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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2002, 2003 AND 2004
AND INDEPENDENT AUDITORS' REPORT

하나안진회계법인

Audit, Tax, Consulting, Financial Advisory.



Deloitte HanaAnjin LLC

14Fl., Hanwha Securities Bldg.,
23-5 Yeouido-dong,
Yeongdeungpo-gu, Seoul
150-717, Korea

Tel: +82 2 6676 1000, 1114

Fax: +82 2 6674 2114

www.deloittekorea.co.kr

INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying non-consolidated balance sheets of Hyundai Motor Company as of December 31, 2002, 2003 and 2004, and the related non-consolidated statements of income, proposed appropriations of retained earnings and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company as of December 31, 2002, 2003 and 2004, and the results of its operations, changes in its retained earnings and its cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

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

As explained in Note 2, the Company accounted for the equity securities of Kia Motors Corporation (hereinafter "Kia") using the equity method based on the provisional financial statements of Kia. However, after the ordinary general meeting of shareholders of the Company for the year ended December 31, 2004, Kia announced an accounting change, which resulted in significant differences between the provisional and final financial statements. Thus, the Company restated the financial statements using the final financial statements of Kia, and the restated financial statements for the year ended December 31, 2004 differ from the financial statements for the year ended December 31, 2004 approved at the ordinary general meeting of shareholders on March 4, 2005. This restatement increased the beginning retained earnings and net income by ₩44,943 million (US\$43,057 thousand) and ₩19,558 million (US\$18,737 thousand), respectively, and decreased investment securities accounted for using the equity method, deferred income tax debits and capital adjustments by ₩344,190 million (US\$329,747 thousand), ₩24,466 million (US\$23,439 thousand) and ₩433,157 million (US\$414,981 thousand), respectively, compared to the previously issued financial statements for the year ended December 31, 2004. Also, the Company restated the financial statements for the year ended December 31, 2003 using the final financial statements of Kia for comparative purposes. We had conducted our audits on the financial statements of the Company for the years ended December 31, 2004 and 2003, and issued an independent auditors' report dated February 4, 2005. However, we have reissued an independent auditors' report to reflect the changes in the financial statements as explained above.

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 most of its agents in European Union in which agents are responsible for all portion of the cost of dismantling and recycling the vehicles placed in service in the future. As a result, the Company reversed the accrued liabilities exceeding the estimated expense by ₩305,765 million (US\$292,934 thousand) in 2004.

As explained in Note 11, in 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile Division and Machine Tool Division of Hyundai MOBIS (formerly Hyundai Precision and Industry Co., Ltd.), the carrying amount of cost in excess of fair value of net identifiable assets acquired amounting to ₩461,107 million (US\$441,758 thousand) is accounted for as impairment loss and charged to current operation.

As explained in Note 27, effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. ("HCVE"). Under the contract, the merger ratio is set at 1: 0. Since Hyundai Commercial Vehicle Engine Co., Ltd. was a subsidiary of the Company, in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (\$31,533 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of HCVE is accounted for as deduction in capital surplus.

As explained in Note 6, on October 1, 2004, the Company sold 16,645,641 shares of common stock of Hyundai Capital Service Inc. (HCSI) to GE Capital International Holdings Corporation at ₩16,000 (US\$15.33) per share for the purpose of strategic cooperation with General Electric Capital Corporation. On October 14, 2004, the Company also participated in Hyundai Capital Service Inc.'s capital increase and acquired 13,562,500 shares of common stock at ₩16,000 (US\$15.33) per share, which resulted to 61.08% ownership of HCSI.

As explained in Note 28, in order to stabilize the fluctuations of the stock price in the exchange market, on February 4, 2005, the board of directors decided to reacquire 11,000,000 shares of common stock and 1,000,000 shares of preferred stock in the exchange market.

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



Deloitte HanaAnjin LLC

Seoul, Korea
March 25, 2005

Notice to Readers

This report is effective as of March 25, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002, 2003 AND 2004

<u>ASSETS</u>	Korean won (in millions)			Translation into U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Current assets:				
Cash and cash equivalents (Note 15)	₩ 1,277,372	₩ 1,442,517	₩ 1,006,700	\$ 964,457
Short-term financial instruments (Note 15)	2,507,726	3,389,683	4,674,466	4,478,316
Short-term investment securities (Note 4)	-	212,167	205,029	196,425
Marketable securities (Note 7)	545,505	-	-	-
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩28,126 million in 2002, ₩27,628 million in 2003 and ₩27,059 million in 2004	1,087,333	1,463,770	1,011,508	969,063
Accounts receivable-other	179,209	239,059	325,842	312,169
Inventories (Note 3)	679,816	1,319,032	1,267,099	1,213,929
Advances and other	327,235	269,630	242,721	232,536
Total current assets	6,604,196	8,335,858	8,733,365	8,366,895
Non-current assets:				
Long-term investment securities (Notes 5 and 15)	-	320,046	308,049	295,123
Investment securities accounted for using the equity method (Notes 6 and 15)	3,734,717	4,695,439	5,147,674	4,931,667
Investment securities (Notes 7 and 15)	305,815	-	-	-
Property, plant and equipment, net of accumulated depreciation of ₩3,490,091 million in 2002, ₩4,003,751 million in 2003 and ₩4,510,301 million in 2004 (Notes 8, 9,10 and 15)	8,447,313	8,475,827	8,733,403	8,366,931
Intangibles (Note 11)	945,652	948,472	656,488	628,940
Deferred income tax assets (Note 21)	355,312	560,760	594,272	569,335
Other assets (Notes 12 and 15)	387,738	545,736	527,603	505,464
Total non-current assets	14,176,547	15,546,280	15,967,489	15,297,460
Total assets	₩ 20,780,743	₩ 23,882,138	₩ 24,700,854	\$ 23,664,355

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2002, 2003 AND 2004

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	Korean won (in millions)			Translation into U. S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Current liabilities:				
Short-term borrowings (Note 13)	₩ 447,240	₩ 628,726	₩ 604,604	\$ 579,234
Current maturities of long-term debt (Note 14)	1,088,961	945,906	162,697	155,870
Trade notes and accounts payable	2,673,311	3,318,713	3,470,272	3,324,652
Accrued warranties	478,362	602,028	800,331	766,747
Accounts payable-other	773,185	935,040	866,754	830,383
Income tax payable	459,903	501,727	430,668	412,596
Withholdings and other	495,581	476,974	372,728	357,088
Total current liabilities	6,416,543	7,409,114	6,708,054	6,426,570
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 10 and 14)	1,739,037	1,013,680	1,101,414	1,055,196
Accrued severance benefits, net of National Pension payments for employees of ₩69,369 million in 2002, ₩54,225 million in 2003 and ₩37,351 million in 2004 and individual severance insurance deposits of ₩778,497 million, in 2002, ₩791,614 million in 2003 and ₩749,901 million in 2004 (Note 2)	383,241	406,638	374,537	358,821
Accrued warranties	1,817,446	2,709,331	3,051,141	2,923,109
Other	50,235	213,457	100,597	96,376
Total long-term liabilities	3,989,959	4,343,106	4,627,689	4,433,502
Total liabilities	10,406,502	11,752,220	11,335,743	10,860,072
Commitments and contingencies (Note 15)				
Shareholders' equity:				
Capital stock (Note 16)	1,476,454	1,478,603	1,480,752	1,418,617
Capital surplus (Note 17)	5,376,074	5,384,271	5,359,553	5,134,655
Retained earnings (Note 18) (Net income of ₩1,452,902 million in 2002, ₩1,766,545 million in 2003 and ₩1,804,108 million in 2004, respectively)	3,688,507	5,211,110	6,632,789	6,354,463
Capital adjustments (Note 19)	(166,794)	55,934	(107,983)	(103,452)
Total shareholders' equity	10,374,241	12,129,918	13,365,111	12,804,283
Total liabilities and shareholders' equity	₩ 20,780,743	₩ 23,882,138	₩ 24,700,854	\$ 23,664,355

