

**Deloitte.**

**HYUNDAI MOTOR COMPANY**

NON-CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND  
SIX MONTHS ENDED  
JUNE 30, 2005 AND 2004  
AND INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT

**하나안진회계법인**

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## **Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Hyundai Motor Company (the "Company") as of June 30, 2005, and the related non-consolidated statements of income and cash flows for the three months and six months ended June 30, 2005 and 2004, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with financial accounting standards in the Republic of Korea (see Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2004, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated March 25, 2005, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2004, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet, except for the changes resulting from retroactive application of SKAS No. 16 explained in Note 2.

Our reviews also comprehended the translation of Korean Won amounts into U.S. dollar amounts and nothing has come to our attention that cause us to believe that such translation has not been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

As explained in Note 2 to the non-consolidated financial statements, in 2005, the Company additionally adopted SKAS No. 15 – "Investments in Associates", No. 16 – "Income Taxes" and No. 17 – "Provisions, Contingent Liabilities and Contingent Assets", which are effective from January 1, 2005. The accompanying balance sheet as of December 31, 2004, and the accompanying statements of income and cash flows for the three months and six months ended June 30, 2004, which are presented for comparative purposes, have been restated to reflect the adjustments resulting from retroactive application of SKAS No.16. These adjustments include the adjustments of carrying amounts of the investment securities accounted for using the equity method, resulting from retroactive application of SKAS No.16 to the financial statements of investees. As a result of restatement, total assets and net equity as of December 31, 2004 decreased by ₩280,332 million (US\$273,655 thousand), net income for the year then ended decreased by ₩58,667 million (US\$57,270 thousand) and net income for the six months ended June 30, 2004 decreased by ₩44,129 million (US\$43,078 thousand), compared with the results based on the previous method. The Company did not retroactively apply SKAS No. 15 and 17 to the prior year financial statements, in accordance with the provision in SKAS No.15 and 17. However, the Company recalculated the

beginning balance of accrued warranties in accordance with SKAS No.17, which requires the recalculation of the beginning balance based on this revised standard in case the retroactive method is not applied. This recalculation decreased the beginning balance of accrued warranties and deferred tax assets by ₩676,469 million (US\$660,356 thousand) and ₩186,029 million (US\$181,598 thousand), respectively, and increased the beginning balance of retained earnings by ₩490,440 million (US\$478,758 thousand).

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

A handwritten signature in cursive script, likely reading "Deloitte Korea", is positioned in the center of the page.

July 29, 2005

#### Notice to Readers

This report is effective as of July 29, 2005, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2005 AND DECEMBER 31, 2004

ASSETS	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
<b>Current assets:</b>				
Cash and cash equivalents	₩ 678,282	₩ 1,006,700	\$ 662,126	\$ 982,722
Short-term financial instruments (Note 15)	3,493,954	4,674,466	3,410,732	4,563,126
Short-term investment securities (Note 4)	558,383	205,029	545,083	200,145
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩23,471 million in 2005 and ₩27,059 million in 2004	1,252,168	1,011,508	1,222,343	987,415
Deferred income tax assets (Note 20)	124,269	185,283	121,309	180,870
Inventories (Note 3)	1,423,841	1,267,099	1,389,927	1,236,918
Advances and other	<u>549,137</u>	<u>568,563</u>	<u>536,057</u>	<u>555,020</u>
Total current assets	<u>8,080,034</u>	<u>8,918,648</u>	<u>7,887,577</u>	<u>8,706,216</u>
<b>Non-current assets:</b>				
Long-term investment securities (Notes 5 and 15)	371,788	308,049	362,932	300,712
Investment securities accounted for using the equity method (Notes 6 and 15)	5,564,442	5,089,958	5,431,904	4,968,721
Property, plant and equipment, net of accumulated depreciation and accumulated impairment loss of ₩4,788,476 million in 2005 and ₩4,510,301 million in 2004 (Notes 7, 8, 9 and 15)	8,760,780	8,733,403	8,552,109	8,525,384
Intangibles (Note 10)	740,212	656,488	722,581	640,851
Deferred income tax assets (Note 20)	25,739	186,372	25,126	181,933
Other assets (Notes 11 and 15)	<u>585,942</u>	<u>527,604</u>	<u>571,986</u>	<u>515,037</u>
Total non-current assets	<u>16,048,903</u>	<u>15,501,874</u>	<u>15,666,638</u>	<u>15,132,638</u>
Total assets	<u>₩ 24,128,937</u>	<u>₩ 24,420,522</u>	<u>\$ 23,554,215</u>	<u>\$ 23,838,854</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2005 AND DECEMBER 31, 2004

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean won</u>		<u>Translation into U.S. dollars (Note 2)</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>(In millions)</u>		<u>(In thousands)</u>	
<b>Current liabilities:</b>				
Short-term borrowings (Notes 12 and 15)	₩ 511,251	₩ 604,604	\$ 499,074	\$ 590,203
Current maturities of long-term debt (Notes 9, 13 and 15)	406,989	162,697	397,295	158,822
Trade notes and accounts payable	3,060,581	3,470,272	2,987,682	3,387,614
Accounts payable-other	963,319	866,754	940,374	846,109
Accrued warranties (Note 14)	659,602	800,331	643,891	781,268
Income tax payable	276,756	430,668	270,164	420,410
Withholdings and other	<u>658,989</u>	<u>372,728</u>	<u>643,293</u>	<u>363,850</u>
Total current liabilities	<u>6,537,487</u>	<u>6,708,054</u>	<u>6,381,773</u>	<u>6,548,276</u>
<b>Long-term liabilities:</b>				
Long-term debt, net of current maturities (Notes 13 and 15)	847,873	1,101,414	827,678	1,075,180
Accrued severance benefits, net of National Pension payments for employees of ₩32,164 million in 2005 and ₩37,351 million in 2004, and individual severance insurance deposits of ₩754,759 million in 2005 and ₩749,901 million in 2004 (Note 2)	361,860	374,537	353,241	365,616
Accrued warranties (Note 14)	2,568,196	3,051,141	2,507,025	2,978,466
Other	<u>111,747</u>	<u>100,597</u>	<u>109,085</u>	<u>98,201</u>
Total long-term liabilities	<u>3,889,676</u>	<u>4,627,689</u>	<u>3,797,029</u>	<u>4,517,463</u>
Total liabilities	<u>10,427,163</u>	<u>11,335,743</u>	<u>10,178,802</u>	<u>11,065,739</u>
<b>Commitments and contingencies (Note 15)</b>				
<b>Shareholders' equity:</b>				
Capital stock (Note 16)	1,480,752	1,480,752	1,445,482	1,445,482
Capital surplus (Note 17)	5,383,412	5,359,553	5,255,185	5,231,895
Retained earnings (Note 18) (Net income of ₩1,122,972 million for the six months ended June 30, 2005 and ₩1,745,441 million for the year ended December 31, 2004)	7,716,081	6,383,208	7,532,293	6,231,168
Capital adjustments (Note 19)	<u>(878,471)</u>	<u>(138,734)</u>	<u>(857,547)</u>	<u>(135,430)</u>
Total shareholders' equity	<u>13,701,774</u>	<u>13,084,779</u>	<u>13,375,413</u>	<u>12,773,115</u>
<b>Total liabilities and shareholders' equity</b>	<u>₩ 24,128,937</u>	<u>₩ 24,420,522</u>	<u>\$ 23,554,215</u>	<u>\$ 23,838,854</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won				Translation into U. S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Note 23)						
Domestic sales	₩ 2,700,982	₩ 2,735,193	₩ 4,872,746	₩ 5,207,843	\$ 4,756,683	\$ 5,083,798
Export sales	4,245,495	4,448,080	8,243,959	8,182,769	8,047,598	7,987,865
	<u>6,946,477</u>	<u>7,183,273</u>	<u>13,116,705</u>	<u>13,390,612</u>	<u>12,804,281</u>	<u>13,071,663</u>
Cost of sales	<u>5,547,769</u>	<u>5,329,893</u>	<u>10,550,434</u>	<u>9,884,457</u>	<u>10,299,135</u>	<u>9,649,021</u>
Gross profit	1,398,708	1,853,380	2,566,271	3,506,155	2,505,146	3,422,642
Selling and administrative expenses (Note 24)	<u>940,845</u>	<u>1,140,927</u>	<u>1,785,697</u>	<u>2,332,312</u>	<u>1,743,164</u>	<u>2,276,759</u>
Operating income	<u>457,863</u>	<u>712,453</u>	<u>780,574</u>	<u>1,173,843</u>	<u>761,982</u>	<u>1,145,883</u>
Other income (expenses), net:						
Interest income, net	12,028	16,382	33,807	30,714	33,002	29,983
Foreign exchange income, net	47,672	9,008	126,910	39,153	123,887	38,221
Gain on valuation of investment securities accounted for using the equity method, net (Note 6)	202,933	175,784	331,152	244,267	323,264	238,449
Gain (loss) on valuation of derivatives, net	(5,349)	(35,563)	83,794	35,168	81,798	34,330
Royalty income	66,321	32,067	105,951	71,608	103,427	69,902
Impairment loss on cost in excess of fair value of net identifiable assets acquired (Note 10)	-	(461,107)	-	(461,107)	-	(450,124)
Reversal of accrued warranties (Note 2)	-	341,293	-	341,293	-	333,164
Other, net	<u>1,741</u>	<u>(73,857)</u>	<u>(14,991)</u>	<u>(85,052)</u>	<u>(14,634)</u>	<u>(83,026)</u>
	<u>325,346</u>	<u>4,007</u>	<u>666,623</u>	<u>216,044</u>	<u>650,744</u>	<u>210,899</u>
Ordinary income	783,209	716,460	1,447,197	1,389,887	1,412,726	1,356,782
Income tax expense (Note 20)	<u>170,014</u>	<u>222,070</u>	<u>324,225</u>	<u>450,026</u>	<u>316,502</u>	<u>439,307</u>
Net income	<u>₩ 613,195</u>	<u>₩ 494,390</u>	<u>₩ 1,122,972</u>	<u>₩ 939,861</u>	<u>\$ 1,096,224</u>	<u>\$ 917,475</u>
Earnings per common share (Note 2)	<u>₩ 2,862</u>	<u>₩ 2,196</u>	<u>₩ 5,120</u>	<u>₩ 4,156</u>	<u>\$ 5.00</u>	<u>\$ 4.06</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 2,848</u>	<u>₩ 2,189</u>	<u>₩ 5,089</u>	<u>₩ 4,145</u>	<u>\$ 4.98</u>	<u>\$ 4.05</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won				Translation into U. S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Cash flows from operating activities:						
Net income	₩ 613,195	₩ 494,390	₩1,122,972	₩ 939,861	\$ 1,096,224	\$ 917,475
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	187,334	185,807	375,819	371,244	366,867	362,401
Gain on foreign currency translation, net	(6,461)	(3,180)	(15,601)	(37,133)	(15,229)	(36,249)
Loss on disposal of trade notes and accounts receivable	15,336	10,842	29,499	18,925	28,796	18,474
Amortization of discount on debentures	1,499	3,342	2,949	7,245	2,879	7,072
Loss (gain) on disposal of short-term investment securities, net	(6,968)	28	(6,952)	(120)	(6,786)	(117)
Loss (gain) on disposal of long-term investment securities, net	-	809	-	(1,051)	-	(1,026)
Impairment loss on long-term investment securities	-	-	-	42,175	-	41,170
Gain on valuation of investment securities accounted for using the equity method, net	(202,933)	(175,784)	(331,152)	(244,267)	(323,264)	(238,449)
Loss on disposal of property, plant and equipment, net	7,305	18,300	29,165	19,634	28,470	19,166
Amortization of intangibles	42,658	53,166	82,570	93,291	80,603	91,069
Impairment loss on cost in excess of fair value of net identifiable assets acquired	-	461,107	-	461,107	-	450,124
Loss (gain) on valuation of derivative, net	5,349	35,563	(83,794)	(35,168)	(81,798)	(34,330)
Reversal of accrued warranties	-	(341,293)	-	(341,293)	-	(333,164)
Provision for severance benefits	67,920	104,787	120,761	149,154	117,885	145,601
Provision for warranties	131,998	281,926	245,304	637,768	239,461	622,577
Other	316	4,194	3,338	9,926	3,259	9,690
Changes in operating assets and liabilities:						
Decrease (increase) in trade notes and accounts receivable	(18,442)	695,391	(266,985)	87,126	(260,626)	85,051
Decrease (increase) in inventories	(36,498)	77,534	(225,070)	(186,113)	(219,709)	(181,680)
Decrease (increase) in other current assets	46,637	22,577	(11,908)	(24,151)	(11,624)	(23,576)
Decrease in deferred income tax assets	264,481	111,241	306,891	114,935	299,581	112,197
Increase (decrease) in trade notes and accounts payable	43,616	(113,823)	(409,120)	(78,066)	(399,375)	(76,207)
Increase (decrease) in accounts payable-other	(160,353)	(7,165)	82,940	(381,174)	80,964	(372,095)
Decrease in income tax payable	(351,854)	(169,428)	(425,952)	(156,820)	(415,806)	(153,085)
Increase in other current liabilities	220,753	148,966	284,819	366,867	278,035	358,129
Decrease in accrued warranties	(98,966)	(92,704)	(192,509)	(203,747)	(187,924)	(198,894)
Payment of severance benefits	(63,587)	(132,920)	(144,728)	(255,234)	(141,281)	(249,155)
Decrease (increase) in individual severance insurance deposits	(27,511)	15,881	(4,858)	84,106	(4,742)	82,103
Other	(6,643)	44,813	15,517	26,647	15,147	26,012
	<u>668,181</u>	<u>1,734,367</u>	<u>583,915</u>	<u>1,485,674</u>	<u>570,007</u>	<u>1,450,284</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won				Translation into U. S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Cash flows from investing activities:						
Cash inflows from investing activities:						
Proceeds from disposal of short-term financial instruments	₩1,087,569	₩ -	₩2,148,604	₩ -	\$ 2,097,427	\$ -
Proceeds from disposal of short-term investment securities	158,232	215	158,412	12,772	154,639	12,468
Reduction in other current assets	21,300	89,499	43,200	89,799	42,171	87,660
Proceeds from disposal of long-term investment securities	-	9,499	-	14,885	-	14,530
Proceeds from disposal and dividends of investment securities accounted for using the equity method	139,826	113,601	145,733	113,826	142,262	111,115
Proceeds from disposal of property, plant and equipment	7,868	4,833	39,403	9,542	38,464	9,315
Proceeds from disposal of intangibles	-	2,561	-	2,701	-	2,637
Reduction in other assets	102,877	40,678	155,088	62,734	151,394	61,240
	<u>1,517,672</u>	<u>260,886</u>	<u>2,690,440</u>	<u>306,259</u>	<u>2,626,357</u>	<u>298,965</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(1,096,600)	(559,421)	(1,342,488)	(737,789)	(1,310,512)	(720,216)
Acquisition of short-term investment securities	(100,220)	(240)	(100,416)	(623)	(98,024)	(608)
Additions to other current assets	(21,000)	(88,900)	(42,600)	(110,399)	(41,585)	(107,769)
Acquisition of long-term investment securities	(9,025)	-	(17,232)	(2,888)	(16,822)	(2,819)
Acquisition of investment securities accounted for using the equity method	(270,372)	(66,469)	(424,274)	(77,572)	(414,168)	(75,724)
Acquisition of property, plant and equipment	(247,653)	(196,347)	(407,507)	(340,554)	(397,801)	(332,442)
Expenditures for development costs	(94,041)	(65,416)	(162,309)	(121,550)	(158,443)	(118,655)
Additions to other assets	(60,428)	(49,345)	(76,595)	(74,408)	(74,771)	(72,636)
	<u>(1,899,339)</u>	<u>(1,026,138)</u>	<u>(2,573,421)</u>	<u>(1,465,783)</u>	<u>(2,512,126)</u>	<u>(1,430,869)</u>
	<u>(381,667)</u>	<u>(765,252)</u>	<u>117,019</u>	<u>(1,159,524)</u>	<u>114,231</u>	<u>(1,131,904)</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	2,935,970	252,254	5,659,450	1,314,892	5,524,649	1,283,573
Proceeds from disposal of treasury stock	53,617	-	53,617	-	52,340	-
	<u>2,989,587</u>	<u>252,254</u>	<u>5,713,067</u>	<u>1,314,892</u>	<u>5,576,989</u>	<u>1,283,573</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(3,115,009)	(531,901)	(5,750,248)	(1,328,384)	(5,613,284)	(1,296,743)
Repayment of current maturities of long-term debt	(1,752)	(216,074)	(4,767)	(233,047)	(4,654)	(227,496)
Payment of cash dividends	(326,833)	(285,659)	(326,833)	(285,659)	(319,048)	(278,855)
Purchase of treasury stock	(188,734)	(65,092)	(660,571)	(65,092)	(644,837)	(63,542)
	<u>(3,632,328)</u>	<u>(1,098,726)</u>	<u>(6,742,419)</u>	<u>(1,912,182)</u>	<u>(6,581,823)</u>	<u>(1,866,636)</u>
	<u>(642,741)</u>	<u>(846,472)</u>	<u>(1,029,352)</u>	<u>(597,290)</u>	<u>(1,004,834)</u>	<u>(583,063)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won				Translation into U. S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Net increase (decrease) in cash and cash equivalents	<u>₩ (356,227)</u>	<u>₩ 122,643</u>	<u>₩ (328,418)</u>	<u>₩ (271,140)</u>	<u>\$ (320,596)</u>	<u>\$ (264,683)</u>
Cash and cash equivalents, beginning of period	<u>1,034,509</u>	<u>1,048,734</u>	<u>1,006,700</u>	<u>1,442,517</u>	<u>982,722</u>	<u>1,408,158</u>
Cash and cash equivalents, end of period	<u>₩ 678,282</u>	<u>₩ 1,171,377</u>	<u>₩ 678,282</u>	<u>₩ 1,171,377</u>	<u>\$ 662,126</u>	<u>\$ 1,143,475</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 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 June 30, 2005, 52.53 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 47.47 percent is owned by foreign investors under foreign investment agreements.

