(2,251,179)</u>	<u>(1,659,160)</u>	<u>(1,953,300)</u>
	<u>(846,472)</u>	<u>(320,205)</u>	<u>(597,290)</u>	<u>(480,919)</u>	<u>(518,256)</u>	<u>(417,283)</u>
Net increase (decrease) in cash and cash equivalents	<u>122,643</u>	<u>(453,489)</u>	<u>(271,140)</u>	<u>(135,768)</u>	<u>(235,263)</u>	<u>(117,803)</u>
Cash and cash equivalents, beginning of period	<u>1,048,734</u>	<u>1,595,093</u>	<u>1,442,517</u>	<u>1,277,372</u>	<u>1,251,642</u>	<u>1,108,349</u>
Cash and cash equivalents, end of period	<u>₩1,171,377</u>	<u>₩1,141,604</u>	<u>₩1,171,377</u>	<u>₩1,141,604</u>	<u>\$ 1,016,379</u>	<u>\$ 990,546</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

1. 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. As of June 30, 2004, 44.80 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (14.61 percent) and INI Steel (5.31 percent), and the remaining 55.20 percent is owned by foreign investors, including Daimler Chrysler (10.50 percent) and Mitsubishi of Japan (1.05 percent), under foreign investment agreements.

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)
Chunbuk Chunjoo	April 1995	Commercial vehicles (Bus and trucks)
Chungnam Ahsan	November 1996	Passenger cars

In connection with its foreign business, the Company operates major overseas production plants and affiliates as follows:

<u>Subsidiaries</u>	<u>Description</u>
Production:	
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOSVT. Turkey)	Manufacturer of passenger cars since September 1997
Hyundai Motor India (HMI)	Manufacturer of passenger cars since October 1998
Beijing Hyundai Motor Company (BHMC)	Manufacturer of passenger cars since October 2002
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Plan to manufacture passenger cars and SUV after 2005 (Construction in progress)
Distribution:	
Hyundai Motor America (HMA)	Exclusive importer and distributor of motor vehicles and parts
Hyundai Motor Japan Co. (HMJ)	"
Hyundai Motor Poland Sp. Zo.o (HMP)	"
Hyundai Motor Europe GmbH (HME)	"
Hyundai Motor Company Australia (HMCA)	"
Hyundai Machine Tool Europe GmbH (HYME)	Exclusive importer and distributor of machine tools
Hyundai Translead (HT)	Distributor of van trailers and equipment
Hyundai Machine Tools America	Branch for the distribution of machine tools
Research and Development:	
Hyundai America Technical Center Inc. (HATCI)	Research and development for motor vehicles
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	"

(*) The Company determined to discontinue sales operations of Hyundai Truck America, a branch for the distribution of commercial vehicles, effective on January 1, 2004 and established a representative office to continue supporting certain branch's services.

In common with other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results operations of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with 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 (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars based on the Bank of Korea Basic Rate of ₩1,152.50 to US \$1.00 at June 30, 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 June 30, 2004 in accordance with Financial Accounting Standards and Statements of Korea Accounting Standards ("SKAS") in the Republic of Korea.

In 2004, the Company adopted SKAS No. 10 – "Inventories" and No.13 – "Rescheduling of Receivables and Payables", which are effective from January 1, 2004.

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

Revenue Recognition

Sales of goods is recognized at the time of shipment only if it 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.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of receivables.

Investments in Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

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

Valuation of Securities

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-sale 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-sale 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.

Equity 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 or to capital adjustments.

Property, Plant and Equipment and Related Depreciation

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

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

	<u>Useful lives (years)</u>
Buildings and structures	15 – 50
Machinery and equipment	12 – 15
Vehicles	6
Dies, molds and tools	6
Other equipment	6

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 or rapid declines in market value. 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 amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over the estimated economic useful life (not exceeding 3 years) from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Cost in excess of net identifiable assets acquired (goodwill) is amortized over 20 years and industrial property rights and other intangibles are amortized over the period between four and twenty years. 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 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.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,146,713 million (US\$994,979 thousand) and ₩1,252,477 million (US\$1,086,748 thousand) as of June 30, 2004 and December 31, 2003, respectively.

Accrued severance benefits are approximately 62 percent funded as of June 30, 2004 through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totalling ₩41,872 million (US\$36,331 thousand) and ₩54,225 million (US\$47,050 thousand) as of June 30, 2004 and December 31, 2003, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Actual payments of severance benefits amounted to ₩255,234 million (US\$221,461 thousand) and ₩200,634 million (US\$174,086 thousand) for the six-month periods ended June 30, 2004 and 2003, respectively.

Accrued Warranties

The Company generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liabilities suits and voluntary recall campaign pending as of the balance sheet date. Until 2003, the Company recognizes accrued liabilities of the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with an European Parliament directive regarding End-of-Life Vehicles (ELV), but in the first half of 2004, the Company has revised the contracts with agents in which agents are responsible for all portion of the cost of the dismantling and recycling the vehicles placed in service in the future. In accordance with the revised contracts, the Company reversed all the accrued liabilities of the provision related to ELV by ₩341,293 million (US\$296,133 thousand) in the first half of 2004.

Stock Options

The Company granted stock options to employees and directors and computes total compensation expense for stock options 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 adjustment 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 entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of June 30, 2004 and December 31, 2003 the Company deferred the loss of ₩9,860 million (US\$8,555 thousand) and ₩63,814 million (US\$55,370 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The longest period in which the forecasted transactions are expected to occur is within 53 months from June 30, 2004. Of the net loss on valuation recorded as capital adjustments as of June 30, 2004 amounting to ₩9,860 million (US\$8,555 thousand), the loss of ₩8,359 million (US\$7,253 thousand) is expected to be realized and charged to current operations within one year from June 30, 2004.

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 June 30, 2004, all premiums to be paid by the Company are recorded as long-term other accounts payable in long-term liabilities of ₩76,850 million (US\$66,681 thousand) and accounts payable – other of ₩26,684 million (US\$ 23,153 thousand), after deducting the present value discount of ₩16,479 million (US\$14,299 thousand) and as of December 31, 2003, were recorded as long-term other accounts payable of ₩89,864 million (US\$77,973 thousand) and accounts payable – other of ₩27,706 million (US\$ 24,040 thousand) after deducting the present value discount of ₩20,959 million (US\$18,186 thousand). Also, as of June 30, 2004, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩12,625 million (US\$10,954 thousand) and accounts receivable-other of ₩4,375 million (US\$3,796 thousand), after deducting the present value discount of ₩2,686 million (US\$2,331 thousand) (see Note 11), and as of December 31, 2003, were recorded as long-term other accounts receivable of ₩14,745 million (US\$12,794 thousand) and accounts receivable-other of ₩4,547 million (US\$3,945 thousand), after deducting the present value discount of ₩3,441 million (US\$2,986 thousand).

For the six-month periods ended June 30, 2004 and 2003, the Company recognized the net gain of ₩35,167 million (US\$30,514 thousand) and ₩2,964 million (US\$2,572 thousand), respectively, on valuation of the ineffective portion of derivative instruments for cash flow hedging purposes and the other derivative instruments in current operations.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩216,854 million (US\$188,160 thousand) and ₩162,722 million (US\$141,191 thousand) in other assets as of June 30, 2004 and December 31, 2003, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩85,833 million (US\$74,476 thousand) and ₩104,596 million (US\$90,756 thousand) is recorded in liabilities as of June 30, 2004 and December 31, 2003, respectively

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate, which was ₩1,152.50 and 1,197.80 to US \$1.00 at June 30, 2004 and December 31, 2003, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of branches outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet date; income and expenses are translated at the average rates of exchange prevailing for the six-month periods ended June 30, 2004 and 2003, which was ₩1,167.50 and ₩1,205.00 to US\$1.00, respectively.

