

Constant Accelerating Climbing Motion!

Hyundai

A Company in Motion




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Motion is Our Business

At Hyundai, we are in the business of creating high quality vehicles that meet peoples' basic needs for mobility thereby enriching their lives. Hyundai as a company is also in motion. We are steadily getting closer to realizing our dream of becoming one of the world's best automakers by continuing to develop innovative technologies that are benchmarks in the industry. At the same time, we are proving to be a sound financial investment by posting record sales increases worldwide. We are a company on the move. We are a company in motion.



What we're driving towards...

Hyundai Motor Company is at a dynamic stage in our quest to become the world's leading automaker. We have made massive inroads in quality and our automobiles now rank highly in notable critics choice awards. Our sales have increased across the globe because discerning car buyers have come to accept that the Hyundai brand is synonymous with high quality. It is a quality that now speaks for itself, as we have proven to produce a dependable, reliable, safe, and efficient automobile.

We've got it right, and people know it! We've become a refined and confident company that is attracting independent individuals of a similar nature; individuals who pride themselves on possessing these same strong characteristics. We are constantly working and innovating to further improve our high quality standards, and develop classy, elegant and luxurious automobiles that rival the current industry leaders. Our current line-up exemplifies and delivers this passion for independence and freedom.

We want you to drive your way, and to live your life as you see fit! Allowing your independence to shine, and for you to be in control of your life is our goal. Just like you, it's what is inside of us that is driving us ~ an inner quality, and strength of character that just won't give up!

A handwritten signature in black ink, appearing to read 'M. K. Chung'.

Chung Mong-Koo
Chairman and CEO



The 'Yeas' have it... The Motion is Unanimous

The year 2004 was one of significant events both large and small. With unstable oil prices in the global market and the continuing depreciation of the dollar, the overall economic environment in Korea deteriorated, and thus, the domestic market this year was slow.

However, we at Hyundai Motor Company achieved solid financial results by selling 1.68 million vehicles and recording sales of US\$26.3 billion/27.5 trillion Korean Won, thanks in large measure to the support and confidence you, our esteemed shareholders, have placed in the current management team.

Our efforts to make the most of overseas markets paid off. Export sales increased by 2 percent overall this year, including a considerable boost of 10 percent in countries where we are actively marketing, such as the United States. This more than makes up for domestic losses of 13.2 percent in sales.

Last year, Hyundai Motor Company recorded a profit of US\$2.39 billion/2.5 trillion Korean Won with a net profit of US\$1.72 billion/1.8 trillion Won. These demonstrate an increase of 6.0 percent and 2.0 percent respectively, compared with the previous year. We also improved the debt ratio and debt loan ratio from 94.0 percent and 20.7 percent to 82.5 percent and 13.6 percent respectively. Because of the sharp rise in the cost of raw materials this year, coupled with the won-dollar revaluation, our operating profits decreased slightly. However, our efficient management, including our subsidiary operators, reduced the total financial expenses of the company.

These accomplishments were the result of our efforts to increase our market share (which we did by 2.6 percent) through the launching of our new model, the NF Sonata, as well as the remarketing of our flagship models, the Santa Fe and Elantra. We have the flexibility to rapidly adjust to changing overseas markets as well, as evidenced by our export of 1.127 million vehicles this year. This corresponds to an increase of 11.4 percent on imports over last year. As you can see, we are continually enhancing our brand value in overseas markets.

We will use this enhanced brand value to promote high-end vehicles in the American market. In the European market, we plan on launching new models. In India and China, which we consider to be regions with great potential, we have devoted ourselves to localized management, making it possible to increase our production capacity in those emerging markets very quickly, as local demand dictates.

Our product quality, the basic element of marketing, has been highly evaluated by authoritative foreign agencies and media. According to the Initial Quality Survey conducted by J.D. Power and Associates in the United States, the Sonata was ranked Number One among mid-sized cars. Also, it was gratifying to see that the Hyundai XG, Sonata, and Santa Fe were all recommended by the most influential consumer products review magazine in the United States.

We passed a major milestone this year when our cumulative export total surpassed the 10 million mark — a remarkable achievement in just 28 years. Our very first domestic model, the Pony,

made its global debut in 1976 when we shipped six vehicles to Ecuador. We have come a long way since then. While it took 22 years to export our first five million vehicles, we doubled that number in just five and a half years. Hyundai Motor Company currently exports cars to 193 countries all over the world.

Hyundai Motor Company is leading the world to the era of futuristic vehicles. Last year, we invested US\$95.79 million/100 billion Won for the development of our new second generation fuel cell electric vehicle and hybrid car. Fleet testing of our hybrid technology got underway when we donated fifty Click hybrid cars to the Ministry of Environment in Korea for use by government agencies and civic groups. Our goal is towards the mass-production of these vehicles, at an annual rate of 300,000. We have earmarked an additional US\$287.3 million/300 billion Won for research in this area prior to 2010.

While the difficult global business environment is expected to continue into this year, we anticipate that we will overcome it through several marketing strategies. Internationally, we will increase our market share by promoting sales of profitable mid-size and larger vehicles, especially SUVs and minivans. Domestically, we will launch several new models and market them aggressively.

We also plan to expand our production bases, including our overseas sales network in main markets such as the United States, China, and India. We are striving to make management more flexible while at the same time improve our financial structure in order to maximize the interests of our respected shareholders.

During this coming fiscal year, we have set management goals of selling 2.41 million vehicles, with corresponding sales figures of US\$34.96 billion/36.5 trillion Won. These figures represent an increase of 14.6 percent and 12.3 percent respectively. We hope to increase domestic sales by 10 percent, and overseas sales by 58 percent. Also, we aim to increase the ratio of overseas production in order to effectively overcome direct and indirect controls in overseas markets, reduce costs, and reinforce the local marketing capabilities.

We will offset the short-term decrease in profit rates and expand long-term growth through the expansion of research and development investment and brand value enhancement. We will do this with an increase in market share based on the stabilized operation of financial structures. We will maintain the scale of overall investments, similar to those we made last year. In addition, we will actively support the development of next-generation technologies by considerably increasing our research and development investment to 6.2 percent of sales.

Hyundai Motor Company will continually promote our policy "Innovation for Customers" based on trust-based management, site-intensive management, and transparent management. This will contribute to harmony between public interest advocacy groups and the auto industry.

Global auto markets are unpredictable, characterized by splits and mergers among global automakers, unlimited competition, and the rapid growth of large emerging markets such as China and India. The global auto market keeps changing.

As you are well aware, attaining aggressive business goals under adverse market circumstances such as a sluggish domestic economic environment and overheated, incentive-driven overseas markets is not an easy task. However, we will increase our competitiveness by realizing our long-term vision and management philosophy, increasing profitability through transparent management, considering our shareholders first, improving quality, and upgrading brand value.

