

HYUNDAI MOTOR COMPANY

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

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 September 30, 2004, and the related non-consolidated statements of income and cash flows for the three-month and nine-month periods ended September 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 statements 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 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\$297,319 thousand) in 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\$ 401,696 thousand), is accounted for as impairment loss and charged to current operation.

As explained in Note 23, on September 7, 2004, the Company entered into the merger contract with Hyundai Commercial Vehicle Engine Co., Ltd. for the purpose of the strengthening competitiveness through focusing its strength on research and development of engines. Under the contract, the merging ratio is set at 1: 0 and the date of merger is scheduled for November 5, 2004. On October 1, 2004, it was approved on the board of directors of the Company.

As explained in Note 23, on October 1, 2004, the Company sold 16,645,641 shares of common stock of Hyundai Capital Service Inc. to GE Capital International Holdings Corporation at the price of ₩16,000 (US\$13.94) per share for the purpose of strategic cooperation with General Electric Capital Corporation. Also, on October 14, 2004, the Company participated in Hyundai Capital Service Inc.'s capital increase to acquire 13,562,500 shares of common stock at the price of ₩16,000 per share with the resulting ownership of 61.08%.

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.

Anjin Deloitte LLC

Seoul, Korea
October 29, 2004

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 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)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Current assets:				
Cash and cash equivalents (Note 13)	₩ 622,241	₩ 1,442,517	\$ 542,069	\$ 1,256,657
Short-term financial instruments (Note 13)	4,388,470	3,389,683	3,826,042	2,952,943
Short-term investment securities (Note 4)	191,674	212,167	166,978	184,831
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩27,457 million and ₩27,628 million as of September 30, 2004 and December 31, 2003, respectively	1,288,194	1,463,770	1,122,218	1,275,172
Inventories (Note 3)	1,313,922	1,319,032	1,144,631	1,149,083
Advances and other	561,939	508,689	489,537	443,147
Total current assets	8,366,440	8,335,858	7,288,475	7,261,833
Non-current assets:				
Long-term investment securities (Notes 4 and 13)	283,860	320,046	247,286	278,810
Investment securities accounted for using the equity method (Notes 5 and 13)	5,556,723	5,047,877	4,840,773	4,397,488
Property, plant and equipment, net of accumulated depreciation of ₩4,504,006 million and ₩4,003,751 million as of September 30, 2004 and December 31, 2003, respectively (Notes 6, 7, 8 and 13)	8,544,725	8,475,827	7,443,789	7,383,768
Intangibles (Note 9)	549,704	948,472	478,878	826,267
Deferred income tax assets (Note 18)	575,256	576,329	501,138	502,072
Other assets (Notes 10 and 13)	561,975	545,736	489,567	475,422
Total non-current assets	16,072,243	15,914,287	14,001,431	13,863,827
Total assets	<u>₩ 24,438,683</u>	<u>₩ 24,250,145</u>	<u>\$ 21,289,906</u>	<u>\$ 21,125,660</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF SEPTEMBER 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)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Current liabilities:				
Short-term borrowings (Note 11)	₩ 946,917	₩ 628,726	\$ 824,912	\$ 547,718
Current maturities of long-term debt (Note 8 and 12)	496,229	945,906	432,293	824,032
Trade notes and accounts payable	2,946,875	3,318,713	2,567,188	2,891,117
Accrued warranties	751,007	602,028	654,244	524,460
Accounts payable-other	550,473	935,040	479,548	814,566
Income tax payable	235,762	501,727	205,385	437,082
Withholdings and other	593,640	476,974	517,154	415,519
Total current liabilities	6,520,903	7,409,114	5,680,724	6,454,494
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 8 and 12)	997,740	1,013,680	869,187	883,073
Accrued severance benefits, net of National Pension payments for employees of ₩39,862 million and ₩54,225 million as of September 30, 2004 and December 31, 2003, respectively, and individual severance insurance deposits of ₩694,425 million and ₩791,614 million as of September 30, 2004 and December 31, 2003, respectively (Note 2)	412,396	406,638	359,261	354,245
Accrued warranties	2,863,897	2,709,331	2,494,901	2,360,250
Other	123,230	213,457	107,353	185,955
Total long-term liabilities	4,397,263	4,343,106	3,830,702	3,783,523
Total liabilities	10,918,166	11,752,220	9,511,426	10,238,017
Commitments and contingencies (Note 13)				
Shareholders' equity:				
Capital stock (Note 14)	1,478,603	1,478,603	1,288,094	1,288,094
Capital surplus (Note 15)	5,384,271	5,384,271	4,690,540	4,690,540
Retained earnings (Note 16) (Net income of ₩1,423,201 million and ₩1,749,371 million for the nine-month period ended September 30, 2004 and for the year ended December 31, 2003, respectively)	6,214,855	5,170,067	5,414,108	4,503,935
Capital adjustments (Note 17)	442,788	464,984	385,739	405,074
Total shareholders' equity	13,520,517	12,497,925	11,778,480	10,887,643
Total liabilities and shareholders' equity	₩ 24,438,683	₩ 24,250,145	\$ 21,289,906	\$ 21,125,660