The Company has three domestic production plants as follows:

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

In connection with its foreign business, the Company operates major foreign affiliates as follows:

<u>Affiliated company</u>	<u>Description</u>
Production:	
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOSVT. Turkey)	Manufacturer of passenger cars since September 1997
Hyundai Motor India (HMI)	Manufacturer of passenger cars since October 1998
Beijing Hyundai Motor Company (BHMC)	Manufacturer of passenger cars since October 2002
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Plan to manufacture passenger cars and SUV in May 2005
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
Research and Development:	
Hyundai America Technical Center Inc. (HATCI)	Involve in research and development for motor vehicles
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	"
Hyundai Motor Europe Technical Center GmbH (HMETC)	"

## 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 accounting principles generally accepted 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 accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts are included solely for the convenience of readers outside of the Republic of Korea and have been made at the rate of ₩ 1,024.40 to US\$ 1.00 at June 30, 2005, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The Company prepared its financial statements as of June 30, 2005 in accordance with Financial Accounting Standards and Statements of Korea Accounting Standards ("SKAS") in the Republic of Korea.

In 2005, the Company additionally adopted SKAS No. 15 – "Investments in Associates", No. 16 – "Income Taxes" and No. 17 – "Provisions, Contingent Liabilities and Contingent Assets", which are effective from January 1, 2005.

The accompanying balance sheet as of December 31, 2004, and the accompanying statements of income and cash flows for the three months and six months ended June 30, 2004, which are presented for comparative purposes, have been restated to reflect the adjustments resulting from retroactive application of SKAS No.16. These adjustments include the adjustments of carrying amounts of the investment securities accounted for using the equity method, resulting from retroactive application of SKAS No.16 to the financial statements of investees. As a result of restatement, total assets and net equity as of December 31, 2004 decreased by ₩280,332 million (US\$273,655 thousand), net income for the year then ended decreased by ₩58,667 million (US\$57,270 thousand) and net income for the six months ended June 30, 2004 decreased by ₩44,129 million (US\$43,078 thousand), compared with the results based on the previous method.

In relation with such change, the amounts of relevant accounts retroactively calculated in prior years' financial statements are as follows:

	Korean won		
	2002	2003	2004
	(in millions, except per share amounts)		
Deferred income tax assets	291,051	384,108	371,655
Investment securities accounted for using the equity method	3,695,356	4,650,727	5,089,958
Retained earnings	3,587,102	5,015,766	6,383,208
Capital adjustments	(169,011)	29,913	(138,734)
Ordinary income	1,994,595	2,364,961	2,500,338
Net income	1,446,677	1,672,607	1,745,441
Ordinary earnings per common share	6,369	7,359	7,668
Earning per common share	6,369	7,359	7,668

The Company did not retroactively apply SKAS No. 15 and 17 to the prior year financial statements, in accordance with the provision in SKAS No.15 and 17. However, the Company recalculated the beginning balance of accrued warranties in accordance with SKAS No.17, which requires the recalculation of the beginning balance based on this revised standard in case the retroactive method is not applied. This recalculation decreased the beginning balance of accrued warranties and deferred tax assets by ₩676,469 million (US\$660,356 thousand) and ₩186,029 million (US\$181,598 thousand), respectively, and increased the beginning balance of retained earnings by ₩490,440 million (US\$478,758 thousand).

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 method except for materials in transit for which cost is determined using the specific identification method. Valuation loss incurred when the market value of an inventory falls below its carrying amount is added to the cost of goods sold.

#### 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. The 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.

The difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition is amortized over 20 years for goodwill or reversed over the remaining weighted average useful life of the identifiable acquired depreciable assets for negative goodwill, which does not exceed the fair value of non-monetary assets acquired, using the straight-line method. Negative goodwill, which exceeds the fair value of non-monetary assets acquired, is credited to operations in the year of purchase.

The Company's portion of profits and losses resulting from inter-company transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to equity securities accounted for using the equity method. However, if the investee is a consolidated subsidiary, unrealized profits and losses resulting from sales of assets from the Company to investee are eliminated in full. Also, if the investee is a consolidated subsidiary, the differences between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities, which occurred from additional purchases of investee's shares or changes in ratio of shareholding due to capital increase in investee, are reflected in capital adjustments. The differences between the sale amount and book value of the investment securities where the investee remains as a consolidated subsidiary after sales of some portion of investment securities in the consolidation subsidiary are reflected in capital adjustments.

If an investor's share of losses of an investee equals or exceeds its interest in the investee, the investor discontinues recognizing its share of further losses. If the investee subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Also, if the recoverable amount of investments in investee becomes less than its carrying amount, the Company recognizes impairment loss.

#### Property, Plant and Equipment and Related Depreciation

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

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

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

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, 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 3 years from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Industrial property rights and other intangibles are amortized over the period between 2 and 40 years.

If the recoverable amount of 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 ₩1,148,783 million (US\$1,121,420 thousand) and ₩1,161,789 million (US\$1,134,117 thousand) as of June 30, 2005 and December 31, 2004, respectively.

Accrued severance benefits are funded partially 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 ₩32,164 million (US\$31,398 thousand) and ₩37,351 million (US\$36,461 thousand) as of June 30, 2005 and December 31, 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 ₩144,728 million (US\$141,281 thousand) and ₩255,234 million (US\$249,155 thousand) for the six-month periods ended June 30, 2005 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 liability suit, voluntary recall campaign and other obligations as of the balance sheet date. If the difference between nominal value and present value is material, the provision is valued at present value of the expenditures estimated in order to settle the obligation.

Until 2003, the Company recognized accrued liabilities for the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with European Parliament directive regarding End-of-Life Vehicles (ELV). However, in 2004, the Company revised the contracts with most of its agents in the European Union by which the agents are responsible for all of the costs of the dismantling and recycling the vehicles placed in service in the future. The Company reversed the accrued liabilities exceeding the estimated expense by ₩341,293 million (US\$333,164 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 adjustments is added to or deducted from the asset or the liability.