We at Hyundai Motor Company will take advantage of global markets through brand management, global management, risk control management, and people management.

We feel we have already secured the engineering and technological foundation required to become the number one automaker in the world. Now, we will focus our energy on brand value enhancement. We will successfully execute our global brand strategy by developing the best selling cars, improving quality, and communicating continually with our customers.

We will continue to expand our global management in the coming year. Earlier this year, we opened our new US\$60 million proving ground in the Mojave Desert near California City. And our new Sonatas, to be manufactured in our Alabama manufacturing plant, will arrive in North American Hyundai showrooms in May. In China, Beijing Hyundai is now topping the monthly sales charts thanks to the enormous success of the Elantra, which has emerged as the top-selling sedan in that market. We are furthering our success in the European and Indian markets, and our market share keeps growing in the Russian, the South East Asian, and the Latin American markets.

Thus, we will actively execute our global management goals by reinforcing the supporting system focused on export, securing the foundation of overseas production bases, and reinforcing the global research and development capabilities.

As you are well aware, the unpredictability of the management environment has increased. As a result, we will increase profitability by reinforcing risk control management and maximizing our shareholders' interests. In addition, we will recruit and train high caliber employees and improve management efficiency by ensuring that only appropriately trained personnel are dispatched on overseas assignments. We will perfect management, utilizing personnel to enhance our growth potential.

We are well aware that these remarkable accomplishments would not be possible without the support of you, our valued shareholders. Despite the unpredictable management environment, we have confidently set high management goals for this fiscal year in order to return value to you, our shareholders in reward for your loyal support. We will not be satisfied with what we have accomplished until we have become the global leader among automotive companies.

Thank you.



Dr. Kim Dong-Jin, Ph.D.
Vice Chairman and CEO

Gaining Momentum

Hyundai's Credit Rating is Upgraded to Investment Grade

Financial ratings agency Moody's Investors Services has upgraded Hyundai Motor Company's senior unsecured rating from Ba1 to Baa3, recognizing Hyundai Motor Co.'s commercial paper as investment grade for the very first time in the Korean automaker's 37-year-long history.

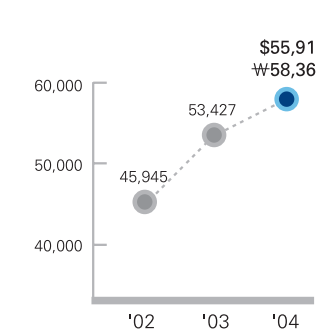
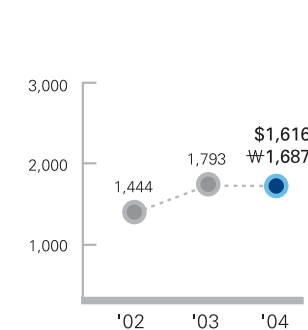
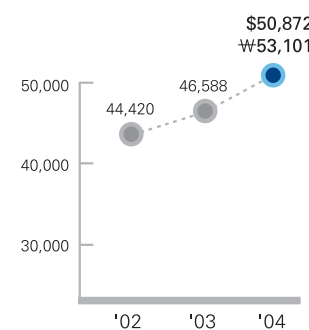
Moody's expectation that Hyundai Motor Company's and Kia's overall earnings and credit profile will continue improving, supported by their solid positions in the Korean automotive market and strengthening global market positions as a result of regional diversification has determined this rating. In line with their management strategy to increase market share globally and meet growing demand for their brands, HMC and Kia have been actively investing overseas. Moody's views that this business strategy ~ which includes building a new plant in Alabama in 2005 and another in Slovakia in 2006 ~ will lead to a further strengthening of their overseas operations. As a result, Moody's anticipates a high level of capital expenditures from the companies over the next three years, but believes they will maintain investments within cash flow.

This is great news for everyone, especially our shareholders and is a big vote of confidence for our management team. It proves our strategies are on the right track and our goal to being recognized as a world leader in automotive quality is justified.

2004 Financial Highlights

For the years ended December 31, 2004, 2003, and 2002

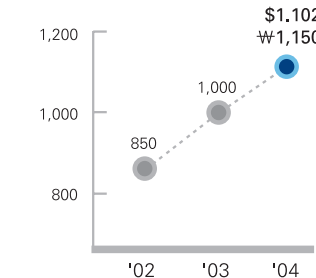
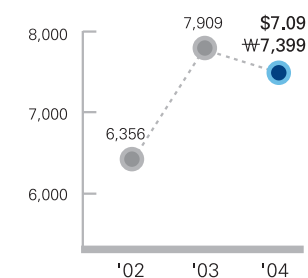
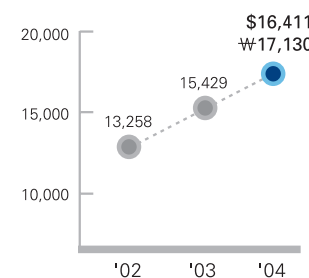
	2004	2003	2002	2004
	Korean won in billions			US dollars in millions
Sales	₩53,101	₩46,588	₩44,420	\$50,872
Net Income	1,687	1,793	1,444	1,616
Total Asset	58,367	53,427	45,945	55,917
Shareholder's Equity	17,130	15,429	13,258	16,411
Earnings Per Share (Korean won, US dollars)	7,399	7,909	6,356	7.09
Dividends Per Share (Korean won, US dollars)	1,150	1,000	850	1.102



Sales
(Korean won in billions, US dollars in millions)

Net Income
(Korean won in billions, US dollars in millions)

Total Assets
(Korean won in billions, US dollars in millions)



Shareholder's Equity
(Korean won in billions, US dollars in millions)

Earnings per share
(Korean won, US dollars)

Dividends per share
(Korean won, US dollars)

Feel the Motion!

We connect emotionally with our cars because driving gives us so much freedom, pleasure and convenience. The feeling of refinement and confidence is at the heart of the Hyundai driving experience and it's founded on the rock-solid quality of our automobiles. Prepare to travel on a Hyundai journey in the following pages.

A journey that will enliven your senses and let you feel and experience the emotion of what it means to drive and be involved with Hyundai. Our ride of the senses challenges you to feel the motion that is Hyundai. What will you see? What will you feel? What will you smell? What will you hear? What will you touch?... What will be your taste?

What do you See?

Can you see it? You may not have seen it anywhere yet as the Azera will be launched in May 2005. While we're still keeping this masterpiece under wraps, you can get a glimpse of it right here.

The Azera is a distinguished vehicle of taste and sophistication that has been engineered for today's discerning customers who demand uncompromising quality and performance. It emblazons power, elegance and superb aerodynamic craftsmanship, while embodying a stately interior with ample room and specially engineered seats that create a sense of space and security. The all new Azera comes equipped with a standard 2.7L V6 engine, which can be upgraded to the all new 3.3L V6 Lamda engine. The Azera is the pinnacle of the Hyundai driving experience.