Income Tax Expense

The Company recognizes deferred income taxes. Accordingly, 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 debits (credits).

Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends for six months and three months, respectively, on preferred stock, by the weighted average number of common shares outstanding during period. The number of shares used in computing earnings per common share is 218,059,220 and 218,094,175 for the six-month periods ended June 30, 2004 and 2003, respectively, and 217,515,052 and 218,110,899 for the three-month periods ended June 30, 2004 and 2003, respectively. Diluted earnings per common share is computed by dividing net income, after deduction for expected dividends for six months and three months, respectively, on preferred stock and addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the diluted potential common shares. The number of shares used in computing diluted earnings per common share is 219,279,369 and 218,704,655 for the six-month periods ended June 30, 2004 and 2003, respectively, and 218,680,857 and 218,763,911 for the three-month periods ended June 30, 2004 and 2003, respectively. Earnings per share for the three-month period ended March 31, 2004 and the year ended December 31, 2003 is ₩2,046 (US\$1.78) and ₩7,725 (US\$6.70), respectively.

3. INVENTORIES:

Inventories as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Finished goods and merchandise	₩ 635,980	₩ 468,441	\$ 551,826	\$ 406,456
Semi-finished goods and work in process	383,654	419,021	332,889	363,576
Raw materials and supplies	319,787	294,387	277,472	255,433
Materials in transit	103,680	137,183	89,961	119,031
	<u>₩ 1,443,101</u>	<u>₩ 1,319,032</u>	<u>\$ 1,252,148</u>	<u>\$ 1,144,496</u>

4. SHORT-TERM AND LONG-TERM INVESTMENT SECURITIES:

(1) Short-term investment securities as of June 30, 2004 and December 31, 2003, all of which are classified into available-for-sale securities, consist of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Foreign currency beneficiary certificates	₩ -	₩ 11,992	\$ -	\$ 10,405
Local currency beneficiary certificates	182,586	200,155	158,426	173,671
Government bonds	20	20	17	17
	<u>₩ 182,606</u>	<u>₩ 212,167</u>	<u>\$ 158,443</u>	<u>\$ 184,093</u>

Available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to ₩35,518 million (US\$30,818 thousand) and ₩53,048 million (US\$46,029 thousand) in capital adjustments as of June 30, 2004 and December 31, 2003, respectively.

(2) Long-term investment securities as of June 30, 2004 and December 31, 2003 consist of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Available-for-sale securities	₩ 222,552	₩ 271,546	\$ 193,104	\$ 235,615
Held-to-maturity securities	48,500	48,500	42,082	42,082
	<u>₩ 271,052</u>	<u>₩ 320,046</u>	<u>\$ 235,186</u>	<u>\$ 277,697</u>

(3) Available-for-sale securities of long-term investment securities as of June 30, 2004 and December 31, 2003 consist of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Equity securities stated at fair value	₩ 86,508	₩ 132,605	\$ 75,061	\$ 115,059
Equity securities stated at acquisition cost	130,930	133,862	113,605	116,149
Government bonds	65	65	56	56
Corporate bonds	5,049	5,014	4,382	4,351
	<u>₩ 222,552</u>	<u>₩ 271,546</u>	<u>\$ 193,104</u>	<u>\$ 235,615</u>

Equity securities stated at fair value included in long-term investment securities as of June 30, 2004 consist of the following:

Affiliated company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Jin Heung Mutual Savings Bank	₩ 2,166	₩ 1,436	\$ 1,246	8.66
Korea Mutual Savings Bank	2,846	3,347	2,904	8.13
Korea Environment Technology Co., Ltd.	1,500	1,911	1,658	6.00
Hyundai Heavy Industries Co., Ltd.	56,924	60,115	52,161	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,480	1,284	2.21
Hyundai Corporation	13,626	638	554	1.08
LG Telecom	9,795	6,007	5,212	0.68
Hyundai Merchant Marine Co., Ltd.	7,328	4,862	4,219	0.55
KT Freetel	10,800	6,693	5,807	0.18
Treasury Stock Fund (*)	6,797	-	-	-
Other	283	19	16	-
	<u>₩ 122,065</u>	<u>₩ 86,508</u>	<u>\$ 75,061</u>	

(*) The acquisition costs of Treasury Stock Fund are presented after the deduction of the fair value of treasury stock included in those fund. The fair values of such treasury stock as of June 30, 2004 amounting to ₩42,188 million (US\$36,606 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩35,557 million (US\$30,852 thousand) as of June 30, 2004, between the book value and the acquisition cost consists of loss on valuation of available-for-sale securities in capital adjustments of ₩14,392 million (US\$12,488 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$18,364 thousand). The net gain on valuation of available-for-sale securities amounting to ₩21,126 million (US\$18,331 thousand) in capital adjustments as of June 30, 2004 consists of gain on valuation of short-term investment securities amounting to ₩35,518 million (US\$30,818 thousand) and loss on valuation of long-term investment securities amounting to ₩14,392 million (US\$12,488 thousand).

Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2004 consist of the following:

Affiliated company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	₩ 4,907	₩ 4,907	\$ 4,258	91.75
NGVTEK.com (*)	571	571	495	53.66
Jinil MVC Co., Ltd.	180	180	156	18.00
Industry Otomotif Komersial	4,439	4,439	3,852	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,896	14.97
Hyundai Research Institute	1,359	1,271	1,103	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	119	14.90
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,169	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,041	11.59
Kihyup Finance	3,000	3,000	2,603	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	8,677	9.99
Hankyoreh Plus Inc.	4,800	284	246	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	77,099	7.24
Hyundai Asan Corporation	22,500	5,405	4,690	5.00
U.S Electrical Inc.	2,204	2,204	1,912	3.80
ROTIS Inc.	1,000	8	7	3.76
Other	1,579	1,477	1,282	-
	<u>₩ 159,381</u>	<u>₩ 130,930</u>	<u>\$ 113,605</u>	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$ 6,074 thousand), are not material.

In 2004, impairment loss of ₩42,175 million (US\$36,594 thousand) between the carrying amount and the estimated recoverable amount of Hyundai Corporation, Hyundai Information Technology Co., Ltd., Chohung Bank, Hyundai Asan Corporation and other are recognized in current operations.

Debt securities of ₩5,114 million (US\$4,438 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from June 30, 2004.

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

Affiliated company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Jin Heung Mutual Savings Bank	₩ 2,166	₩ 1,990	\$ 1,727	8.66
Korea Mutual Savings Bank	2,846	3,501	3,038	8.13
Korea Industrial Development Co., Ltd.	2,861	1,856	1,610	1.25
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	71,258	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,093	2.21
Hyundai Corporation	13,626	747	648	1.08
LG Telecom, Ltd.	9,795	6,834	5,930	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	4,829	0.55
Chohung Bank	25,000	10,288	8,927	0.37
KT Freetel	10,800	6,376	5,532	0.17
Treasury Stock Fund (*)	4,067	1,499	1,301	-
Stock Market Stabilization Fund	3,525	10,546	9,151	-
Other	283	18	15	-
	<u>₩ 149,222</u>	<u>₩132,605</u>	<u>\$ 115,059</u>	

(*) The acquisition costs of Treasury Stock Fund are presented after the deduction of the fair value of treasury stock included in those fund. The fair values of such treasury stock as of December 31, 2003 amounting to ₩44,918 million (US\$38,974 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩16,617 million (US\$14,418 thousand) as of December 31, 2003, between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities is recorded as loss on valuation of available-for-sale securities in capital adjustments. The net gain on valuation of available-for-sale securities amounting to ₩36,431 million (US\$31,610 thousand) in capital adjustments as of December 31, 2003 consists of gain on valuation of short-term investment securities amounting to ₩53,048 million (US\$46,029 thousand) and loss on valuation of long-term investment securities amounting to ₩16,617 million (US\$14,418 thousand).