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of June 30, 2005 and December 31, 2004, the Company deferred the net gain of 25,114 million (US\$24,516 thousand) and ₩30,581 million (US\$29,853 thousand), after deducting the deferred income tax of ₩9,518 million (US\$9,291 thousand) and ₩11,600 million (US\$11,324 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The longest period in which the forecasted transactions are expected to occur is within 41 months from June 30, 2005. Of the net gain on valuation recorded as capital adjustments as of June 30, 2005, the gain of ₩13,193 million (US\$12,879 thousand) before deduction of the deferred income tax effect is expected to be realized and charged to current operations within one year from June 30, 2005.

For the six months ended June 30, 2005 and 2004, the Company recognized the net gain of ₩83,794 million (US\$81,798 thousand) and ₩35,168 million (US\$34,330 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

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

(\*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. All premiums to be paid by the Company are recorded as accounts payable-other of ₩23,718 million (US\$ 23,153 thousand) and long-term other accounts payable in long-term liabilities of ₩50,234 million (US\$49,037 thousand) after deducting the present value discount of ₩9,003 million (US\$8,789 thousand) as of June 30, 2005 and accounts payable-other of ₩24,168 million (US\$ 23,592 thousand) and long-term other accounts payable of ₩60,492 million (US\$59,051 thousand) after deducting the present value discount of ₩11,891 million (US\$11,608 thousand) as of December 31, 2004. Also, all premiums to be received by the Company are recorded as accounts receivable-other of ₩3,888 million (US\$3,795 thousand) and long-term other accounts receivable of ₩8,118 million (US\$7,925 thousand) after deducting the present value discount of ₩1,603 million (US\$1,565 thousand) as of June 30, 2005 and accounts receivable-other of ₩3,962 million (US\$3,868 thousand) and long-term other accounts receivable of ₩9,771 million (US\$9,538 thousand) after deducting the present value discount of ₩2,115 million (US\$2,065 thousand) as of December 31, 2004.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩306,129 million (US\$298,837 thousand) and ₩252,785 million (US\$246,764 thousand) in current and non-current assets as of June 30, 2005 and December 31, 2004, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩49,399 million (US\$48,222 thousand) and ₩25,357 million (US\$24,753 thousand) is recorded in current and long-term liabilities as of June 30, 2005 and December 31, 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 Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩1,024.40 and ₩1,043.80 to US \$1.00 at June 30, 2005 and December 31, 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 income and expenses are translated at the average rates of exchange prevailing during the period.

#### Income Tax Expense

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting, while deferred tax assets and liabilities are classified according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

### Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends for preferred stock, by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings per common share is 207,591,726 and 217,515,052 for the three months ended June 30, 2005 and 2004, respectively, and 211,839,085 and 218,059,220 for the six months ended June 30, 2005 and 2004, respectively. Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends for 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 208,559,646 and 218,680,857 for the three months ended June 30, 2005 and 2004, respectively, and 212,812,723 and 219,279,369 for the six months ended June 30, 2005 and 2004, respectively.

Earnings per common share and earnings per diluted common share for the year ended December 31, 2004 is ₩7,668 (US\$7.49) and ₩7,649 (US\$7.47), respectively.

### 3. INVENTORIES:

Inventories as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 614,038	₩ 487,441	\$ 599,412	\$ 475,831
Semi finished goods and work in process	420,560	387,427	410,543	378,199
Raw materials and supplies	313,101	310,259	305,643	302,869
Materials in transit	76,142	81,972	74,329	80,019
	<u>₩ 1,423,841</u>	<u>₩ 1,267,099</u>	<u>\$ 1,389,927</u>	<u>\$ 1,236,918</u>

### 4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of June 30, 2005 and December 31, 2004, all of which are classified into available-for-sale securities, consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Local currency beneficiary certificates	₩ 553,240	₩ 205,009	\$ 540,062	\$ 200,125
Government bonds	5,143	20	5,021	20
	<u>₩ 558,383</u>	<u>₩ 205,029</u>	<u>\$ 545,083</u>	<u>\$ 200,145</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 ₩82,907 million (US\$80,932 thousand) and ₩58,029 million (US\$56,647 thousand), before the deduction of the deferred income tax effect, in capital adjustments as of June 30, 2005 and December 31, 2004, respectively.

5. LONG-TERM INVESTMENT SECURITIES:

(1) Long -term investment securities as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 323,288	₩ 259,549	\$ 315,587	\$ 253,367
Held-to-maturity securities	48,500	48,500	47,345	47,345
	<u>₩ 371,788</u>	<u>₩ 308,049</u>	<u>\$ 362,932</u>	<u>\$ 300,712</u>

(2) Available-for-sale securities in long-term investment securities as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 183,168	₩ 115,112	\$ 178,805	\$ 112,370
Equity securities stated at acquisition cost	140,055	139,287	136,719	135,970
Government bonds	65	65	63	63
Corporate bonds	-	5,085	-	4,964
	<u>₩ 323,288</u>	<u>₩ 259,549</u>	<u>\$ 315,587</u>	<u>\$ 253,367</u>

Debt securities of ₩65 million (US\$63 thousand) and ₩5,150 million (US\$5,027 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from June 30, 2005 and December 31, 2004, respectively.

Equity securities stated at fair value included in long-term investment securities as of June 30, 2005 consist of the following:

Name of company	Korean won		Translation into U.S. dollars (Note 2)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
	(In millions)		(In thousands)	
Korea Mutual Savings Bank	₩ 2,846	₩ 4,776	\$ 4,662	8.13
Korea Environment Technology Co., Ltd.	1,500	3,840	3,748	6.00
Jin Heung Mutual Savings Bank	2,166	1,559	1,522	4.81
Hyundai Heavy Industries Co., Ltd.	56,924	113,880	111,167	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,520	1,484	2.21
Hyundai Corporation	13,626	1,928	1,882	1.08
LG Telecom	9,795	8,272	8,075	0.68
Hyundai Development Company	9,025	10,935	10,675	0.60
Hyundai Merchant Marine Co., Ltd.	7,329	8,685	8,478	0.55
KT Freetel	10,800	8,012	7,821	0.18
Dong Yang Investment Bank	282	56	55	0.01
Treasury Stock Fund (*)	12,921	19,705	19,236	-
	<u>₩ 137,214</u>	<u>₩ 183,168</u>	<u>\$ 178,805</u>	

(\*) The acquisition costs of Treasury Stock Fund are presented after the deduction of the fair value of treasury stock included in those fund. The fair values of such treasury stock as of June 30, 2005 amounting to ₩22,626 million (US\$22,087 thousand) are recorded as treasury stock in capital adjustments.

The difference of ₩45,954 million (US\$44,859 thousand) as of June 30, 2005, between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments of ₩67,119 million (US\$65,520 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$20,661 thousand) reflected before 2005.

In 2005, the unrealized gain of ₩49,535 million (US\$ 48,355 thousand) before the deduction of deferred income tax effect occurred.

Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2005 consist of the following:

Affiliated company	Korean won		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. dollars	
	(In millions)		(Note 2)	(%)
			Book value	
			(In thousands)	
Hyundai Motor Hungary (*)	₩ 5,415	₩ 5,415	\$ 5,286	100.00
Hyundai Motor Norway AS (*)	5,636	5,636	5,502	100.00
NGVTEK.com (*)	571	571	557	53.66
Heesung PM Tech Corporation	1,194	1,194	1,166	19.90
Jinil MVC Co., Ltd.	180	180	176	18.00
Clean Air Technology Inc.	500	500	488	16.13
Industry Otomotif Komersial	4,439	4,439	4,333	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,383	14.97
Hyundai Research Institute	1,359	1,271	1,241	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	134	14.90
Mando Map & Soft Co., Ltd.	778	778	759	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,440	13.66
The Sign Corporation (formerly Mobil.Com Co., Ltd.)	1,200	1,200	1,171	11.59
Micro Infinity	607	607	593	10.51
Kihyup Finance	3,000	3,000	2,929	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	9,762	9.99
Hankyoreh Plus Inc.	4,800	284	277	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	86,741	7.24
Hyundai Asan Corporation	22,500	5,405	5,276	4.61
U.S Electrical Inc.	2,204	2,204	2,151	3.80
ROTIS Inc.	1,000	8	8	1.33
Other	1,379	1,379	1,346	-
	<u>₩ 168,404</u>	<u>₩ 140,055</u>	<u>\$ 136,719</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\$ 6,833 thousand), are not material.

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		Translation into	Ownership percentage
	Acquisition cost	Book value	U.S. dollars	
	(In millions)		(Note 2)	(%)
			Book value	
			(In thousands)	
Jin Heung Mutual Savings Bank	₩ 2,166	₩ 1,308	\$ 1,277	8.66
Korea Mutual Savings Bank	2,846	3,325	3,246	8.13
Korea Environment Technology Co., Ltd.	1,500	5,235	5,110	6.00
Hyundai Heavy Industries Co., Ltd.	56,924	75,446	73,649	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,217	1,188	2.21
Hyundai Corporation	13,626	850	830	1.08

Name of company	Korean won		Translation into U.S. dollars (Note 2)	Ownership percentage (%)
	Acquisition		Book value	
	cost	Book value	(In thousands)	
LG Telecom	₩ 9,795	₩ 7,520	\$ 7,341	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	8,432	8,231	0.55
KT Freetel	10,800	8,245	8,048	0.18
Dong Yang Investment Bank	282	36	35	0.01
Treasury Stock Fund (*)	3,425	3,498	3,415	-
	<u>₩ 118,693</u>	<u>₩ 115,112</u>	<u>\$ 112,370</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\$44,475 thousand) is recorded as treasury stock in capital adjustments.

The difference of ₩3,581 million (US\$3,496 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\$17,165 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$20,661 thousand). In 2004, the unrealized gain of ₩40,216 million (US\$ 39,258 thousand) before the deduction of deferred income tax effect occurred and unrealized gain of ₩6,015 million (US\$5,872 thousand) before the deduction of deferred income tax effect is realized mainly due to disposal of investment securities.

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		Translation into U.S. dollars (Note 2)	Ownership percentage (%)
	Acquisition		Book value	
	cost	Book value	(In thousands)	
Hyundai Motor Hungary (*)	₩ 721	₩ 721	\$ 704	100.00
Hyundai Motor Norway AS (*)	2,123	2,123	2,072	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	4,907	4,907	4,790	91.75
NGVTEK.com (*)	571	571	557	53.66
Hyundai-Motor Group Ltd. (*)	2,534	2,534	2,474	50.00
Heesung PM Tech Corporation	1,194	1,194	1,166	19.90
Jinil MVC Co., Ltd.	180	180	176	18.00
Clean Air Technology Inc.	500	500	488	16.13
Industry Otomotif Komersial	4,439	4,439	4,333	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,383	14.97
Hyundai Research Institute	1,359	1,271	1,241	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	134	14.90
Mando Map & Soft Co., Ltd.	778	778	760	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,440	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,171	11.59
Micro Infinity	607	607	593	10.51
Kihyup Finance	3,000	3,000	2,929	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	9,762	9.99
Hankyoreh Plus Inc.	4,800	284	277	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	86,741	7.24
Hyundai Asan Corporation	22,500	5,405	5,276	4.61
U.S Electrical Inc.	2,204	2,204	2,151	3.80
ROTIS Inc.	1,000	8	8	1.33
Other	1,377	1,377	1,344	-
	<u>₩ 167,636</u>	<u>₩ 139,287</u>	<u>\$ 135,970</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\$6,833 thousand), are not material.

In 2004, impairment loss of ₩42,175 million (US\$41,170 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.