Awards

The Hyundai XG received the highest possible safety rating from the National Highway Traffic and Safety Administration (NHTSA). Of 21 models tested thus far in the heavy car category, XG was one of five models to receive a five star front seat passenger and driver seat safety rating, placing it in the company of the Lincoln Town Car, Ford Crown Victoria, Acura 3.2TL and Mercury Marquis.

"Hyundai's quality over the past five years has gone from poor to nearly best. They have done this by making quality their number one objective. Their adoption of a ten year and 100,000 mile warranty is certainly a BHAG (Big Hairy Audacious Goal) that everybody can rally around and support. This contingent warranty liability certainly provides powerful motivation within the organization to permanently fix both small and large quality and reliability issues at Hyundai." -*Automotive Industries July 2004*

What do you Feel?

Take the inkblot test! What feelings do this image provoke in you? Do you feel secure, ready to take to the road and experience the world? Does it make you feel secure in your investments to know that we, as your financial partner, know how to express ourselves creatively, imaginatively, and innovatively, to ensure we get our message across and be clearly understood? We are setting standards with cars...and attitude!

The Hyundai Tucson embodies the spirit of great memories yet to come. Convenient to load and set out on your way, it also has fully reclining seats that allow you to stop and take it all in when the desire takes you. With intelligent 4WD, diesel or multiple gasoline engine options, the Hyundai Tucson is the perfect car for everyone.



Awards

The 2005 Hyundai Tucson received the Automotive Journalist Association of Canada (AJAC) Canadian Car of the Year (CCOTY) Award for "Best New Crossover". Survey results of previous Car of the Year buyers determined 70 percent (69.6 percent) were influenced to purchase their car because it was chosen the "Canadian Car of the Year". Unlike American or European car awards, the Canadian program follows a sophisticated and rigorous testing process. To quote Car of the Year Director Laurance Yap, "A record number of 64 vehicle entries were performance-tested for acceleration, braking and passing times, at least four times each."

"The fact that Hyundai is now outperforming even perennial quality leaders like Toyota and in a relatively short amount of time is nothing short of remarkable considering the vast quality gap it faced just a few years ago," said Joe Ivers, partner and executive director of quality/customer satisfaction at J.D. Power and Associates.

What do you Hear?

It will be the only sound you hear. The silence was golden on the open road as the Sonata went through countless hours in the wind tunnel and technical laboratories to achieve wind and engine noise levels that are the lowest in its class.

On the streets the word is "Hyundai" and the sound is a motion growing chorus!

Intelligence is in the details. The all-new 2005 Sonata innovates toward stylish quality that focuses on the details. It fits everyday driving requirements with intelligent solutions. With an innovative, patented, front suspension that helps reduce noise and vibration it also offers improved handling, a new chassis, a new drive train and new technologies and materials that will see it recognized as the perfectionist's ideal of a mid-sized, high performance luxury car.



Awards

In the United States, the quality of Hyundai cars received a resounding endorsement in the J.D. Power and Associates 2004 Initial Quality Survey as the Sonata scored best in its class in overall scoring, Hyundai trailed the industry leader by just one point.

"We measure their products against the best in the business, and they score well. People are no longer buying their vehicles just for price or warranty," said Daniel Gorrel, strategic Vision Vice President.

Good Housekeeping and J.D. Power and Associates recently surveyed nearly 30,000 women to find out what they valued most when buying a new vehicle. The women who had bought cars, vans and SUVs in the past year rated their vehicles on safety, the condition of the interior, the condition of the exterior, the durability and quality of construction and the quietness of the vehicle. Safety was the most important factor overall. The Hyundai Sonata won in the category of Entry Midsize Car. -Strategic Vision May 2004-

What do you Touch?

Bump, jerk, jolt, rattle, rock...Bump, jerk, jolt, rattle, rock...Bump, jerk, jolt, rattle, rock... Do you know the feeling?

Now touch the picture of the rock on this page! Have you done it? Feels smooth doesn't it! The Santa Fe gives you such a comfortable ride that the only rocks you encounter on the road will always feel this smooth. What a chassis...!

The ultimate in getaway luxury, the Santa Fe will always take you where you want to go with the utmost of ease. It is equipped with a full-time 4WD and 3.5 liter engine that will always ensure you a powerful and safe journey. The Santa Fe is built to the satisfaction of the individual as it has a unique array of convenient features and options for you to choose from. Your chosen companion on the road!



Awards

AutoPacific president George Peterson notes, "Korean makers remain a factor in the satisfaction stakes this year, with Hyundai's Santa Fe Midsize Sport Utility winning its class for the third year running. We all know Korean quality is improving at a rapid rate. What is both surprising and notable is Korean ability not just to build quality in from the outset, but to keep the quality initiative going over an extended build run. This reinforces what we've suspected for a while now. Korean success is not just a flash-in-the-pan, but is likely to continue into the future."

The big test comes next year when Hyundai is due to begin building the redesigned Santa Fe and Sonata in Alabama. One encouraging sign: DaimlerChrysler (DCX) and Mitsubishi Motors Corp. plan to use a Hyundai-designed four-cylinder engine in their own small- and midsize cars. "This is a vote of confidence for Hyundai's engine quality." *-Hanwha Securities Co. Ahn Soo Woong-*

What do you Smell?

We all love that new car smell or maybe that fresh, exhilarating, consciousness expanding scent awareness of a rainforest just after it's rained.

You choose the scent!

Now close your eyes and let your memory do the rest.

You can smell it now can't you?

The Hyundai Elantra is individual in character as its combines a sleek design, user comfort and ultimate practicality. Its user-friendly adaptability makes it a perfect efficient get-around car for everyday driving and also a 'gutsy' reliable vehicle on the open road. With both 4 or 5 door versions, award winning safety features and a range of technically advanced, clean and economic gasoline and common rail diesel engines, its versatility speaks for itself. The Elantra is making the everyday an easy-day.



Awards

Hyundai's top-selling model, the Elantra, earned distinction as the most "delightful" small car according to research consultancy Strategic Vision, Inc. Strategic Vision's "Customer Delight Index," based on the Edwards Customer Delight Scale®, provides a comprehensive look at the product attributes and benefits that explicitly create "super-positive" delightful responses from the primary drivers of the vehicles.

The Elantra has been an outstanding performer in Strategic Vision studies over the past year. Elantra earned "Best Value" in the small car category in the Strategic Vision Total Value Index 2004 and tied for first in Strategic Vision's 2004 Total Quality Award for best small car ownership experience.

The Hyundai Elantra received the highest possible safety rating from the National Highway Traffic and Safety Administration (NHTSA). In front crash tests conducted under the NHTSA's New Car Assessment Program, the Elantra four- and five-door sedans earned the maximum five-star score for driver safety while also earning the five-star rating for front seat safety in the side impact test.