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Korean won (in millions, except per share amounts)			Translation into U. S. dollars (Note 2) (in thousands)
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Sales (Note 24)				
Domestic sales	₩ 12,383,414	₩ 10,646,265	₩ 10,182,000	\$ 9,754,742
Export sales	<u>12,182,433</u>	<u>14,321,000</u>	<u>17,290,457</u>	<u>16,564,914</u>
	<u>24,565,847</u>	<u>24,967,265</u>	<u>27,472,457</u>	<u>26,319,656</u>
Cost of sales	<u>18,626,256</u>	<u>18,248,594</u>	<u>20,798,006</u>	<u>19,925,279</u>
Gross profit	5,939,591	6,718,671	6,674,451	6,394,377
Selling and administrative expenses (Note 25)	<u>4,333,430</u>	<u>4,482,953</u>	<u>4,693,037</u>	<u>4,496,107</u>
Operating income	<u>1,606,161</u>	<u>2,235,718</u>	<u>1,981,414</u>	<u>1,898,270</u>
Other income (expenses), net:				
Interest income (expense), net	(79,568)	32,373	94,320	90,362
Foreign exchange gain (loss), net	163,958	(29,459)	154,079	147,614
Gain on valuation of investment securities accounted for using the equity method (Note 6)	605,611	34,451	154,902	148,402
Rental and royalty income	114,010	140,208	202,630	194,127
Reversal (provision) of accrued warranties (Note 2)	(224,465)	-	305,765	292,934
Impairment loss on intangibles (Note 11)	(51,742)	(84)	(461,107)	(441,758)
Other, net	<u>(136,969)</u>	<u>(42,895)</u>	<u>85,406</u>	<u>81,823</u>
	<u>390,835</u>	<u>134,594</u>	<u>535,995</u>	<u>513,504</u>
Ordinary income	1,996,996	2,370,312	2,517,409	2,411,773
Income tax expense (Note 21)	<u>544,094</u>	<u>603,767</u>	<u>713,301</u>	<u>683,369</u>
Net income	<u>₩ 1,452,902</u>	<u>₩ 1,766,545</u>	<u>₩ 1,804,108</u>	<u>\$ 1,728,404</u>
Earnings per common share (Note 2)	<u>₩ 6,398</u>	<u>₩ 7,790</u>	<u>₩ 7,938</u>	<u>\$ 7.60</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 6,375</u>	<u>₩ 7,765</u>	<u>₩ 7,917</u>	<u>\$ 7.58</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF PROPOSED APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Korean won (in millions, except per share amounts)			Translation into U. S. dollars (Note 2) (in thousands)
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Unappropriated retained earnings (Note 18)				
Beginning of year	₩ 13,582	₩ 23,911	₩ 41,919	\$ 40,160
Change in investment securities using the equity method	(38,494)	(863)	(31,663)	(30,334)
Retirement of treasury stock		-	(65,092)	(62,361)
Net income	<u>1,452,902</u>	<u>1,766,545</u>	<u>1,804,108</u>	<u>1,728,404</u>
	<u>1,427,990</u>	<u>1,789,593</u>	<u>1,749,272</u>	<u>1,675,869</u>
Appropriations:				
Legal reserve	25,000	29,000	33,000	31,615
Reserve for technology development	1,136,000	1,433,000	1,324,000	1,268,443
Cash dividends (Note 20)	<u>243,079</u>	<u>285,674</u>	<u>326,833</u>	<u>313,118</u>
	<u>1,404,079</u>	<u>1,747,674</u>	<u>1,683,833</u>	<u>1,613,176</u>
Unappropriated retained earnings, end of year	<u>₩ 23,911</u>	<u>₩ 41,919</u>	<u>₩ 65,439</u>	<u>\$ 62,693</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Korean won (in millions, except per share amounts)			Translation into U. S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Cash flows from operating activities:				
Net income	₩ 1,452,902	₩ 1,766,545	₩ 1,804,108	\$ 1,728,404
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	764,058	786,209	770,676	738,337
Loss on disposition of trade notes and accounts receivable	41,455	36,567	47,359	45,372
Loss on disposal of other assets	31,743	-	28,949	27,734
Impairment loss on long-term investment securities		11,267	42,175	40,405
Loss on disposal of property, plant and equipment, net	157,721	193,071	82,814	79,339
Amortization of discount on debentures	36,222	22,925	12,029	11,524
Amortization of intangibles	688,747	216,209	166,163	159,190
Impairment loss on intangibles	51,742	84	461,107	441,758
Provision for doubtful accounts	4,272	424	-	-
Provision for severance benefits	480,075	319,339	257,577	246,769
Provision for warranties and product liabilities	1,605,365	1,420,499	1,243,230	1,191,062
Loss (gain) on foreign currency translation, net	(67,676)	34,900	(88,236)	(84,533)
Gain on disposal of short-term investment securities, net	-	(93,760)	(103)	(99)
Gain on disposal of long-term investment securities, net	-	(409)	(1,860)	(1,782)
Gain on disposal of investment securities accounted for using the equity method, net	-	(6,123)	(229,136)	(219,521)
Gain on valuation of investment securities accounted for using the equity method	(605,611)	(34,451)	(154,902)	(148,402)
Gain on valuation of derivative instruments, net	(22,132)	(35,640)	(75,194)	(72,039)
Reversal of accrued warranties	-	-	(305,765)	(292,934)
Impairment loss on property, plant and equipment	-	-	7,498	7,183
Other	(2,665)	7,646	53,465	51,221
Changes in operating assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	(380,546)	(412,349)	405,469	388,455
Increase in inventories	(27,940)	(779,038)	(62,832)	(60,195)
Increase in other current assets	195,971	(8,054)	(16,081)	(15,406)
Decrease in long-term notes and accounts receivable	8,413	5,101	-	-
Increase in deferred income tax assets	(119,399)	(205,449)	(33,511)	(32,105)
Increase in trade notes and accounts payable	222,207	642,385	148,293	142,070
Increase (decrease) in accounts payable-other	75,526	113,555	(97,482)	(93,391)
Decrease in accrued warranties and accrued product liabilities	(298,430)	(404,949)	(397,350)	(380,676)
Increase (decrease) in other current liabilities	44,296	22,500	(176,290)	(168,893)
Payment of severance benefits	(227,311)	(298,084)	(349,396)	(334,735)
Decrease (increase) in individual severance insurance deposits	(123,898)	(13,117)	41,857	40,101
Other	(7,343)	30,811	4,739	4,540
	<u>3,977,764</u>	<u>3,338,614</u>	<u>3,589,370</u>	<u>3,438,753</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Korean won (in millions, except per share amounts)			Translation into U. S. dollars (Note 2)
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>(in thousands) 2004</u>
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of short-term investment securities	₩ -	₩ 596,828	₩ 13,007	\$ 12,461
Proceeds from disposal of marketable securities	388,984	-	-	-
Reduction in other current assets	36,672	60,400	164,899	157,979
Proceeds from disposal of long-term investment securities	-	36,558	14,985	14,356
Proceeds from disposal of investment securities	151,546	-	-	-
Proceeds from disposal of investment securities accounted for using the equity method	12,288	14,538	266,330	255,154
Dividends from investment securities accounted for using the equity method	48,127	87,715	144,443	138,382
Reduction in other assets	82,763	53,562	153,630	147,183
Proceeds from disposal of intangibles	15,120	6,026	2,701	2,589
Proceeds from disposal of property, plant and equipment	<u>29,190</u>	<u>17,026</u>	<u>21,013</u>	<u>20,131</u>
	<u>764,690</u>	<u>872,653</u>	<u>781,008</u>	<u>748,235</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(1,511,647)	(881,957)	(1,284,784)	(1,230,872)
Acquisition of short-term investment securities	-	(116,681)	(875)	(838)
Acquisition of marketable securities	(351,439)	-	-	-
Acquisition of long-term investment securities	-	(53,449)	(11,345)	(10,869)
Acquisition of investment securities accounted for using the equity method	(272,418)	(775,214)	(850,634)	(814,940)
Additions to other current assets	(24,600)	(57,100)	(163,499)	(156,638)
Acquisition of investment securities	(61,105)	-	-	-
Additions to other assets	(67,857)	(71,702)	(120,977)	(115,901)
Acquisition of property, plant and equipment	(610,168)	(897,665)	(921,201)	(882,545)
Expenditures for development costs	<u>(97,093)</u>	<u>(217,718)</u>	<u>(331,547)</u>	<u>(317,634)</u>
	<u>(2,996,327)</u>	<u>(3,071,486)</u>	<u>(3,684,862)</u>	<u>(3,530,237)</u>
	<u>(2,231,637)</u>	<u>(2,198,833)</u>	<u>(2,903,854)</u>	<u>(2,782,002)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	2,324,290	3,727,309	3,391,233	3,248,930
Proceeds from long-term debt	150,136	199,401	299,107	286,556
Proceeds from exercise of stock options	<u>33</u>	<u>6,404</u>	<u>6,404</u>	<u>6,135</u>
	<u>2,474,459</u>	<u>3,933,114</u>	<u>3,696,744</u>	<u>3,541,621</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	(2,380,863)	(3,575,400)	(3,511,794)	(3,364,432)
Payment of cash dividends	(215,145)	(243,079)	(285,674)	(273,687)
Purchase of treasury stock	-	-	(65,092)	(62,361)
Repayment of long-term debt	<u>(1,731,269)</u>	<u>(1,089,271)</u>	<u>(955,661)</u>	<u>(915,559)</u>
	<u>(4,327,277)</u>	<u>(4,907,750)</u>	<u>(4,818,221)</u>	<u>(4,616,039)</u>
	<u>(1,852,818)</u>	<u>(974,636)</u>	<u>(1,121,477)</u>	<u>(1,074,418)</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2002, 2003 AND 2004

	Korean won (in millions, except per share amounts)			Translation into U. S. dollars (Note 2) (in thousands)
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Cash inflows from the merger with a subsidiary	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 144</u>	<u>\$ 138</u>
Net increase (decrease) in cash and cash equivalents	(106,691)	165,145	(435,817)	(417,529)
Cash and cash equivalents, beginning of year	<u>1,384,063</u>	<u>1,277,372</u>	<u>1,442,517</u>	<u>1,381,986</u>
Cash and cash equivalents, end of year	<u>₩ 1,277,372</u>	<u>₩ 1,442,517</u>	<u>₩ 1,006,700</u>	<u>\$ 964,457</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002, 2003 AND 2004

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

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
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Plan to manufacture passenger cars and SUV after 2005
Beijing Hyundai Motor Company (BHMC)	Manufacturer of passenger cars since October 2002
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 Translead (HT)	Distributor of van trailers and equipment
Hyundai Machine Tool Europe GmbH (HYME) ^(*)	Exclusive importer and distributor of machine tools
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)	//

(*) Effective January 1, 2005, the Company sold investment securities of Hyundai Machine Tool Europe GmbH and its branch - Hyundai Machine Tools America to WIA Corporation.

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 Basic Exchange Rate of ₩1,043.80 to US\$1.00 at December 31, 2004, solely for the convenience of the reader. This convenience translation into U.S. dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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

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

The 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.

Inventories

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

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

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

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

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

Investment Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings 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
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, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangibles

Intangible assets are stated at cost, net of 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 (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 2 and 40 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 ₩1,231,107 million (US\$1,179,447 thousand), 1,252,477 million (US\$1,199,920 thousand) and ₩1,161,789 million (US\$1,113,038 thousand) as of December 31, 2002, 2003 and 2004, respectively.

Accrued severance benefits are approximately 65 percent funded as of December 31, 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 ₩69,369 million (US\$66,458 thousand), ₩54,225 million (US\$51,950 thousand) and ₩37,351 million (US\$35,784 thousand) as of December 31, 2002, 2003 and 2004, 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 ₩227,311 million (US\$217,773 thousand), ₩298,084 million (US\$285,576 thousand) and ₩349,396 million (US\$334,735 thousand) in 2002, 2003 and 2004, 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 most of its agents in European Union in which agents are responsible for all portion of the cost of the dismantling and recycling the vehicles placed in service in the future. The Company reversed the accrued liabilities exceeding the estimated expense by ₩305,765 million (US\$292,934 thousand) in 2004.

Stock Options

The Company 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 December 31, 2002, 2003 and 2004, the Company deferred the gain of ₩25,852 million (US\$24,767 thousand), the loss of ₩63,814 million (US\$61,136 thousand) and the gain of ₩42,181 million (US\$40,411 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The period in which the forecasted transactions are expected to occur is within 47 months from December 31, 2004. Of the net gain on valuation recorded as capital adjustments as of December 31, 2004, the loss of ₩52,291 million (US\$50,097 thousand) is expected to be realized and charged to current operations within one year from December 31, 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>Contracted 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\$ 11.53
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	14,574,717	US\$ 7.8811

(*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. As of December 31, 2004, all premiums to be paid by the Company are recorded as long-term other accounts payable in long-term liabilities of ₩60,492 million (US\$57,954 thousand) and accounts payable – other of ₩24,168 million (US\$ 23,154 thousand), after deducting the present value discount of ₩11,891 million (US\$11,392 thousand) and the present value of all premiums on the effective date of contracts is recorded as deferred derivative assets in other assets. Also, as of December 31, 2004, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩9,771 million (US\$9,361 thousand) and accounts receivable-other of ₩3,962 million (US\$3,796 thousand), after deducting the present value discount of ₩2,115 million (US\$2,026 thousand) (see Note 12) and the present value of such premiums on the effective date of contract is recorded as deferred derivatives liabilities in other long-term liabilities. The present value discount will be amortized using the effective interest method.

In 2002, 2003 and 2004, the Company recognized the net gain of ₩22,132 million (US\$21,203 thousand), ₩35,640 million (US\$34,144 thousand) and ₩75,194 million (US\$72,039 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations. The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩46,122 million (US\$44,187 thousand), 162,722 million (US\$155,894 thousand) and ₩252,785 million (US\$242,178 thousand) in other current assets and other assets as of December 31, 2002, 2003 and 2004, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩12,337 million ((US\$11,819 thousand) ₩104,596 million (US\$100,207 thousand) and ₩25,357 million (US\$24,293 thousand) is recorded in liabilities as of December 31, 2002, 2003 and 2004, 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 Basic Exchange Rate, which was ₩1,200.40, ₩1,197.80 and ₩1,043.80 to US\$1.00 at December 31, 2002, 2003 and 2004, 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, and capital stock and retained earnings are translated at historical exchange rate; income and expenses are translated at the average rates of exchange prevailing in 2002, 2003 and 2004, which were ₩1,251.18, ₩1,191.60 and ₩1,146.14 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 of dividends on preferred stock, by the weighted average number of common shares outstanding during the year. The number of shares used in computing earnings per common share is 218,084,933, 218,173,808 and 217,655,607 in 2002, 2003 and 2004, respectively. Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to 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 earnings per diluted common share is 218,863,816, 218,859,929 and 218,223,739 in 2002, 2003 and 2004, respectively.