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

Affiliated company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*) ₩	2,019	₩ 2,019	\$ 1,752	84.87
NGVTEK.com (*)	571	571	495	53.66
Jinil MVC Co., Ltd.	180	180	156	18.00
Industry Otomotif Komersial	4,439	4,439	3,852	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,896	14.97
Hyundai Research Institute	1,359	1,271	1,103	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	119	14.90
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,169	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,041	11.59
Kihyup Finance	3,000	3,000	2,603	10.34
Hyundai Motor Deutschland GmbH	863	863	749	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	8,677	9.99
KOENTECH	1,500	1,500	1,302	7.50
Hankyoreh Plus Inc.	4,800	284	246	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	77,099	7.24
Hyundai Asan Corporation	22,500	8,861	7,689	5.00
U.S Electrical Inc.	2,204	2,204	1,912	3.80
ROTIS Inc.	1,000	8	7	3.76
Other	1,579	1,478	1,282	-
	<u>₩ 158,856</u>	<u>₩ 133,862</u>	<u>\$ 116,149</u>	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$ 6,074 thousand), are not material.

In 2003, impairment loss of ₩11,167 million (US\$9,689 thousand) between the carrying amount and the estimated recoverable amount of Hyundai Unicorns Co., Ltd., Hankyoreh Plus Inc., ROTIS Inc. and other is recognized in current operations.

Debt securities of ₩5,079 million (US\$4,407 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from December 31, 2003.

- (4) Debt securities included in held-to-maturity of long-term investment securities as of June 30, 2004 and December 31, 2003 are subordinate debt securities of ₩48,500 million (US\$42,082 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of June 30, 2004 consist of the following:

Affiliated company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)			Ownership percentage (%)
	Acquisition cost	Market (net equity) value	Book value	Acquisition cost	Market (net equity) value	Book value	
Hyundai Motor India	₩ 244,017	₩ 334,239	₩ 355,261	\$ 211,728	\$ 290,012	\$ 308,252	100.00
Hyundai Motor America	484,861	674,706	603,628	420,704	585,428	523,755	100.00
Hyundai Translead	74,977	23,667	54,558	65,056	20,535	47,339	100.00
Hyundai Machine Tool Europe GmbH	25,397	11,325	15,210	22,036	9,826	13,197	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	236	17,657	20,945	205	15,321	100.00
Hyundai Motor Japan Co. (*1)	32,479	-	-	28,181	-	-	100.00
Hyundai Motor Europe GmbH Hyundai America Technical Center Inc.	17,529	20,693	20,693	15,210	17,955	17,955	100.00
HMJ R&D Center Inc.	9,635	15,979	15,979	8,360	13,865	13,865	100.00
Hyundai Motor Company Australia	1,510	2,300	2,300	1,310	1,996	1,996	100.00
Hyundai Commercial Vehicle Engine Co., Ltd.	12,382	15,759	15,813	10,744	13,674	13,721	100.00
Hyundai Capital Service Inc.	110,525	50,808	50,808	95,900	44,085	44,085	100.00
ROTEM	348,816	446,721	338,638	302,660	387,610	293,829	84.24
Hyundai Card Co., Ltd. (*1)	270,222	241,823	316,710	234,466	209,825	274,803	78.36
HAOSVT (Turkey)	394,460	-	-	342,265	-	-	56.89
Beijing-Hyundai Motor Company	48,013	54,702	18,047	41,660	47,464	15,659	50.00
Hyundai Powertech	133,691	302,857	297,511	116,001	262,783	258,144	50.00
KEFICO	120,000	130,856	130,856	104,121	113,541	113,541	50.00
Dymos Inc.	20,911	87,277	85,485	18,144	75,728	74,174	50.00
WIA	68,872	89,299	87,873	59,759	77,483	76,246	47.27
Kia Motors Corporation	8,989	103,921	75,391	7,800	90,170	65,415	45.30
Korea Aerospace Industries, Ltd. (*3)	923,957	1,325,398	2,086,230	801,698	1,150,020	1,810,178	37.33
Beijing Mobis Transmission Co., Ltd.	129,800	80,836	80,587	112,625	70,140	69,924	33.33
Hyundai Motor Deutschland GmbH	13,518	12,979	12,979	11,729	11,262	11,262	30.00
Korea Economy Daily	6,753	11,707	8,722	5,859	10,158	7,568	30.00
Autoever Systems Corp.	19,973	9,633	13,563	17,330	8,358	11,767	29.57
Hyundai HYSCO	1,250	4,858	4,858	1,085	4,215	4,215	25.00
Iljin Bearing Co., Ltd.	200,768	90,732	235,637	174,202	78,726	204,456	26.13
Daesung Automotive Co., Ltd.	826	13,146	13,146	717	11,407	11,407	20.00
Eukor Car Carriers Inc. (*2)	400	5,717	5,717	347	4,961	4,961	20.00
	29,347	53,703	43,244	25,464	46,596	37,521	12.00
	<u>₩ 3,778,017</u>	<u>₩ 4,215,877</u>	<u>₩ 5,007,101</u>	<u>\$ 3,278,106</u>	<u>\$ 3,658,028</u>	<u>\$ 4,344,556</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*2) Accounted for using the equity method because the total ownership percentage on Eukor Car Carriers Inc. is 20 percent (Kia Motors Corp. 8percent and the Company 12 percent); therefore, the Company is considered to be able to exercise significant influence over the operating and financial policies.

(*3) The Board of Audit and Inspection has audited the Defense Ministry ' s high-grade trainer aircraft procurement contract with Korea Aerospace Industries. Ltd. As a result of the audit, The Board of Audit and Inspection has requested the Defense Ministry to reduce the contract amount by US\$110 million. As of June 30, 2004, the Defense Ministry is in preparation for the request of re-audit. The results of these events can not be estimated to date and the effect of them is not reflected on the financial statements of Korea Aerospace Industries. Ltd., on which the valuation of equity securities accounted for using the equity method is based.

Equity securities accounted for using the equity method as of June 30, 2004 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor.