What do you Taste?

The distinctive charisma of individual excellence is like an exquisite chocolate that unravels its flavors delicately, and gives you a cavalcade of magnificent indulgent sensations.

You know the taste!

The sweet taste of success...

...Drive a Coupe!

You know it. This machine reeks of appeal and its sexy look is only enhanced by a powerful engine that delivers the 'grunt' when you need it. It's a sports car that sticks to the road, sounds throaty in acceleration, and serves up just about everything you ever wanted in a car. You'll never look back after performing a high-speed, road hugging turn, in the Coupe. A turn with the force of the V-6 engine, combined with the integrated spoiler that increases down force at high speeds.

It's fast, it's practical and it's downright sexy.

You know you want it...Come and get it!



Awards

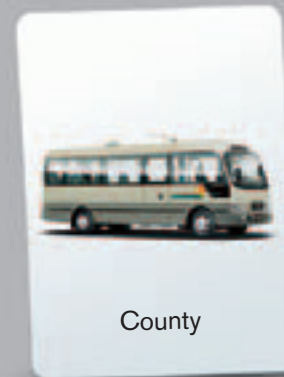
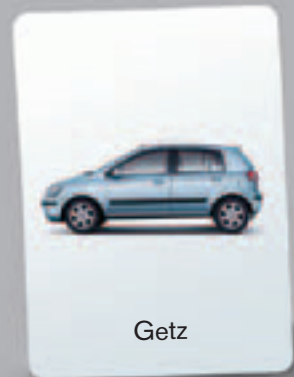
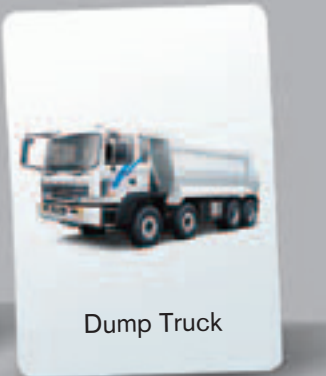
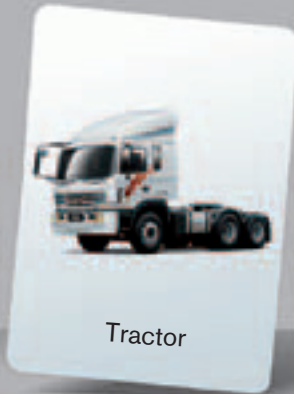
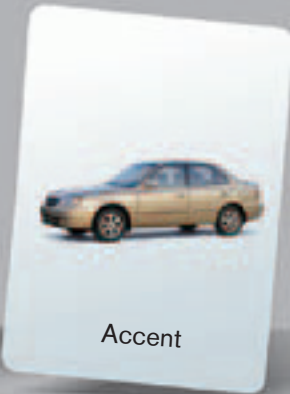
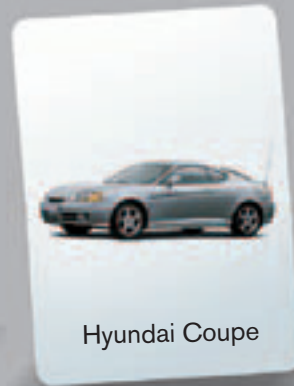
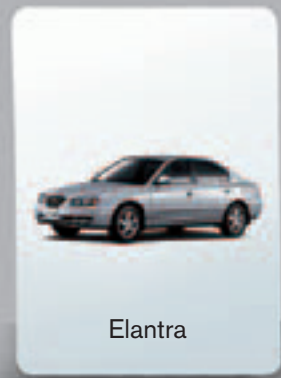
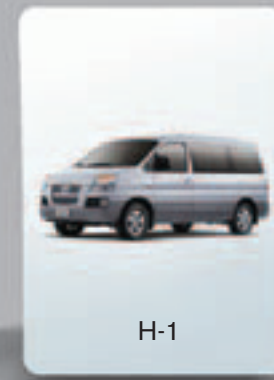
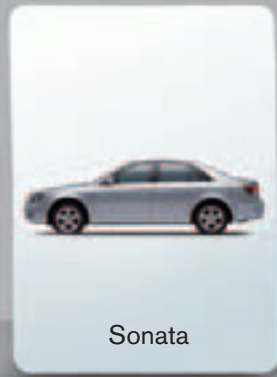
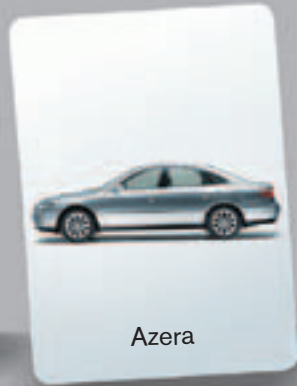
In 1999, the Hyundai Tiburon made history by finishing first at the Acropolis Rally, a 1322 km long race that provides the ultimate test of endurance for man and machine. In an absolutely stunning performance, the Tiburon finished ahead of the toughest competition in the business. Coming after its Portuguese Rally win, the second straight on the World Rally Championship circuit, this helped affirm Hyundai's technology as world class.

In 2004, Hyundai vehicles received an A from consumers polled in the Strategic Vision Total Value study. In the TVI Brand report card, Hyundai finished in second spot (behind Lexus) with a score of 766.

In addition, Hyundai had three vehicles rated as Best Values in the study. The Hyundai Elantra was selected as Best Value in the Small Car category; the Hyundai XG350 (in a tie with the Acura TSX) was named Best Value in the Mid-Size Car category and the Hyundai Santa Fe was once again named Best Value in the Small SUV segment. The sporty Hyundai Tiburon coupe made the Top Ten scoring list with a score of 783.

According to Strategic Vision, "the heart of the Total Value Index is the quality of the ownership experience - everything involved in buying, owning and driving a new automobile. All economic issues, both immediate (value for the money, affordability, deal offered, warranty and standard equipment) and expected (durability, future trade-in, mileage, economical to own and reliability) are then factored against that perceived reality."

Drive your way™



Quality is a Global Notion

It's a secret that's been let out of the bag. Hyundai Motor Company is doing great things and making dramatic leaps in terms of quality, sales and endorsements from the critics. Our global footprint now includes research and development facilities in North America, Europe and Asia and manufacturing plants in America, India, Turkey and Korea are delivering 'the goods.'

We are on the cusp of receiving the recognition that we truly deserve, but there is still work to be done to inform the public of just how reliable, dependable and refined Hyundai Motor Company truly is. 'We've arrived' is the message we want to convey but at the same time it doesn't truly reveal how far Hyundai still has to go. The vision of the Chairman to be 'the world's best automaker' states Hyundai aspirations clearly. We are climbing the mountain of success and it's time to hop on and enjoy the ride to the summit – we are ascending with such velocity that the automotive world is finally taking notice. Hyundai is a contender!