(3) Debt securities included in held-to-maturity of long-term investment securities as of June 30, 2005 and December 31, 2004 are subordinate debt securities of ₩48,500 million (US\$47,345 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 June 30, 2005 consist of the following:

Affiliated company	Korean won		Translation into U.S. dollars (Note 2)		Ownership percentage (%)
	Acquisition	Book value	Acquisition	Book value	
	cost	(In millions)	cost	(In thousands)	
Hyundai Motor India	₩ 244,017	₩ 417,581	\$ 238,205	\$ 407,635	100.00
Hyundai Motor America	1,134,406	976,502	1,107,386	953,243	100.00
Hyundai Translead	74,977	71,726	73,191	70,018	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	26,186	23,564	25,562	100.00
Hyundai Motor Japan Co. (*1)	42,292	-	41,285	-	100.00
Hyundai Motor Europe GmbH	17,529	21,265	17,111	20,758	100.00
Hyundai America Technical Center Inc.	9,635	15,562	9,406	15,191	100.00
HMJ R&D Center Inc.	1,510	2,051	1,474	2,002	100.00
Hyundai Motor Company Australia	12,382	18,120	12,087	17,688	100.00
Hyundai Motor Europe Technical Center GmbH	47,634	43,789	46,499	42,746	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,907	4,231	4,790	4,130	91.75
ROTEM	270,222	279,580	263,786	272,921	78.36
Hyundai Capital Service Inc.	468,743	287,172	457,578	280,332	61.08
China Millennium Corporations	53,466	53,491	52,192	52,217	59.60
Hyundai Card Co., Ltd.	557,126	120,084	543,856	117,224	59.02
HAOSVT (Turkey)	48,013	61,299	46,869	59,839	50.00
Beijing-Hyundai Motor Company	133,691	248,394	130,507	242,477	50.00
Hyundai Motor Group China Ltd.	15,371	13,820	15,005	13,491	50.00
Hyundai Powertech	120,000	135,165	117,142	131,945	50.00
KEFICO	20,911	104,116	20,413	101,636	50.00
Haevichi Leisure Co., Ltd.	9,000	9,000	8,786	8,786	50.00
Dymos Inc.	68,872	102,046	67,232	99,615	47.27
WIA Corporation	34,357	115,711	33,539	112,955	39.46
Kia Motors Corporation	923,957	1,960,564	901,949	1,913,866	38.67
Korea Aerospace Industries Co., Ltd.	129,800	82,000	126,708	80,047	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	15,281	13,196	14,917	30.00
Hyundai Motor Deutschland GmbH	6,761	10,916	6,600	10,656	30.00
Hyundai HYSCO	200,768	255,710	195,986	249,619	26.13
Autoever Systems Corp.	1,250	7,278	1,220	7,105	25.00
Korea Economy Daily	29,973	23,607	29,259	23,045	20.55
Iljin Bearing Co., Ltd.	826	14,034	806	13,700	20.00
Daesung Automotive Co., Ltd.	400	6,012	390	5,869	20.00
Eukor Car Carriers Inc. (*2)	29,347	62,149	28,648	60,669	12.00
	<u>₩ 4,749,800</u>	<u>₩ 5,564,442</u>	<u>\$ 4,636,665</u>	<u>\$ 5,431,904</u>	

(\*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. Cumulative losses not recognized by the Company due to the suspension of using the equity method as of June 30, 2005 is ₩37,855 million (US\$36,953 thousand).

(\*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.

Investment securities accounted for using the equity method as of December 31, 2004 consist of the following:

Affiliated company	Korean won		Translation into U.S. dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Acquisition cost	Book value	
	(In millions)		(In thousands)		
Hyundai Motor India	₩ 244,017	₩ 359,233	\$ 238,205	\$ 350,676	100.00
Hyundai Motor America	824,800	711,431	805,154	694,486	100.00
Hyundai Translead	74,977	61,278	73,191	59,818	100.00
Hyundai Machine Tool Europe GmbH	25,397	9,288	24,792	9,067	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	25,543	23,564	24,935	100.00
Hyundai Motor Japan Co. (*1)	32,479	-	31,705	0	100.00
Hyundai Motor Europe GmbH	17,529	35,044	17,111	34,209	100.00
Hyundai America Technical Center Inc.	9,635	15,148	9,406	14,787	100.00
HMJ R&D Center Inc.	1,510	2,244	1,474	2,191	100.00
Hyundai Motor Company Australia	12,382	30,932	12,087	30,195	100.00
ROTEM	270,222	288,532	263,786	281,659	78.36
Hyundai Capital Service Inc.	468,743	259,656	457,578	253,471	61.08
China Millennium Corporations	53,450	53,450	52,177	52,177	59.60
Hyundai Card Co., Ltd.	557,126	97,706	543,856	95,379	59.02
HAOSVT (Turkey)	48,013	24,765	46,869	24,175	50.00
Beijing-Hyundai Motor Company	133,691	304,040	130,507	296,798	50.00
Hyundai Powertech	120,000	134,475	117,142	131,272	50.00
KEFICO	20,911	93,566	20,413	91,337	50.00
Dymos Inc.	68,872	93,620	67,232	91,390	47.27
WIA Corporation	8,989	88,604	8,775	86,494	45.30
Kia Motors Corporation	923,957	1,960,439	901,949	1,913,744	38.67
Korea Aerospace Industries, Ltd.	129,800	81,827	126,708	79,878	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,205	13,196	12,890	30.00
Hyundai Motor Deutschland GmbH	6,761	12,588	6,600	12,288	30.00
Korea Economy Daily	19,973	14,247	19,497	13,908	29.57
Hyundai HYSCO	200,768	243,925	195,986	238,115	26.13
Autoever Systems Corp.	1,250	5,968	1,220	5,826	25.00
Iljin Bearing Co., Ltd.	826	13,102	806	12,790	20.00
Daesung Automotive Co., Ltd.	400	6,094	391	5,949	20.00
Eukor Car Carriers Inc. (*2)	29,347	50,008	28,648	48,817	12.00
	<u>₩ 4,343,482</u>	<u>₩ 5,089,958</u>	<u>\$ 4,240,025</u>	<u>\$ 4,968,721</u>	

(\*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. Cumulative losses not recognized by the Company due to the suspension of using the equity method as of December 31, 2004 is ₩48,412 million (US\$47,259 thousand).

(\*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.

- (2) The changes in investment securities accounted for using the equity method for the three months ended June 30, 2005 are as follows:

Affiliated company	Korean won				Translation into U.S. dollars (Note 2)	
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	End of period	
	(in millions)				(in thousands)	
Hyundai Motor India	₩ 389,594	₩ 25,830	₩ 2,157	₩ 417,581	\$ 407,635	
Hyundai Motor America	735,975	11,929	228,598	976,502	953,243	
Hyundai Translead	64,383	7,271	72	71,726	70,018	
Hyundai Motor Poland Sp.zo.o.	26,877	(244)	(447)	26,186	25,562	
Hyundai Motor Japan Co.	-	-	-	-	-	
Hyundai Motor Europe GmbH	22,847	(106)	(1,476)	21,265	20,758	
Hyundai America Technical Center Inc.	15,121	436	5	15,562	15,191	
HMJ R&D Center Inc.	2,078	29	(56)	2,051	2,002	
Hyundai Motor Company Australia	15,270	3,169	(319)	18,120	17,688	
Hyundai Motor Europe Technical Center GmbH	32,918	664	10,207	43,789	42,746	
Beijing Jinxian Motor Safeguard Service Co., Ltd.	-	(1,167)	5,398	4,231	4,130	
ROTEM	285,994	(7,133)	719	279,580	272,921	
Hyundai Capital Service Inc.	298,456	72,932	(84,216)	287,172	280,332	
China Millennium Corporations	53,420	49	22	53,491	52,217	
Hyundai Card Co., Ltd.	110,574	2,772	6,738	120,084	117,224	
HAOSVT (Turkey)	51,242	9,964	93	61,299	59,839	
Beijing-Hyundai Motor Company	325,725	9,948	(87,279)	248,394	242,477	
Hyundai Motor Group China Ltd.	-	(1,583)	15,403	13,820	13,491	
Hyundai Powertech	130,654	4,514	(3)	135,165	131,945	
KEFICO	98,491	5,586	39	104,116	101,636	
Haevichi Leisure Co., Ltd.	-	-	9,000	9,000	8,786	
Dymos Inc.	97,667	4,379	-	102,046	99,615	
WIA Corporation	110,549	5,079	83	115,711	112,955	
Kia Motors Corporation	1,923,681	28,528	8,355	1,960,564	1,913,866	
Korea Space & Aircraft Co., Ltd.	77,130	4,871	(1)	82,000	80,047	
Beijing Mobis Transmission Co., Ltd.	14,086	1,183	12	15,281	14,917	
Hyundai Motor Deutschland GmbH	11,136	732	(952)	10,916	10,656	
Hyundai HYSKO	247,574	8,126	10	255,710	249,619	
Autoever Systems Corp.	6,427	851	-	7,278	7,105	
Korea Economy Daily	14,717	(1,046)	9,936	23,607	23,045	
Iljin Bearing Co., Ltd.	13,668	366	-	14,034	13,700	
Daesung Automotive Co., Ltd.	5,878	134	-	6,012	5,869	
Eukor Car Carriers Inc.	57,279	4,870	-	62,149	60,669	
	<u>₩ 5,239,411</u>	<u>₩ 202,933</u>	<u>₩ 122,098</u>	<u>₩ 5,564,442</u>	<u>\$ 5,431,904</u>	

- (\*) Other changes consist of increase of acquisition cost by ₩270,372 million (US\$263,932 thousand) mainly due to acquisition and participation in investees' additional paid-in capital, decrease by ₩84,340 million (US\$82,331 thousand) due to receipt of dividends, increase of retained earnings by ₩30,116 million (US\$29,399 thousand), decrease of capital adjustments by ₩101,490 million (US\$99,072 thousand) and increase by ₩7,440 million (US\$7,263 thousand) due to transfer from long-term investment securities.

The changes in investment securities accounted for using the equity method for the six months ended June 30, 2005 are as follows:

Affiliated company	Korean won				Translation into
	Beginning of period	Gain (loss)		End of period	U.S. dollars
		on valuation	Other changes (*)		(Note 2)
	(In millions)				(In thousands)
Hyundai Motor India	₩ 359,233	₩ 64,002	₩ (5,654)	₩ 417,581	\$ 407,635
Hyundai Motor America	711,431	(20,456)	285,527	976,502	953,243
Hyundai Translead	61,278	10,958	(510)	71,726	70,018
Hyundai Machine Tool Europe GmbH	9,288	-	(9,288)	-	-
Hyundai Motor Poland Sp.zo.o.	25,543	1,844	(1,201)	26,186	25,562
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	35,044	(9,996)	(3,783)	21,265	20,758
Hyundai America Technical Center Inc.	15,148	691	(277)	15,562	15,191
HMJ R&D Center Inc.	2,244	(6)	(187)	2,051	2,002
Hyundai Motor Company Australia	30,932	(11,805)	(1,007)	18,120	17,688
Hyundai Motor Europe Technical Center GmbH	-	937	42,852	43,789	42,746
Beijing Jinxian Motor Safeguard Service Co., Ltd.		(1,167)	5,398	4,231	4,130
ROTEM	288,532	(9,643)	691	279,580	272,921
Hyundai Capital Service Inc.	259,656	65,642	(38,126)	287,172	280,332
China Millennium Corporations	53,450	194	(153)	53,491	52,217
Hyundai Card Co., Ltd.	97,706	5,645	16,733	120,084	117,224
HAOSVT (Turkey)	24,765	37,579	(1,045)	61,299	59,839
Beijing-Hyundai Motor Company	304,040	37,520	(93,166)	248,394	242,477
Hyundai Motor Group China Ltd.	-	(1,583)	15,403	13,820	13,491
Hyundai Powertech	134,475	(615)	1,305	135,165	131,945
KEFICO	93,566	14,616	(4,066)	104,116	101,636
Haevichi Leisure Co., Ltd.	-	-	9,000	9,000	8,786
Dymos Inc.	93,620	8,464	(38)	102,046	99,615
WIA Corporation	88,604	13,434	13,673	115,711	112,955
Kia Motors Corporation	1,960,439	92,589	(92,464)	1,960,564	1,913,866
Korea Space & Aircraft Co., Ltd.	81,827	156	17	82,000	80,047
Beijing Mobis Transmission Co., Ltd.	13,205	2,295	(219)	15,281	14,917
Hyundai Motor Deutschland GmbH	12,588	362	(2,034)	10,916	10,656
Hyundai HYSCO	243,925	15,978	(4,193)	255,710	249,619
Autoever Systems Corp.	5,968	1,310	-	7,278	7,105
Korea Economy Daily	14,247	(567)	9,927	23,607	23,045
Iljin Bearing Co., Ltd.	13,102	594	338	14,034	13,700
Daesung Automotive Co., Ltd.	6,094	39	(121)	6,012	5,869
Eukor Car Carriers Inc.	50,008	12,141	-	62,149	60,669
	<u>₩ 5,089,958</u>	<u>₩ 331,152</u>	<u>₩ 143,332</u>	<u>₩ 5,564,442</u>	<u>\$ 5,431,904</u>

(\*) Other changes consist of increase of acquisition cost by ₩424,274 million (US\$414,168 thousand) mainly due to acquisition and participation in investees' additional paid-in capital, decrease by ₩9,288 million (US\$9,067 thousand) mainly due to disposal of investments, decrease by ₩139,826 million (US\$136,496 thousand) due to receipt of dividends, increase of retained earnings by ₩47,697 million (US\$46,561 thousand), decrease of capital adjustments by ₩186,967 million (US\$182,514 thousand) and increase by ₩7,440 million (US\$7,263 thousand) due to transfer from long-term investment securities.