Reclassification

For comparative purposes, certain accounts in the balance sheet as of December 31, 2003 and in the statements of income and cash flows for the year then ended were reclassified. Such reclassification had no effect on the income in 2003 or net equity as of December 31, 2003.

Restatement of Financial Statements

The Company accounted for the equity securities of Kia Motors Corporation (hereinafter “Kia”) using the equity method based on the provisional financial statements of Kia. However, after the ordinary general meeting of shareholders of the Company for the year ended December 31, 2004, Kia announced an accounting change, which resulted in significant differences between the provisional and final financial statements. Thus, the Company restated the financial statements using the final financial statements of Kia, and the restated financial statements for the year ended December 31, 2004 differ from the financial statements for the year ended December 31, 2004 approved at the ordinary general meeting of shareholders on March 4, 2005. This restatement increased the beginning retained earnings and net income by ₩44,943 million (US\$43,057 thousand) and ₩19,558 million (US\$18,737 thousand), respectively, and decreased investment securities accounted for using the equity method, deferred income tax debits and capital adjustments by ₩344,190 million (US\$329,747 thousand), ₩24,466 million (US\$23,439 thousand) and ₩433,157 million (US\$414,981 thousand), respectively, compared to the previously issued financial statements for the year ended December 31, 2004. Also, the Company restated the financial statements for the year ended December 31, 2003 using the final financial statements of Kia for the comparative purposes.

	Korean won (in millions, except per share amounts)			
	2000	2001	2002	2003
Investment securities (*)	2,759,007	3,542,496	4,040,532	5,015,485
Deferred income tax assets	244,822	235,913	355,312	560,760
Retained earnings	1,690,678	2,489,243	3,688,507	5,211,110
Capital adjustments	(743,643)	(105,067)	(166,794)	55,934
Ordinary income	898,402	1,682,574	1,996,996	2,370,312
Net income	669,262	1,172,330	1,452,902	1,766,545
Ordinary earnings per common share	3,147	5,196	6,398	7,790
Earning per common share	3,147	5,196	6,398	7,790

(*) Investment securities in 2003 consist of long-term investment securities and investment securities accounted for using the equity method, which were classified in accordance to the adoption of SKAS No. 8 – “Investments in Securities”, effective from January 1, 2003.

3. INVENTORIES:

Inventories as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Finished goods and merchandise	₩ 246,925	₩ 468,441	₩ 487,441	\$ 466,987
Semi-finished goods and work in process	187,831	419,021	387,427	371,170
Raw materials and supplies	181,663	294,387	310,259	297,240
Materials in transit	63,397	137,183	81,972	78,532
	<u>₩ 679,816</u>	<u>₩ 1,319,032</u>	<u>₩ 1,267,099</u>	<u>\$ 1,213,929</u>

4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of December 31, 2003 and 2004, 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)
	2003	2004	2004
Local currency beneficiary certificates	₩ 200,155	₩ 205,009	\$ 196,406
Foreign currency beneficiary certificates	11,992	-	-
Government bonds	20	20	19
	<u>₩ 212,167</u>	<u>₩ 205,029</u>	<u>\$ 196,425</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 ₩58,029 million (US\$55,594 thousand) and ₩53,048 million (US\$50,822 thousand) in capital adjustments as of December 31, 2004 and 2003, respectively. In 2004, the unrealized gain of ₩4,942 million (US\$4,735 thousand) occurred and unrealized loss of ₩37 million (US\$35 thousand) is realized in current operation due to the disposition.

5. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)
	2003	2004	2004
Available-for-sale securities	₩ 271,546	₩ 259,549	\$ 248,658
Held-to-maturity securities	48,500	48,500	46,465
	<u>₩ 320,046</u>	<u>₩ 308,049</u>	<u>\$ 295,123</u>

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)
	2003	2004	2004
Equity securities stated at fair value	₩ 132,605	₩ 115,112	\$ 110,282
Equity securities stated at acquisition cost	133,862	139,287	133,442
Government bonds	65	65	62
Corporate bonds	5,014	5,085	4,872
	<u>₩ 271,546</u>	<u>₩ 259,549</u>	<u>\$ 248,658</u>

Debt securities of ₩5,079(US\$4,866 thousand) and ₩5,150 million (US\$4,934 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from December 31, 2003 and 2004, respectively.

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

Name of 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	₩ 1,308	\$ 1,253	8.66
Korea Mutual Savings Bank	2,846	3,325	3,186	8.13
Korea Environment Technology Co., Ltd.	1,	5,235	5,015	6.00
Hyundai Heavy Industries Co., Ltd.	56,924	75,446	72,280	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,217	1,166	2.21
Hyundai Corporation	13,626	850	814	1.08
LG Telecom	9,795	7,520	7,205	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	8,432	8,078	0.55
KT Freetel	10,800	8,245	7,899	0.18
Treasury Stock Fund (*)	3,425	3,498	3,351	-
Other	283	36	35	-
	<u>₩ 118,694</u>	<u>₩ 115,112</u>	<u>\$ 110,282</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, 2004 amounting to ₩45,560 million (US\$43,648 thousand) is recorded as treasury stock in capital adjustments.

The difference of ₩3,581 million (US\$3,431 thousand) as of December 31, 2004, between the book value and the acquisition cost consists of gain on valuation of available-for-sale securities in capital adjustments of ₩17,584 million (US\$16,846 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$20,277 thousand). In 2004, the unrealized gain of ₩40,216 million (US\$ 38,528 thousand) occurred and unrealized gain of ₩6,015 million (US\$5,763 thousand) is realized in current operation due to disposition.

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

Affiliated company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Hyundai Motor Hungary (*)	₩ 721	₩ 721	\$ 691	100
Hyundai Motor Norway AS (*)	2,123	2,123	2,034	100
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	4,907	4,907	4,701	91.75
NGVTEK.com (*)	571	571	547	53.66
Hyundai-Motor Group Ltd. (*)	2,534	2,534	2,428	50.00
Heesung PM Tech Corporation	1,194	1,194	1,144	19.90
Jinil MVC Co., Ltd.	180	180	172	18.00
Clean Air Technology Inc.	500	500	479	16.13
Industry Otomotif Komersial	4,439	4,439	4,253	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302	14.97
Hyundai Research Institute	1,359	1,271	1,218	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	131	14.90
Mando Map & Soft Co., Ltd.	778	778	745	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,395	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,150	11.59
Micro Infinity	607	607	582	10.51
Kihyup Finance	3,000	3,000	2,874	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	9,580	9.99
Hankyoreh Plus Inc.	4,800	284	272	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	85,128	7.24
Hyundai Asan Corporation	22,500	5,405	5,178	4.61
U.S Electrical Inc.	2,204	2,204	2,111	3.80
ROTIS Inc.	1,000	8	8	1.33
Other	1,377	1,377	1,319	-
	<u>₩ 167,636</u>	<u>₩ 139,287</u>	<u>\$ 133,442</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 investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,706 thousand), are not material.

In 2004, impairment loss of ₩42,175 million (US\$40,405 thousand) between the carrying amount and the estimated recoverable amount of Hyundai Information Technology Co., Ltd, Hyundai Corporation, Chohung Bank, Hyundai Asan Corporation and other are recognized in current operations.

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

<u>Affiliated company</u>	<u>Korean won</u> (in millions)		<u>U.S. dollars</u> (Note 2) (in thousands)	<u>Ownership percentage</u> (%)
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>	
Jin Heung Mutual Savings Bank	₩ 2,166	₩ 1,990	\$ 1,906	8.66
Korea Mutual Savings Bank	2,846	3,501	3,354	8.13
Korea Industrial Development Co., Ltd.	2,861	1,856	1,778	1.25
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	78,679	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,207	2.21
Hyundai Corporation	13,626	747	716	1.08
LG Telecom, Ltd.	9,795	6,834	6,547	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	5,332	0.55
Chohung Bank	25,000	10,288	9,856	0.37
KT Freetel	10,800	6,376	6,109	0.17
Treasury Stock Fund (*)	4,067	1,499	1,436	-
Stock Market Stabilization Fund	3,525	10,546	10,104	-
Other	283	18	17	-
	<u>₩ 149,222</u>	<u>₩132,605</u>	<u>\$ 127,041</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\$43,033 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩16,617 million (US\$15,920 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.

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

<u>Affiliated company</u>	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	<u>Ownership percentage (%)</u>
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	₩ 2,019	₩ 2,019	\$ 1,934	84.87
NGVTEK.com (*)	571	571	547	53.66
Jinil MVC Co., Ltd.	180	180	172	18.00
Industry Otomotif Komersial	4,439	4,439	4,253	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302	14.97
Hyundai Research Institute	1,359	1,271	1,218	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	131	14.90
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,395	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,150	11.59
Kihyup Finance	3,000	3,000	2,874	10.34
Hyundai Motor Deutschland GmbH	863	863	827	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	9,580	9.99
KOENTECH	1,500	1,500	1,437	7.50
Hankyoreh Plus Inc.	4,800	284	272	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	85,128	7.24
Hyundai Asan Corporation	22,500	8,861	8,489	5.00
U.S Electrical Inc.	2,204	2,204	2,112	3.80
ROTIS Inc.	1,000	8	8	3.76
Other	1,579	1,478	1,416	-
	<u>₩ 158,856</u>	<u>₩ 133,862</u>	<u>\$ 128,245</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\$ 6,706 thousand), are not material.

In 2003, impairment loss of ₩11,167 million (US\$10,698 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.