Investment securities accounted for using the equity method as of December 31, 2003 consist of the following:

Affiliated company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)			Ownership percentage (%)
	Acquisition cost	Market (net equity) value	Book value	Book value	Market (net equity) value	Book value	
Hyundai Motor India	₩ 244,017	₩ 340,475	₩ 340,475	\$ 211,728	\$ 295,423	\$ 295,423	100.00
Hyundai Motor America	484,861	728,296	647,068	420,704	631,927	561,447	100.00
Hyundai Translead	74,977	13,363	45,220	65,056	11,595	39,236	100.00
Hyundai Machine Tool Europe GmbH	25,397	13,175	17,185	22,036	11,432	14,911	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	-	17,505	20,945	-	15,189	100.00
Hyundai Motor Japan Co. (*1)	21,376	-	-	18,548	-	-	100.00
Hyundai Motor Europe GmbH	17,529	21,974	21,974	15,210	19,066	19,066	100.00
Hyundai America Technical Center Inc.	9,635	16,101	16,101	8,360	13,970	13,970	100.00
HMJ R&D Center Inc.	1,510	2,391	2,391	1,310	2,075	2,075	100.00
Hyundai Motor Company Australia	12,329	13,696	13,696	10,698	11,884	11,884	100.00
Hyundai Capital Service Inc.	348,816	528,824	420,780	302,660	458,849	365,102	84.24
ROTEM	270,222	258,162	335,220	234,466	224,002	290,863	78.36
Hyundai Card Co., Ltd.	394,460	65,564	65,564	342,265	56,889	56,889	56.89
HAOSVT (Turkey)	48,013	42,483	25,859	41,660	36,862	22,437	50.00
Beijing-Hyundai Motor Company	133,691	281,997	281,997	116,001	244,683	244,683	50.00
Hyundai Powertech	120,000	128,338	128,338	104,121	111,356	111,356	50.00
Hyundai Commercial Vehicle Engine Co., Ltd.	50,000	26,833	26,833	43,384	23,282	23,282	50.00
KEFICO	20,911	80,933	79,064	18,144	70,224	68,602	50.00
Dymos Inc.	68,872	83,140	81,668	59,759	72,139	70,862	47.27
WIA	347	87,464	58,115	301	75,891	50,425	45.30
e-HD.com	8,642	3,961	4,374	7,498	3,437	3,795	41.56
Kia Motors Corporation	923,957	1,463,712	2,030,655	801,698	1,270,032	1,761,957	37.33
Korea Aerospace Industries, Ltd.	129,800	79,568	79,312	112,625	69,039	68,817	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,264	13,264	11,729	11,509	11,509	30.00
Korea Economy Daily	19,973	10,058	14,129	17,330	8,727	12,260	29.57
Autoever Systems Corp.	1,250	4,106	4,106	1,085	3,563	3,563	25.00
Hyundai HYSCO	200,768	134,526	226,720	174,202	116,725	196,721	26.13
Iljin Bearing Co., Ltd.	826	12,794	12,794	717	11,101	11,101	20.00
Daesung Automotive Co., Ltd.	400	5,619	5,619	346	4,875	4,875	20.00
Eukor Car Carriers Inc. (*2)	29,347	42,593	31,851	25,464	36,957	27,637	12.00
	<u>₩ 3,699,583</u>	<u>₩ 4,503,410</u>	<u>₩ 5,047,877</u>	<u>\$ 3,210,050</u>	<u>\$ 3,907,514</u>	<u>\$ 4,379,937</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*2) Accounted for using the equity method because the total ownership percentage on Eukor Car Carriers Inc. is 20 percent (Kia Motors Corp. 8 percent and the Company 12 percent); therefore, the Company is considered to be able to exercise significant influence over the operating and financial policies.

Equity securities accounted for using the equity method as of December 31, 2003 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor.

(2) The changes in equity securities accounted for using the equity method for the three-month period ended June 30, 2004 are as follows:

Affiliated company	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	End of period
Hyundai Motor India	₩ 361,795	₩ 10,417	₩ (16,951)	₩ 355,261	\$ 308,252
Hyundai Motor America	588,142	19,278	(3,792)	603,628	523,755
Hyundai Translead	46,617	8,066	(125)	54,558	47,339
Hyundai Machine Tool Europe GmbH	15,467	(169)	(88)	15,210	13,197
Hyundai Motor Poland Sp.zo.o.	17,410	249	(2)	17,657	15,321
Hyundai Motor Europe GmbH	13,436	7,567	(310)	20,693	17,955
Hyundai America Technical Center Inc.	15,713	285	(19)	15,979	13,865
HMJ R&D Center Inc.	2,337	19	(56)	2,300	1,996
Hyundai Motor Company Australia	14,042	3,157	(1,386)	15,813	13,721
Hyundai Commercial Vehicle Engine Co., Ltd.	27,610	(4,412)	27,610	50,808	44,085
Hyundai Capital Service Inc.	357,788	(32,223)	13,073	338,638	293,829
ROTEM	327,245	(10,521)	(14)	316,710	274,803
Hyundai Card Co., Ltd.	51,763	(27,218)	(24,545)	-	-
HAOSVT (Turkey)	24,956	(6,787)	(122)	18,047	15,659
Beijing-Hyundai Motor Company	297,690	60,685	(60,864)	297,511	258,144
Hyundai Powertech	129,377	1,504	(25)	130,856	113,541
KEFICO	84,390	5,355	(4,260)	85,485	74,174
Dymos Inc.	83,671	4,183	19	87,873	76,246
WIA	64,519	11,282	(410)	75,391	65,415
Kia Motors Corporation	2,043,263	100,586	(57,619)	2,086,230	1,810,178
Korea Aerospace Industries, Ltd.	79,416	1,171	-	80,587	69,924
Beijing Mobis Transmission Co., Ltd.	12,558	438	(17)	12,979	11,262
Hyundai Motor Deutschland GmbH	-	2,102	6,620	8,722	7,568
Korea Economy Daily	13,663	(100)	-	13,563	11,767
Autoever Systems Corp.	4,292	566	-	4,858	4,215
Hyundai HYSCO	233,067	6,840	(4,270)	235,637	204,456
Iljin Bearing Co., Ltd.	12,968	57	121	13,146	11,407
Daesung Automotive Co., Ltd.	5,692	105	(80)	5,717	4,961
Eukor Car Carriers Inc.	36,553	6,691	-	43,244	37,521
	<u>₩ 4,965,440</u>	<u>₩ 169,173</u>	<u>₩ (127,512)</u>	<u>₩ 5,007,101</u>	<u>\$ 4,344,556</u>

(*) Other changes consist of the increase of acquisition cost by ₩67,332 million (US\$58,423 thousand) mainly due to the acquisition, decrease by ₩113,601 million (US\$98,569 thousand) due to receipt of the dividends, decrease of retained earnings by ₩4,762 million (US\$4,132 thousand) and decrease of capital adjustments by ₩76,481 million (US\$66,361 thousand).

The changes in equity securities accounted for using the equity method for the six-month period ended June 30, 2004 are as follows:

Affiliated company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	End of period
Hyundai Motor India	₩ 340,475	₩ 32,621	₩ (17,835)	₩ 355,261	\$ 308,252
Hyundai Motor America	647,068	9,202	(52,642)	603,628	523,755
Hyundai Translead	45,220	9,997	(659)	54,558	47,339
Hyundai Machine Tool Europe GmbH	17,185	(1,064)	(911)	15,210	13,197
Hyundai Motor Poland Sp.zo.o.	17,505	132	20	17,657	15,321
Hyundai Motor Europe GmbH	21,974	155	(1,436)	20,693	17,955
Hyundai America Technical Center Inc.	16,101	495	(617)	15,979	13,865
HMJ R&D Center Inc.	2,391	28	(119)	2,300	1,996
Hyundai Motor Company Australia	13,696	3,930	(1,813)	15,813	13,721
Hyundai Commercial Vehicle Engine Co., Ltd.	26,833	(3,635)	27,610	50,808	44,085
Hyundai Capital Service Inc.	420,780	(68,023)	(14,119)	338,638	293,829
ROTEM	335,220	(17,931)	(579)	316,710	274,803
Hyundai Card Co., Ltd.	65,564	(36,187)	(29,377)	-	-
HAOSVT (Turkey)	25,859	(5,984)	(1,828)	18,047	15,659
Beijing-Hyundai Motor Company	281,997	87,372	(71,858)	297,511	258,144
Hyundai Powertech	128,338	2,547	(29)	130,856	113,541
KEFICO	79,064	10,584	(4,163)	85,485	74,174
Dymos Inc.	81,668	6,186	19	87,873	76,246
WIA	62,489	13,754	(852)	75,391	65,415
Kia Motors Corporation	2,030,655	163,027	(107,452)	2,086,230	1,810,178
Korea Aerospace Industries, Ltd.	79,312	1,275	-	80,587	69,924
Beijing Mobis Transmission Co., Ltd.	13,264	218	(503)	12,979	11,262
Hyundai Motor Deutschland GmbH	-	2,102	6,620	8,722	7,568
Korea Economy Daily	14,129	(448)	(118)	13,563	11,767
Autoever Systems Corp.	4,106	876	(124)	4,858	4,215
Hyundai HYSCO	226,720	13,205	(4,288)	235,637	204,456
Iljin Bearing Co., Ltd.	12,794	425	(73)	13,146	11,407
Daesung Automotive Co., Ltd.	5,619	178	(80)	5,717	4,961
Eukor Car Carriers Inc.	31,851	12,104	(711)	43,244	37,521
	<u>₩ 5,047,877</u>	<u>₩ 237,141</u>	<u>₩ (277,917)</u>	<u>₩ 5,007,101</u>	<u>\$ 4,344,556</u>