The changes in equity securities accounted for using the equity method for the three months ended June 30, 2004 are as follows:

Affiliated company	Korean won				Translation into
	Beginning of period	Gain (loss)		End of period	U.S. dollars
		on valuation	Other changes (*)		(Note 2)
		(In millions)			End of period
					(In thousands)
Hyundai Motor India	₩ 361,795	₩ 10,417	₩ (16,951)	₩ 355,261	\$ 346,799
Hyundai Motor America	588,142	19,278	(3,792)	603,628	589,250
Hyundai Translead	46,617	8,066	(125)	54,558	53,259
Hyundai Machine Tool Europe GmbH	15,467	(169)	(88)	15,210	14,848
Hyundai Motor Poland Sp.zo.o.	17,411	249	(3)	17,657	17,236
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	13,436	7,567	(310)	20,693	20,200
Hyundai America Technical Center Inc.	15,713	285	(19)	15,979	15,598
HMJ R&D Center Inc.	2,337	19	(56)	2,300	2,245
Hyundai Motor Company Australia	14,042	3,157	(1,386)	15,813	15,437
Hyundai Capital Service Inc.	302,801	(30,436)	14,386	286,751	279,921
ROTEM	327,246	(10,522)	(14)	316,710	309,166
Hyundai Card Co., Ltd.	51,762	(27,217)	(24,545)	-	-
HAOSVT (Turkey)	24,955	(6,786)	(122)	18,047	17,617
Beijing-Hyundai Motor Company	297,690	60,685	(60,864)	297,511	290,425
Hyundai Powertech	129,377	1,504	(25)	130,856	127,739
Hyundai Commercial Vehicle Engine Co., Ltd.	27,610	(4,412)	27,610	50,808	49,598
KEFICO	84,390	5,355	(4,260)	85,485	83,449
Dymos Inc.	83,671	4,183	19	87,873	85,780
WIA	64,520	11,281	(410)	75,391	73,595
Kia Motors Corporation	1,784,754	105,409	(57,941)	1,832,222	1,788,581
Korea Aerospace Industries, Ltd.	79,416	1,171	-	80,587	78,668
Beijing Mobis Transmission Co., Ltd.	12,557	439	(17)	12,979	12,670
Hyundai Motor Deutschland GmbH	-	2,102	6,620	8,722	8,514
Korea Economy Daily	13,663	(100)	-	13,563	13,240
Autoever Systems Corp.	4,292	566	-	4,858	4,742
Hyundai HYSCO	233,067	6,840	(4,270)	235,637	230,024
Iljin Bearing Co., Ltd.	12,968	57	122	13,147	12,834
Daesung Automotive Co., Ltd.	5,692	105	(80)	5,717	5,581
Eukor Car Carriers Inc.	36,553	6,691	-	43,244	42,214
	<u>₩ 4,651,944</u>	<u>₩ 175,784</u>	<u>₩ (126,521)</u>	<u>₩ 4,701,207</u>	<u>\$ 4,589,230</u>

(\*) Other changes consist of increase of acquisition cost by ₩67,332 million (US\$65,728 thousand) mainly due to acquisition, decrease by ₩113,601 million (US\$110,895 thousand) due to receipt of dividends, decrease of retained earnings by ₩13,434 million (US\$13,114 thousand) and decrease of capital adjustments by ₩66,818 million (US\$65,226 thousand).

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

Affiliated company	Korean won				U.S. dollars
	Beginning of period	Gain (loss)		End of period	(Note 2)
		on valuation	Other changes (*)		End of period
	(In millions)				(In thousands)
Hyundai Motor India	₩ 340,475	₩ 32,621	₩ (17,835)	₩ 355,261	\$ 346,799
Hyundai Motor America	647,068	9,202	(52,642)	603,628	589,250
Hyundai Translead	45,220	9,997	(659)	54,558	53,259
Hyundai Machine Tool Europe GmbH	17,185	(1,064)	(911)	15,210	14,848
Hyundai Motor Poland Sp.zo.o.	17,505	132	20	17,657	17,236
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	21,974	155	(1,436)	20,693	20,200
Hyundai America Technical Center Inc.	16,101	495	(617)	15,979	15,598
HMJ R&D Center Inc.	2,391	28	(119)	2,300	2,245
Hyundai Motor Company Australia	13,696	3,930	(1,813)	15,813	15,437
Hyundai Capital Service Inc.	350,127	(66,093)	2,717	286,751	279,921
ROTEM	335,220	(17,931)	(579)	316,710	309,166
Hyundai Card Co., Ltd.	65,564	(36,187)	(29,377)	-	-
HAOSVT (Turkey)	25,859	(5,984)	(1,828)	18,047	17,617
Beijing-Hyundai Motor Company	281,997	87,372	(71,858)	297,511	290,425
Hyundai Powertech	128,338	2,547	(29)	130,856	127,739
Hyundai Commercial Vehicle Engine Co., Ltd.	26,833	(3,635)	27,610	50,808	49,598
KEFICO	79,064	10,584	(4,163)	85,485	83,449
Dymos Inc.	81,668	6,186	19	87,873	85,780
WIA	62,489	13,754	(852)	75,391	73,595
Kia Motors Corporation	1,704,157	168,223	(40,158)	1,832,222	1,788,581
Korea Aerospace Industries, Ltd.	79,312	1,275	-	80,587	78,668
Beijing Mobis Transmission Co., Ltd.	13,264	218	(503)	12,979	12,670
Hyundai Motor Deutschland GmbH	-	2,102	6,620	8,722	8,514
Korea Economy Daily	14,129	(448)	(118)	13,563	13,240
Autoever Systems Corp.	4,106	876	(124)	4,858	4,742
Hyundai HYSCO	226,720	13,205	(4,288)	235,637	230,024
Iljin Bearing Co., Ltd.	12,794	425	(72)	13,147	12,834
Daesung Automotive Co., Ltd.	5,619	178	(80)	5,717	5,581
Eukor Car Carriers Inc.	31,851	12,104	(711)	43,244	42,214
	<u>₩ 4,650,726</u>	<u>₩ 244,267</u>	<u>₩ (193,786)</u>	<u>₩ 4,701,207</u>	<u>\$ 4,589,230</u>

(\*) Other changes consist of increase of acquisition cost by ₩78,435 million (US\$76,567 thousand) mainly due to acquisition, decrease by ₩113,826 million (US\$111,115 thousand) due to receipt of dividends, decrease of retained earnings by ₩25,547 million (US\$24,939 thousand) and decrease of capital adjustments by ₩132,848 million (US\$129,684 thousand).

Investment securities accounted for using the equity method as of June 30, 2005 and 2004 and December 31, 2004 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

(3) Condensed financial information of the affiliates as of and for the six months ended June 30, 2005 is as follows:

Affiliated company	Korean won				Translation into U.S. dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor India	₩ 882,893	₩ 459,043	₩ 843,187	₩ 59,427	\$ 861,864	\$ 448,109	\$ 823,103	\$ 58,012
Hyundai Motor America	3,644,578	2,399,125	3,913,135	334	3,557,768	2,341,981	3,819,929	326
Hyundai Translead	216,541	173,777	178,126	10,603	211,383	169,638	173,883	10,350
Hyundai Motor Poland Sp.zo.o.	40,928	31,101	77,639	1,795	39,953	30,360	75,790	1,752
Hyundai Motor Japan Co.	19,545	57,400	15,637	(2,865)	19,079	56,033	15,265	(2,797)
Hyundai Motor Europe GmbH	347,974	326,709	1,339,362	5,980	339,686	318,927	1,307,460	5,838
Hyundai America Technical Center Inc.	22,905	7,314	29,616	770	22,359	7,140	28,911	752
HMJ R&D Center Inc.	6,388	4,337	8,140	53	6,236	4,234	7,946	52
Hyundai Motor Company Australia	225,623	193,058	373,715	9,821	220,249	188,460	364,814	9,587
Hyundai Motor Europe Technical Center GmbH	95,197	51,408	17,239	930	92,930	50,184	16,828	908
Beijing Jinxian Motor Safeguard Service Co., Ltd.	7,534	2,923	11,622	195	7,355	2,853	11,345	190
ROTEM	1,396,113	1,129,186	506,956	(9,187)	1,362,859	1,102,290	494,881	(8,968)
Hyundai Capital Service Inc.	9,592,589	8,993,737	891,849	275,152	9,364,105	8,779,517	870,606	268,598
China Millennium Corporations	83,244	65,522	8,343	2,157	81,261	63,961	8,144	2,106
Hyundai Card Co., Ltd.	2,262,468	2,086,127	342,370	10,248	2,208,579	2,036,438	334,215	10,004
HAOSVT (Turkey)	424,682	262,941	551,733	35,691	414,567	256,678	538,591	34,841
Beijing-Hyundai Motor Company	1,071,513	555,169	1,405,181	82,425	1,045,991	541,946	1,371,711	80,462
Hyundai Motor Group China Ltd.	27,696	56	23	(2,283)	27,036	55	22	(2,248)
Hyundai Powertech	854,503	569,650	426,062	16,981	834,150	556,082	415,914	16,577
KEFICO	351,297	139,787	252,100	24,805	342,930	136,457	246,095	24,214
Haevichi Leisure Co., Ltd.	17,998	-	-	(2)	17,569	-	-	(2)
Dymos Inc.	690,012	471,306	666,680	17,421	673,577	460,080	650,800	17,006
WIA Corporation	1,293,454	933,089	1,223,700	26,898	1,262,645	910,864	1,194,553	26,257
Kia Motors Corporation	10,664,092	5,703,665	8,186,239	341,302	10,410,086	5,567,810	7,991,252	333,173
Korea Aerospace Industries Co., Ltd.	1,399,532	1,080,117	351,429	859	1,366,197	1,054,390	343,058	839
Beijing Mobis Transmission Co., Ltd.	117,536	66,601	101,671	7,623	114,736	65,015	99,249	7,441
Hyundai Motor Deutschland GmbH	140,978	94,739	474,211	7,898	137,620	92,482	462,916	7,710
Hyundai HYSCO	2,334,477	1,331,831	1,350,014	60,495	2,278,873	1,300,108	1,317,858	59,054
Autoever Systems Corp.	126,303	97,190	149,790	5,168	123,295	94,875	146,222	5,045
Korea Economy Daily	209,467	112,573	52,105	275	204,478	109,892	50,864	268
Iljin Bearing Co., Ltd.	136,594	66,423	100,795	2,733	133,340	64,841	98,394	2,668
Daesung Automotive Co., Ltd.	65,337	35,275	38,617	1,128	63,781	34,435	37,697	1,101
Eukor Car Carriers Inc.	1,721,939	1,121,609	796,567	130,129	1,680,924	1,094,894	777,594	127,029

(4) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments decreased the gain on equity method valuation included in current operations by ₩26,820 million (US\$26,181 thousand) and increased retained earnings by ₩15,814 million (US\$15,437 thousand) for the six months ended and as of June 30, 2005 and increased the gain on equity method valuation included in current operations by ₩31,813 million (US\$31,055 thousand) for the six months ended June 30, 2004.