- (3) Debt securities included in held-to-maturity securities of long-term investment securities as of December 31, 2004 and 2003 are subordinate debt securities of ₩48,500 million (US\$46,465 thousand) with maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 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	₩ 380,729	₩ 359,233	\$ 233,778	\$ 364,753	\$ 344,159	100.00
Hyundai Motor America	824,800	967,228	711,431	790,1	926	681,578	100.00
Hyundai Translead	74,977	31,350	61,278	71,	3	58,707	100.00
Hyundai Machine Tool Europe GmbH	25,397	10,895	9,288	24,	1	8,898	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	8,653	25,543	23,		24,471	100.00
Hyundai Motor Japan Co. (*1)	32,479	-	-	31,	-	-	100.00
Hyundai Motor Europe GmbH	17,529	35,044	35,044	16,	3	33,573	100.00
Hyundai America Technical Center Inc.	9,635	15,148	15,148	9	1	14,512	100.00
HMJ R&D Center Inc.	1,510	2,244	2,244			2,150	100.00
Hyundai Motor Company Australia	12,382	22,472	30,932	11,	2	29,634	100.00
ROTEM	270,222	215,814	288,532	258,8	206	276,425	78.36
Hyundai Capital Service Inc.	468,743	359,333	265,269	449,0	344	254,138	61.08
Hyundai Card Co., Ltd.	557,126	81,286	97,706	533,7	7	93,606	59.02
HAOSVT (Turkey)	48,013	61,635	24,765	45,	5	23,726	50.00
Beijing-Hyundai Motor Company	133,691	315,837	304,040	128,0	302	291,282	50.00
Hyundai Powertech	120,000	134,475	134,475	114,9	128	128,832	50.00
KEFICO	20,911	95,282	93,566	20,	9	89,640	50.00
Dymos Inc.	68,872	95,001	93,620	65,	9	89,692	47.27
WIA Corporation	8,989	116,316	88,604	8	111	84,886	45.30
Kia Motors Corporation	923,957	1,463,712	2,012,542	885,1	1,402,2	1,928,091	38.67
Korea Aerospace Industries, Ltd.	129,800	82,068	81,827	124,3	7	78,393	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,205	13,205	12,	1	12,651	30.00
Hyundai Motor Deutschland GmbH	6,761	15,559	12,588	6	1	12,060	30.00
China Millennium Corporations	53,450	19,820	53,450	51,	1	51,207	59.60
Korea Economy Daily	19,973	10,414	14,247	19,		13,649	29.57
Hyundai HYSKO	200,768	158,833	243,925	192,3	152	233,689	26.13
Autoever Systems Corp.	1,250	5,968	5,968			5,718	25.00
Iljin Bearing Co., Ltd.	826	13,102	13,102		1	12,552	20.00
Daesung Automotive Co., Ltd.	400	6,094	6,094			5,838	20.00
Eukor Car Carriers Inc. (*2)	29,347	60,182	50,008	28,116	57,657	47,910	12.00
	<u>₩4,343,482</u>	<u>₩ 4,797,699</u>	<u>₩ 5,147,674</u>	<u>\$ 4,161,221</u>	<u>\$ 4,596,378</u>	<u>\$4,931,667</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% (Kia Motors Corp. 8% and the Company 12%); therefore, the Company is considered to be able to exercise significant influence over the operating and financial policies.

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

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	Acquisition cost	Market (net equity) value	Book value	
Hyundai Motor India	₩ 244,017	₩ 340,475	₩ 340,475	\$ 233,778	\$ 326,188	\$ 326,188	100.00
Hyundai Motor America	484,861	728,296	647,068	464,515	697,735	619,916	100.00
Hyundai Translead	74,977	13,363	45,220	71,831	12,802	43,323	100.00
Hyundai Machine Tool Europe GmbH	25,397	13,175	17,185	24,331	12,622	16,464	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	(446)	17,505	23,126	(427)	16,770	100.00
Hyundai Motor Japan Co. (*1)	21,376	-	-	20,479	-	-	100.00
Hyundai Motor Europe GmbH	17,529	21,974	21,974	16,793	21,052	21,052	100.00
Hyundai America Technical Center Inc.	9,635	16,101	16,101	9,231	15,425	15,425	100.00
HMJ R&D Center Inc.	1,510	2,391	2,391	1,447	2,291	2,291	100.00
Hyundai Motor Company Australia	12,329	13,696	13,696	11,812	13,121	13,121	100.00
Hyundai Capital Service Inc.	348,816	528,824	358,399	334,179	506,633	343,360	84.24
ROTEM	270,222	258,162	335,220	258,883	247,329	321,154	78.36
Hyundai Card Co., Ltd.	394,460	65,564	65,564	377,908	62,813	62,813	56.89
HAOSVT (Turkey)	48,013	42,483	25,859	45,998	40,700	24,774	50.00
Beijing-Hyundai Motor Company	133,691	281,997	281,997	128,081	270,164	270,164	50.00
Hyundai Powertech	120,000	128,338	128,338	114,965	122,953	122,953	50.00
Daimler Hyundai Truck Co., Ltd.	50,000	26,833	26,833	47,902	25,707	25,707	50.00
KEFICO	20,911	80,933	79,064	20,034	77,537	75,746	50.00
Dymos Inc.	68,872	83,140	81,668	65,982	79,651	78,241	47.27
WIA Corporation	347	87,464	58,115	332	83,794	55,676	45.30
e-HD.com	8,642	3,961	4,374	8,279	3,795	4,190	41.56
Kia Motors Corporation	923,957	1,463,712	1,740,598	885,186	1,402,292	1,667,559	37.33
Korea Space & Aircraft Co., Ltd.	129,800	79,568	79,312	124,353	76,229	75,984	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,264	13,264	12,951	12,707	12,707	30.00
Korea Economy Daily	19,973	10,058	14,129	19,135	9,636	13,536	29.57
Autoever Systems Corp.	1,250	4,106	4,106	1,198	3,934	3,934	25.00
Hyundai HYSCO	200,768	134,526	226,720	192,343	128,881	217,206	26.13
Iljin Automotive Systems Co., Ltd.	826	12,794	12,794	791	12,257	12,257	20.00
Daesung Automotive Co., Ltd.	400	5,619	5,619	383	5,383	5,383	20.00
Eukor Car Carriers Inc. (*2)	29,347	42,593	31,851	28,115	40,806	30,515	12.00
	<u>₩3,699,583</u>	<u>₩ 4,502,964</u>	<u>₩ 4,695,439</u>	<u>\$ 3,544,341</u>	<u>\$ 4,314,010</u>	<u>\$ 4,498,409</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

Investment securities accounted for using the equity method as of December 31, 2002 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	₩ 273,433	₩ 274,182	\$ 233,778	\$ 261,959	\$ 262,677	100.00
Hyundai Motor America	130,911	319,412	254,417	125,418	306,009	243,741	100.00
Hyundai Translead	74,977	(4,269)	29,517	71,831	(4,090)	28,278	100.00
Hyundai Machine Tool Europe GmbH	25,397	12,165	16,428	24,331	11,655	15,739	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	233	19,245	23,126	223	18,437	100.00
Hyundai Motor Japan Co. (*)	21,376	(27,773)	-	20,479	(26,608)	-	100.00
Hyundai Motor Europe GmbH	17,529	19,300	20,308	16,793	18,490	19,456	100.00
Hyundai America Technical Center Inc.	9,635	15,278	15,278	9,231	14,637	14,637	100.00
HMJ R&D Center Inc.	1,510	2,121	2,121	1,447	2,032	2,032	100.00
Hyundai Capital Service Inc.	348,816	562,050	550,520	334,179	538,465	527,419	84.24
ROTEM	270,222	209,104	290,500	258,883	200,330	278,310	78.36
HAOSVT (Turkey)	60,775	27,942	5,725	58,225	26,769	5,485	63.29
Beijing-Hyundai Motor	133,691	129,468	129,468	128,081	124,035	124,035	50.00
Hyundai Powertech	70,000	70,263	70,263	67,063	67,315	67,315	50.00
Daimler Hyundai Truck Co., Ltd.	50,000	46,455	46,455	47,902	44,506	44,506	50.00
KEFICO	20,911	67,745	65,723	20,034	64,902	62,965	50.00
Haevichi Resort (formerly Cheju Dynasty Co., Ltd)	10,650	4,297	6,887	10,203	4,117	6,598	50.00
Hyundai Dymos Inc.	50,116	46,895	45,332	48,013	44,927	43,430	46.89
WIA Corporation	347	61,911	30,924	332	59,313	29,626	45.30
e-HD.com	8,642	6,079	6,518	8,279	5,824	6,244	41.56
Kia Motors Corporation	923,957	1,181,712	1,504,412	885,186	1,132,125	1,441,284	36.32
Korea Space & Aircraft Co., Ltd.	129,800	78,533	78,260	124,353	75,238	74,976	33.33
Korea Economy Daily	19,973	12,251	16,648	19,135	11,737	15,949	29.57
Autoever Systems Corp.	1,250	2,732	2,732	1,197	2,617	2,617	25.00
Hyundai HYSCO	200,768	94,294	196,294	192,343	90,337	188,057	23.43
First CRV	67,824	39,649	39,649	64,978	37,985	37,985	20.00
Iljin Automotive Systems Co., Ltd.	826	11,779	11,779	791	11,285	11,285	20.00
Daesung Automotive Co., Ltd.	400	5,132	5,132	383	4,917	4,917	20.00
	<u>₩ 2,918,459</u>	<u>₩ 3,268,191</u>	<u>₩ 3,734,717</u>	<u>\$ 2,795,994</u>	<u>\$ 3,131,051</u>	<u>\$ 3,578,000</u>	

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

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

Affiliated company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Beginning of year	Gain (loss) on valuation	Other changes (*1)	End of year	End of year
Hyundai Motor India	₩ 340,475	₩ 86,693	₩ (67,935)	₩ 359,233	\$ 344,159
Hyundai Motor America	647,068	(56,061)	120,424	711,431	681,578
Hyundai Translead	45,220	20,053	(3,995)	61,278	58,707
Hyundai Machine Tool Europe GmbH	17,185	(7,225)	(672)	9,288	8,898
Hyundai Motor Poland Sp.zo.o.	17,505	7,128	910	25,543	24,471
Hyundai Motor Europe GmbH	21,974	14,086	(1,016)	35,044	33,573
Hyundai America Technical Center Inc.	16,101	1,242	(2,195)	15,148	14,512
HMJ R&D Center Inc.	2,391	88	(235)	2,244	2,150
Hyundai Motor Company Australia	13,696	18,979	(1,743)	30,932	29,634
Hyundai Commercial Vehicle Engine Co., Ltd. (*2)	26,833	(56,752)	29,919	-	-
ROTEM	335,220	(46,193)	(495)	288,532	276,425
Hyundai Capital Service Inc.	358,399	(234,034)	140,904	265,269	254,138
Hyundai Card Co., Ltd.	65,564	(128,156)	160,298	97,706	93,606
HAOSVT (Turkey)	25,859	7,165	(8,259)	24,765	23,726
Beijing-Hyundai Motor Company	281,997	126,879	(104,836)	304,040	291,282
Hyundai Powertech	128,338	6,120	17	134,475	128,832
KEFICO	79,064	18,575	(4,073)	93,566	89,640
Dymos Inc.	81,668	11,922	30	93,620	89,692
WIA Corporation	58,115	27,014	3,475	88,604	84,886
e-HD.com	4,374	-	(4,374)	-	-
Kia Motors Corporation	1,740,598	283,232	(11,288)	2,012,542	1,928,091
Korea Space & Aircraft Co., Ltd.	79,312	2,516	(1)	81,827	78,393
Beijing Mobis Transmission Co., Ltd.	13,264	1,816	(1,875)	13,205	12,651
Hyundai Motor Deutschland GmbH	-	5,717	6,871	12,588	12,060
China Millennium Corporations	-	-	53,450	53,450	51,207
Korea Economy Daily	14,129	98	20	14,247	13,649
Hyundai HYSCO	226,720	22,212	(5,007)	243,925	233,689
Autoever Systems Corp.	4,106	1,985	(123)	5,968	5,718
Iljin Bearing Co., Ltd.	12,794	381	(73)	13,102	12,552
Daesung Automotive Co., Ltd.	5,619	555	(80)	6,094	5,838
Eukor Car Carriers Inc.	31,851	18,867	(710)	50,008	47,910
	<u>₩ 4,695,439</u>	<u>₩ 154,902</u>	<u>₩ 297,333</u>	<u>₩ 5,147,674</u>	<u>\$ 4,931,667</u>

(*1) Other changes consist of the increase of acquisition cost by ₩851,498 million (US\$815,767 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩122,308 million (US\$117,176 thousand) mainly due to disposal of investments and merger, decrease by ₩144,443 million (US\$138,382 thousand) due to receipt of the dividends, decrease of retained earnings by ₩31,663 million (US\$30,334 thousand) and decrease of capital adjustments by ₩255,751 million (US\$245,019 thousand).