(*) Other changes consist of the increase of acquisition cost by ₩78,435 million (US\$68,056 thousand) mainly due to the acquisition, decrease by ₩113,826 million (US\$98,764 thousand) due to receipt of the dividends, decrease of retained earnings by ₩17,860 million (US\$15,497 thousand) and decrease of capital adjustments by ₩224,666 million (US\$194,938 thousand).

Significant unrealized profits (losses) that occurred in transactions with investees are eliminated. As of June 30, 2004 and December 31, 2003, unrealized profit occurred in transactions of inventories and investment securities with investees are ₩183,805 million (US\$159,484 thousand) and ₩297,928 million (US\$258,506 thousand), respectively

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) over 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 as of June 30, 2004 and December 31, 2003 are ₩159,368 million (US\$138,280 thousand) and ₩165,660 million (US\$143,740 thousand), respectively. In 2003, the difference between the acquisition cost and the Company's portion of Hyundai Card Co., Ltd., amounting to ₩163,273 million (US\$141,669 thousand), is charged to current operation as loss on valuation of investment securities accounted for using the equity method.

The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. As of June 30, 2004 and December 31, 2003, such adjustments of the difference of accounting treatments resulted in the increase in gain on equity method valuation in current operations by ₩31,813 million (US\$27,604 thousand) and decrease by ₩38,568 million (US\$33,465 thousand), respectively.

6. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Buildings and structures	₩ 3,038,575	₩ 2,920,973	\$ 2,636,508	\$ 2,534,468
Machinery and equipment	4,281,941	3,934,089	3,715,350	3,413,526
Vehicles	69,819	69,351	60,580	60,174
Dies, molds and tools	2,255,188	2,170,977	1,956,779	1,883,711
Other equipment	596,119	561,346	517,240	487,068
	10,241,642	9,656,736	8,886,457	8,378,947
Less: Accumulated depreciation	(4,336,056)	(4,003,751)	(3,762,304)	(3,473,971)
	5,905,586	5,652,985	5,124,153	4,904,976
Land	1,868,141	1,852,298	1,620,946	1,607,200
Construction in progress	703,829	970,544	610,698	842,121
	₩ 8,477,556	₩ 8,475,827	\$ 7,355,797	\$ 7,354,297

The changes in property, plant and equipment for the three-month period ended June 30, 2004 are as follows:

	Korean won (in millions)						U. S. dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of period	
Land	₩ 1,852,738	₩ -	₩ 15,475	₩ (72)	₩ -	₩ -	₩ 1,868,141	\$ 1,620,946
Buildings and structures	2,422,896	-	89,579	(1,532)	(23,907)	(1)	2,487,035	2,157,948
Machinery and equipment	2,334,634	-	290,443	(17,133)	(79,399)	-	2,528,545	2,193,965
Vehicles	39,769	-	3,114	(768)	(2,075)	-	40,040	34,742
Dies, molds and tools	625,626	-	30,089	(174)	(60,802)	-	594,739	516,043
Other equipment	266,340	-	9,423	(913)	(19,624)	1	255,227	221,455
Construction in progress	918,950	196,347	(438,123)	(149)	-	26,804	703,829	610,698
End of the period	₩ 8,460,953	₩ 196,347	₩ -	₩ (20,741)	₩ (185,807)	₩ 26,804	₩ 8,477,556	\$ 7,355,797

The changes in property, plant and equipment for the six-month period ended June 30, 2004 are as follows:

	Korean won (in millions)						U. S. dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of period	
Land	₩ 1,852,298	₩ -	₩ 15,932	₩ (72)	₩ -	₩ (17)	₩ 1,868,141	\$ 1,620,946
Buildings and structures	2,416,432	-	119,482	(1,532)	(47,281)	(66)	2,487,035	2,157,948
Machinery and equipment	2,315,451	-	387,088	(17,685)	(156,308)	(1)	2,528,545	2,193,965
Vehicles	41,310	-	4,306	(1,455)	(4,121)	-	40,040	34,742
Dies, molds and tools	631,393	-	87,786	(482)	(123,958)	-	594,739	516,043
Other equipment	248,399	-	47,540	(1,136)	(39,576)	-	255,227	221,455
Construction in progress	970,544	340,554	(662,134)	(4,132)	-	58,997	703,829	610,698
End of the period	₩ 8,475,827	₩ 340,554	₩ -	₩ (26,494)	₩ (371,244)	₩ 58,913	₩ 8,477,556	\$ 7,355,797

As of June 30, 2004, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩953,371 million (US\$827,220 thousand) (see Note 13).

As of June 30, 2004, the published value of the Company-owned land (12,717 thousand square meters) totals ₩1,812,437 million (US\$1,572,613 thousand) in terms of land prices officially announced by the Korean government.

7. INSURANCE:

As of June 30, 2004, property, plant and equipment are insured for ₩5,057,130 million (US\$4,387,965 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of ₩139,300 million (US\$120,868 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.

8. LEASED ASSETS:

The Company has entered into financing lease agreements for certain machinery and equipment. The lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of June 30, 2004 are as follows (won in millions):

	Financing leases		
	Lease payments	Interest portion	Lease obligations
July 1, 2004 ~ June 30, 2005	₩ 3,315	₩ 75	₩ 3,240
July 1, 2005 ~ June 30, 2006	261	6	255
	₩ 3,576	₩ 81	₩ 3,495

9. INTANGIBLES:

Intangibles as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)			U. S. dollars (Note 2) (in thousands)		
	June 30, 2004		December 31, 2003	June 30, 2004	December 31, 2003	
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value	
Cost in excess of fair value of net identifiable assets acquired	₩ 611,412	₩ 611,412	₩ -	₩ 476,392	\$ -	\$ 413,355
Industrial property rights	31,388	15,929	15,459	15,840	13,413	13,744
Development costs	1,221,739	734,596	487,143	441,881	422,684	383,411
Other	36,652	23,284	13,368	14,359	11,599	12,459
	<u>₩1,901,191</u>	<u>₩ 1,385,221</u>	<u>₩ 515,970</u>	<u>₩ 948,472</u>	<u>\$ 447,696</u>	<u>\$ 822,969</u>