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in millions, except per share amounts)				Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	Three-month		Nine-month		Nine-month	
	2004	2003	2004	2003	2004	2003
Sales (Note 21)						
Domestic sales	₩ 2,380,953	₩ 2,277,017	₩ 7,588,796	₩ 8,048,263	\$ 6,611,025	\$ 7,011,293
Export sales	<u>4,159,157</u>	<u>2,770,881</u>	<u>12,341,926</u>	<u>9,666,093</u>	<u>10,751,743</u>	<u>8,420,675</u>
	<u>6,540,110</u>	<u>5,047,898</u>	<u>19,930,722</u>	<u>17,714,356</u>	<u>17,362,768</u>	<u>15,431,968</u>
Cost of sales	<u>5,004,868</u>	<u>3,790,968</u>	<u>14,889,325</u>	<u>12,851,276</u>	<u>12,970,925</u>	<u>11,195,467</u>
Gross profit	1,535,242	1,256,930	5,041,397	4,863,080	4,391,843	4,236,501
Selling and administrative expenses (Note 22)	<u>1,071,503</u>	<u>1,005,369</u>	<u>3,403,815</u>	<u>3,352,899</u>	<u>2,965,254</u>	<u>2,920,898</u>
Operating income	<u>463,739</u>	<u>251,561</u>	<u>1,637,582</u>	<u>1,510,181</u>	<u>1,426,589</u>	<u>1,315,603</u>
Other income (expenses), net:						
Interest income, net	24,933	6,950	55,647	19,080	48,477	16,622
Foreign exchange income, net	11,428	24,388	68,973	43,337	60,086	37,753
Gain on valuation of investments accounted for using the equity method, net	12,637	29,069	249,778	34,360	217,596	29,933
Gain (loss) on valuation of derivatives, net	9,001	(63,317)	25,776	(60,353)	22,455	(52,577)
Reversal of accrued warranties (Note 2)	-	-	341,293	-	297,319	-
Royalty income	59,936	76,378	131,544	118,873	114,595	103,557
Impairment loss on intangibles (Note 9)	-	-	(461,107)	(84)	(401,696)	(73)
Other, net	<u>2,541</u>	<u>64,230</u>	<u>(82,511)</u>	<u>92,572</u>	<u>(71,879)</u>	<u>80,645</u>
	<u>120,476</u>	<u>137,698</u>	<u>329,393</u>	<u>247,785</u>	<u>286,953</u>	<u>215,860</u>
Ordinary income	584,215	389,259	1,966,975	1,757,966	1,713,542	1,531,463
Income tax expense (Note 18)	<u>134,037</u>	<u>87,677</u>	<u>543,774</u>	<u>467,906</u>	<u>473,712</u>	<u>407,619</u>
Net income	<u>₩ 450,178</u>	<u>₩ 301,582</u>	<u>₩ 1,423,201</u>	<u>₩ 1,290,060</u>	<u>\$ 1,239,830</u>	<u>\$ 1,123,844</u>
Earnings per common share (Note 2)	<u>₩ 1,996</u>	<u>₩ 1,316</u>	<u>₩ 6,305</u>	<u>₩ 5,716</u>	<u>\$ 5.49</u>	<u>\$ 4.98</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 1,990</u>	<u>₩ 1,311</u>	<u>₩ 6,288</u>	<u>₩ 5,699</u>	<u>\$ 5.48</u>	<u>\$ 4.97</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in millions)				Translation into U. S. dollars (Note 2) (in thousands)	
	Three-month		Nine-month		Nine -month	
	2004	2003	2004	2003	2004	2003
Cash flows from operating activities:						
Net income	₩ 450,178	₩ 301,582	₩1,423,201	₩1,290,060	\$ 1,239,830	\$ 1,123,844
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	189,248	193,811	560,491	572,294	488,275	498,557
Provision for severance benefits	37,745	74,527	186,899	158,290	162,818	137,895
Provision for warranties	291,022	245,059	928,790	895,030	809,121	779,711
Amortization of intangibles	34,936	44,474	128,227	170,711	111,706	148,716
Amortization of discount on debentures	2,717	5,872	9,962	17,929	8,678	15,619
Impairment loss on long-term investment securities	-	-	42,175	11,267	36,741	9,815
Impairment loss on intangibles	-	-	461,107	84	401,696	73
Loss(gain) on foreign currency translation, net	1,027	(22,111)	(36,106)	(29,928)	(31,454)	(26,072)
Loss(gain) on disposal of short-term investment securities	7	(82,473)	(113)	(81,841)	(98)	(71,296)
Loss(gain) on disposal of long-term investment securities, net	(1)	5	(1,052)	(6,119)	(917)	(5,331)
Gain on valuation of investments accounted for using the equity method, net	(12,637)	(29,069)	(249,778)	(34,360)	(217,596)	(29,933)
Loss(gain) on valuation of derivative instruments, net	(9,001)	63,317	(25,776)	60,353	(22,455)	52,577
Reversal of accrued warranties	-	-	(341,293)	-	(297,319)	-
Other	34,357	27,832	82,843	52,667	72,169	45,881
Changes in operating assets and liabilities:						
Decrease(increase) in trade notes and accounts receivable	60,821	26,029	147,947	(332,886)	128,885	(289,995)
Decrease(increase) in inventories	109,637	11,850	(76,476)	(588,216)	(66,623)	(512,428)
Increase in other current assets	(3,766)	(60,508)	(27,917)	(34,978)	(24,320)	(30,471)
Decrease(increase) in long-term notes and accounts receivables	-	(1,919)	-	3,497	-	3,046
Decrease(increase) in deferred income tax assets	(73,573)	(40,787)	1,073	(182,274)	935	(158,789)
Decrease in trade notes and accounts payable	(293,009)	(243,908)	(371,075)	(82,405)	(323,264)	(71,787)
Decrease in accounts payable-other	(42,389)	(125,378)	(423,563)	(150,264)	(368,990)	(130,903)
Increase(decrease) in income tax payable	(109,144)	(16,711)	(265,964)	30,594	(231,696)	26,652
Increase(decrease) in other current liabilities	(249,411)	(67,210)	117,456	387,916	102,323	337,935
Decrease in accrued warranties	(80,205)	(100,117)	(283,952)	(314,443)	(247,366)	(273,929)
Payment of severance benefits	(38,100)	(30,079)	(293,334)	(230,713)	(255,540)	(200,987)
Decrease in individual severance insurance deposits	13,083	12,924	97,189	41,630	84,667	36,266
Other	13,665	11,854	21,920	21,023	19,096	18,314
	<u>327,207</u>	<u>198,866</u>	<u>1,812,881</u>	<u>1,644,918</u>	<u>1,579,302</u>	<u>1,432,980</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in millions)				Translation into U. S. dollars (Note 2) (in thousands)	
	Three-month		Nine-month		Nine -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	64	488,024	12,836	500,378	11,182	435,907
Reduction in other current assets	30,900	24,400	120,699	36,600	105,148	31,884
Proceeds from disposal of long-term investment securities	-	4,584	14,885	4,584	12,967	3,993
Dividends and proceeds from disposal of investment securities accounted for using the equity method	30,617	-	144,443	100,542	125,832	87,588
Reduction in other assets	44,938	16,617	107,672	37,780	93,800	32,913
Proceeds from disposal of property, plant and equipment	5,281	1,862	14,823	7,954	12,913	6,929
Proceeds from disposal of intangibles	-	1,390	2,701	5,354	2,353	4,664
	<u>111,800</u>	<u>536,877</u>	<u>418,059</u>	<u>693,192</u>	<u>364,195</u>	<u>603,878</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(260,998)	(35,768)	(998,787)	(167,210)	(870,099)	(145,666)
Acquisition of short-term investment securities	(75)	(10,179)	(698)	(82,272)	(608)	(71,672)
Acquisition of long-term investment securities	(2,580)	(97,559)	(5,468)	(745,809)	(4,763)	(649,716)
Acquisition of investment securities account for using the equity method	(439,247)	-	(516,819)	-	(450,230)	-
Additions to other current assets	(30,600)	(24,100)	(140,999)	(36,300)	(122,832)	(31,623)
Additions to other assets	(45,990)	(18,587)	(120,398)	(55,189)	(104,886)	(48,077)
Acquisition of property, plant and equipment	(262,005)	(239,635)	(602,559)	(517,682)	(524,923)	(450,982)
Expenditures for development costs	(67,546)	(44,442)	(189,096)	(123,024)	(164,732)	(107,173)
	<u>(1,109,041)</u>	<u>(470,270)</u>	<u>(2,574,824)</u>	<u>(1,727,486)</u>	<u>(2,243,073)</u>	<u>(1,504,909)</u>
	<u>(997,241)</u>	<u>66,607</u>	<u>(2,156,765)</u>	<u>(1,034,294)</u>	<u>(1,878,878)</u>	<u>(901,031)</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	<u>976,458</u>	<u>1,081,889</u>	<u>2,291,350</u>	<u>2,852,149</u>	<u>1,996,123</u>	<u>2,484,667</u>
	<u>976,458</u>	<u>1,081,889</u>	<u>2,291,350</u>	<u>2,852,149</u>	<u>1,996,123</u>	<u>2,484,667</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(639,794)	(1,256,205)	(1,968,178)	(2,739,501)	(1,714,590)	(2,386,533)
Payment of cash dividends	-	-	(285,659)	(243,079)	(248,854)	(211,760)
Purchase of treasury stock	-	-	(65,092)	-	(56,705)	-
Repayment of long-term debt	(215,766)	(140,689)	(448,813)	(665,493)	(390,986)	(579,748)
	<u>(855,560)</u>	<u>(1,396,894)</u>	<u>(2,767,742)</u>	<u>(3,648,073)</u>	<u>(2,411,135)</u>	<u>(3,178,041)</u>
	<u>120,898</u>	<u>(315,005)</u>	<u>(476,392)</u>	<u>(795,924)</u>	<u>(415,012)</u>	<u>(693,374)</u>
Net decrease in cash and cash equivalents	<u>(549,136)</u>	<u>(49,532)</u>	<u>(820,276)</u>	<u>(185,300)</u>	<u>(714,588)</u>	<u>(161,425)</u>
Cash and cash equivalents, beginning of period	<u>1,171,377</u>	<u>1,141,604</u>	<u>1,442,517</u>	<u>1,277,372</u>	<u>1,256,657</u>	<u>1,112,790</u>
Cash and cash equivalents, end of period	<u>₩ 622,241</u>	<u>₩1,092,072</u>	<u>₩ 622,241</u>	<u>₩1,092,072</u>	<u>\$ 542,069</u>	<u>\$ 951,365</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 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 September 30, 2004, 43.73 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 56.27 percent is owned by foreign investors including Mitsubishi of Japan (1.05 percent).

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, sales distributors and research and development centers as follows:

<u>Companies</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 ₩1,147.90 to US \$1.00 at September 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 September 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 4 and 20 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 ₩1,146,683 million (US\$998,940 thousand) and ₩1,252,477 million (US\$1,091,103 thousand) as of September 30, 2004 and December 31, 2003, respectively.