(*2) The Company had merged with Hyundai Commercial Vehicle Engine Co., Ltd (formerly Daimler Hyundai Truck Co., Ltd.) on November 5, 2004 (see Note 27).

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

Affiliated company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Beginning of year	Gain (loss) on valuation	Other changes (*)	End of year	End of year
Hyundai Motor India	₩ 274,182	₩ 74,316	₩ (8,023)	₩ 340,475	\$ 326,188
Hyundai Motor America	254,417	25,663	366,988	647,068	619,916
Hyundai Translead	29,517	15,753	(50)	45,220	43,323
Hyundai Machine Tool Europe GmbH	16,428	(1,833)	2,590	17,185	16,464
Hyundai Motor Poland Sp.zo.o.	19,245	(1,721)	(19)	17,505	16,770
Hyundai Motor Europe GmbH	20,308	(983)	2,649	21,974	21,052
Hyundai America Technical Center Inc.	15,278	856	(33)	16,101	15,425
HMJ R&D Center Inc.	2,121	43	227	2,391	2,291
Hyundai Motor Company Australia	-	209	13,487	13,696	13,121
Hyundai Capital Service Inc.	550,520	(262,619)	70,498	358,399	343,360
ROTEM	290,500	44,526	194	335,220	321,154
Hyundai Card Co., Ltd.	-	(328,355)	393,919	65,564	62,813
HAOSVT (Turkey)	5,725	21,379	(1,245)	25,859	24,774
Beijing-Hyundai Motor Company	129,468	152,701	(172)	281,997	270,164
Hyundai Powertech	70,263	8,339	49,736	128,338	122,953
Daimler Hyundai Truck Co., Ltd.	46,455	(19,622)	-	26,833	25,707
KEFICO	65,723	17,302	(3,961)	79,064	75,746
Dymos Inc.	45,332	15,085	21,251	81,668	78,241
WIA Corporation	30,924	27,262	(71)	58,115	55,676
e-HD.com	6,518	(2,174)	30	4,374	4,190
Kia Motors Corporation	1,504,412	232,407	3,779	1,740,598	1,667,559
Korea Space & Aircraft Co., Ltd.	78,260	3,455	(2,403)	79,312	75,984
Beijing Mobis Transmission Co., Ltd.	-	(283)	13,547	13,264	12,707
Korea Economy Daily	16,648	(2,437)	(82)	14,129	13,536
Autoever Systems Corp.	2,732	1,382	(8)	4,106	3,934
Hyundai HYSCO	196,294	11,818	18,608	226,720	217,206
Iljin Automotive Systems Co., Ltd.	11,779	1,128	(113)	12,794	12,257
Daesung Automotive Co., Ltd.	5,132	567	(80)	5,619	5,383
Eukor Car Carriers Inc.	-	(38)	31,889	31,851	30,515
First CRV	39,649	-	(39,649)	-	-
Haevichi Resort (formerly Cheju Dynasty Co., Ltd.)	6,887	325	(7,212)	-	-
	<u>₩ 3,734,717</u>	<u>₩ 34,451</u>	<u>₩ 926,271</u>	<u>₩ 4,695,439</u>	<u>\$ 4,498,409</u>

(*) Other changes consist of the increase of acquisition cost by ₩844,184 million (US\$808,760 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩48,064 million (US\$46,047 thousand) mainly due to disposal of investments, decrease by ₩87,715 million (US \$ 84,034 thousand) due to receipt of the dividends, decrease of retained earnings by ₩863 million (US\$827 thousand) and increase of capital adjustments by ₩218,729 million (US\$209,551 thousand).

The changes in equity securities accounted for using the equity method in 2002 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	₩ 316,109	₩ 59,797	₩ (101,724)	₩ 274,182	\$ 262,677
Hyundai Motor America	133,593	171,253	(50,429)	254,417	243,741
Hyundai Translead	61,460	(31,154)	(789)	29,517	28,278
Hyundai Machine Tool Europe GmbH	16,409	(833)	852	16,428	15,739
Hyundai Motor Poland Sp.zo.o.	19,809	(556)	(8)	19,245	18,437
Hyundai Motor Europe GmbH	-	(469)	20,777	20,308	19,456
Hyundai America Technical Center Inc.	12,228	649	2,401	15,278	14,637
HMJ R&D Center Inc.	1,975	137	9	2,121	2,032
Hyundai Capital Service Inc.	386,228	94,427	69,865	550,520	527,419
ROTEM	241,536	48,964	-	290,500	278,310
HAOSVT (Turkey)	-	(2,425)	8,150	5,725	5,485
Beijing-Hyundai Motor	-	(1,040)	130,508	129,468	124,035
Hyundai Powertech	34,393	6,227	29,643	70,263	67,315
Daimler Hyundai Truck Co., Ltd.	50,019	(3,564)	-	46,455	44,506
KEFICO	52,004	16,558	(2,839)	65,723	62,965
Haevichi Resort (formerly Cheju Dynasty Co., Ltd)	6,504	383	-	6,887	6,598
Hyundai Dymos Inc.	37,351	5,477	2,504	45,332	43,430
WIA Corporation	534	30,390	-	30,924	29,626
e-HD.com	2,756	(340)	4,102	6,518	6,244
Kia Motors Corporation	1,283,032	215,747	5,633	1,504,412	1,441,284
Korea Space & Aircraft Co., Ltd.	73,557	4,712	(9)	78,260	74,976
Korea Economy Daily	17,355	(605)	(102)	16,648	15,949
Autoever Systems Corp.	-	1,318	1,414	2,732	2,617
Hyundai HYSKO	182,475	17,419	(3,600)	196,294	188,057
First CRV	70,245	(28,488)	(2,108)	39,649	37,985
Iljin Automotive Systems Co., Ltd.	11,150	1,363	(734)	11,779	11,285
Daesung Automotive Co., Ltd.	4,787	405	(60)	5,132	4,917
Wuhan Grand Motor Co., Ltd.	8,455	(430)	(8,025)	-	-
Hyundai-Kia-Yueda Motor Company	227	289	(516)	-	-
	<u>₩ 3,024,191</u>	<u>₩ 605,611</u>	<u>₩ 104,915</u>	<u>₩ 3,734,717</u>	<u>\$ 3,578,000</u>

(*) Other changes consist of increase of acquisition cost by ₩279,258 million (US\$267,540 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩8,018 million (US\$7,682 thousand) due to disposal of investments, decrease by ₩48,127 million (US\$46,107 thousand) due to receipt of the dividends, decrease of retained earnings by ₩38,494 million (US\$36,879 thousand) and decrease of capital adjustments by ₩79,704 million (US\$76,359 thousand).

Equity securities accounted for using the equity method as of December 31, 2004 and 2003 are valued based on the financial statements of the investees as of the same balance sheet dates, which were neither audited nor reviewed by an external auditor.

Significant unrealized profits (losses) that occurred in transactions with investees are eliminated. As of December 31, 2002, 2003 and 2004, unrealized profit occurred in transactions of inventories and investment securities with investees are and ₩144,813 million (US\$138,736 thousand), ₩297,928 million (US\$285,426 thousand) and ₩233,069 million (US\$223,289 thousand), respectively.

The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. In 2004 and 2003, such adjustments of the difference of accounting treatments resulted in the increase in gain on equity method valuation included in current operations by ₩35,299 million (US\$33,818 thousand) and decrease by ₩38,568 million (US\$36,950 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 December 31, 2004 and 2003 are ₩168,176 million (US\$ 161,119 thousand) and ₩176,403 million (US\$169,001 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\$ 156,422 thousand), is charged to current operation as loss on valuation of investment securities accounted for using the equity method.

7. MARKETABLE SECURITIES AND INVESTMENT SECURITIES:

- (1) Marketable securities consist of beneficiary certificates of ₩544,832 million (US\$521,970 thousand) and debt securities of ₩673 million (US\$645 thousand) as of December 31, 2002. Marketable securities are stated at fair value with the resulting valuation loss of ₩583 million (US\$559 thousand) in current operations in 2002.
- (2) Investment securities as of December 31, 2002 consist of the following:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Marketable equity securities	₩ 87,244	\$ 83,583
Unlisted equity securities	185,106	177,339
Debt securities	33,465	32,061
	<u>₩ 305,815</u>	<u>\$ 292,983</u>

- (3) Marketable equity securities as of December 31, 2002 consist of the following:

<u>Affiliated Company</u>	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	<u>Ownership percentage (%)</u>
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>	
Jin Heung Mutual Savings Bank	₩ 2,181	₩ 2,044	\$ 1,958	8.66
Korea Mutual Savings Bank	2,846	2,983	2,858	8.13
Korea Industrial Development Co., Ltd.	2,894	1,488	1,426	6.00
Hyundai Corporation	13,626	2,079	1,992	2.99
Hyundai Heavy Industries Co., Ltd.	56,924	41,720	39,969	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,267	1,214	2.21
LG Telecom	9,795	8,178	7,835	0.69
Hyundai Merchant Marine Co., Ltd.	7,329	1,040	996	0.55
Chohung Bank	25,000	10,788	10,335	0.48
Treasury Stock Fund (*)	20,737	4,489	4,301	-
Stock Market Stabilization Fund	8,114	11,146	10,678	-
Other	283	22	21	-
	<u>₩ 159,729</u>	<u>₩ 87,244</u>	<u>\$ 83,583</u>	

(*) The acquisition costs of Treasury Stock Fund are presented after the deduction of fair value of treasury stock included in those fund. The fair values of such treasury stock as of December 30, 2002 amount to ₩28,248 million (US\$27,063 thousand) and are recorded as treasury stock in capital adjustments on the basis set forth in Note 2.

Marketable equity securities are stated at fair value and the difference as of December 31, 2002 amount to ₩72,485 million (US\$69,443 thousand) and are recorded as loss on valuation of investment equity securities in capital adjustments.