(5) Significant unrealized profits (losses) that occurred in transactions with investees for the three months ended June 30, 2005 are as follows:

Transaction type	Korean won				Translation into U.S. dollars (Note 2)	
	Beginning of period	Increase	Decrease	End of period	End of period	
	(In millions)				(In thousands)	
Inventories	₩ 263,761	₩ 184,044	₩ (263,761)	₩ 184,044	\$ 179,660	
Property	47,139	20,405	(2,965)	64,579	63,041	
Accrued warranties	(100,794)	(68,020)	100,794	(68,020)	(66,400)	
Franchise income	12,245	13,102	(12,245)	13,102	12,790	
	₩ 222,351	₩ 149,531	₩ (178,177)	₩ 193,705	\$ 189,091	

Significant unrealized profits (losses) that occurred in transactions with investees for the six months ended June 30, 2005 are as follows:

Transaction type	Korean won				Translation into U.S. dollars (Note 2)	
	Beginning of period	Increase	Decrease	End of period	End of period	
	(In millions)				(In thousands)	
Inventories	₩ 300,989	₩ 184,044	₩ (300,989)	₩ 184,044	\$	179,660
Property	41,008	29,053	(5,482)	64,579		63,041
Accrued warranties	(67,920)	(68,020)	67,920	(68,020)		(66,400)
Franchise income	-	13,102	-	13,102		12,790
	<u>₩ 274,077</u>	<u>₩ 158,179</u>	<u>₩ (238,551)</u>	<u>₩ 193,705</u>	\$	<u>189,091</u>

(6) 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 (or reversed) balance of goodwill and negative goodwill as of June 30, 2005 are ₩268,728 million (US\$262,327 thousand) and ₩62,047 million (US\$60,569 thousand), respectively. In addition, the unamortized (or reversed) balance of goodwill and negative goodwill as of December 31, 2004 are ₩277,356 million (US\$270,750 thousand) and ₩63,931 million (US\$62,408 thousand), respectively.

(7) The market price of listed equity securities as of June 30, 2005 is as follows:

Affiliated company	Korean won			Translation into U.S. dollars (Note 2)	
	Price per share	Number of shares	Market value	Market value	
			(In millions)	(In thousands)	
Kia Motors Corporation	₩ 13,750	134,285,491	₩ 1,846,426	\$	1,802,446
Hyundai HYSKO	12,600	20,954,188	264,023		257,734

## 7. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipments as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,172,196	₩ 3,103,254	\$ 3,096,638	\$ 3,029,338
Machinery and equipment	4,575,701	4,444,658	4,466,713	4,338,791
Vehicles	72,126	71,242	70,408	69,545
Dies, molds and tools	2,337,752	2,274,805	2,282,070	2,220,622
Other equipment	<u>575,874</u>	<u>568,571</u>	<u>562,157</u>	<u>555,029</u>
	10,733,649	10,462,530	10,477,986	10,213,325
Less: Accumulated depreciation	(4,788,476)	(4,502,803)	(4,674,420)	(4,395,552)
Accumulated impairment loss	-	(7,498)	-	(7,319)
	5,945,173	5,952,229	5,803,566	5,810,454
Land	1,896,057	1,895,016	1,850,895	1,849,879
Construction in progress	<u>919,550</u>	<u>886,158</u>	<u>897,648</u>	<u>865,051</u>
	<u>₩ 8,760,780</u>	<u>₩ 8,733,403</u>	<u>\$ 8,552,109</u>	<u>\$ 8,525,384</u>

The changes in property, plant and equipment for the three months ended June 30, 2005 are as follows:

	Korean won						Translation into U. S. dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other Changes(*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,894,363	₩ -	₩ 1,766	₩ (72)	₩ -	₩ -	₩ 1,896,057	\$ 1,850,895
Buildings and structures	2,508,216	-	40,276	(394)	(25,195)	-	2,522,903	2,462,811
Machinery and equipment	2,548,262	-	131,329	(10,067)	(85,614)	-	2,583,910	2,522,364
Vehicles	38,558	-	1,137	(137)	(2,226)	-	37,332	36,443
Dies, molds and tools	566,331	-	45,116	(90)	(54,250)	-	557,107	543,838
Other equipment	252,646	-	13,226	(1,902)	(20,049)	-	243,921	238,111
Construction in progress	864,877	247,653	(232,850)	(2,511)	-	42,381	919,550	897,647
End of the period	₩ 8,673,253	₩ 247,653	₩ -	₩ (15,173)	₩ (187,334)	₩ 42,381	₩ 8,760,780	\$ 8,552,109

(\*) Other changes consist of decrease due to transfer of ₩1,628 million (US\$ 1,589 thousand) from construction in progress to industrial property rights and increase due to transfer of ₩44,009 million (US\$42,961 thousand) from inventories to construction in progress.

The changes in property, plant and equipment for the six months ended June 30, 2005 are as follows:

	Korean won						Translation into U. S. dollars (Note 2)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes(*)	End of period	End of period
	(In millions)						(In thousands)	
Land	₩ 1,895,016	₩ -	₩ 1,806	₩ (765)	₩ -	₩ -	₩ 1,896,057	\$ 1,850,895
Buildings and structures	2,503,746	-	71,164	(1,763)	(50,244)	-	2,522,903	2,462,811
Machinery and equipment	2,548,219	-	253,501	(48,079)	(169,731)	-	2,583,910	2,522,364
Vehicles	39,980	-	2,274	(493)	(4,429)	-	37,332	36,443
Dies, molds and tools	596,484	-	74,052	(2,442)	(110,987)	-	557,107	543,838
Other equipment	263,800	-	30,260	(9,711)	(40,428)	-	243,921	238,111
Construction in progress	886,158	407,507	(433,057)	(5,399)	-	64,341	919,550	897,647
End of the period	₩ 8,733,403	₩ 407,507	₩ -	₩ (68,652)	₩ (375,819)	₩ 64,341	₩ 8,760,780	\$ 8,552,109

(\*) Other changes consist of decrease due to transfer of ₩3,985 million (US\$ 3,890 thousand) from construction in progress to industrial property rights and increase due to transfer of ₩68,326 million (US\$66,699 thousand) from inventories to construction in progress.

As of June 30, 2005, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩902,004 million (US\$ 880,519 thousand) (see Note 15).

As of June 30, 2005, the published value of the Company-owned land (12,924 thousand square meters) totals ₩2,026,941 million (US\$ 1,978,662 thousand) in terms of land prices officially announced by the Korean government.

## 8. INSURANCE:

As of June 30, 2005, property, plant and equipment are insured for ₩5,205,560 million (US\$5,081,570 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand based on U.S. dollar and ₩1,000 million (US\$976 thousand) general insurance for vehicles and workers' compensation and casualty insurance for employees.

9. LEASED ASSETS:

The Company has entered into financing lease agreements for certain machinery and equipment with book value of ₩8,566 million (US\$8,362 thousand) as of June 30, 2005. The lease obligations are included in current maturity of long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of June 30, 2005 are as follows:

	Korean won			Translation into
	Lease payments	Interest portion (In millions)	Lease obligations	U. S. dollars (Note 2) Lease obligations (In thousands)
July 1, 2005 ~ June 30, 2006	₩ 232	₩ 6	₩ 226	\$ 221
	₩ 232	₩ 6	₩ 226	\$ 221

10. INTANGIBLES:

Intangibles as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won			Translation into	
	2005		2004	2005	2004
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value
	(In millions)			(In thousands)	
Industrial property rights	35,373	20,340	15,033	14,485	14,675
Development costs	1,543,982	831,240	712,742	628,640	695,765
Other	37,532	25,095	12,437	13,363	12,141
	₩1,616,887	₩ 876,675	₩ 740,212	₩ 656,488	\$ 722,581
					\$ 640,851

The changes in intangibles for the three months ended June 30, 2005 are as follows:

Description	Korean won				Translation into
	Industrial property rights	Development costs	Other	Total	U. S. dollars (Note 2) Total
	(In millions)				(In thousands)
Beginning of period	₩ 15,119	₩ 659,182	₩ 12,900	₩ 687,201	\$ 670,833
Addition:					
Expenditures	1,628	222,851	-	224,479	219,132
Deduction:					
Amortization	(1,714)	(40,481)	(463)	(42,658)	(41,642)
Research	-	(100,846)	-	(100,846)	(98,444)
Ordinary development	-	(27,964)	-	(27,964)	(27,298)
End of period	₩ 15,033	₩ 712,742	₩ 12,437	₩ 740,212	\$ 722,581

For the three months ended June 30, 2005, amortization of ₩42,658 million (US\$ 41,642 thousand) is recorded in selling and administrative expenses of ₩2,170 million (US\$ 2,118 thousand) and manufacturing cost of ₩40,488 million (US\$ 39,524 thousand). In addition, the Company accounts for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

The changes in intangibles for the six months ended June 30, 2005 are as follows:

Description	Korean won				Translation into U. S. dollars (Note 2)	
	Industrial property rights	Development costs	Other	Total	Total	
	(In millions)				(In thousands)	
Beginning of period	₩ 14,485	₩ 628,640	₩ 13,363	₩ 656,488	\$ 640,851	
Addition:						
Expenditures	3,985	399,876	-	403,861	394,242	
Deduction:						
Amortization	(3,437)	(78,207)	(926)	(82,570)	(80,603)	
Research	-	(186,526)	-	(186,526)	(182,083)	
Ordinary development	-	(51,041)	-	(51,041)	(49,826)	
End of period	₩ 15,033	₩ 712,742	₩ 12,437	₩ 740,212	\$ 722,581	

For the six months ended June 30, 2005, amortization of ₩82,570 million (US\$ 80,603 thousand) is recorded in selling and administrative expenses of ₩4,351 million (US\$ 4,247 thousand) and in manufacturing cost of ₩78,219 million (US\$ 76,356 thousand). In addition, the Company accounted for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

In 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile and Machine Tool Divisions of formerly Hyundai Precision and Industry Co., Ltd. (presently Hyundai MOBIS), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$ 450,124 thousand), is accounted for as impairment loss and charged to current operations.

#### 11. OTHER ASSETS:

Other assets as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Long-term financial instruments	₩ 40	₩ 540	\$ 39	\$ 527
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,498 million in 2005 and ₩1,693 million in 2004	13,034	15,454	12,724	15,086
Long-term other accounts receivable, less unamortized present value discount of ₩1,603 million in 2005 and ₩2,115 million in 2004	8,118	9,771	7,925	9,538
Long-term loans	46,438	49,221	45,332	48,049
Lease and rental deposits	182,184	203,793	177,845	198,939
Long-term deposits	49,310	47,995	48,135	46,852
Deferred gain on valuation of derivatives	286,818	200,830	279,986	196,046
	₩ 585,942	₩ 527,604	\$ 571,986	\$ 515,037

Long-term notes and accounts receivable included in other assets are stated net of unamortized present value discount of ₩1,498 million (US\$1,462 thousand) and ₩1,693 million (US\$1,653 thousand) as of June, 2005 and December 31, 2004, respectively, using an interest rate of 8.25 percent for the six months ended June 30, 2005 and for the year ended December 31, 2004.

12. SHORT-TERM BORROWINGS:

Short-term borrowings as of June 30, 2005 and December 31, 2004 amount to ₩511,251 million (US\$ 499,074 thousand) and ₩604,604 million (US\$ 590,203 thousand), respectively, and consist primarily of overdrafts and export financing loans with annual interest rates ranging from Libor + 0.20 percent to 10.50 percent.