Accrued severance benefits are approximately 61 percent funded as of September 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 ₩ 39,862 million (US\$34,726 thousand) and ₩54,225 million (US\$47,238 thousand) as of September 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 ₩293,334 million (US\$255,540 thousand) and ₩230,713 million (US\$200,987 thousand) for the nine-month periods ended September 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 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\$297,319 thousand) in 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 September 30, 2004 and December 31, 2003 the Company deferred the loss of ₩11,413 million (US\$9,942 thousand) and ₩63,814 million (US\$55,592 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 50 months from September 30, 2004. Of the net loss on valuation recorded as capital adjustments as of September 30, 2004 amounting to ₩11,413 million (US\$9,942 thousand), the loss of ₩302 million (US\$263 thousand) is expected to be realized and charged to current operations within one year from September 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 September 30, 2004, all premiums to be paid by the Company are recorded as long-term other accounts payable in long-term liabilities of ₩64,929 million (US\$56,563 thousand) and accounts payable-other of ₩26,578 million (US\$ 23,154 thousand), after deducting the present value discount of ₩14,673 million (US\$12,782 thousand) and as of December 31, 2003, were recorded as long-term other accounts payable of ₩89,864 million (US\$78,286 thousand) and accounts payable-other of ₩27,706 million (US\$ 24,136 thousand) after deducting the present value discount of ₩20,959 million (US\$18,259 thousand). Also, as of September 30, 2004, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩10,684 million (US\$9,307 thousand) and accounts receivable-other of ₩4,357 million (US\$3,796 thousand), after deducting the present value discount of ₩2,388 million (US\$2,080 thousand) (see Note 11), and as of December 31, 2003, were recorded as long-term other accounts receivable of ₩14,745 million (US\$12,845 thousand) and accounts receivable-other of ₩4,547 million (US\$3,961 thousand), after deducting the present value discount of ₩3,441 million (US\$2,998 thousand).

For the nine-month periods ended September 30, 2004 and 2003, the Company recognized the net gain of ₩25,776 million (US\$22,455 thousand) and the net loss of ₩60,353 million (US\$52,577 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 ₩175,556 million (US\$152,937 thousand) and ₩162,722 million (US\$141,756 thousand) in other assets as of September 30, 2004 and December 31, 2003, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩48,750 million (US\$42,469 thousand) and ₩104,596 million (US\$91,119 thousand) is recorded in liabilities as of September 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 ₩1,147.90 and 1,197.80 to US \$1.00 at September 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 nine-month periods ended September 30, 2004 and 2003, which was ₩1,163.40 and ₩1,195.10 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 three months and nine 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 217,171,992 and 218,172,301 for the three-month periods ended September 30, 2004 and 2003, respectively, and 217,761,318 and 218,120,503 for the nine-month periods ended September 30, 2004 and 2003, respectively. Diluted earnings per common share is computed by dividing net income, after deduction for expected dividends for three months and nine 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 217,762,302 and 218,824,674 for the three-month periods ended September 30, 2004 and 2003, respectively, and 218,353,711 and 218,772,876 for the nine-month periods ended September 30, 2004 and 2003, respectively.

Earnings per common share for the three-month period ended March 31, 2004 and June 30, 2004 and the year ended December 31, 2003 is ₩2,046 (US\$1.78), ₩2,267 (US\$1.97) and ₩7,725 (US\$6.73), respectively. Also, Diluted earnings per common share for the three-month period ended March 31, 2004 and June 30, 2004 and the year ended December 31, 2003 is ₩2,040 (US\$1.78), ₩2,260 (US\$1.97) and ₩7,701 (US\$6.71), respectively.

3. INVENTORIES:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Finished goods and merchandise	₩ 440,150	₩ 468,441	\$ 383,439	\$ 408,085
Semi-finished goods and work in process	419,693	419,021	365,618	365,033
Raw materials and supplies	334,696	294,387	291,572	256,457
Materials in transit	119,383	137,183	104,002	119,508
	<u>₩ 1,313,922</u>	<u>₩ 1,319,032</u>	<u>\$ 1,144,631</u>	<u>\$ 1,149,083</u>

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

(1) Short-term investment securities as of September 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)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Local currency beneficiary certificates	₩ 191,651	₩ 200,155	\$ 166,958	\$ 174,367
Foreign currency beneficiary certificates	₩ -	₩ 11,992	\$ -	\$ 10,447
Government bonds	23	20	20	17
	<u>₩ 191,674</u>	<u>₩ 212,167</u>	<u>\$ 166,978</u>	<u>\$ 184,831</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 ₩44,583 million (US\$38,839 thousand) and ₩53,048 million (US\$46,213 thousand) in capital adjustments as of September 30, 2004 and December 31, 2003, respectively.

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Available-for-sale securities	₩ 235,360	₩ 271,546	\$ 205,035	\$ 236,559
Held-to-maturity securities	48,500	48,500	42,251	42,251
	<u>₩ 283,860</u>	<u>₩ 320,046</u>	<u>\$ 247,286</u>	<u>\$ 278,810</u>

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Equity securities stated at fair value	₩ 96,719	₩ 132,605	\$ 84,257	\$ 115,520
Equity securities stated at acquisition cost	133,510	133,862	116,308	116,615
Government bonds	65	65	57	57
Corporate bonds	5,066	5,014	4,413	4,368
	<u>₩ 235,360</u>	<u>₩ 271,546</u>	<u>\$ 205,035</u>	<u>\$ 236,559</u>

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

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	₩ 1,557	\$ 1,356	8.66
Korea Mutual Savings Bank	2,846	3,410	2,971	8.13
Korea Environment Technology Co., Ltd.	1,500	3,405	2,966	6.00
Hyundai Heavy Industries Co., Ltd.	56,924	67,890	59,143	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,383	1,205	2.21
Hyundai Corporation	13,626	648	564	1.08
LG Telecom Co., Ltd.	9,795	6,778	5,905	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	5,402	4,706	0.55
KT Freetel Co., Ltd.	10,800	6,226	5,424	0.18
Tong Yang Investment Bank	283	20	17	0.01
Treasury Stock Fund (*)	3,027	-	-	-
	<u>₩ 118,296</u>	<u>₩ 96,719</u>	<u>\$ 84,257</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 September 30, 2004 amounting to ₩45,958 million (US\$40,037 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩21,577 million (US\$18,797 thousand) as of September 30, 2004, between the book value and the acquisition cost consists of loss on valuation of available-for-sale securities in capital adjustments of ₩412 million (US\$359 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$18,438 thousand). The net gain on valuation of available-for-sale securities amounting to ₩44,171 million (US\$38,480 thousand) in capital adjustments as of September 30, 2004 consists of gain on valuation of short-term investment securities amounting to ₩44,583 million (US\$38,839 thousand) and loss on valuation of long-term investment securities amounting to ₩412 million (US\$359 thousand).

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

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	\$ 4,275	91.75
NGVTEK.com (*)	571	571	494	53.66
Heesung PM Tech corporation	1,194	1,194	1,040	19.90
Jinil MVC Co., Ltd.	180	180	157	18.00
Industry Otomotif Komersial	4,439	4,439	3,867	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,912	14.97
Hyundai Research Institute	1,359	1,271	1,107	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	119	14.90
Mando Map & Soft Co., Ltd.	778	778	678	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,178	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,045	11.59
Micro infinity	607	607	529	10.51
Kihyup Finance	3,000	3,000	2,614	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	8,712	9.99
Hankyoreh Plus Inc.	4,800	284	248	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	77,408	7.24
Hyundai Asan Corporation	22,500	5,405	4,709	4.61
U.S Electrical Inc.	2,204	2,204	1,920	3.80
ROTIS Inc.	1,000	8	7	3.76
Other	1,579	1,478	1,289	
	<u>₩ 161,960</u>	<u>₩ 133,510</u>	<u>\$ 116,308</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\$ 6,098 thousand), are not material.

In 2004, impairment loss of ₩42,175 million (US\$36,741 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 ₩5,131 million (US\$4,470 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from September 30, 2004.