(4) Unlisted equity securities as of December 31, 2002 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Acquisition cost (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	₩ 2,019	₩ 2,019	\$ 1,934	84.88
NGVTEK.com (*)	450	450	431	43.90
Jinil MVC Co., Ltd.	180	180	172	18.00
Industry Otomotif Komersial	4,439	4,439	4,253	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302	14.97
Hyundai Research Institute	1,271	1,271	1,218	14.90
Hyundai Unicorns Co., Ltd.	5,795	5,795	5,552	14.90
Eukor Car Carriers Inc.	29,347	29,347	28,116	12.00
Kihyup Finance	3,000	3,000	2,874	10.34
Hyundai Motor Deutschland GmbH	802	802	768	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	9,580	9.99
KOENTECH	1,500	1,500	1,437	7.50
Internet Hankyoreh Inc.	4,800	4,800	4,599	7.41
Hyundai Oil refinery Co., ltd.	88,857	88,857	85,128	7.24
Hyundai Asan Corporation	22,500	8,861	8,489	5.00
U.S Electrical Inc.	2,204	2,204	2,112	3.80
ROTIS	1,000	1,000	958	3.76
KT ICOM Co., Ltd.	10,800	10,800	10,347	0.60
Other	5,291	5,291	5,069	-
	<u>₩ 198,745</u>	<u>₩ 185,106</u>	<u>\$ 177,339</u>	

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

Unlisted investment equity securities are stated at cost, except where an investee's net equity value has declined and is not expected to recover. Impairment loss of ₩13,639 million (US\$13,067 thousand) between book value and acquisition cost of Hyundai Asan Corporation are recognized in current operations in 2002. Total net equity value of unlisted investment equity securities as of December 31, 2002 amounts to ₩140,339 million (US\$134,450 thousand) based on the investees' latest financial statements.

(5) Held-to-maturity debt securities as of December 31, 2002 consist of the following:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
	2002	2002
Non-guaranteed bonds	₩ 33,239	\$ 31,844
Convertible bonds	161	154
Government bonds	65	63
	<u>₩ 33,465</u>	<u>\$ 32,061</u>

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2004
Buildings and structures	<u>₩ 2,783,164</u>	<u>₩ 2,920,973</u>	<u>₩ 3,103,254</u>	\$ 2,973,035
Machinery and equipment	3,928,848	3,934,089	4,444,658	4,258,151
Vehicles	51,086	69,351	71,242	68,253
Dies, molds and tools	2,188,230	2,170,977	2,274,805	2,179,349
Other equipment	<u>530,961</u>	<u>561,346</u>	<u>568,571</u>	<u>544,713</u>
	9,482,289	9,656,736	10,462,530	10,023,501
Less: Accumulated depreciation	<u>(3,490,091)</u>	<u>(4,003,751)</u>	<u>(4,510,301)</u>	<u>(4,321,040)</u>
	5,992,198	5,652,985	5,952,229	5,702,461
Land	1,838,947	1,852,298	1,895,016	1,815,497
Construction in progress	<u>616,168</u>	<u>970,544</u>	<u>886,158</u>	<u>848,973</u>
	<u>₩ 8,447,313</u>	<u>₩ 8,475,827</u>	<u>₩ 8,733,403</u>	<u>\$ 8,366,931</u>

In 2004, the Company recognized the impairment loss of ₩7,498 million (US\$7,183 thousand) in current operation.

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

	Korean won (in millions)						U. S. dollars (Note 2) (in thousands)	
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of year	End of year
Land	<u>₩1,852,298</u>	<u>₩ -</u>	<u>₩ 43,993</u>	<u>₩ (1,518)</u>	<u>₩ -</u>	<u>₩ 243</u>	<u>₩1,895,016</u>	\$ 1,815,497
Buildings and structures	2,416,432	-	169,223	(7,403)	(97,170)	22,663	2,503,745	2,398,683
Machinery and equipment	2,315,451	-	646,728	(63,751)	(343,253)	(6,956)	2,548,219	2,441,291
Vehicles	41,310	-	9,167	(2,076)	(8,440)	19	39,980	38,302
Dies, molds and tools	631,393	-	216,083	(8,962)	(241,792)	(237)	596,485	571,455
Other equipment	248,399	-	103,042	(7,824)	(80,021)	204	263,800	252,730
Construction in progress	<u>970,544</u>	<u>921,201</u>	<u>(1,188,236)</u>	<u>(24,350)</u>	<u>-</u>	<u>206,999</u>	<u>886,158</u>	<u>848,973</u>
Total	<u>₩8,475,827</u>	<u>₩921,201</u>	<u>₩ -</u>	<u>₩(115,884)</u>	<u>₩ (770,676)</u>	<u>₩222,935</u>	<u>₩8,733,403</u>	<u>\$ 8,366,931</u>

The changes in property, plant and equipment in 2003 are as follows:

	Korean won (in millions)						U. S. dollars (Note 2) (in thousands)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of period	End of period
Land	₩ 1,838,948	₩ -	₩ 15,790	₩ (2,439)	₩ -	₩ (1)	₩ 1,852,298	\$ 1,774,572
Buildings and structures	2,365,550	-	159,751	(17,745)	(91,119)	(5)	2,416,432	2,315,034
Machinery and equipment	2,533,901	-	241,753	(130,490)	(329,713)	-	2,315,451	2,218,290
Vehicles	27,034	-	23,453	(1,119)	(8,058)	-	41,310	39,577
Dies, molds and tools	810,322	-	143,708	(42,751)	(279,886)	-	631,393	604,898
Other equipment	255,390	22	80,925	(10,398)	(77,433)	(107)	248,399	237,975
Construction in progress	616,168	897,643	(665,380)	(5,265)	-	127,378	970,544	929,818
Total	₩ 8,447,313	₩ 897,665	₩ -	₩ (210,207)	₩ (786,209)	₩ 127,265	₩ 8,475,827	\$ 8,120,164

A substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ~~₩~~918,984 million (US\$880,422 thousand) (see Note 15).

As of December 31, 2004, the published value of the Company-owned land (12,665 thousand square meters) totals ~~₩~~1,796,852 million (US\$1,721,452 thousand) in terms of land prices officially announced by the Korean government.

9. INSURANCE:

As of December 31, 2004, property, plant and equipment are insured for ~~₩~~5,057,130 million (US\$ 4,844,922 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$120,000 thousand and ~~₩~~1,000 million (US\$958 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.

10. LEASED ASSETS:

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

Year	Financing leases			
	Lease payments	Interest portion	Lease obligations	Lease obligations
2005	₩ 1,074	₩ 18	₩ 1,056	\$ 1,011
2006	104	2	102	98
	₩ 1,178	₩ 20	₩ 1,158	\$ 1,109

11. INTANGIBLES:

Intangibles as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)	
	December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2004	December 31, 2004	December 31, 2004
	Book value	Book value	Acquisition cost	Accumulated amortization	Book value	Book value
Cost in excess of fair value of net identifiable assets acquired	₩ 506,963	₩ 476,392	₩ 611,412	₩ 611,412	₩ -	\$ -
Industrial property rights	14,558	15,840	32,777	18,292	14,485	13,877
Development costs	407,631	441,881	1,431,665	803,025	628,640	602,261
Other	16,500	14,359	37,532	24,169	13,363	12,802
	<u>₩ 945,652</u>	<u>₩ 948,472</u>	<u>₩ 2,113,386</u>	<u>₩ 1,456,898</u>	<u>₩ 656,488</u>	<u>\$ 628,940</u>

The changes in intangibles in 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	Total
Beginning of year	₩ 476,392	₩ 15,840	₩ 441,881	₩ 14,359	₩ 948,472	\$ 908,672	
Addition:							
Expenditures	-	5,559	865,519	881	871,959	835,370	
Deduction:							
Disposal	-	-	(2,701)	-	(2,701)	(2,588)	
Amortization	(15,285)	(6,914)	(142,087)	(1,877)	(166,163)	(159,190)	
Research	-	-	(400,995)	-	(400,995)	(384,169)	
Ordinary development	-	-	(132,977)	-	(132,977)	(127,397)	
Impairment loss	(461,107)	-	-	-	(461,107)	(441,758)	
End of year	<u>₩ -</u>	<u>₩ 14,485</u>	<u>₩ 628,640</u>	<u>₩ 13,363</u>	<u>₩ 656,488</u>	<u>\$ 628,940</u>	

The changes in intangibles in 2003 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 year	₩ 506,963	₩ 14,558	₩ 407,631	₩ 16,500	₩ 945,652	\$ 905,970
Addition:						
Expenditures	-	7,421	710,625	-	718,046	687,915
Deduction:						
Disposal	-	(56)	(5,970)	-	(6,026)	(5,773)
Amortization	(30,571)	(6,083)	(177,414)	(2,141)	(216,209)	(207,136)
Research	-	-	(298,298)	-	(298,298)	(285,781)
Ordinary development	-	-	(194,609)	-	(194,609)	(186,443)
Impairment loss	-	-	(84)	-	(84)	(80)
End of year	<u>₩ 476,392</u>	<u>₩ 15,840</u>	<u>₩ 441,881</u>	<u>₩ 14,359</u>	<u>₩ 948,472</u>	<u>\$ 908,672</u>

The changes in intangibles in 2002 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	₩ 537,533	₩ 14,577	₩ 1,028,322	₩ 16,001	₩ 1,596,433	\$ 1,529,443
Addition:						
Expenditures	-	5,050	555,426	2,685	563,161	539,530
Deduction:						
Disposal	-	-	(15,120)	-	(15,120)	(14,486)
Amortization	(30,570)	(5,069)	(650,922)	(2,186)	(688,747)	(659,846)
Research	-	-	(182,492)	-	(182,492)	(174,834)
Ordinary development	-	-	(275,841)	-	(275,841)	(264,266)
Impairment loss	-	-	(51,742)	-	(51,742)	(49,571)
End of period	₩ 506,963	₩ 14,558	₩ 407,631	₩ 16,500	₩ 945,652	\$ 905,970

For the year ended December 31, 2004, amortization of ₩166,163 million (US\$159,190 thousand) is recorded in selling and administrative expenses of ₩24,073 million (US\$23,063 thousand) and in manufacturing cost of ₩142,090 million (US\$136,127 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 MOBIS (formerly Hyundai Precision and Industry Co., Ltd.), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$441,758 thousand), is accounted for as impairment loss and charged to current operation.

12. OTHER ASSETS:

Other assets as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Long-term notes and accounts receivable, less unamortized present value discount of ₩3,413 million in 2002, ₩2,087 million in 2003 and ₩1,693 million in 2004	₩ 19,201	₩ 18,271	₩ 15,454	\$ 14,806
Lease and rental deposits	176,859	195,372	203,793	195,241
Long-term deposits	36,346	45,026	48,535	46,498
Deferred derivatives assets	46,122	162,722	200,830	192,403
Long-term loans	90,593	90,983	49,220	47,155
Long-term other accounts receivable, less unamortized present value discount of ₩2,115 million in 2004 and ₩3,441 million in 2003	-	14,745	9,771	9,361
Other	18,617	18,617	-	-
	₩ 387,738	₩ 545,736	₩ 527,603	\$ 505,464

13. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2002, 2003 and 2004 amount to ₩447,240 million (US\$ 428,473 thousand), ₩628,726 million (US\$ 602,343 thousand) and ₩604,604 million (US\$ 579,234 thousand), respectively, and consist primarily of bank overdrafts and bankers' usance with annual interest rates ranging from Libor+0.25 percent to 10.1 percent.