13. LONG-TERM DEBT:

Long-term debt as of June 30, 2005 and December 31, 2004 consists of the following:

Description	Annual interest rate (%)	Korean won		Translation into U.S. dollars (Note 2)	
		2005	2004	2005	2004
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.80	₩ 1,235,257	₩ 1,239,734	\$ 1,205,835	\$ 1,210,205
Local currency loans					
General loans	3.00 ~ 5.42	19,379	22,399	18,917	21,866
Foreign currency loans					
Capital lease	Libor + 0.98	226	1,158	221	1,130
Other	-	-	820	-	801
		226	1,978	221	1,931
		1,254,862	1,264,111	1,224,973	1,234,002
Less: Current maturities		(406,989)	(162,697)	(397,295)	(158,822)
		₩ 847,873	₩ 1,101,414	\$ 827,678	\$ 1,075,180

Debentures as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Maturity	Interest rate (%)	Korean won		Translation into U.S. dollars (Note 2)	
			2005	2004	2005	2004
			(In thousands)		(In thousands)	
Non-guaranteed debentures	May 24, 2006 ~ Nov. 29, 2009	3.75 ~ 7.00	₩ 850,000	₩ 850,000	\$ 829,754	\$ 829,754
Overseas debentures	Dec. 12, 2005 ~ Jul. 15, 2007	7.33 ~ 7.80	392,115	399,541	382,775	390,024
			1,242,115	1,249,541	1,212,529	1,219,778
Discount on debentures			(6,858)	(9,807)	(6,694)	(9,573)
			₩ 1,235,257	₩ 1,239,734	₩ 1,205,835	\$ 1,210,205

The maturity of long-term debt as of June 30, 2005 is as follows:

Description	Debentures	Korean won			Translation into U.S. dollars (Note 2)
		Local currency loans	Foreign currency loans	Total	Total
		(In millions)			(In thousands)
July 1, 2005~June 30, 2006	₩ 403,660	₩ 3,103	₩ 226	₩ 406,989	\$ 397,295
July 1, 2006~June 30, 2007	212,684	1,995	-	214,679	209,566
July 1, 2007~June 30, 2008	125,771	1,725	-	127,496	124,459
July 1, 2008~June 30, 2009	200,000	952	-	200,952	196,165
Thereafter	300,000	11,604	-	311,604	304,182
	1,242,115	19,379	226	1,261,720	1,231,667
Less: Discount on debentures	(6,858)	-	-	(6,858)	(6,694)
	₩ 1,235,257	₩ 19,379	₩ 226	₩ 1,254,862	\$ 1,224,973

14. ACCRUED WARRANTIES:

The changes in accrued warranties for the three months ended June 30, 2005 are as follows:

Description	Korean won				Translation into
	Beginning of period	Accrual	Use	End of period	U. S. dollars (Note 2)
					End of period
					(In thousands)
Accrued warranties in current liabilities	₩ 662,011	₩ 79,809	₩ (82,218)	₩ 659,602	\$ 643,891
Accrued warranties in long-term liabilities	2,532,755	52,189	(16,748)	2,568,196	2,507,025
	<u>₩3,194,766</u>	<u>₩ 131,998</u>	<u>₩ (98,966)</u>	<u>₩ 3,227,798</u>	<u>\$ 3,150,916</u>

The changes in accrued warranties for the six months ended June 30, 2005 are as follows:

Description	Korean won					Translation into
	Beginning of period	Accrual	Use	Other changes (*)	End of period	U. S. dollars (Note 2)
						End of period
						(In thousands)
Accrued warranties in current liabilities	₩ 800,331	₩ 156,111	₩ (162,439)	₩ (134,401)	₩ 659,602	\$ 643,891
Accrued warranties in long-term liabilities	3,051,141	89,193	(30,070)	(542,068)	2,568,196	2,507,025
	<u>₩3,851,472</u>	<u>₩245,304</u>	<u>₩(192,509)</u>	<u>₩(676,469)</u>	<u>₩3,227,798</u>	<u>\$ 3,150,916</u>

(\*) Other changes are the adjustments of the beginning balance of accrued warranties accounted for in the beginning retained earnings due to application of SKAS No.17 (see Note 2).

As of June 30, 2005, discount rate of 3.82% was used to value provision for product warranties at present value.

15. COMMITMENTS AND CONTINGENCIES:

(1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of June 30, 2005.

Description	Korean won	Translation into
	(In millions)	U.S. dollars (Note 2)
		(In thousands)
Hyundai Merchant Marine	₩ 272,422	\$ 265,933
Hyundai Card Co., Ltd.	4,098	4,000
Hyundai Motor America	218,757	213,546
Hyundai Motor Manufacturing Alabama LLC	486,590	475,000
Hyundai Motor Finance Company	389,272	380,000
Smart Alabama LLC	36,878	36,000
Hyundai Motor Europe GmbH	14,852	14,498
Hyundai Motor Europe Technical Center GmbH	49,507	48,328
Hyundai Translead	121,904	119,000
Hyundai America Technical Center Inc.	20,488	20,000
Hyundai Motor Poland Sp.zo.o.	10,520	10,270
Hyundai Motor Japan Co.	32,454	31,681
HMJ R&D Center Inc.	5,100	4,979
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,561	2,500
Equus Cayman Finance Ltd.	409,760	400,000
	<u>₩ 2,075,163</u>	<u>\$ 2,025,735</u>

- (2) As of June 30, 2005, investment securities of ₩85,452 million (US\$ 83,417 thousand) at book value in long-term investment securities and investment securities accounted for using the equity method, 11 blank promissory notes, 1 check amounting to ₩2,624 million (US\$ 2,561 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, long-term debt and other payables (see Note 7). Certain bank deposits of ₩12,894 million (US\$ 12,587 thousand) in short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) As of June 30, 2005, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,117,627 million (US\$ 1,091,006 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at June 30, 2005.
- (4) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩147,675 million (US\$ 144,158 thousand) to the banks concerned as of June 30, 2005. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (5) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of June 30, 2005 will not have any material effect on its financial position.

#### 16. CAPITAL STOCK:

Capital stock as of June 30, 2005 and December 31, 2004 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean won</u> (In millions)	<u>Translation into</u> <u>U.S. dollars (Note 2)</u> (In thousands)
Common stock	450,000,000 shares	218,628,302 shares	₩ 5,000	₩ 1,149,741	\$ 1,122,355
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>323,127</u>
				<u>₩ 1,480,752</u>	<u>\$ 1,445,482</u>

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of June 30, 2005, 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.

17. CAPITAL SURPLUS:

Capital surplus as of June 30, 2005 and December 31, 2004 consists of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,272,630	₩ 3,272,630	\$ 3,194,680	\$ 3,194,680
Asset revaluation surplus	1,852,871	1,852,871	1,808,737	1,808,738
Other	257,911	234,052	251,768	228,477
	<u>₩ 5,383,412</u>	<u>₩ 5,359,553</u>	<u>\$ 5,255,185</u>	<u>\$ 5,231,895</u>

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\$2,486,741 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$15,640 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$580,120 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$65,938 thousand) and adjustment of ₩16,702 million (US\$16,304 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. RETAINED EARNINGS:

Retained earnings as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 188,870	₩ 155,870	\$ 184,371	\$ 152,157
Reserve for business rationalization	545,800	545,800	532,800	532,800
Reserve for improvement of financial structure	98,947	98,947	96,590	96,590
Reserve for overseas market development	48,800	48,800	47,638	47,638
Reserve for technology development	5,358,100	4,034,100	5,230,476	3,938,013
	6,240,517	4,883,517	6,091,875	4,767,198
Before appropriations	1,475,564	1,499,691	1,440,418	1,463,970
	<u>₩ 7,716,081</u>	<u>₩ 6,383,208</u>	<u>\$ 7,532,293</u>	<u>\$ 6,231,168</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 disposal 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, 2004 was approved at the shareholders' meeting on March 4, 2005 and the appropriations, including the cash dividends of ₩326,833 million (US\$319,048 thousand), are reflected in retained earnings on that date.

19. CAPITAL ADJUSTMENTS:

Capital adjustments as of June 30, 2005 and December 31, 2004 consist of the following:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Treasury stock	<del>₩</del> (720,716)	<del>₩</del> (90,348)	\$ (703,549)	\$ (88,196)
Gain on valuation of available-for-sale securities, net	108,769	54,819	106,178	53,513
Gain on valuation of investment securities accounted for using the equity method	100,498	-	98,104	-
Loss on valuation of investment securities accounted for using the equity method	(410,481)	(147,703)	(400,704)	(144,185)
Stock option cost	18,345	18,178	17,908	17,745
Cumulative translation adjustments	-	(4,261)	-	(4,160)
Gain on valuation of derivatives	25,114	30,581	24,516	29,853
	<u><del>₩</del> (878,471)</u>	<u><del>₩</del> (138,734)</u>	<u><del>\$</del> (857,547)</u>	<u><del>\$</del> (135,430)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,438,930 common shares and 2,950,960 preferred shares with a carrying value of ~~₩~~720,716 million (US\$703,549 thousand) as of June 30, 2005 and 820,910 common shares and 3,138,600 preferred shares with a carrying value of ~~₩~~90,348 million (US\$88,196 thousand) as of December 31, 2004, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Gain on valuation of available-for-sale securities

Net gain on valuation of available-for-sale securities amounting to ~~₩~~108,769 million (US\$106,178 thousand) as of June 30, 2005 consists of gain on valuation of short-term investment securities of ~~₩~~82,907 million (US\$80,932 thousand), gain on valuation of long-term investment securities of ~~₩~~67,119 million (US\$65,520 thousand) and the deduction of the deferred income tax of ~~₩~~41,257 million (US\$40,274 thousand). Net gain on valuation of available-for-sale securities amounting to ~~₩~~54,819 million (US\$53,513 thousand) as of December 31, 2004 consists of gain on valuation of short-term investment securities of ~~₩~~58,029 million (US\$56,647 thousand), gain on valuation of long-term investment securities of ~~₩~~17,584 million (US\$17,165 thousand) and the deduction of the deferred income tax of ~~₩~~20,794 million (US\$20,299 thousand) (Notes 4 and 5).

(3) Stock option cost

The Company granted directors stock options at an exercise price of ~~₩~~26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011) and of ~~₩~~14,900 (grant date: March 10, 2000, beginning date for exercise: March 10, 2003, expiry date for exercise: March 9, 2008). These stock options all require at least two-year continued service starting from the grant date. If all of the stock options as of June 30, 2005 are exercised, 1,687,400 shares (1,257,000 shares and 430,400 shares for the options granted as of February 14, 2003 and March 10, 2000, respectively) will be issued as new shares or using treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 4.94% and 9.04%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent and 71.1 percent are used for the options granted as of February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ~~₩~~14,397 million (US\$14,054 thousand) and ~~₩~~11,832 million (US\$ 11,550 thousand) for the options granted on February 14, 2003 and March 10, 2000, respectively, have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(4) Gain on valuation of derivatives

As of June 30, 2005 and December 31, 2004, net gain of ₩25,114 million (US\$24,516 thousand) and ₩30,581 million (US\$29,853 thousand), after deducting the deferred income tax of ₩9,518 million (US\$9,291 thousand) and ₩11,600 million (US\$11,324 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports is included in capital adjustments on the basis set forth in Note 2.

20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense for the three months and six months ended June 30, 2005 and 2004 consists of the following:

Description	Korean won				Translation into U.S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Income tax currently payable	₩ 182,290	₩ 130,829	₩ 294,091	₩ 335,091	\$ 287,086	\$ 327,110
Changes in deferred income taxes due to temporary differences	(781)	75,652	216,930	79,346	211,763	77,456
Deferred income taxes directly reflected to equity	(11,495)	35,589	(186,796)	35,589	(182,347)	34,741
Income tax expense	<u>₩ 170,014</u>	<u>₩ 222,070</u>	<u>₩ 324,225</u>	<u>₩ 450,026</u>	<u>\$ 316,502</u>	<u>\$ 439,307</u>

For the six months ended June 30, 2005 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		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Income before tax	₩ 1,447,197	₩ 1,389,887	\$ 1,412,726	\$ 1,356,782
Addition	2,124,744	1,533,172	2,074,135	1,496,654
Deduction	(2,331,371)	(1,461,399)	(2,275,840)	(1,426,590)
Taxable income	<u>₩ 1,240,570</u>	<u>₩ 1,461,660</u>	<u>\$ 1,211,021</u>	<u>\$ 1,426,846</u>

The net changes in accumulated temporary differences for the six months ended June 30, 2005 and 2004 are as follows:

Description	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Beginning of period, net	₩ 1,930,809	₩ 1,513,799	\$ 1,884,819	\$ 1,477,742
Changes for period, net	(829,457)	(147,553)	(809,700)	(144,038)
End of period, net	<u>₩ 1,101,352</u>	<u>₩ 1,366,246</u>	<u>\$ 1,075,119</u>	<u>\$ 1,333,704</u>

Deferred income tax assets as of June 30, 2005 and December 31, 2004 are computed as follows:

Particulars	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Accumulated temporary differences, net	₩ 1,101,352	₩ 1,930,809	\$ 1,075,119	\$ 1,884,819
Adjustments (*):	(555,869)	(579,336)	(542,629)	(565,537)
	545,483	1,351,473	532,490	1,319,282
Statutory tax rate	x 27.5%	x 27.5%	x 27.5%	x 27.5%
Deferred income tax assets, net	<u>₩ 150,008</u>	<u>₩ 371,655</u>	<u>\$ 146,435</u>	<u>\$ 362,803</u>
Current assets	₩ 124,269	₩ 185,283	\$ 121,309	\$ 180,870
Non-current Assets	₩ 25,739	₩ 186,372	\$ 25,126	\$ 181,933

(\*) 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.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future and calculated using the expected corporate tax rate in the period when the tax benefits will be realized. As of June 30, 2005, the Company believes the total current and non-current deferred income tax assets of ₩202,622 million (US\$ 197,796 thousand) and ₩954,816 million (US\$ 932,073 thousand), respectively, before deduction of the total deferred income tax liabilities of ₩78,353 million (US\$ 76,487 thousand) and ₩929,077 million (US\$ 906,947 thousand), respectively, can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The effective tax rates are 22.40 percent and 32.38 percent for the six months ended June 30, 2005 and 2004, respectively.