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

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	\$ 1,734	8.66
Korea Mutual Savings Bank	2,846	3,501	3,050	8.13
Korea Industrial Development Co., Ltd.	2,861	1,856	1,617	1.25
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	71,544	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,098	2.21
Hyundai Corporation	13,626	747	651	1.08
LG Telecom, Ltd.	9,795	6,834	5,953	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	4,848	0.55
Chohung Bank	25,000	10,288	8,962	0.37
KT Freetel	10,800	6,376	5,554	0.17
Treasury Stock Fund (*)	4,067	1,499	1,306	-
Stock Market Stabilization Fund	3,525	10,546	9,187	-
Tong Yang Investment Bank	283	18	16	0.01
	<u>₩ 149,222</u>	<u>₩ 132,605</u>	<u>\$ 115,520</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\$39,131 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩16,617 million (US\$14,476 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\$31,737 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\$46,213 thousand) and loss on valuation of long-term investment securities amounting to ₩16,617 million (US\$14,476 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	\$ 1,759	84.87
NGVTEK.com (*)	571	571	497	53.66
Jinil MVC Co., Ltd.	180	180	157	18.00
Industry Otomotif Komersial	4,439	4,439	3,867	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,912	14.97
Hyundai Research Institute	1,359	1,271	1,107	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	119	14.90
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,178	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,045	11.59
Kihyup Finance	3,000	3,000	2,613	10.34
Hyundai Motor Deutschland GmbH	863	863	752	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	8,712	9.99
KOENTECH	1,500	1,500	1,307	7.50
Hankyoreh Plus Inc.	4,800	284	248	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	77,408	7.24
Hyundai Asan Corporation	22,500	8,861	7,719	5.00
U.S Electrical Inc.	2,204	2,204	1,920	3.80
ROTIS Inc.	1,000	8	7	3.76
Other	1,579	1,478	1,288	-
	<u>₩ 158,856</u>	<u>₩ 133,862</u>	<u>\$ 116,615</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\$ 6,098 thousand), are not material.

In 2003, impairment loss of ₩11,267 million (US\$9,815 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\$4,425 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 September 30, 2004 and December 31, 2003 are subordinate debt securities of ₩48,500 million (US\$42,251 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 September 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	₩ 365,547	₩ 354,287	\$ 212,577	\$ 318,448	\$ 308,639	100.00
Hyundai Motor America	761,434	960,903	892,534	663,328	837,096	777,536	100.00
Hyundai Translead	74,977	32,374	62,783	65,317	28,203	54,694	100.00
Hyundai Machine Tool Europe GmbH	25,397	12,131	14,992	22,125	10,568	13,060	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	3,179	20,334	21,029	2,769	17,714	100.00
Hyundai Motor Japan Co. (*1)	32,479	-	-	28,294	-	-	100.00
Hyundai Motor Europe GmbH	17,529	26,567	26,567	15,270	23,144	23,144	100.00
Hyundai America Technical Center Inc.	9,635	16,244	16,244	8,393	14,151	14,151	100.00
HMJ R&D Center Inc.	1,510	2,260	2,260	1,315	1,969	1,969	100.00
Hyundai Motor Company Australia	12,382	18,817	24,158	10,787	16,393	21,045	100.00
Hyundai Commercial Vehicle Engine Co., Ltd.	110,525	39,570	39,570	96,285	34,472	34,472	100.00
Hyundai Capital Service Inc.	348,816	437,615	329,513	303,873	381,231	287,057	84.24
ROTEM	270,222	227,281	301,083	235,405	197,997	262,290	78.36
Hyundai Card Co., Ltd.	557,126	103,605	120,233	485,344	90,256	104,742	59.02
HAOSVT (Turkey)	48,013	60,246	23,823	41,827	52,484	20,754	50.00
Beijing-Hyundai Motor Company	133,691	331,076	325,730	116,466	288,419	283,762	50.00
Hyundai Powertech	120,000	132,071	132,071	104,539	115,054	115,055	50.00
KEFICO	20,911	90,669	88,915	18,217	78,987	77,459	50.00
Dymos Inc.	68,872	91,239	89,836	59,998	79,483	78,261	47.27
WIA	8,989	106,114	77,993	7,831	92,442	67,944	45.30
Kia Motors Corporation	923,957	1,423,426	2,185,967	804,911	1,240,026	1,904,318	38.67
Korea Aerospace Industries, Ltd.(*3)	129,800	82,969	82,724	113,076	72,279	72,066	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,396	13,396	11,776	11,670	11,670	30.00
Hyundai Motor Deutschland GmbH	6,762	11,898	8,920	5,891	10,365	7,771	30.00
Korea Economy Daily	19,973	9,782	13,685	17,400	8,522	11,922	29.57
Hyundai HYSCO	200,768	138,298	239,606	174,900	120,479	208,734	26.13
Autoever Systems Corp.	1,250	5,438	5,438	1,089	4,737	4,737	25.00
Iljin Bearing Co., Ltd.	826	13,357	13,357	719	11,636	11,636	20.00
Daesung Automotive Co., Ltd.	400	5,797	5,797	348	5,050	5,050	20.00
Eukor Car Carriers Inc. (*2)	29,347	55,223	44,907	25,566	48,108	39,121	12.00
	<u>₩ 4,217,265</u>	<u>₩ 4,817,092</u>	<u>₩ 5,556,723</u>	<u>\$ 3,673,896</u>	<u>\$ 4,196,438</u>	<u>\$ 4,840,773</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.

(*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 September 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 September 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	\$ 212,577	\$ 296,607	\$ 296,607	100.00
Hyundai Motor America	484,861	728,296	647,068	422,389	634,459	563,697	100.00
Hyundai Translead	74,977	13,363	45,220	65,317	11,641	39,394	100.00
Hyundai Machine Tool Europe GmbH	25,397	13,175	17,185	22,125	11,477	14,971	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	(446)	17,505	21,029	(389)	15,250	100.00
Hyundai Motor Japan Co. (*1)	21,376	-	-	18,622	-	-	100.00
Hyundai Motor Europe GmbH	17,529	21,974	21,974	15,270	19,143	19,143	100.00
Hyundai America Technical Center Inc.	9,635	16,101	16,101	8,394	14,027	14,026	100.00
HMJ R&D Center Inc.	1,510	2,391	2,391	1,315	2,083	2,083	100.00
Hyundai Motor Company Australia	12,329	13,696	13,696	10,740	11,931	11,931	100.00
Hyundai Capital Service Inc.	348,816	528,824	420,780	303,873	460,688	366,565	84.24
ROTEM	270,222	258,162	335,220	235,405	224,899	292,029	78.36
Hyundai Card Co., Ltd.	394,460	65,564	65,564	343,636	57,117	57,116	56.89
HAOSVT (Turkey)	48,013	42,483	25,859	41,827	37,009	22,527	50.00
Beijing-Hyundai Motor Company	133,691	281,997	281,997	116,466	245,663	245,663	50.00
Hyundai Powertech	120,000	128,338	128,338	104,539	111,803	111,802	50.00
Hyundai Commercial Vehicle Engine Co., Ltd.	50,000	26,833	26,833	43,558	23,376	23,376	50.00
KEFICO	20,911	80,933	79,064	18,217	70,505	68,877	50.00
Dymos Inc.	68,872	83,140	81,668	59,998	72,428	71,146	47.27
WIA	347	87,464	58,115	302	76,195	50,627	45.30
e-HD.com	8,642	3,961	4,374	7,529	3,451	3,810	41.56
Kia Motors Corporation	923,957	1,463,712	2,030,655	804,911	1,275,122	1,769,017	37.33
Korea Aerospace Industries, Ltd.	129,800	79,568	79,312	113,076	69,316	69,093	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,264	13,264	11,776	11,555	11,555	30.00
Korea Economy Daily	19,973	10,058	14,129	17,400	8,762	12,309	29.57
Hyundai HYSCO	200,768	134,526	226,720	174,900	117,193	197,509	26.13
Autoever Systems Corp.	1,250	4,106	4,106	1,089	3,577	3,577	25.00
Iljin Bearing Co., Ltd.	826	12,794	12,794	720	11,146	11,146	20.00
Daesung Automotive Co., Ltd.	400	5,619	5,619	348	4,895	4,895	20.00
Eukor Car Carriers Inc. (*2)	29,347	42,593	31,851	25,566	37,105	27,747	12.00
	<u>₩ 3,699,583</u>	<u>₩ 4,502,964</u>	<u>₩ 5,047,877</u>	<u>\$ 3,222,914</u>	<u>\$ 3,922,784</u>	<u>\$ 4,397,488</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 September 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	₩ 355,261	₩ 32,253	₩ (33,227)	₩ 354,287	\$ 308,639
Hyundai Motor America	603,628	13,974	274,931	892,534	777,536
Hyundai Translead	54,558	8,438	(213)	62,783	54,694
Hyundai Machine Tool Europe GmbH	15,210	(404)	186	14,992	13,060
Hyundai Motor Poland Sp.zo.o.	17,657	2,518	160	20,334	17,714
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	20,693	5,574	301	26,567	23,144
Hyundai America Technical Center Inc.	15,979	332	(68)	16,244	14,151
HMJ R&D Center Inc.	2,300	26	(66)	2,260	1,969
Hyundai Motor Company Australia	15,813	7,910	435	24,158	21,045
Hyundai Commercial Vehicle Engine Co., Ltd.	50,808	(11,239)	-	39,570	34,472
Hyundai Capital Service Inc.	338,638	(51,674)	42,550	329,513	287,057
ROTEM	316,710	(15,759)	131	301,083	262,290
Hyundai Card Co., Ltd.	-	(66,532)	186,765	120,233	104,742
HAOSVT (Turkey)	18,047	6,072	(296)	23,823	20,754
Beijing-Hyundai Motor Company	297,511	29,833	(1,614)	325,730	283,762
Hyundai Powertech	130,856	1,169	46	132,071	115,055
KEFICO	85,485	3,417	13	88,915	77,459
Dymos Inc.	87,873	1,961	2	89,836	78,261
WIA	75,391	2,573	30	77,993	67,944
Kia Motors Corporation	2,086,230	33,037	66,700	2,185,967	1,904,318
Korea Aerospace Industries, Ltd.	80,587	2,137	-	82,724	72,066
Beijing Mobis Transmission Co., Ltd.	12,979	475	(58)	13,396	11,670
Hyundai Motor Deutschland GmbH	8,722	-	198	8,920	7,771
Korea Economy Daily	13,563	79	44	13,685	11,922
Hyundai HYSCO	235,637	3,934	35	239,606	208,734
Autoever Systems Corp.	4,858	580	-	5,438	4,737
Iljin Bearing Co., Ltd.	13,146	210	-	13,357	11,636
Daesung Automotive Co., Ltd.	5,717	80	-	5,797	5,050
Eukor Car Carriers Inc.	43,244	1,663	-	44,907	39,121
	<u>₩ 5,007,101</u>	<u>₩ 12,637</u>	<u>₩ 536,985</u>	<u>₩ 5,556,723</u>	<u>\$ 4,840,773</u>