North America

1. Alabama is the location of Hyundai's new American plant. It will be opened in May 2005 and will be the first to produce 'Made in the USA' Hyundai automobiles.
2. The Sonata was named number one in the entry mid-size car segment for 2004 according to J.D. Power and Associates Initial Quality Study (IQS)
3. In California, a showcase Hyundai dealership, one of more than 660 in the USA.



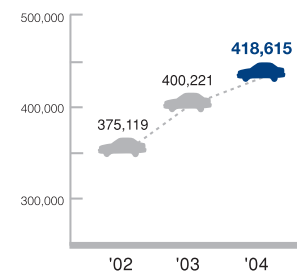
Hyundai Motor America, based in Fountain Valley, California is a subsidiary of Hyundai Motor Company of Korea. Hyundai cars and sport utility vehicles are distributed in the United States by Hyundai Motor America and are sold and serviced through more than 660 dealerships nationwide. In the United States, HMA recorded sales of 418,615 in 2004, an increase of 4.6 percent over 2003. Recording a 364 percent growth rate since 1998, HMA is now positioned as the number four auto dealer in the US, behind only Toyota, Honda, and Nissan.

New Plant in Alabama

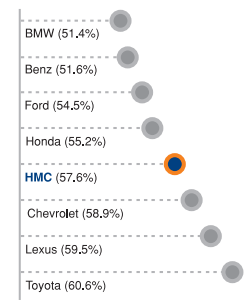
Hyundai Motor America is proud to announce the opening and operation of a local manufacturing plant in Montgomery, Alabama, a state now being referred to as the "New Detroit" of the southern United States. The factory began construction in April 2002, and at its completion, will cover 1,744 acres. With a total investment of US \$1.1 billion, this factory has the capacity to manufacture 300,000 vehicles annually.

Beginning with the Sonata in May 2005 and the new Santa Fe in 2006, the factory will mass-produce highly profitable mid- and full-size cars embodying top quality and performance. A total of 91,000 Sonatas are scheduled for production in 2005, with total production of Sonatas and Santa Fes expected to reach capacity production of 300,000 by 2009.

Connecting this factory with our other U.S.-based facilities such as the California Design and Technical Center in Irvine, the America Technical Center and the California Proving Ground will provide us with cars that are designed, engineered and manufactured in America, by Americans thus paving the way for further sales increases in the North American market.



Hyundai Motor Company USA Total Sales (Units)



JD Power 2004 Customer Retention Study

Innovative Manufacturing

The Alabama factory will be a comprehensive facility equipped to independently carry out all automobile manufacturing and assembly processes as well as various tests. Robotics and automation will play a key role in minimizing assembly time and keeping the new plant's work force small, nimble, and lean while keeping quality high. Parts suppliers will build corner, front end and other modules off site, reducing in-house workload and labor costs. Hyundai is also requesting that major suppliers locate within 90 miles of Montgomery, so key parts can flow more quickly into production.

The plant will also be flexible enough to produce up to four vehicle models on a single assembly line, requiring less investment capital. According to Prudential Equity Group's Michael Bruynesteyn, "Adding an incremental model into a flexible plant is relatively quick and inexpensive, with investment for the new model as little as 25 percent of the cost of adding a new model to a dedicated plant." Furthermore, with the adoption of the most up-to-date technologies and engineering methods, the Alabama factory is projected to become a model for the construction and operation of Hyundai's future factories overseas.

Investment and Job Creation

The Alabama factory will contribute to the direct creation of 2,500 jobs. There is also an expected creation of 4,000 addi-

tional jobs by Korean parts suppliers who invested in Alabama in response to the opportunity presented by Hyundai. The factory is being praised as a model of foreign capital attraction and is receiving a great deal of support from both the Alabama state government as well as Montgomery municipal and county officials.

This job creation is contributing to the activation of the local economy as well as to both the expansion of Hyundai's market share and the enhanced awareness of Hyundai's brand image in the United States. On October 4th, the Wall Street Journal reported on the Sonata, saying, "Hyundai Aims to Lift Its Profile With a 'Made-in-America' Push." In September, Business Week carried a special report on the Sonata entitled "Building a Camry Fighter." The latest issue of Consumer Reports rated as the Sonata the "Most Reliable Car."

The new 'Made in the USA' Sonata will represent the image and pride of Hyundai automobiles and its employees. Our first-rate systematic quality system and production systems will be among the world's best so that American customers will experience the highest quality in their first encounter with the US-made Sonata.

Quality and Globalization / Localization

To further enhance its quality competitiveness and to further the Sonata's reputation as the best entry-level mid-sized

sedan as named in the 2004 Initial Quality Survey by J.D. Power and Associates, Hyundai has reinforced its efforts to ensure that its factory and local suppliers produce and use parts of the highest quality. To accomplish this aim, 35 quality experts from Korea have established a company-wide quality management system covering all production processes. Their goal is to attain the highest level of quality via comprehensive durability tests and real-car monitoring for the 900 test Sonatas scheduled for production prior to the manufacture of units for sale to the public.

New California Proving Ground Makes History

In March 2005, HMA cut the ribbon opening its state-of-the-art proving ground in California, which at 4,300 acres, is nothing short of spectacular. This site, together with the new manufacturing plant in Alabama, means that Hyundai is capable of undertaking every step of vehicle manufacturing from design to testing and final assembly, on North American soil. The proving ground will be HMA's main proving ground, testing the performance and durability of all the parts and vehicles sold in the United States.

Hyundai-Kia California Design and Technical Center

Several innovative vehicles have emerged from the Design Center, including three concept roadsters: HCD-I, HCD-II and HCD-6; the HCD-III, a hybrid sport utility vehicle; the

Cross-tourer (HCD-5) sport utility vehicle; the HCD-7 luxury sedan; and the HCD-8 sports tourer. The influence of the California Design Center can be clearly seen in the sleek lines of the first-generation Hyundai Tiburon coupe and the Santa Fe sport utility vehicle.

The New Hyundai America Technical Center

The Hyundai Kia America Technical Center (HATCI), to be opened in June 2005, will have the capability of designing and developing vehicles, and is part of our ongoing commitment to the United States market. It will be located in the vicinity of Ann Arbor, Michigan. This facility will be at the core of our research and development in the United States, and will be responsible for all engineering activities in the U.S. for Hyundai. This Center will operate in conjunction with our LA Design and Technical Center and Mojave Proving Ground. This will insure the most modern design and expertise in automotive engineering and is part of Hyundai's ongoing goal of excellence in vehicle design.

Recognition: Quality Satisfying American Consumers

J.D. Power & Associates, the authoritative market survey institute in America, ranked the Hyundai Sonata number one in its 2004 Initial Quality Survey of mid-size cars, outranking Toyota. The Santa Fe and Accent also picked up laurels, coming in at number two in the categories of small SUV and small car,

respectively. Hyundai as a brand was ranked in the top seven, outranking Toyota and Mercedes Benz.