## 21. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies for the three months and six months ended June 30, 2005 and 2004, and outstanding balances as of June 30, 2005 and December 31, 2004 are summarized below.

Affiliated Company	Sales/proceeds (Purchases/expenses)				Translation into	
	Korean won				U.S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Hyundai Motor America	₩ 1,246,457	₩ 1,492,841	₩ 2,575,838	₩ 3,032,125	\$ 2,514,485	\$ 2,959,903
Hyundai Motor India	125,295	135,816	200,972	251,675	196,185	245,680
	(4,004)	(2,110)	(9,413)	(3,798)	(9,189)	(3,708)
Hyundai Motor Poland Sp.zo.o.	30,808	35,412	61,351	72,152	59,890	70,433
Hyundai Motor Japan	5,499	6,124	7,923	12,923	7,734	12,615
Hyundai Motor Europe GmbH	473,959	317,597	1,171,135	626,075	1,143,240	611,163
Hyundai Motor Company Australia	124,941	92,450	251,652	171,817	245,658	167,725
HAOSVT	165,751	286,662	289,253	430,409	282,363	420,157
Beijing-Hyundai Motor Company	193,929	120,659	337,545	246,560	329,505	240,687
Kia Motors Corporation	298,653	177,581	457,338	598,832	446,445	584,569
	(101,878)	(94,466)	(184,863)	(173,871)	(180,460)	(169,730)
Hyundai MOBIS	145,242	180,231	290,292	223,723	283,378	218,394
	(589,433)	(344,786)	(1,070,681)	(580,513)	(1,045,179)	(566,686)
Hyundai Powertech	977	4,267	3,838	6,270	3,747	6,121
	(55,344)	(34,166)	(105,067)	(63,838)	(102,564)	(62,317)
Hyundai Capital Service Inc.	77,665	28,020	116,297	52,443	113,527	51,194
	(8,229)	(8,532)	(18,072)	(13,025)	(17,642)	(12,715)
Hyundai HYSCO	515	502	1,026	1,631	1,002	1,592
	(29,143)	(49,936)	(87,348)	(87,846)	(85,267)	(85,754)
Dymos Inc.	3,521	2,848	3,705	7,980	3,617	7,790
	(135,228)	(51,879)	(259,610)	(99,378)	(253,426)	(97,011)
WIA Corporation	37,544	22	99,833	18,406	97,455	17,968
	(63,694)	(49,292)	(127,264)	(92,217)	(124,233)	(90,020)
Glovis Co., Ltd.	(96,403)	(90,777)	(170,163)	(161,122)	(166,110)	(157,284)
Autoever Systems Corp.	(15,707)	(30,385)	(25,137)	(44,978)	(24,538)	(43,907)
Amco Corp.	(82,983)	(46,799)	(137,644)	(84,293)	(134,365)	(82,285)
KEFICO	(74,893)	(82,268)	(153,417)	(159,497)	(149,763)	(155,698)

Affiliated Company	Receivables (Payables)			
	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Hyundai Motor America	₩ 89,029	₩ 90,149	\$ 86,908	\$ 88,002
	(17,838)	(5,013)	(17,413)	(4,894)
Hyundai Motor India	28,539	15,513	27,859	15,143
Hyundai Motor Poland Sp.zo.o.	8,435	5,892	8,234	5,752
Hyundai Motor Japan Co.	358	1,495	349	1,459
Hyundai Motor Europe GmbH	86,063	84,575	84,013	82,561
Hyundai Motor Company Australia	7,438	19,175	7,261	18,718
HAOSVT	16,744	11,414	16,345	11,142
Beijing-Hyundai Motor Company	29,690	11,114	28,983	10,849
Kia Motors Corporation	163,038	119,639	159,155	116,789
	(123,577)	(119,122)	(120,634)	(116,285)
Hyundai MOBIS	126,580	47,101	123,565	45,979
	(457,967)	(396,959)	(447,059)	(387,504)
Hyundai Powertech	2,663	9,930	2,600	9,693
	(61,298)	(49,673)	(59,838)	(48,490)
Hyundai Capital Service Inc.	48,500	48,500	47,345	47,345
	(6,869)	(6,866)	(6,705)	(6,702)
Hyundai Card Co., Ltd.	27,338	24,650	26,687	24,063
	(44,344)	(85,429)	(43,288)	(83,394)
Hyundai HYSCO	2,749	2,763	2,684	2,697
	(31,710)	(25,322)	(30,955)	(24,719)
Dymos Inc.	11,885	579	11,602	565
	(127,626)	(84,412)	(124,586)	(82,401)
WIA Corporation	22,518	7,548	21,982	7,368
	(54,974)	(67,848)	(53,665)	(66,232)
Glovis Co., Ltd.	(50,664)	(51,833)	(49,457)	(50,598)
Autoever Systems Corp.	(21,287)	(55,810)	(20,780)	(54,481)
ROTEM	335	316	327	308
	(12,197)	(10,146)	(11,906)	(9,904)
Amco Corp.	(97,139)	(89,993)	(94,825)	(87,849)
KEFICO	1,525	1,797	1,489	1,754
	(46,937)	(50,995)	(45,819)	(49,780)

22. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The assets and liabilities denominated in foreign currencies as of June 30, 2005 and December 31, 2004 are summarized below.

	Foreign currencies				Korean Won			
	2005		2004		2005		2004	
	(In millions)							
Assets	US\$	394,894,432	US\$	449,158,464	₩	404,526	₩	468,832
	JP ¥	40,234,052	JP ¥	147,691,780		373		1,495
	GBP	20,493,050	GBP	8,812,559		37,926		17,704
	CAD	2,443,593	CAD	-		2,038		-
	EUR	107,283,495	EUR	116,306,857		132,783		165,500
	AUD	10,673,546	AUD	27,339,092		8,339		22,226
					₩	<u>585,985</u>	₩	<u>675,757</u>
Liabilities	US\$	768,800,761	US\$	788,889,467	₩	787,529	₩	823,443
	JP ¥	22,398,842,639	JP ¥	23,441,405,926		207,698		237,243
	GBP	6,866,625	GBP	13,066,196		12,708		26,250
	CAD	3,086,983	CAD	6,004,700		2,574		5,205
	AUD	21,141,837	AUD	24,258,827		16,517		19,721
	EUR	146,789,180	EUR	176,035,242		181,678		250,491
	SGD	945	SGD	-		1		-
	CHF	784,734	CHF	-		627		-
	SEK	663,000	SEK	-		87		-
					₩	<u>1,209,419</u>	₩	<u>1,362,353</u>

23. REGIONAL SALES INFORMATION

Sales by region for the three months and six months ended June 30, 2005 and 2004 are as follows:

	Korean won				Translation into U.S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Domestic sales	₩ 2,700,982	₩ 2,735,193	₩ 4,872,746	₩ 5,207,843	\$ 4,756,683	\$ 5,083,798
Export sales - Vehicle Products						
North America	1,246,384	1,644,008	2,575,812	3,032,118	2,514,459	2,959,897
Europe	1,071,224	1,118,328	2,100,353	2,028,298	2,050,325	1,979,986
South America	172,579	140,890	375,481	238,705	366,537	233,019
Asia & Pacific	381,235	220,561	647,298	451,995	631,880	441,229
Middle Asia & Africa	<u>467,933</u>	<u>405,690</u>	<u>845,099</u>	<u>693,731</u>	<u>824,970</u>	<u>677,207</u>
	3,339,355	3,529,477	6,544,043	6,444,847	6,388,171	6,291,338
Export sales - Other	<u>906,140</u>	<u>918,603</u>	<u>1,699,916</u>	<u>1,737,922</u>	<u>1,659,427</u>	<u>1,696,527</u>
Export sales	<u>4,245,495</u>	<u>4,448,080</u>	<u>8,243,959</u>	<u>8,182,769</u>	<u>8,047,598</u>	<u>7,987,865</u>
Total sales	<u>₩ 6,946,477</u>	<u>₩ 7,183,273</u>	<u>₩ 13,116,705</u>	<u>₩ 13,390,612</u>	<u>\$ 12,804,281</u>	<u>\$ 13,071,663</u>

24. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the three months and six months ended June 30, 2005 and 2004 are as follows:

	Korean won				Translation into U.S. dollars (Note 2)	
	Three months		Six months		Six months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Salary-related costs	₩ 212,347	₩ 263,600	₩ 425,892	₩ 482,033	\$ 415,748	\$ 470,551
Export costs	185,804	188,133	358,251	338,780	349,718	330,711
Sales promotion and advertisements	90,312	87,276	164,136	268,543	160,226	262,147
Sales commissions	84,687	80,088	151,007	143,676	147,410	140,254
Sales warranties	144,772	299,407	266,176	666,875	259,836	650,991
Taxes and dues	10,484	2,997	14,783	6,184	14,431	6,037
Communications	5,233	5,736	10,489	11,247	10,239	10,979
Utilities	4,101	4,492	11,094	11,801	10,830	11,520
Freight and warehousing	18,370	18,368	34,014	35,504	33,204	34,658
Rent	4,986	4,284	9,457	9,104	9,232	8,887
Travel	11,802	11,971	22,199	23,751	21,670	23,185
Service charges	33,800	49,441	63,084	81,906	61,582	79,955
Maintenance	4,488	5,856	9,174	10,414	8,955	10,166
Supplies	5,085	4,875	9,508	9,938	9,282	9,702
Research	100,846	78,356	186,526	160,870	182,083	157,038
Depreciation	16,118	16,576	32,825	33,120	32,043	32,331
Amortization	2,170	9,856	4,351	19,703	4,247	19,234
Stock option cost	-	1,538	167	3,669	163	3,582
Other	5,440	8,077	12,564	15,193	12,265	14,831
	<u>₩ 940,845</u>	<u>₩ 1,140,927</u>	<u>₩ 1,785,697</u>	<u>₩ 2,332,312</u>	<u>\$ 1,743,164</u>	<u>\$ 2,276,759</u>

25. SALES OF ASSETS AND LIABILITIES OF THE MACHINE TOOL DIVISION AND SHARE OF HYUNDAI MACHINE TOOL EUROPE GMBH:

Effective January 1, 2005, the Company sold the assets and liabilities of the Machine Tool Division and investment securities of Hyundai Machine Tool Europe GmbH to WIA Corporation for ₩46,124 million (\$45,025 thousand).

26. TREASURY STOCK ACQUISITION:

In 2005, in order to stabilize the fluctuations of the stock price in the exchange market, the Company has reacquired 11,000,000 shares of common stock and 1,000,000 shares of preferred stock, amounting to ₩624,169 million (\$609,302 thousand) and ₩36,402 million (\$35,535 thousand), respectively, in the exchange market in accordance with the resolution of the board of directors on February 4, 2005.

27. CONTRACT FOR ACQUISITION OF HYUNDAI AUTONET CO., LTD.:

On July 28, 2005, the Company and Siemens VDO Automotive AG concluded a stock purchase contract with Korea Deposit Insurance Corporation, where each of the companies acquired 38,870,000 shares of common stock of Hyundai Autonet Co., Ltd. from Korea Deposit Insurance Corporation.