- (*) Other changes consist of the increase of acquisition cost by ₩439,247 million (US\$382,653 thousand) mainly due to the acquisition, decrease by ₩30,617 million (US\$26,672 thousand) due to receipt of the dividends, decrease of retained earnings by ₩9,786 million (US\$8,525 thousand) and increase of capital adjustments by ₩138,141 million (US\$120,342 thousand).

The changes in equity securities accounted for using the equity method for the nine-month period ended September 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	₩ 64,875	₩ (51,062)	₩ 354,287	\$ 308,639
Hyundai Motor America	647,068	23,177	222,289	892,534	777,536
Hyundai Translead	45,220	18,435	(872)	62,783	54,694
Hyundai Machine Tool Europe GmbH	17,185	(1,469)	(725)	14,992	13,060
Hyundai Motor Poland Sp.zo.o.	17,505	2,650	179	20,334	17,714
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	21,974	5,729	(1,136)	26,567	23,144
Hyundai America Technical Center Inc.	16,101	827	(684)	16,244	14,151
HMJ R&D Center Inc.	2,391	54	(185)	2,260	1,969
Hyundai Motor Company Australia	13,696	11,840	(1,378)	24,158	21,045
Hyundai Commercial Vehicle Engine Co., Ltd.	26,833	(14,874)	27,611	39,570	34,472
Hyundai Capital Service Inc.	420,780	(119,697)	28,430	329,513	287,057
ROTEM	335,220	(33,689)	(448)	301,083	262,290
Hyundai Card Co., Ltd.	65,564	(102,719)	157,388	120,233	104,742
HAOSVT (Turkey)	25,859	88	(2,124)	23,823	20,754
Beijing-Hyundai Motor Company	281,997	117,205	(73,472)	325,730	283,762
Hyundai Powertech	128,338	3,716	17	132,071	115,055
KEFICO	79,064	14,001	(4,150)	88,915	77,459
Dymos Inc.	81,668	8,147	21	89,836	78,261
WIA	58,115	16,327	3,551	77,993	67,944
e-HD.com	4,374	-	(4,374)	-	-
Kia Motors Corporation	2,030,655	196,063	(40,751)	2,185,967	1,904,318
Korea Aerospace Industries, Ltd.	79,312	3,412	-	82,724	72,066
Beijing Mobis Transmission Co., Ltd.	13,264	693	(561)	13,396	11,670
Hyundai Motor Deutschland GmbH	-	2,102	6,818	8,920	7,771
Korea Economy Daily	14,129	(369)	(75)	13,685	11,922
Hyundai HYSCO	226,720	17,139	(4,253)	239,606	208,734
Autoever Systems Corp.	4,106	1,456	(124)	5,438	4,737
Iljin Bearing Co., Ltd.	12,794	635	(72)	13,357	11,636
Daesung Automotive Co., Ltd.	5,619	258	(80)	5,797	5,050
Eukor Car Carriers Inc.	31,851	13,766	(710)	44,907	39,121
	<u>₩ 5,047,877</u>	<u>₩ 249,778</u>	<u>₩ 259,068</u>	<u>₩ 5,556,723</u>	<u>\$ 4,840,773</u>

(*) Other changes consist of the increase of acquisition cost by ₩517,682 million (US\$450,982 thousand) mainly due to the acquisition, decrease by ₩144,443 million (US\$125,832 thousand) due to receipt of the dividends, decrease of retained earnings by ₩27,646 million (US\$24,084 thousand) and decrease of capital adjustments by ₩86,525 million (US\$75,377 thousand).

Significant unrealized profits (losses) that occurred in transactions with investees are eliminated. As of September 30, 2004 and December 31, 2003, unrealized profit occurred in transactions of inventories and investment securities with investees are ₩267,486 million (US\$233,022 thousand) and ₩297,928 million (US\$259,542 thousand), respectively.

The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. As of September 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 ₩33,556 million (US\$29,233 thousand) and decrease by ₩38,568 million (US\$33,598 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 September 30, 2004 and December 31, 2003 are ₩173,365 million (US\$151,028 thousand) and ₩165,660 million (US\$144,316 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\$142,236 thousand), is charged to current operation as loss on valuation of investment securities accounted for using the equity method.

6. PROPERTY, PLANT AND EQUIPMENT:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Buildings and structures	₩ 3,050,753	₩ 2,920,973	\$ 2,657,682	\$ 2,544,623
Machinery and equipment	4,374,268	3,934,089	3,810,670	3,427,205
Vehicles	70,342	69,351	61,279	60,416
Dies, molds and tools	2,300,683	2,170,977	2,004,254	1,891,260
Other equipment	618,829	561,346	539,097	489,020
	10,414,875	9,656,736	9,072,981	8,412,524
Less: Accumulated depreciation	(4,504,006)	(4,003,751)	(3,923,692)	(3,487,892)
	5,910,869	5,652,985	5,149,289	4,924,632
Land	1,869,643	1,852,298	1,628,751	1,613,641
Construction in progress	764,213	970,544	665,749	845,495
	<u>₩ 8,544,725</u>	<u>₩ 8,475,827</u>	<u>\$ 7,443,789</u>	<u>\$ 7,383,768</u>