Five Hyundai models - the Accent, Elantra, Santa Fe, Sonata and Tiburon - earned the title "Best Bet" in Jack Gillis' The Car Book 2005. The Car Book, in cooperation with the Center for Auto Safety, selects vehicles for this distinction based on how well they respond to the safety and performance needs of today's consumer. American consumers are recognizing this quality and brand reliability as well, by repurchasing Hyundai vehicles at a growing rate. This year, Hyundai's repurchasing rate in America was in the top four overall for automobiles. We are extremely proud of this major accomplishment.

The Consumer Report magazine study for Vehicle Reliability, well-known for its fairness and objectivity, as well as its power in influencing American consumer purchasing, ranked the Hyundai Sonata as number three in the category of Best Car 2004, outpacing the Honda and Nissan.

These affirmative evaluations by well-known American market evaluators demonstrate that Hyundai Motor has a bright future in America. Our safety, quality, and brand value are all highly appraised. The company plans on continuing to target the American market through the development of higher-class, value-added vehicles.



The new \$60 million Proving Ground opened in 2005 in California.



Tucson was named best new crossover in the 2005 Canadian Car of the Year Awards.

Stanford University's MBA Program & Hyundai

Hyundai Motor Co.'s success in the U.S. automobile market has been recognized by Stanford University's MBA program as a model of managerial success. According to Stanford, the course focuses on "strategies and structural change" and will highlight Hyundai Motor's achievement in "reinventing corporate brand worth." Other renowned universities, including Harvard and MIT, will also be using Hyundai as an example in their MBA courses.

Overseas Service & Quality Center

In December 1999, Hyundai Motor Company began operation of its Overseas Service Quality Center (OSQC), currently staffed by 12 expert engineers and operating 24 hours a day. The OSQC's main roles are to communicate product quality issues between distributors and related factory departments, to handle customer concerns, and to respond to technical assistance via the Internet. The OSQC is currently equipped with a video conferencing facility, allowing distributors to get real-time, visual support from the OSQC staff. The program reinforces Hyundai Motor's commitment to communication and first-class quality service to its customers and distribution partners around the world.

Overseas Road & Service Vehicle Program

This year, Hyundai Motor Company shipped 300 service vehicles to 30 countries as part of its worldwide 'Overseas Service Vehicle Program'. This program was designed to improve service levels to Hyundai customers by allowing service professionals to come directly to those customers in need, thereby giving them faster, better service, anytime, anywhere. Priority will be given to elderly, disabled, and rural customers. In the coming year, HMC will increase its shipment to more than 5,000 dealers in 193 countries. This program sets HMC apart from the competition and confirms Hyundai's image as a service-centered company, providing quality and reliability to customers around the world.

Europe

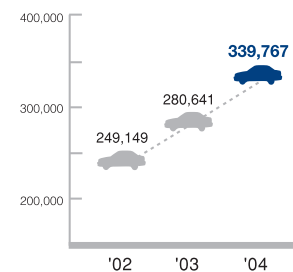
1. Hyundai's European Design and Technical Center
2. The HED-1 concept car was created at the European Design Center
3. Getz was selected as 2004's most reliable car in its class by UK's monthly magazine 'Which'



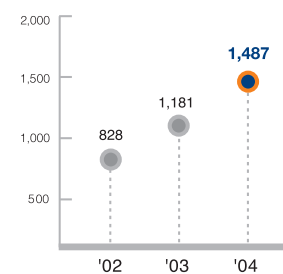
Hyundai Motor Company Europe is continually increasing sales and making a strong showing in a market that most automakers have seen losses in. Hyundai sales in Europe increased from 280,641 units sold in 2003 to 333,767 units in 2004. This represents a 21 percent increase in sales, a record for Hyundai Motor Europe (HME). In December alone, 30,473 units were sold. Sales in Europe have increased for 14 consecutive months, and show no signs of slowing. Already in February 2005, HME announced sales of 26,005 units, a six percent increase over sales in February 2004, and a new record for the month.

Two vehicles in particular are responsible for the European attraction: the Getz and the Tucson. In October 2004, the Getz sold 7,644 units, while the Tucson SUV followed closely with 4,800 units, a remarkable number considering it had just been released to the European market a mere three months prior. In fact, in its first eight months, the Tucson SUV sold 18,605 units. The appeal of Tucson is simple: it is a revolutionary crossover vehicle that European consumers are demanding. The Tucson was also built as an environmentally friendly vehicle. It comes from some of the cleanest production facilities in the world, it offers a choice of three environment-friendly engines, and it has an above-average recycling rate. This, along with its class-leading safety features, attractive and functional styling, and high value-added technology, make it appealing to discriminating European customers.

Hyundai Motor Europe is planning for further sales increases with new model improvements being introduced in the coming months. The first of these will be the new Sonata, which has become a strong contender in the European market. 2005 is predicted to be a growth year for consumer spending across the board, and based on this prediction, HME estimates a twenty percent rise in sales over 2004 to 430,000 units.



Hyundai Motor Company Europe Total Sales (Units)



Hyundai Motor Company R&D Investments (Korean won in billions)

Hyundai in Europe

Hyundai Motor Company and Hyundai Motor Europe are proud to continue their tradition of mass-marketing through sports sponsorship.

Hyundai was the official vehicle supplier of the 28th Olympic Summer Games in Athens this past year. Hyundai's most popular models were represented in the 3,500-strong official vehicle fleet including the Centennial and XG sedans, as well as the Terracan and Santa Fe SUVs for VIP use.

The Athens Games were a once-in-a-lifetime opportunity to strengthen brand recognition in Greece, and it paid off. Hyundai has become the second best-selling brand in that country.

Hyundai Motor Company's heart, however, will always be with its football sponsorships. Hyundai will sponsor the 2006 World Cup in Germany and starting in 2007 will be joined by affiliate Kia Motors to become one of six Official FIFA Partners who will have sponsorship rights to the 2010 and 2014 FIFA World Cup™ and all other FIFA events, exclusive marketing assets, increased media exposure, and an affiliation with special events and development initiatives. Hyundai and Kia will showcase their vehicles at FIFA events as the official vehicle supplier to FIFA.

In addition, Hyundai Motor strengthened its commitment to European football by renewing its sponsorship with Union des Associations Europeennes de Football as an Official Automotive Partner. The many events that Hyundai will participate in include the Goodwill Ball Tour, which transports a giant four-meter wide football around England to gather good luck messages from fans. A replica of this ball was created and signed by celebrities and sports legends for the children's sports charity, SPARKS. According to the Times of London, Hyundai enjoyed a 32 percent rise in brand awareness following the conclusion of Euro 2004, the highest of any tournament sponsor.