14. LONG-TERM DEBT:

Long-term debt as of December 31, 2002, 2003 and 2004 consist of the following:

	2004 Annual interest rate (%)	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
		December 31, 2002	December 31, 2003	December 31 2004	December 31 2004
Debentures	3.75 ~ 7.80	₩ 2,669,745	₩ 1,893,682	₩ 1,239,734	\$ 1,187,712
Local currency loans					
Capital lease		71	-	-	-
General loans	3.00 ~ 5.00	39,041	30,860	22,399	21,459
		39,112	30,860	22,399	21,459
Foreign currency loans					
Capital lease	Libor + 0.98 ~ 1.55	29,913	9,033	1,158	1,109
Other	Libor + 1.19	89,228	26,011	820	786
		119,141	35,044	1,978	1,895
		2,827,998	1,959,586	1,264,111	1,211,066
Less: Current maturities		(1,088,961)	(945,906)	(162,697)	(155,870)
		₩ 1,739,037	₩ 1,013,680	₩ 1,101,414	\$ 1,055,196

Debentures as of December 31, 2004, December 31, 2003 and December 31, 2002 consist of the following:

	Maturity	2004 Annual interest rate (%)	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
			December 31, 2002	December 31, 2003	December 31, 2004	December 31, 2004
Non-guaranteed debentures	24 May, 2006 ~ 11 Sep., 2009	3.75 ~ 7.00	₩ 2,072,000	₩ 1,275,000	₩ 850,000	\$ 814,332
Overseas debentures	12 Dec., 2005 ~ 15 Jul., 2007	7.33 ~ 7.80	641,014	639,625	399,541	382,775
			2,713,014	1,914,625	1,249,541	1,197,107
Discount on debentures			(43,269)	(20,943)	(9,807)	(9,395)
			₩ 2,669,745	₩ 1,893,682	₩ 1,239,734	\$ 1,187,712

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

Year	Debentures	Korean won (in millions)		Total	U.S. dollars (Note 2) (in thousands)
		Local currency loans	Foreign currency loans		Total
2005	₩ 156,570	₩ 4,252	₩ 1,875	₩ 162,697	\$ 155,870
2006	464,818	2,861	103	467,782	448,152
2007	128,153	1,888	-	130,041	124,584
2008 and thereafter	500,000	13,398	-	513,398	491,855
	1,249,541	22,399	1,978	1,273,918	1,220,461
Less: Discount on debentures	(9,807)	-	-	(9,807)	(9,395)
	₩ 1,239,734	₩ 22,399	₩ 1,978	₩ 1,264,111	\$ 1,211,066

15. COMMITMENTS AND CONTINGENT LIABILITIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of December 31, 2004.

Description	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine Co., Ltd.	₩ 294,484	\$ 282,127
Hyundai Card Co., Ltd.	4,175	4,000
HMA	223,185	213,820
Hyundai Motor Manufacturing Alabama LLC	417,520	400,000
Hyundai Motor Finance Company	396,644	380,000
Stamped Metal American Research Technology Inc.	37,577	36,000
HAOSVT	78,285	75,000
HME	73,994	70,889
HT	145,088	139,000
HYME	1,044	1,000
HMP	12,095	11,587
HMJ	35,422	33,936
HMJ R&D	2,631	2,521
HMCA	12,194	11,682
Equus Cayman Finance Ltd.	417,520	400,000
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,610	2,500
Other	305	292
	<u>₩ 2,154,773</u>	<u>\$ 2,064,354</u>

- (2) Investment securities of ₩77,351 million (US\$74,105 thousand) at book value, 12 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,514 thousand) and property, plant and equipment (see Note 8) are pledged as collateral for short-term borrowings, the local currency and foreign currency loans and other payables. Certain bank deposits of ₩13,907 million (US\$13,323 thousand) in cash equivalents, short-term financial instruments and other assets are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) The Company uses a customer financing system related to a long-term instalment sales system and has provided guarantees of ₩168,487 million (US\$ 161,417 thousand) to the related banks as of December 31, 2004. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of December 31, 2004, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,494,078 million (US\$ 1,431,383 thousand), including discounted overseas accounts receivable translated using the Basic Exchange Rate of ₩1,043.80 to US\$1.00 at December 31, 2004.
- (5) The Company accrues estimated product liabilities expenses (see Note 2) and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2004 will not have any material effect on its financial position.

16. CAPITAL STOCK:

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

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

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

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

Capital stock as of December 31, 2002 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean won (in millions)</u>	<u>U.S. dollars (Note 2) (in thousands)</u>
Common stock	450,000,000 shares	219,088,702 shares	₩ 5,000	₩ 1,145,443	\$ 1,097,378
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	317,121
				<u>₩ 1,476,454</u>	<u>\$ 1,414,499</u>

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

The Company completed stock retirement of 1,320,000 common shares of treasury stock on May 4, 2004, which had been acquired for the purpose of such retirement based on the decision of the Board of Directors on March 12, 2004.

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

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

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

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

17. CAPITAL SURPLUS:

Capital surplus as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Paid-in capital in excess of par value	₩ 3,256,236	₩ 3,264,433	₩ 3,272,630	\$ 3,135,304
Asset revaluation surplus	1,852,871	1,852,871	1,852,871	1,775,121
Other	266,967	266,967	234,052	224,230
	<u>₩ 5,376,074</u>	<u>₩ 5,384,271</u>	<u>₩ 5,359,553</u>	<u>\$ 5,134,655</u>

In 2003 and 2004, paid-in capital in excess of par value increased by ₩ 8,197 million (US\$7,853 thousand), respectively, due to the issuance of new common stock (see Note 16).

As at November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. (HCVE), a subsidiary of the Company. In accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (US\$31,533 thousand) of the investment securities in HCVE over the carrying amount of net assets of HCVE is accounted for as deduction in capital surplus (see Note 27).

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\$2,240,522 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$15,350 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$569,338 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$64,713 thousand) and adjustment of ₩16,702 million (US\$16,001 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. RETAINED EARNINGS:

Retained earnings as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Appropriated:				
Legal reserve	₩ 101,870	₩ 126,870	₩ 155,870	\$ 149,329
Reserve for business rationalization	545,800	545,800	545,800	522,897
Reserve for improvement of financial structure	98,947	98,947	98,947	94,795
Reserve for overseas market development	48,800	48,800	48,800	46,752
Reserve for technology development	1,465,100	2,601,100	4,034,100	3,864,821
	2,260,517	3,421,517	4,883,517	4,678,594
Before appropriation	1,427,990	1,789,593	1,749,272	1,675,869
	<u>₩ 3,688,507</u>	<u>₩ 5,211,110</u>	<u>₩ 6,632,789</u>	<u>\$ 6,354,463</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, 2002, 2003 and 2004 was approved at the shareholders' meeting on March 14, 2003, March 12, 2004 and March 4, 2005 and the appropriations including the cash dividends of ₩243,079 million (US\$232,878 thousand), ₩285,674 million (US\$273,687 thousand) and ₩326,833 million (US\$313,118 thousand) are reflected in the balance sheet on that approval date.

19. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2002, 2003 and 2004 consist of the following:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Treasury stock	₩ (73,036)	₩ (89,706)	₩ (90,348)	\$ (86,557)
Gain on valuation of available-for- sale securities (Notes 4 and 5)	-	36,431	75,613	72,440
Gain on valuation of investments accounted for using the equity method (Note 6)	(56,105)	160,912	(149,345)	(143,078)
Loss on valuation of investment securities, net (Note 7)	(72,485)	-	-	-
Stock option cost	12,291	15,404	18,177	17,414
Cumulative translation adjustments	(3,311)	(3,293)	(4,261)	(4,082)
Gain (loss) on valuation of derivatives	25,852	(63,814)	42,181	40,411
	<u>₩ (166,794)</u>	<u>₩ 55,934</u>	<u>₩ (107,983)</u>	<u>\$ (103,452)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 1,005,570 common shares and 3,167,300 preferred shares with a carrying value of ₩73,036 million (US\$69,971 thousand) as of December 31, 2002, 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US\$85,942 thousand) as of December 31, 2003 and 820,910 common shares and 3,138,600 preferred shares with a carrying value of ₩90,348 million (US\$86,557 thousand) as of December 31, 2004, respectively, 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 December 31, 2004 are exercised, 1,752,400 shares (1,322,000 shares and 430,400 shares for the options granted on February 14, 2003 and March 10, 2000, respectively) will be issued as new shares or using treasury stock or will be compensated by cash, according to the decision of the Board of Directors. In 2004 and 2003, 429,800 shares of stock options granted as of March 10, 2000 were exercised by directors, respectively (see Note 15).

The Company calculates the total compensation expense using 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 on February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ₩15,141 million (US\$14,506 thousand) and ₩11,832 million (US\$11,336 thousand) for the options granted on February 14, 2003 and March 10, 2000, respectively, have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(3) Cumulative translation adjustments

Cumulative translation debits of ₩3,311 million (US\$3,172 thousand), ₩3,293 million (US\$3,155 thousand) and ₩4,261 million (US\$4,082 thousand) as of December 31, 2002, 2003 and 2004, respectively, which result from the translation of financial statements of the overseas branches, are included in capital adjustments on the basis set forth in Note 2.

(4) Gain (loss) on valuation of derivatives

Gain of ₩25,852 million (US\$24,767 thousand), loss of ₩ 63,814 million (US\$61,136 thousand) and gain of ₩42,181 million (US\$40,411 thousand) on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as of December 31, 2002, 2003 and 2004, respectively, is included in capital adjustments on the basis set forth in Note 2.

20. DIVIDENDS:

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

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

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

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

The computation of the proposed dividends for 2002 is as follows:

	Number of shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	218,083,132	17%	₩ 185,371	\$ 177,592
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	18%	22,043	21,118
Second preferred shares	37,542,305	19%	35,665	34,168
			<u>₩ 243,079</u>	<u>\$ 232,878</u>

21. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense in 2002, 2003 and 2004 consists of the following:

Description	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Income tax currently payable	₩ 663,493	₩ 809,215	₩ 746,813	\$ 715,475
Changes in deferred income taxes due to temporary differences	(119,399)	(205,448)	(33,512)	(32,106)
Income tax expense	<u>₩ 544,094</u>	<u>₩ 603,767</u>	<u>₩ 713,301</u>	<u>\$ 683,369</u>

In 2002, 2003 and 2004 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)
	2002	2003	2004	2004
Income before tax	₩ 1,996,996	₩ 2,370,312	₩ 2,517,409	\$ 2,411,773
Addition	2,282,574	1,723,894	2,783,845	2,667,029
Deduction	(1,783,319)	(941,496)	(2,100,307)	(2,012,174)
Taxable income	<u>₩ 2,496,251</u>	<u>₩ 3,152,710</u>	<u>₩ 3,200,947</u>	<u>\$ 3,066,628</u>

The changes in accumulated temporary differences in 2002, 2003 and 2004 are as follows:

Description	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Beginning of year, net	₩ 315,155	₩ 799,259	₩ 1,647,328	\$ 1,578,203
Changes during the year, net	484,104	848,069	194,215	186,065
End of year, net	<u>₩ 799,259</u>	<u>₩ 1,647,328</u>	<u>₩ 1,841,543</u>	<u>\$ 1,764,268</u>

Deferred income taxes as of December 31, 2002, 2003 and 2004 are computed as follows:

Affiliated Company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Accumulated temporary differences, net	₩ 799,259	₩ 1,647,328	₩ 1,841,543	\$ 1,764,268
Adjustments (*1):	397,078	345,567	319,446	306,041
	1,196,337	1,992,895	2,160,989	2,070,309
Statutory tax rate	x 29.7%	x (*2)	x 27.5%	x 27.5%
Deferred income tax assets	<u>₩ 355,312</u>	<u>₩ 560,760</u>	<u>₩ 594,272</u>	<u>\$ 569,335</u>

(*1) 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.