The changes in property, plant and equipment for the three-month period ended September 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	₩ 1,868,141	₩ -	₩ 1,943	₩ (439)	₩ -	₩ (2)	₩ 1,869,643	\$ 1,628,751
Buildings and structures	2,487,035	-	16,367	(3,141)	(24,476)	(7)	2,475,778	2,156,789
Machinery and equipment	2,528,545	-	117,876	(11,704)	(83,706)	-	2,551,011	2,222,329
Vehicles	40,040	-	2,036	(294)	(2,133)	-	39,650	34,541
Dies, molds and tools	594,739	-	50,004	(1,648)	(58,999)	1	584,096	508,839
Other equipment	255,227	-	25,582	(541)	(19,934)	-	260,334	226,792
Construction in progress	703,829	262,005	(213,808)	(6,232)	-	18,419	764,213	665,749
End of the period	<u>₩ 8,477,556</u>	<u>₩ 262,005</u>	<u>₩ -</u>	<u>₩ (23,999)</u>	<u>₩ (189,248)</u>	<u>₩ 18,411</u>	<u>₩ 8,544,725</u>	<u>\$ 7,443,789</u>

The changes in property, plant and equipment for the nine-month period ended September 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	₩ -	₩ 17,875	₩ (511)	₩ -	₩ (19)	₩ 1,869,643	\$ 1,628,751
Buildings and structures	2,416,432	-	135,849	(4,673)	(71,757)	(73)	2,475,778	2,156,789
Machinery and equipment	2,315,451	-	504,964	(29,390)	(240,013)	(1)	2,551,011	2,222,329
Vehicles	41,310	-	6,342	(1,749)	(6,254)	1	39,650	34,541
Dies, molds and tools	631,393	-	137,790	(2,130)	(182,957)	-	584,096	508,839
Other equipment	248,399	-	73,122	(1,677)	(59,510)	-	260,334	226,792
Construction in progress	970,544	602,559	(875,942)	(10,364)	-	77,416	764,213	665,749
End of the period	<u>₩ 8,475,827</u>	<u>₩ 602,559</u>	<u>₩ -</u>	<u>₩ (50,494)</u>	<u>₩ (560,491)</u>	<u>₩ 77,324</u>	<u>₩ 8,544,725</u>	<u>\$ 7,443,789</u>

As of September 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 ₩947,992 million (US\$825,849 thousand) (see Note 13).

As of September 30, 2004, the published value of the Company-owned land (12,644 thousand square meters) totals ₩1,796,094 million (US\$1,564,678 thousand) in terms of land prices officially announced by the Korean government.

7. INSURANCE:

As of September 30, 2004, property, plant and equipment are insured for ₩5,057,130 million (US\$4,405,549 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of ₩138,748 million (US\$120,871 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 current maturities of long-term debt and long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of September 30, 2004 are as follows (won in millions):

	Financing leases		
	Lease payments	Interest portion	Lease obligations
Oct. 1, 2004 ~ Sep. 30, 2005	₩ 2,256	₩ 35	₩ 2,221
Oct. 1, 2005 ~ Sep. 30, 2006	170	2	168
	<u>₩ 2,426</u>	<u>₩ 37</u>	<u>₩ 2,389</u>

9. INTANGIBLES:

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

	Korean won (in millions)			U. S. dollars (Note 2) (in thousands)		
	September 30, 2004		December 31, 2003	September 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	\$ -	\$ 415,012
Industrial property rights	31,388	16,559	14,829	15,840	12,918	13,799
Development costs	1,289,213	767,268	521,945	441,881	454,696	384,947
Other	36,652	23,722	12,930	14,359	11,264	12,509
	<u>₩1,968,665</u>	<u>₩ 1,418,961</u>	<u>₩ 549,704</u>	<u>₩ 948,472</u>	<u>\$ 478,878</u>	<u>\$ 826,267</u>

The changes in intangibles for the three-month period ended September 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	₩ -	₩ 15,459	₩ 487,143	₩ 13,368	₩ 515,970	\$ 449,490
Addition:						
Expenditures	-	1,124	201,846	-	202,970	176,819
Deduction:						
Disposal	-	-	-	-	-	-
Amortization	-	(1,754)	(32,744)	(438)	(34,936)	(30,435)
Research	-	-	(103,266)	-	(103,266)	(89,961)
Ordinary development	-	-	(31,034)	-	(31,034)	(27,035)
Impairment loss	-	-	-	-	-	-
End of period	<u>₩ -</u>	<u>₩ 14,829</u>	<u>₩ 521,945</u>	<u>₩ 12,930</u>	<u>₩ 549,704</u>	<u>\$ 478,878</u>

The changes in intangibles for the nine-month period ended September 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	\$ 826,267
Addition:						
Expenditures	-	4,170	544,508	-	548,678	477,985
Deduction:						
Disposal	-	-	(2,701)	-	(2,701)	(2,353)
Amortization	(15,285)	(5,181)	(106,332)	(1,429)	(128,227)	(111,706)
Research	-	-	(264,136)	-	(264,136)	(230,104)
Ordinary	-	-	(91,275)	-	(91,275)	(79,515)
Impairment loss	(461,107)	-	-	-	(461,107)	(401,696)
End of period	<u>₩ -</u>	<u>₩ 14,829</u>	<u>₩ 521,945</u>	<u>₩ 12,930</u>	<u>₩ 549,704</u>	<u>\$ 478,878</u>

For the nine-month period ended September 30, 2004, amortization of ₩128,227 million (US\$111,706 thousand) is recorded in selling and administrative expenses of ₩21,896 million (US\$19,075 thousand) and in manufacturing cost of ₩106,331 million (US\$92,631 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 Division and Machine Tool Division 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\$401,696 thousand) as of September 30, 2004, is accounted for as impairment loss and charged to current operation.

10. OTHER ASSETS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30 2004	December 31, 2003	September 30 2004	December 31, 2003
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,729 million and ₩2,087 million as of September 30, 2004 and December 31, 2003, respectively	₩ 14,600	₩ 18,271	\$ 12,719	\$ 15,917
Lease and rental deposits	203,202	195,372	177,020	170,199
Long-term deposits	47,675	45,026	41,532	39,225
Deferred derivatives assets (see Note 2)	175,556	162,722	152,937	141,756
Long-term loans	94,047	90,983	81,930	79,260
Long-term other accounts receivable, less unamortized present value discount of ₩2,388 million and ₩3,441 million as of September 30, 2004 and December 31, 2003, respectively	10,684	14,745	9,307	12,845
Other	<u>16,211</u>	<u>18,617</u>	<u>14,122</u>	<u>16,219</u>
	<u>₩ 561,975</u>	<u>₩ 545,736</u>	<u>\$ 489,567</u>	<u>\$ 475,422</u>

11. SHORT-TERM BORROWINGS:

Short-term borrowings as of September 30, 2004 and December 31, 2003 amount to ₩946,917 million (US\$ 824,912 thousand) and ₩628,726 million (US\$ 547,718 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 September 30, 2004 and December 31, 2003 consists of the following:

	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		September 30 2004	December 31, 2003	September 30 2004	December 31, 2003
Debentures	5.00 ~ 7.80	₩ 1,465,593	₩ 1,893,682	\$ 1,276,759	\$ 1,649,692
Local currency loans					
General loans	3.00 ~ 5.42	24,185	30,860	21,069	26,884
Foreign currency loans					
Capital lease	Libor + 0.98 ~ 1.55	2,389	9,033	2,081	7,869
Other	Libor + 1.19	1,802	26,011	1,570	22,660
		4,191	35,044	3,651	30,529
		1,493,969	1,959,586	1,301,480	1,707,105
Less: Current maturities		(496,229)	(945,906)	(432,293)	(824,032)
		₩ 997,740	₩ 1,013,680	\$ 869,187	\$ 883,073

Debentures as of September 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)	
			September 30 2004	December 31, 2003	September 30 2004	December 31, 2003
Non-guaranteed debentures	Oct. 29, 2004 ~ Nov. 10, 2008	5.00 ~ 7.00	₩ 865,000	₩ 1,275,000	\$ 753,550	\$ 1,110,724
Overseas debentures	Oct. 18, 2004 ~ Jul. 15, 2007	7.33 ~ 7.80	611,573	639,625	532,775	557,213
			1,476,573	1,914,625	1,286,325	1,667,937
Discount on debentures			(10,980)	(20,943)	(9,566)	(18,245)
			₩ 1,465,593	₩ 1,893,682	\$ 1,276,759	\$ 1,649,692