International

1. Beijing Hyundai Motor's (BHMC) production plant in the Chinese capital
2. In Dec. 2004, cumulative production at BHMC passed the 200,000 unit mark
3. Sonata is built at Beijing Hyundai Motor Co.



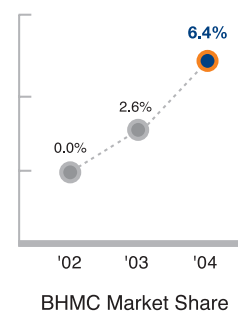
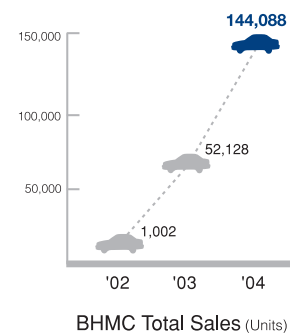
China

Hyundai Motor Company recognized China as an emerging market long ago, and has positioned itself to expect great sales potential in the market in the coming years. In 2003-2004, Beijing Hyundai produced 196,216 units, hitting a record-setting pace. In November 2004 alone, Beijing Hyundai saw an increase of 244 percent over the previous November, causing sales records to be broken in Hyundai's overseas production plants as well.

This success has continued in 2005. March 2005 was the fifteenth consecutive month of sales increases for Beijing Hyundai Motor Company, as sales reached 8,703 units, up thirty percent from February. Beijing Hyundai's first quarter sales for 2005 reached 21,910 units, up 203 percent over the same quarter last year. As a result of this unprecedented success, Beijing Hyundai increased its 2005 sales goal from 150,000 units to 200,000. It also plans to increase the number of sales dealerships and service offices from 80 to 200 next year.

Their success has not gone unnoticed. Local newspapers coined the term 'Hyundai Speed' to describe the fast growth of Hyundai Motor in China. This achievement is the result of Hyundai Motor's carefully-planned localization strategy and efforts to enhance brand value by putting emphasis on quality. We have grown rapidly thanks to the wide support of Chinese consumers, and we will continue to lead the Chinese automotive industry with 'Hyundai Speed.'

Overall, Beijing Hyundai's sales success is a result of localization strategies, enhanced product quality, and increased brand value. We feel these results demonstrate that our strategy of tailoring our products to meet local requirements is paying off and



what's more important, that the Hyundai brand is gaining mainstream acceptance.

The success of the Chinese market, now and in the future, will propel Hyundai Motor Company into the future, playing a pivotal role in helping realize the goal of becoming the world's best automaker.

Model and Brand Recognition

Hyundai Motor Company introduced itself to the Chinese market in 2002 with the Sonata, and it soon caused a great sensation there. Since that time, the Elantra was introduced, and quickly became the most number one sedan in China, outpacing the Volkswagen Jetta, the Santana, and the Honda Accord. Sales of the Elantra continue to increase, reaching unprecedented levels each month. This model of the Elantra was modified to meet conditions and specifications of Chinese consumers. The Elantra now represents the 'family car' in China, and is extremely popular among consumers in their 30s and 40s.

Production

Beijing Hyundai Motor Company, was established in October 2002 and is the top automaker in the Chinese market, outperforming such global companies as Toyota and Volkswagen. This great accomplishment was achieved only two years since accessing the Chinese market. In that time, Beijing Hyundai's plant produced a record-breaking 200,000

vehicles. Beijing Hyundai Motor Company's growth momentum shows no signs of abating. In December 2003, we added the Elantra to the lineup, and just three months after its introduction, the new model nudged past the Sonata in monthly sales. Given the bright prospects for the Chinese economy, Beijing Hyundai will increase its production capacity from the current 150,000 units per annum to 300,000 units by 2006, and to 600,000 by 2008.

Beijing Hyundai carries the hopes of Hyundai Motor

Beijing Hyundai Motor Company is in the unique position of being the only auto-manufacturer located in Beijing. This allows us to occupy center stage in the booming Chinese motor market and to emerge as the global economic leader in the wake of the 2008 Beijing Olympics. We are constructing a second manufacturing plant in China with an annual manufacturing capacity of 300,000 private and commercial vehicles. Hyundai will then be the top consolidated automaker in China.

International

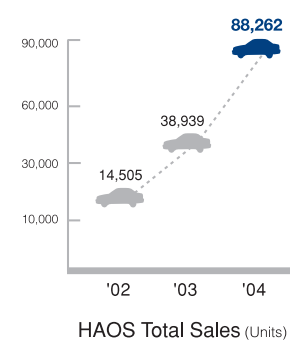
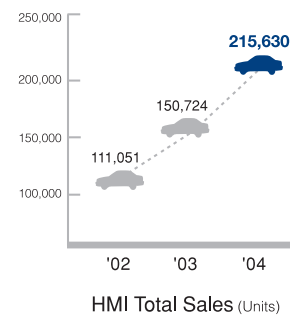
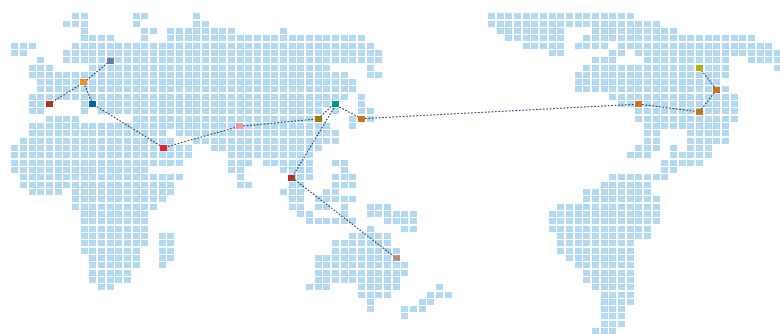
1. Hyundai Kia Design and Technical Center in Chiba, Japan
2. Tucson wins the 2004 Good Design Award sponsored by the Japanese Industrial Design Promotion Organization (JIDPO)
3. Hyundai Motor India's (HMI) production plant in Chennai



Japan

Hyundai Motor Company has strengthened its position in the East Asian market by investing in research opportunities in Japan. The Hyundai Kia Design and Technical Center, located in Chiba, focuses on developing cutting-edge technologies in challenging new fields such as telematics. This Institute is enhanced by its proximity to the Namyang Design and Technical Center in Korea and will help position Hyundai as the world leader in futuristic design.

Through forward-thinking design, Hyundai Motor Company has increased its brand recognition in Japan. The Tucson was awarded the prize for "Best Design" for its creativity and excellence in product design in a competition organized by the Japan Industrial Design Promotional Association. This accomplishment, achieved within 4 years of being introduced into the Japanese market, enables Hyundai Japan to increase the sales volume of the Tucson, and puts the company in a favorable market position.