The changes in intangibles for the three-month period ended June 30, 2004 are as follows:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)	
	Cost in excess of fair value of net identifiable assets acquired	Industrial property rights	Development costs	Other	Total	Total
Beginning of period	₩ 468,749	₩ 15,554	₩ 467,597	₩ 13,839	₩ 965,739	\$ 837,952
Addition:						
Expenditures	-	1,649	174,519	-	176,168	152,857
Deduction:						
Disposal	-	-	(2,561)	-	(2,561)	(2,222)
Amortization	(7,642)	(1,744)	(43,309)	(471)	(53,166)	(46,131)
Research	-	-	(78,356)	-	(78,356)	(67,988)
Ordinary development	-	-	(30,747)	-	(30,747)	(26,679)
Impairment loss	(461,107)	-	-	-	(461,107)	(400,093)
End of period	<u>₩ -</u>	<u>₩ 15,459</u>	<u>₩ 487,143</u>	<u>₩ 13,368</u>	<u>₩ 515,970</u>	<u>\$ 447,696</u>

The changes in intangibles for the six-month period ended June 30, 2004 are as follows:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)	
	Cost in excess of fair value of net identifiable assets acquired	Industrial property Rights	Development costs	Other	Total	Total
Beginning of period	₩ 476,392	₩ 15,840	₩ 441,881	₩ 14,359	₩ 948,472	\$ 822,969
Addition:						
Expenditures	-	3,047	342,662	-	345,709	299,965
Deduction:						
Disposal	-	-	(2,701)	-	(2,701)	(2,344)
Amortization	(15,285)	(3,428)	(73,587)	(991)	(93,291)	(80,947)
Research	-	-	(160,870)	-	(160,870)	(139,584)
Ordinary	-	-	(60,242)	-	(60,242)	(52,271)
Impairment loss	(461,107)	-	-	-	(461,107)	(400,092)
End of period	₩ -	₩ 15,459	₩ 487,143	₩ 13,368	₩ 515,970	\$ 447,696

For the six-month period ended June 30, 2004, amortization of ₩93,291 million (US\$80,947 thousand) is recorded in selling and administrative expenses of ₩19,704 million (US\$17,097 thousand) and in manufacturing cost of ₩73,587 million (US\$63,850 thousand). 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.

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 and Machine Tool Divisions of formerly Hyundai Precision and Industry Co., Ltd. (presently Hyundai MOBIS), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$400,093 thousand) as of June 30, 2004, is accounted for as impairment loss and charged to current operation.

10. OTHER ASSETS:

Other assets as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30 2004	December 31, 2003	June 30 2004	December 31, 2003
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,952 million and ₩2,087 million as of June 30, 2004 and December 31, 2003, respectively	₩ 17,067	₩ 18,271	\$ 14,809	\$ 15,853
Lease and rental deposits	199,845	195,372	173,401	169,520
Long-term deposits	47,643	45,026	41,339	39,068
Deferred derivatives assets (see Note 2)	216,854	162,722	188,160	141,190
Long-term loans	96,385	90,983	83,631	78,944
Long-term other accounts receivable, less unamortized present value discount of ₩2,685 million and ₩3,441 million as of June 30, 2004 and December 31, 2003, respectively	12,626	14,745	10,955	12,794
Other	16,209	18,617	14,064	16,154
	₩ 606,629	₩ 545,736	\$ 526,359	\$ 473,523

11. SHORT-TERM BORROWINGS:

Short-term borrowings as of June 30, 2004 and December 31, 2003 amount to ₩606,211 million (US\$ 525,997 thousand) and ₩628,726 million (US\$ 545,532 thousand), respectively, and consist primarily of bank overdrafts and banker's usance with annual interest rates ranging from Libor+0.3 percent to 10.1 percent.

12. LONG-TERM DEBT:

Long-term debt as of June 30, 2004 and December 31, 2003 consists of the following:

	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		June 30 2004	December31, 2003	June 30 2004	December31, 2003
Debentures	5.45 ~ 7.80	₩ 1,676,737	₩ 1,893,682	\$ 1,454,869	\$ 1,643,108
Local currency loans					
General loans	3.00 ~ 5.42	26,403	30,860	22,909	26,777
Foreign currency loans					
Capital lease	Libor + 0.98 ~ 1.55	3,495	9,033	3,033	7,838
Other	Libor + 1.19	2,715	26,011	2,356	22,569
		6,210	35,044	5,389	30,407
		1,709,350	1,959,586	1,483,167	1,700,292
Less: Current maturities		(710,055)	(945,906)	(616,100)	(820,743)
		₩ 999,295	₩ 1,013,680	\$ 867,067	\$ 879,549

Debentures as of June 30, 2004 and December 31, 2003 consist of the following:

	Maturity	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
			June 30 2004	December31, 2003	June 30 2004	December31, 2003
Non-guaranteed debentures	4 Jul., 2004 ~ 10 Nov., 2008	5.45 ~ 7.00	₩ 1,075,000	₩ 1,275,000	\$ 932,755	\$ 1,106,291
Overseas debentures	18 Oct., 2004 ~ 15 Jul., 2007	7.33 ~ 7.80	615,435	639,625	533,999	554,988
			1,690,435	1,914,625	1,466,754	1,661,279
Discount on debentures			(13,698)	(20,943)	(11,885)	(18,171)
			₩ 1,676,737	₩ 1,893,682	\$ 1,454,869	\$ 1,643,108

The maturity of long-term debt as of June 30, 2004 is as follows:

	Debtures	Korean won (in millions)		Total	U.S. dollars (Note 2) (in thousands)
		Local currency loans	Foreign currency loans		
July 1, 2004~June 30, 2005	₩ 697,875	₩ 6,225	₩ 5,955	₩ 710,055	\$ 616,100
July 1, 2005~June 30, 2006	422,875	3,842	255	426,972	370,475
July 1, 2006~June 30, 2007	226,775	2,055	-	228,830	198,551
July 1, 2007~June 30, 2008	142,910	1,725	-	144,635	125,497
Thereafter	200,000	12,556	-	212,556	184,429
	1,690,435	26,403	6,210	1,723,048	1,495,052
Less: Discount on debentures	(13,698)	-	-	(13,698)	(11,885)
	₩ 1,676,737	₩ 26,403	₩ 6,210	₩ 1,709,350	\$ 1,483,167

13. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of June 30, 2004.

Description	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine	₩ 343,324	\$ 297,895
Hyundai Card Co., Ltd.	576	500
HMA	129,510	112,373
Hyundai Motor Manufacturing Alabama LLC	461,000	400,000
Hyundai Motor Finance Company	437,950	380,000
HMI	113,133	98,163
HAOSVT	86,438	75,000
HME	76,651	66,509
Hyundai Translead	160,198	139,000
HYME	1,153	1,000
HMP	11,846	10,279
HMJ	37,241	32,313
HMJ R&D	2,192	1,902
HMCA	11,947	10,366
Equus Cayman Finance Ltd.	461,000	400,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,881	2,500
Other	624	542
	₩ 2,337,664	\$ 2,028,342

- (2) As of June 30, 2004, investment securities of ₩100,246 million (US\$86,981 thousand) at book value in long-term investment securities and investment securities accounted for using the equity method, 12 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,277 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, the local currency and foreign currency loans and other payables (see Note 6). Certain bank deposits of ₩14,750 million (US\$12,798 thousand) in cash equivalents and short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩190,555 million (US\$165,341 thousand) to the banks concerned as of June 30, 2004. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of June 30, 2004, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,313,182 million (US\$1,139,420 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at June 30, 2004.
- (5) The Company accrues estimated product liabilities expenses (see Note 2) and carries the products and completed operations liability insurance (see Note 7) in order to cover the potential loss, which may occur due to the law suits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of June 30, 2004 will not have any material effect on its financial position.