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

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Debentures	Local currency loans	Foreign currency loans	Total	Total
Oct. 1, 2004~ Sep. 30, 2005	₩ 487,186	₩ 5,020	₩ 4,023	₩ 496,229	\$ 432,293
Oct. 1, 2005~ Sep. 30, 2006	522,185	3,383	168	525,736	457,998
Oct. 1, 2006~ Sep. 30, 2007	267,202	1,970	-	269,172	234,491
Oct. 1, 2007~ Sep. 30, 2008	-	1,684	-	1,684	1,467
Thereafter	200,000	12,128	-	212,128	184,797
	1,467,573	24,185	4,191	1,504,949	1,311,046
Less: Discount on debentures	(10,980)	-	-	(10,980)	(9,566)
	₩ 1,456,593	₩ 24,185	₩ 4,191	₩ 1,493,969	\$ 1,301,480

13. COMMITMENTS AND CONTINGENCIES:

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

Description	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine	₩ 337,531	\$ 294,042
Hyundai Card Co., Ltd.	4,592	4,000
HMA	129,834	113,106
Hyundai Motor Manufacturing Alabama LLC	459,160	400,000
Hyundai Motor Finance Company	436,202	380,000
HMI	60,334	52,560
Smart Alabama LLC	41,324	36,000
HAOSVT	86,093	75,000
HME	73,653	64,163
Hyundai Translead	159,558	139,000
HYME	1,148	1,000
HMP	12,039	10,488
HMJ	36,171	31,511
HMJ R&D	2,687	2,341
HMCA	12,339	10,749
Equus Cayman Finance Ltd.	459,160	400,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,870	2,500
Other	530	462
	₩ 2,315,225	\$ 2,016,922

- (2) As of September 30, 2004, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,376,010 million (US\$1,198,719 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at September 30, 2004.
- (3) The Company uses a customer financing system related to a long-term instalment sales system and has provided guarantees of ₩176,431 million (US\$153,699 thousand) to the banks concerned as of September 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) 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 September 30, 2004 will not have any material effect on its financial position.
- (5) As of September 30, 2004, investment securities of ₩113,045 million (US\$98,480 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\$2,286 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 ₩13,969 million (US\$12,169 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.

14. CAPITAL STOCK:

Capital stock as of September 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	\$ 999,732
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	288,362
				<u>₩ 1,478,603</u>	<u>\$ 1,288,094</u>

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of September 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 (US\$12,980) 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\$7,140 thousand).

15. CAPITAL SURPLUS:

Capital surplus as of September 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>	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Paid-in capital in excess of par value	₩ 3,264,433	₩ 3,264,433	\$ 2,843,830	\$ 2,843,830
Asset revaluation surplus	1,852,871	1,852,871	1,614,140	1,614,140
Other	266,967	266,967	232,570	232,570
	<u>₩ 5,384,271</u>	<u>₩ 5,384,271</u>	<u>\$ 4,690,540</u>	<u>\$ 4,690,540</u>

In 2003, paid-in capital in excess of par value were increased by ₩ 8,197 million (US\$7,140 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\$2,219,198 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$13,958 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$517,706 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$58,844 thousand) and adjustment of ₩16,702 million (US\$14,550 thousand) due to the disposal of revalued assets within 1 year after revaluation.

16. RETAINED EARNINGS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Appropriated:				
Legal reserve	₩ 155,870	₩ 126,870	\$ 135,787	\$ 110,524
Reserve for business rationalization	545,800	545,800	475,477	475,477
Reserve for improvement of financial structure	98,947	98,947	86,198	86,198
Reserve for overseas market development	48,800	48,800	42,512	42,512
Reserve for technology development	<u>4,034,100</u>	<u>2,601,100</u>	<u>3,514,331</u>	<u>2,265,964</u>
	4,883,517	3,421,517	4,254,305	2,980,675
Unappropriated	<u>1,331,338</u>	<u>1,748,550</u>	<u>1,159,803</u>	<u>1,523,260</u>
	<u>₩ 6,214,855</u>	<u>₩ 5,170,067</u>	<u>\$ 5,414,108</u>	<u>\$ 4,503,935</u>

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\$248,909 thousand) are reflected in retained earnings on that approval date.

17. CAPITAL ADJUSTMENTS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Treasury stock	₩ (90,746)	₩ (89,706)	\$ (79,054)	\$ (78,148)
Gain on valuation of investments accounted for using the equity method	483,437	569,962	421,149	496,526
Gain on valuation of available-for-sale investments, net (See Note 4)	44,171	36,431	38,480	31,737
Stock option cost	21,006	15,404	18,300	13,419
Cumulative translation adjustments	(3,667)	(3,293)	(3,194)	(2,869)
Loss on valuation of derivatives	<u>(11,413)</u>	<u>(63,814)</u>	<u>(9,942)</u>	<u>(55,592)</u>
	<u>₩ 442,788</u>	<u>₩ 464,984</u>	<u>\$ 385,739</u>	<u>\$ 405,074</u>

(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 ₩90,746 million (US\$79,054 thousand) as of September 30, 2004 and 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US\$78,148 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 September 30, 2004 were exercised, 2,267,200 shares (1,407,000 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 ₩16,114 million (US\$14,038 thousand) and ₩11,832 million (US\$10,307 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 ₩3,667 million (US\$3,194 thousand) and ₩3,293 million (US\$2,869 thousand) as of September 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 ₩11,413 million (US\$9,942 thousand) and ₩63,814 million (US\$55,592 thousand) on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as of September 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 nine-month periods ended September 30, 2004 and 2003 consists of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Nine-month period ended September 30, 2004	Nine-month period ended September 30, 2003	Nine-month period ended September 30, 2004	Nine-month Period ended September 30, 2003
Income tax currently payable	₩ 542,701	₩ 650,180	\$ 472,777	\$ 566,408
Changes in deferred income taxes due to:				
Temporary differences	1,073	(182,274)	935	(158,789)
Income tax expense	₩ 543,774	₩ 467,906	\$ 473,712	\$ 407,619

For the nine-month periods ended September 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)	
	Nine-month period ended	Nine-month period ended	Nine-month period ended	Nine-month Period ended
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
Income before tax	₩ 1,966,975	₩ 1,757,966	\$ 1,713,542	\$ 1,531,463
Addition	2,027,023	1,200,891	1,765,853	1,046,163
Deduction	(1,683,257)	(612,164)	(1,466,379)	(533,290)
Taxable income	<u>₩ 2,310,741</u>	<u>₩ 2,346,693</u>	<u>\$ 2,013,016</u>	<u>\$ 2,044,336</u>

The changes in accumulated temporary differences for the nine-month period ended September 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)	
	Nine-month period ended	Year ended	Nine-month period ended	Year ended
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Beginning of period, net	₩ 1,703,943	₩ 832,284	\$ 1,484,400	\$ 725,049
Changes for period, net	(62,029)	871,659	(54,037)	759,351
End of period, net	<u>₩ 1,641,914</u>	<u>₩ 1,703,943</u>	<u>\$ 1,430,363</u>	<u>\$ 1,484,400</u>

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

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30,	December 31,	September 30,	December 31,
	2004	2003	2004	2003
Accumulated temporary differences, net	₩ 1,641,914	₩ 1,703,943	\$ 1,430,363	\$ 1,484,400
Adjustments (*):				
Gain on revaluation of land and others	423,685	345,567	369,096	301,043
	2,065,599	2,049,510	1,799,459	1,785,443
Statutory tax rate	× (**)	× (**)	× (**)	× (**)
Deferred income tax assets	<u>₩ 575,256</u>	<u>₩ 576,329</u>	<u>\$ 501,138</u>	<u>\$ 502,072</u>

(*) 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 September 30, 2004, the Company believes the deferred income tax assets of ₩575,256 million (US\$501,138 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 22.9 percent and 22.5 percent for three-month periods ended September 30, 2004 and 2003, respectively, and 27.6 percent and 26.6 percent for nine-month periods ended September 30, 2004 and 2003, respectively.

19. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies for the three-month and nine-month periods ended September 30, 2004 and 2003 and outstanding balances as of September 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		Nine-month		Nine-month	
	2004	2003	2004	2003	2004	2003
Hyundai Motor America	₩ 1,753,505	₩ 1,366,785	₩ 4,785,630	₩ 5,085,838	\$ 4,169,030	\$ 4,421,699
HAOSVT	141,340	77,124	571,749	198,504	498,083	172,582
Hyundai Motor India	103,922	60,714	355,597	154,384	309,780	134,224
Hyundai Motor Japan Co.	6,997	5,441	19,920	18,202	17,353	15,825
Hyundai Motor Poland Sp.zo.o.	33,946	17,785	106,098	71,345	92,428	62,028
Kia Motors Corporation	340,429	176,119	939,261	683,717	818,243	594,433
	(86,470)	(70,379)	(260,341)	(265,567)	(226,798)	(230,888)
Hyundai MOBIS	119,194	26,803	342,917	94,038	298,734	81,758
	(422,799)	(160,030)	(1,003,312)	(566,829)	(874,041)	(492,809)
KEFICO	(70,711)	(57,750)	(230,208)	(209,181)	(200,547)	(181,865)
Dymos Inc.	(41,192)	(29,882)	(140,570)	(127,254)	(122,458)	(110,636)
Hyundai HYSKO	(55,781)	(41,410)	(143,627)	(129,314)	(125,122)	(112,427)
WIA	(42,510)	(23,765)	(134,727)	(85,469)	(117,368)	(74,308)
Hyundai Powertech	(49,202)	(25,511)	(113,040)	(99,437)	(98,475)	(86,452)

Affiliated Company	Receivables (Payables)			
	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	September 30, 2004	December 31, 2003	September 30, 2004	December 31, 2003
Hyundai Motor America	₩ 168,633	₩ 258,066	\$ 146,906	\$ 224,816
	(3,802)	(38,556)	(3,312)	(33,588)
HAOSVT	11,755	30,019	10,240	26,151
Hyundai Motor India	19,283	22,309	16,798	19,435
Kia Motors Corporation	158,999	109,816	138,513	95,667
	(176,435)	(96,736)	(153,702)	(84,272)
Hyundai MOBIS	158,572	56,098	138,141	48,870
	(312,090)	(178,071)	(271,879)	(155,128)
KEFICO	(39,935)	(53,590)	(34,790)	(46,685)
Dymos Inc.	(49,993)	(73,095)	(43,552)	(63,677)
Hyundai HYSKO	(222,466)	(30,100)	(193,803)	(26,222)
WIA	(33,662)	(34,717)	(29,325)	(30,244)
Hyundai Powertech	(28,441)	(30,252)	(24,776)	(26,354)
Autoever Systems Corp.	(54,812)	(51,800)	(47,750)	(45,126)

20. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

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

	Foreign currencies				Korean Won (in millions)			
	September 30, 2004		December 31, 2003		September 2004	December 31, 2003		
Assets	US\$	454,768,039	US\$	787,075,386	₩	522,028	₩	942,759
	JP ¥	61,932,782	JP ¥	235,516,298		640		2,637
	GBP	6,202,412	GBP	35,467,992		12,817		75,521
	CAD	15,233,717	CAD	10,012,579		13,773		9,272
	EUR	96,007,864	EUR	134,334,020		135,980		201,848
	AUD	21,379,167	AUD	12,960,566		17,585		11,625
					<u>₩</u>	<u>702,823</u>	<u>₩</u>	<u>1,243,662</u>
Liabilities	US\$	901,025,601	US\$	1,029,725,152	₩	1,034,287	₩	1,233,405
	JP ¥	24,692,850,479	JP ¥	29,214,309,605		255,193		327,083
	GBP	11,764,026	GBP	9,010,979		24,309		19,187
	CAD	1,308,013	CAD	3,332,657		1,183		3,086
	EUR	141,050,946	EUR	167,708,780		199,776		251,996
	AUD	18,820,790	AUD	27,323,421		15,481		24,508
					<u>₩</u>	<u>1,530,229</u>	<u>₩</u>	<u>1,859,265</u>

21. REGIONAL SALES INFORMATION:

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

	Korean won (in millions)				U.S. dollars (Note 2) (in thousands)	
	Three-month		Nine-month		Nine-month	
	2004	2003	2004	2003	2004	2003
Domestic sales	₩ 2,380,953	₩ 2,277,017	₩ 7,588,796	₩ 8,048,263	\$ 6,611,025	\$ 7,011,293
Export sales						
– Vehicle products						
North America	1,753,546	1,363,005	4,785,664	5,075,835	4,169,060	4,421,844
Europe	928,043	522,577	2,956,341	1,999,797	2,575,434	1,742,135
South America	176,094	91,759	414,799	328,109	361,354	285,834
Asia & Pacific	256,318	144,243	708,313	425,619	617,051	370,781
Middle Asia & Africa	335,438	168,683	1,029,169	468,369	896,567	408,023
	3,449,439	2,290,267	9,894,286	8,297,729	8,619,466	7,228,617
Export sales – Other	709,718	480,614	2,447,640	1,368,364	2,132,277	1,192,058
Export sales	4,159,157	2,770,881	12,341,926	9,666,093	10,751,743	8,420,675
Total sales	<u>₩ 6,540,110</u>	<u>₩ 5,047,898</u>	<u>₩ 19,930,722</u>	<u>₩ 17,714,356</u>	<u>\$17,362,768</u>	<u>\$15,431,968</u>

22. SELLING AND ADMINISTRATIVE EXPENSES:

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

	Korean won (in millions)				Translation into U.S. dollars (Note 2) (in thousands)	
	Three month		Nine month		Nine month	
	2004	2003	2004	2003	2004	2003
Salary-related costs	₩ 217,785	₩ 186,699	₩ 699,818	₩ 735,078	\$ 609,651	\$ 640,368
Export costs	180,117	117,875	518,897	388,229	452,040	338,208
Sales promotion and advertisements	44,457	157,381	313,000	487,816	272,672	424,964
Sales commissions	77,408	65,025	221,084	214,956	192,599	187,260
Sales warranties	314,902	270,477	981,777	951,422	855,281	828,837
Taxes and dues	9,390	9,147	15,574	20,911	13,567	18,217
Communications	5,617	6,053	16,864	18,085	14,691	15,755
Utilities	5,864	5,751	17,665	17,728	15,389	15,444
Freight and warehousing	16,749	15,099	52,253	53,532	45,521	46,635
Rent	4,204	4,932	13,308	16,122	11,593	14,045
Travel	10,369	10,969	34,120	34,710	29,724	30,238
Service charges	40,957	35,372	122,863	99,615	107,033	86,780
Maintenance	7,008	7,101	17,422	13,860	15,177	12,074
Supplies	4,956	4,930	14,894	13,903	12,975	12,112
Research	103,266	73,688	264,136	186,265	230,104	162,266
Depreciation	16,740	15,549	49,860	45,767	43,436	39,870
Amortization	2,192	9,759	21,896	28,940	19,075	25,211
Stock option cost	1,934	2,047	5,603	5,361	4,881	4,670
Other	7,588	7,515	22,781	20,599	19,845	17,944
	<u>₩ 1,071,503</u>	<u>₩ 1,005,369</u>	<u>₩ 3,403,815</u>	<u>₩ 3,352,899</u>	<u>\$ 2,965,254</u>	<u>\$ 2,920,898</u>

23. SIGNIFICANT SUBSEQUENT EVENTS TO THE BALNCE SHEET DATE:

(1) Merger contract with Hyundai Commercial Vehicle Engine Co.

On September 7, 2004, the Company entered into the merger contract with Hyundai Commercial Vehicle Engine Co., Ltd. for the purpose of the strengthening competitiveness through focusing its strength on research and development of engines. Under the contract, the merging ratio is set at 1: 0 and the date of merger is scheduled for November 5, 2004. On October 1, 2004, it was approved on the board of directors of the Company.

(2) Sales of investments in Hyundai Capital Service Inc. and participation in its capital increase

On October 1, 2004, the Company sold 16,645,641 shares of common stock of Hyundai Capital Service Inc. to GE Capital International Holdings Corporation at the price of ₩16,000 (US\$13.94) per share for the purpose of strategic cooperation with General Electric Capital Corporation. Also, on October 14, 2004, the Company participated in Hyundai Capital Service Inc.'s capital increase to acquire 13,562,500 shares of common stock at the price of ₩16,000 per share with the resulting ownership of 61.08%.