(*2) 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. 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 27.2 percent, 25.5 percent and 28.3 percent for the years ended December 31, 2002, 2003 and 2004, respectively.

22. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies in 2002, 2003 and 2004 are summarized below.

Affiliated company	Sales / Proceeds (Expenses / Purchases)			U.S. dollars
	Korean won (in millions)			(Note 2)
	2002	2003	2004	(in thousands)
Hyundai Motor America	₩ 6,649,344	₩ 7,185,236	₩ 6,917,530	\$ 6,627,256
HAOSVT	121,849	349,037	767,844	735,624
Hyundai Motor India	149,550	244,051	440,147	421,678
Hyundai Motor Company Australia	-	-	385,499	369,323
Hyundai Motor Japan Co.	33,246	23,474	25,804	24,721
Hyundai Motor Poland Sp.zo.o.	82,176	84,990	145,323	139,225
Kia Motors Corporation	1,042,088	974,856	1,008,791	966,460
	(443,301)	(414,513)	(356,281)	(341,331)
Hyundai MOBIS	95,288	133,565	482,053	461,825
	(656,140)	(953,080)	(1,579,099)	(1,512,837)
Hyundai Capital Service Inc.	50,933	86,994	123,878	118,680
	-	-	(33,535)	(32,128)
KEFICO	(278,883)	(293,920)	(318,769)	(305,393)
Dymos Inc.	-	-	13,241	12,685
	(220,367)	(189,731)	(228,559)	(218,968)
Hyundai HYSCO	-	-	4,705	4,508
	(187,993)	(164,712)	(195,843)	(187,625)
Hyundai Powertech	-	28,518	17,604	16,865
	(86,554)	(144,569)	(169,445)	(162,335)
WIA Corporation	-	-	7,505	7,190
	(116,657)	(132,087)	(220,122)	(210,885)
Autoever Systems Corp.	-	-	1,208	1,157
	(41,643)	(77,488)	(126,043)	(120,754)
ROTEM	-	-	5,474	5,244
	-	(12,087)	(8,695)	(8,330)
Amco Corp.	-	(127,068)	(195,199)	(187,008)
Glovis Co., Ltd.	-	(210,534)	(311,790)	(298,707)

Significant outstanding balances related to affiliated companies as of December 31, 2002, 2003 and 2004 are summarized below.

Affiliated company	Receivables (Payables)			U.S. dollars
	Korean won (in millions)			(Note 2)
	2002	2003	2004	(in thousands)
Hyundai Motor America	₩ 189,089	₩ 258,066	₩ 90,149	\$ 86,366
	(124)	(38,556)	(5,013)	(4,803)
HAOSVT	4,943	30,019	11,414	10,935
Hyundai Motor India	6,692	22,309	15,513	14,862
Hyundai Motor Poland Sp.zo.o.	-	698	5,892	5,645
Hyundai Motor Japan Co.	-	2,635	1,495	1,432
Kia Motors Corporation	111,369	109,816	119,639	114,619
	(104,780)	(96,736)	(119,122)	(114,123)
Hyundai MOBIS	26,497	56,098	47,101	45,125
	(96,838)	(178,071)	(396,959)	(380,302)
KEFICO	-	-	1,797	1,722
	(32,102)	(53,590)	(50,995)	(48,855)
Dymos Inc.	(50,150)	(73,095)	(84,412)	(80,870)
Hyundai HYSCO	-	-	2,051	1,965
	(22,734)	(30,100)	(25,322)	(24,259)

Affiliated company	Receivables (Payables)			
	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Hyundai Powertech	₩ -	₩ 13,074	₩ 9,930	\$ 9,513
	(22,611)	(30,252)	(49,673)	(47,589)
WIA Corporation	-	-	6,881	6,592
	(13,858)	(34,717)	(67,848)	(65,001)
Autoever Systems Corp.	(24,695)	(51,800)	(55,810)	(53,468)
Hyundai Capital Service Inc.	-	48,500	48,500	46,465
	-	(7,177)	(6,866)	(6,578)
Hyundai Card Co., Ltd.	-	43,043	24,650	23,616
	-	(57,371)	(85,429)	(81,844)
ROTEM	-	158,290	316	303
	-	(4,456)	(5,073)	(4,860)
Glovis Co., Ltd.	-	(40,409)	(51,833)	(49,658)

23. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of December 31, 2002, 2003 and 2004 are summarized below.

		Foreign currencies			Korean Won (in millions)	
		2002	2003	2004	2004	
Assets	US\$	332,202,000	787,075,386	449,158,464	₩	468,832
	JP ¥	-	235,516,298	147,691,780		1,495
	GBP	2,760,537	35,467,992	8,812,559		17,704
	CAD	11,430,101	10,012,579	-		-
	EUR	121,252,463	134,334,020	116,306,857		165,500
	AUD	13,587,499	12,960,566	27,339,092		22,226
					₩	<u>675,757</u>
Liabilities	US\$	886,146,626	1,029,725,152	788,889,467	₩	823,443
	JP ¥	20,913,121,313	29,214,309,605	23,441,405,926		237,243
	GBP	3,736,884	9,010,979	13,066,196		26,250
	CAD	1,905,984	3,332,657	6,004,700		5,205
	EUR	180,229,258	167,708,780	176,035,242		250,491
	AUD	14,590,591	27,323,421	24,258,827		19,721
					₩	<u>1,362,353</u>

24. REGIONAL SALES INFORMATION:

Sales by region in 2002, 2003 and 2004 are as follows:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Domestic sales	₩ 12,383,414	₩ 10,646,265	₩ 10,182,000	\$ 9,754,742
Export sales - vehicle products				
North America	6,654,174	7,175,439	6,917,583	6,627,307
Europe	2,565,453	3,132,984	4,072,501	3,901,610
South America	488,537	503,367	573,910	549,828
Asia & Pacific	582,065	640,259	981,212	940,038
Middle Asia & Africa	877,356	789,756	1,440,274	1,379,837
	11,167,585	12,241,805	13,985,480	13,398,620
Export sales - other	1,014,848	2,079,195	3,304,977	3,166,294
Export sales	12,182,433	14,321,000	17,290,457	16,564,914
Total sales	₩ 24,565,847	₩ 24,967,265	₩ 27,472,457	\$ 26,319,656

25. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses in 2002, 2003 and 2004 are as follows:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)
	2002	2003	2004	2004
Salary related expenses	₩ 876,062	₩ 850,124	₩ 939,982	\$ 900,538
Export costs	534,116	575,209	718,371	688,227
Sales promotion and advertisements	423,227	410,801	425,199	407,357
Sales commissions	308,085	284,250	316,428	303,150
Sales warranties	1,482,507	1,511,502	1,334,979	1,278,961
Taxes and dues	29,185	31,110	31,628	30,301
Communications	23,532	23,878	22,177	21,246
Utilities	22,975	23,545	23,246	22,271
Freight and warehousing	81,598	71,944	71,343	68,349
Rent	25,120	20,695	17,363	16,634
Travel	46,156	47,916	46,340	44,395
Service charges	142,997	159,562	173,563	166,280
Maintenance	12,146	18,521	24,448	23,422
Supplies	16,798	19,567	19,999	19,160
Research	182,492	298,298	400,995	384,168
Depreciation	56,310	61,741	66,949	64,140
Amortization	37,710	38,738	24,073	23,063
Provision for doubtful accounts	4,272	424	-	-
Stock option cost	83	7,056	6,716	6,434
Other	28,059	28,072	29,238	28,011
	₩ 4,333,430	₩ 4,482,953	₩ 4,693,037	\$ 4,496,107

26. FINANCIAL PERFORMANCE IN FINAL INTERIM PERIOD:

The financial performance for the three-month periods ended December 31, 2002, 2003 and 2004 are summarized as follows:

	Korean won (in millions, except per share amounts)			U.S. dollars (Note 2) (in thousands, except per share amounts)
	2002	2003	2004	2004
Sales	₩ 6,826,895	₩ 7,252,909	₩ 7,541,735	\$ 7,225,218
Gross profit	1,410,534	1,855,591	1,633,054	1,564,528
Operating income	301,748	725,537	343,832	329,404
Ordinary income	318,982	612,345	550,435	527,338
Net income	263,227	476,484	380,908	364,924
Earnings per share	1,138	2,107	1,660	1,590

27. MERGER WITH A SUBSIDIARY

Effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. Details of the merger are as follows:

(1) Profiles of the Combining Companies:

<u>Description</u>	<u>Hyundai Motor Company</u>	<u>Commercial Vehicle Engine Co., Ltd.</u>
CEO	Kim Dong Jin	Kim Choong Yong
Principal business	Manufacture and distribute motor vehicles and parts	Manufacture and distribute commercial vehicle engine

(2) Schedule and Merger Ratio:

- Date of contract: September 7, 2004
- Approval date of the board of directors: October 1, 2004
- Date of merge: November 5, 2004
- Merger ratio: 1:0

(3) Accounting for merger is as follows:

Since Hyundai Commercial Vehicle Engine Co., Ltd. (HCVE) was a subsidiary of the Company, in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (\$31,533 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of the HCVE is accounted for as deduction in capital surplus.

(4) The condensed balance sheets of Hyundai Commercial Vehicle Engine Co., Ltd. as of November 5, 2004 and December 31, 2003 are as follows:

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	November 5, 2004	December 31, 2003	November 5, 2004	December 31, 2003
Quick assets	₩ 2,459	₩ 32,657	\$ 2,356	\$ 31,287
Inventories	166	474	159	454
Total current assets	2,625	33,131	2,515	31,741
Investments	736	1,493	705	1,430
Property, plant and equipment	121,749	98,595	116,640	94,458
Intangibles	-	38,103	-	36,504
Total non-current assets	122,485	138,191	117,345	132,392
Total assets	₩ 125,110	₩ 171,322	\$ 119,860	\$ 164,133
Current liabilities	₩ 127,408	₩ 116,344	\$ 122,062	\$ 111,461
long-term liabilities	10	373	9	357
Total liabilities	127,418	116,717	122,071	111,818
Capital stock	100,000	100,000	95,804	95,804
Accumulated deficit	(102,308)	(45,395)	(98,015)	(43,489)
Total shareholders' equity	(2,308)	54,605	(2,211)	52,315
Total liabilities and shareholders' equity	₩ 125,110	₩ 171,322	\$ 119,860	\$ 164,133

The condensed statements of operations for the period ended November 5, 2004 and for the year ended December 31, 2003 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2004	2003	2004
Sales	₩ 71	₩ 1,640	\$ 68	\$ 1,571
Cost of sales	71	2,430	68	2,328
Gross loss	-	790	-	757
Selling and administrative expenses	34,352	24,033	32,911	23,025
Operating loss	34,352	24,823	32,911	23,782
Ordinary loss	36,884	56,913	35,336	54,525
Net loss	₩ 36,884	₩ 56,913	\$ 35,336	\$ 54,525

28. SUBSEQUENT EVENTS TO THE BALNCE SHEET DATE:

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

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

(2) Decision of Treasury Stock Acquisition

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

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

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