14. CAPITAL STOCK:

Capital stock as of June 30, 2004 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common stock	450,000,000 shares	218,198,502 shares	₩ 5,000	₩ 1,147,592	\$ 995,742
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	287,211
				<u>₩ 1,478,603</u>	<u>\$ 1,282,953</u>

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of June 30, 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 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 dividends 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.

In 2003, a part of the stock options granted to the directors were exercised at an exercise price of ₩14,900 and the new common stock of 429,800 shares were issued. This issue of new common stock resulted in the increase in paid-in capital in excess of par value by ₩8,197 million (US\$7,112 thousand).

15. CAPITAL SURPLUS:

Capital surplus as of June 30, 2004 and December 31, 2003 consists of the following:

	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	
	<u>June 30, 2004</u>	<u>December 31, 2003</u>	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Paid-in capital in excess of par value	₩ 3,264,433	₩ 3,264,433	\$ 2,832,480	\$ 2,832,480
Asset revaluation surplus	1,852,871	1,852,871	1,607,697	1,607,697
Other	266,967	266,967	231,642	231,642
	<u>₩ 5,384,271</u>	<u>₩ 5,384,271</u>	<u>\$ 4,671,819</u>	<u>\$ 4,671,819</u>

In 2003, paid-in capital in excess of par value were increased by ₩ 8,197 million (US\$7,106 thousand) due to the issuance of new common stock (see Note 14).

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,210,340 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$13,902 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$515,640 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$58,609 thousand) and adjustment of ₩16,702 million (US\$14,492 thousand) due to the disposal of revalued assets within 1 year after revaluation.

16. RETAINED EARNINGS:

Retained earnings as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Appropriated:				
Legal reserve	₩ 155,870	₩ 126,870	\$ 135,245	\$ 110,082
Reserve for business rationalization	545,800	545,800	473,579	473,579
Reserve for improvement of financial structure	98,947	98,947	85,854	85,854
Reserve for overseas market development	48,800	48,800	42,343	42,343
Reserve for technology development	4,034,100	2,601,100	3,500,304	2,256,920
	4,883,517	3,421,517	4,237,325	2,968,778
Unappropriated	890,947	1,748,550	773,056	1,515,180
	₩5,774,464	₩5,170,067	\$ 5,010,381	\$ 4,485,958

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. The Regulation on Issues and Disclosures of the Securities for listed companies requires the Company to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50 percent of the net gain on disposition of property, plant and equipment and 10 percent of net income for each year until the Company's net worth equals 30 percent of total assets. These reserves are not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

The reserves for business rationalization, overseas market development and technological development are voluntary reserves, which are available for the payment of dividends.

Appropriations of retained earnings for the year ended December 31, 2003 was approved at the shareholders' meeting on March 12, 2004 and the appropriations including the cash dividends of ₩285,723 million (US\$247,916 thousand) are reflected in retained earnings on that approval date.

17. CAPITAL ADJUSTMENTS:

Capital adjustments as of June 30, 2004 and December 31, 2003 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Treasury stock	₩ (86,975)	₩ (89,706)	\$ (75,466)	\$ (77,836)
Gain on valuation of investments accounted for using the equity method	345,296	569,962	299,606	494,544
Gain on valuation of available-for-sale investments, net (See Note 4)	21,126	36,431	18,331	31,610
Stock option cost	19,072	15,404	16,548	13,366
Cumulative translation adjustments	(3,639)	(3,293)	(3,158)	(2,857)
Loss on valuation of derivatives	(9,860)	(63,814)	(8,555)	(55,370)
	₩ 285,020	₩ 464,984	\$ 247,306	\$ 403,457

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 1,026,510 common shares and 3,138,600 preferred shares with a carrying value of ₩86,975 million (US\$75,466 thousand) as of June 30, 2004 and 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US\$77,836 thousand) as of December 31, 2003, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011) and of ₩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 June 30, 2004 were exercised, 2,277,200 shares (1,417,000 shares and 860,200 shares for the options granted as of 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 2003, 429,800 shares of stock options granted as of March 10, 2000 were exercised by directors (see Note 14).

The Company calculates the total compensation expense using an 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 as of February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ₩16,229 million (US\$14,082 thousand) and ₩11,832 million (US\$10,266 thousand) for the options granted as of 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.

(3) Cumulative translation adjustments

Cumulative translation debits of ₩3,639 million (US\$3,158 thousand) and ₩3,293 million (US\$2,857 thousand) as of June 30, 2004 and December 31, 2003, respectively, which result from the translation of financial statements of the overseas branch, are included in capital adjustments on the basis set forth in Note 2.

(4) Loss on valuation of derivatives

Loss of ₩9,860 million (US\$8,555 thousand) and ₩63,814 million (US\$55,370 thousand) on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as of June 30, 2004 and December 31, 2003, respectively, is included in capital adjustments on the basis set forth in Note 2.

18. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the six-month periods ended June 30, 2004 and 2003 consists of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Six-month period ended June 30, 2004	Six-month period ended June 30, 2003	Six-month period ended June 30, 2004	Six-month Period ended June 30, 2003
Income tax currently payable	₩ 335,091	₩ 521,715	\$ 290,751	\$ 452,681
Changes in deferred income taxes due to:				
Temporary differences	74,646	(141,486)	64,769	(122,764)
Income tax expense	₩ 409,737	₩ 380,229	\$ 355,520	\$ 329,917

For the six-month periods ended June 30, 2004 and 2003, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Six month period ended	Six month period ended	Six month period ended	Six month period ended
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Income before tax	₩ 1,382,760	₩ 1,368,707	\$ 1,199,792	\$ 1,187,598
Addition	1,533,172	828,236	1,330,301	718,643
Deduction	(1,454,272)	(377,535)	(1,261,841)	(327,579)
Taxable income	₩ 1,461,660	₩ 1,819,408	\$ 1,268,252	\$ 1,578,662

The changes in accumulated temporary differences for the six-month period ended June 30, 2004 and for the year ended December 31, 2003 are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Six-month period ended	Year ended	Six-month Period ended	Year ended
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
Beginning of period, net	₩ 1,703,943	₩ 832,284	\$ 1,478,475	\$ 722,155
Changes for period, net	(338,366)	871,659	(293,593)	756,320
End of period, net	₩ 1,365,577	₩ 1,703,943	\$ 1,184,882	\$ 1,478,475

Deferred income taxes as of June 30, 2004 and December 31, 2003 are computed as follows:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
	Accumulated temporary differences, net	₩ 1,365,577	₩ 1,703,943	\$ 1,184,882
Adjustments (*):				
Gain on revaluation of land and others	423,685	345,567	367,623	299,841
	1,789,262	2,049,510	1,552,505	1,778,317
Statutory tax rate	× (**)	× (**)	× (**)	× (**)
Deferred income tax assets	₩ 501,683	₩ 576,329	\$ 435,300	\$ 500,069

(*) The Company did not recognize deferred income tax assets related to gain of revaluation of land and others since the probability of its realization in the near future is uncertain.

(**) In calculating the deferred income tax assets, 27.5 percent is applied to the temporary difference to be realized after December 31, 2004, because marginal corporate tax rate is expected to be lowered from 29.7 percent to 27.5 percent after December 31, 2004.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future and calculated using the expected corporate tax rate in the period when the tax benefits will be realized. As of June 30, 2004, the Company believes the deferred income tax assets of ₩501,683 million (US\$435,300 thousand) can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The effective tax rates are 29.6 percent and 27.8 percent for six-month periods ended June 30, 2004 and 2003, respectively, and 28.2 percent and 22.5 percent for three-month periods ended June 30, 2004 and 2003, respectively.

19. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies for the three-month and six-month periods ended June 30, 2004 and 2003 and outstanding balances as of June 30, 2004 and December 31, 2003 are summarized below.

Affiliated Company	Sales (Purchases)					
	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)	
	Three-month		Six-month		Six-month	
	2004	2003	2004	2003	2004	2003
Hyundai Motor America	₩ 1,492,841	₩ 1,991,696	₩ 3,032,125	₩ 3,719,053	\$ 2,630,911	\$ 3,226,944
Hyundai Motor India	135,816	61,339	251,675	93,670	218,373	81,275
Hyundai Motor Japan Co.	6,124	4,515	12,923	12,761	11,213	11,072
HAOSVT	286,662	91,319	430,409	121,380	373,457	105,319
Hyundai Motor Poland Sp.zo.o.	35,412	33,324	72,152	53,560	62,605	46,473
Kia Motors Corporation	177,581	272,050	598,832	507,598	519,594	440,432
	(94,466)	(98,126)	(173,871)	(195,188)	(150,864)	(169,361)
KEFICO	(82,268)	(72,122)	(159,497)	(151,431)	(138,392)	(131,393)
Hyundai MOBIS	180,231	20,363	223,723	67,235	194,120	58,338
	(344,786)	(160,094)	(580,513)	(406,799)	(503,699)	(352,971)
Dymos Inc.	(51,879)	(20,848)	(99,378)	(97,372)	(86,228)	(84,488)
Hyundai HYSCO	(49,936)	(47,474)	(87,846)	(87,904)	(76,222)	(76,272)

Affiliated Company	Receivables (Payables)			
	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	June 30, 2004	December 31, 2003	June 30, 2004	December 31, 2003
	₩	₩	\$	\$
Hyundai Motor America	128,955	258,066	111,892	223,918
	(18,418)	(38,556)	(15,981)	(33,454)
HAOSVT	22,198	30,019	19,261	26,047
Hyundai Motor India	30,826	22,309	26,747	19,357
Kia Motors Corporation	232,385	109,816	201,636	95,285
	(124,825)	(96,736)	(108,308)	(83,939)
Hyundai MOBIS	116,697	56,098	101,256	48,675
	(274,156)	(178,071)	(237,879)	(154,508)
KEFICO	(49,138)	(53,590)	(42,636)	(46,499)
Dymos Inc.	(55,933)	(73,095)	(48,532)	(63,423)
Hyundai HYSCO	(40,747)	(30,100)	(35,355)	(26,117)
Hyundai Powertech	(26,749)	(30,252)	(23,210)	(26,249)
WIA	(35,903)	(34,717)	(31,152)	(30,123)
Autoever Systems Corp.	(33,822)	(51,800)	(29,347)	(44,946)

20. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of June 30, 2004 and December 31, 2003 are summarized below.

	Foreign currencies				Korean Won (in millions)			
	June 30, 2004		December 31, 2003		June 30, 2004		December 31, 2003	
Assets	US\$	530,595,906	US\$	787,075,386	₩	611,512	₩	942,759
	JP ¥	68,622,754	JP ¥	235,516,298		730		2,637
	GBP	7,878,717	GBP	35,467,992		16,418		75,521
	CAD	10,743,097	CAD	10,012,579		9,207		9,272
	EUR	138,751,421	EUR	134,334,020		193,372		201,848
	AUD	18,285,301	AUD	12,960,566		14,563		11,625
					₩	845,802	₩	1,243,662
Liabilities	US\$	930,810,037	US\$	1,029,725,152	₩	1,072,759	₩	1,233,405
	JP ¥	27,508,343,638	JP ¥	29,214,309,605		292,697		327,083
	GBP	10,551,527	GBP	9,010,979		21,988		19,187
	CAD	3,828,507	CAD	3,332,657		3,281		3,086
	EUR	149,794,059	EUR	167,708,780		12,249		251,996
	AUD	15,379,575	AUD	27,323,421		208,762		24,508
					₩	1,611,736	₩	1,859,265

21. REGIONAL SALES INFORMATION:

Sales by region for the three-month and six-month periods ended June 30, 2004 and 2003 are as follows:

	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)	
	Three-month		Six-month		Six-month	
	2004	2003	2004	2003	2004	2003
Domestic sales	₩ 2,735,193	₩ 2,739,846	₩ 5,207,843	₩ 5,771,246	\$ 4,518,736	\$ 5,007,589
Export sales – Vehicle products						
North America	1,644,008	1,985,387	3,032,118	3,712,830	2,630,905	3,221,544
Europe	1,118,328	858,502	2,028,298	1,477,220	1,759,911	1,281,753
South America	140,890	151,004	238,705	236,350	207,119	205,076
Asia & Pacific	220,561	156,487	451,995	281,376	392,187	244,144
Middle Asia & Africa	405,690	173,781	693,731	299,686	601,936	260,031
	3,529,477	3,325,161	6,444,847	6,007,462	5,592,058	5,212,548
Export sales – Other	918,603	516,071	1,737,922	887,750	1,507,958	770,282
Export sales	4,448,080	3,841,232	8,182,769	6,895,212	7,100,016	5,982,830
Total sales	₩ 7,183,273	₩ 6,581,078	₩ 13,390,612	₩ 12,666,458	\$ 11,618,752	\$ 10,990,419

22. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three-month and six-month periods ended June 30, 2004 and 2003 are as follows:

	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)	
	Three month		Six month		Six month	
	2004	2003	2004	2003	2004	2003
Salary-related costs	₩ 263,600	₩ 255,722	₩ 482,033	₩ 548,379	\$ 418,250	\$ 475,817
Export costs	188,133	154,156	338,780	270,354	293,952	234,580
Sales promotion and advertisements	87,276	220,235	268,543	330,435	233,009	286,711
Sales commissions	80,088	70,938	143,676	149,931	124,665	130,092
Sales warranties	299,407	356,895	666,875	680,945	578,633	590,842
Taxes and dues	2,997	4,239	6,184	11,764	5,366	10,207
Communications	5,736	6,078	11,247	12,032	9,759	10,440
Utilities	4,492	4,773	11,801	11,977	10,239	10,392
Freight and warehousing	18,368	18,617	35,504	38,433	30,806	33,348
Rent	4,284	5,412	9,104	11,190	7,899	9,709
Travel	11,971	11,737	23,751	23,741	20,608	20,600
Service charges	49,441	32,164	81,906	64,243	71,068	55,742
Maintenance	5,856	4,250	10,414	6,759	9,036	5,865
Supplies	4,875	4,916	9,938	8,973	8,623	7,786
Research	78,356	54,037	160,870	112,577	139,584	97,681
Depreciation	16,576	15,290	33,120	30,218	28,738	26,220
Amortization	9,856	9,614	19,704	19,181	17,097	16,643
Stock option cost	1,538	3,314	3,669	3,314	3,184	2,875
Other	8,077	6,804	15,193	13,084	13,182	11,352
	<u>₩ 1,140,927</u>	<u>₩ 1,239,191</u>	<u>₩ 2,332,312</u>	<u>₩ 2,347,530</u>	<u>\$ 2,023,698</u>	<u>\$ 2,036,902</u>