India

Hyundai Motor India Limited (HMI) is poised to take on the newly emerging Indian market with great success. India has become one of the fastest growing car markets in the world. In 2003, HMI made news when cumulative sales reached 500,000 units, a growth rate as yet unprecedented in the Indian car industry. In 2004, car sales in India grew to 800,000 units. HMI sold 215,630 units, an increase of 43 percent over the previous year. If recent growth trends continue, India's car market is estimated to reach 1.62 million units by 2010. Hyundai expects to take a large part of that market.

HMI has an aggressive strategy that will ensure its growth prospects and leadership in the market. HMI has set rigorous sales targets for the coming years. In 2005, HMI expects to sell 250,000 units; by 2007, 310,000 units; and 400,000 units by 2010. To compensate for this expected increase in sales, HMI will increase its dealer network from 146 to 180 sales outlets this year. In addition, HMI will continue its focus on after-sales service by expanding its network from the current 408 outlets to 480 this year. HMI will capitalize on India's recent surge in middle-class disposable income by establishing brand recognition and penetrating the market early on.

Models & Brand Recognition

A fully owned subsidiary of Hyundai Motor Co., HMI began to manufacture in Sept. 1998 with the Santro minicar as its first model. We quickly established a reputation among Indian new car buyers as a high quality brand offering the latest technology at an affordable price, and soon, the Santro became India's best-selling minicar. Since HMI's introduction to the market seven years ago, we have added the Accent, the Elantra, the Sonata, and the Getz to our line of Indian-built Hyundai cars. The Getz, introduced in Sept. 2004, is quickly growing in popularity. In 2005, the Getz was voted Car of the Year by CNBC India. In addition, the Elantra, our strategic export model, was named "Most Valuable Car."

In 2005, HMI plans on introducing two new models to the Indian market: the Tucson SUV, and the Matrix. The Matrix was unveiled at the Auto Expo 2004 Motor Show in New Delhi. Initially, we plan on exporting completely built-up units (CBUs) to our distributors in India. However, once sales of the Matrix have been established, we will consider assembling this model at our factory in Chennai.

Production

The Hyundai Motor India plant, (HMI) established in September 1998 in Chennai, is a consolidated motor manu-

facturing plant with manufacturing facilities, research facilities, a performance test institute, and a driving test site. As a self-reliant facility, it has the capacity to independently research and develop products suitable for the Indian market. This plant will develop into our global hub for small car manufacturing and will serve as a strategic base for supplying small cars worldwide.

The plant ranked in the top two in India within three years of being opened and continues to grow rapidly by producing quality vehicles that outrank its competitors. Of the 51,482 units sold in the first quarter of 2004, 13,738 units (primarily the Santro) were exported to markets in the neighboring regions as well as Europe and Mexico. Currently, the plant's annual production goal is 250,000 units.

In order to meet increasing auto demands in Southwest Asia, HMI will construct a second plant, with construction to begin in April of 2005. This plant will be built on a 2.1 million square meter site adjacent to the existing facility at Chennai. HMI's goals for this plant include a production capacity of 400,000 units per annum, targeting an Indian market share of twenty percent or more by 2007. The second plant will build the successor to the highly successful Santro.

Hyundai Motor India Ltd. (HMI) will serve as one of our key global manufacturing centers. The markets of the future are the BRICs countries so in addition to serving the Indian market, output from Chennai's second plant will be shipped to Europe, Latin America and neighboring markets, including the Middle East region.

The Future of HMI

India's fast-growing market is of great strategic importance to Hyundai's future. As Hyundai expands its globalization efforts with new manufacturing investments in China, the United States and Turkey, HMI is rapidly securing its place as an important global manufacturing hub. Hyundai Motor India plans on investing another US\$500 million in order to expand its capacity and become the leading auto manufacturer in the country. HMI will secure this position by taking initiatives not only in sales, but in terms of technology and customer satisfaction.

Turkey

Hyundai Asan Otomotive Sanayi (HAOS), Hyundai Motor's joint venture plant in Turkey, was established in 1997. The plant is equipped with a test track and has the capacity to annually manufacture up to 60,000 units; the Verna, the Grace, and the Starex play a major role in supplying the European market. In 2003, HAOS greatly increased the num-



Production line at Hyundai Asan Otomotive Sanayi (HAOS), our Turkish subsidiary

ber of units sold, from 14,505 the previous year, to 39,300. HAOS sold over 88,262 units in 2004 and increased its market share by over 10 percent. Currently, HAOS holds seventh place in overall sales in Turkey. Our goal in 2005 is to clinch the Number Five spot.

The Future of HAOS

Currently, Hyundai Motor Company owns 50 percent of the joint venture project known as HAOS. In 2005, we plan to increase our share of the holdings by 20 percent. This shows our commitment to the European market, as we plan on increasing the production capacity of our Turkish plant from the current 60,000 units per year to 300,000. We want to build global production systems and make Turkey the base of our European operations.

Other World Motion

Russia

Russia's economy is growing, and Hyundai is growing with it. Last year, Russians bought a total of 350,000 new foreign cars, a full 80 percent more than in 2003, spending more money on foreign cars than on domestic cars for the first time ever. In 2005, sales are predicted to rise by another 40 percent. Hyundai Motor Company was the most popular imported auto brand in Russia last year, selling a record of 50,868 cars in 2004. This is a remarkable increase in sales from previous years (14,561 in 2003 and 5,575 in 2002). We were the first foreign automaker to sell more than 50,000 cars in Russia in a single year.

We plan on expanding our plant capacity from the current 15,000 units to 35,000 units per year. We have also won a bid with the Administration of the President of the Russian Federation to supply 50 AeroExpress HSX buses. We believe that winning this bid will really help raise Hyundai's



Hyundai is awarded Grand Prix at the Moscow International Motor Show

profile in the Russian market. We're both pleased and proud because we managed to clinch this order against a field of very tough European manufacturers. This speaks volumes about the competitiveness of our product and paves the way for greater penetration into the Russian market.

Australia

Hyundai increased vehicle sales to 42,510 passenger vehicles in Australia in 2004, a remarkable 37.5 per cent improvement over 2003 and one of the biggest trend turn-arounds in the local car industry in years.

Hyundai's share of the total Australian vehicle market in 2004 rose to 4.5 per cent from 3.4 per cent in 2003. Hyundai strengthened its grip on seventh place outright, stretching its lead from Honda and closing in on Mazda to finish again as the top-selling pure passenger vehicle import brand.



Hyundai Motor Company Australia

New Zealand

Getz was New Zealand's best-selling car in the Micro and Light sector through 2004.

Hungary

2004 saw Hyundai take over control of our operations in Hungary from our independent distributor, Hyundai Automotive Hungary. In keeping with our long-term aim to show quality leadership across the globe we aim to implement a more customer focused strategy in Europe. We have decided to invest US\$5.3 million in setting up a sales unit in Hungary, which will handle the sale of vehicles and car components. We are inviting existing Hyundai dealers and newly interested dealers to join the strengthened business operations.

Malaysia

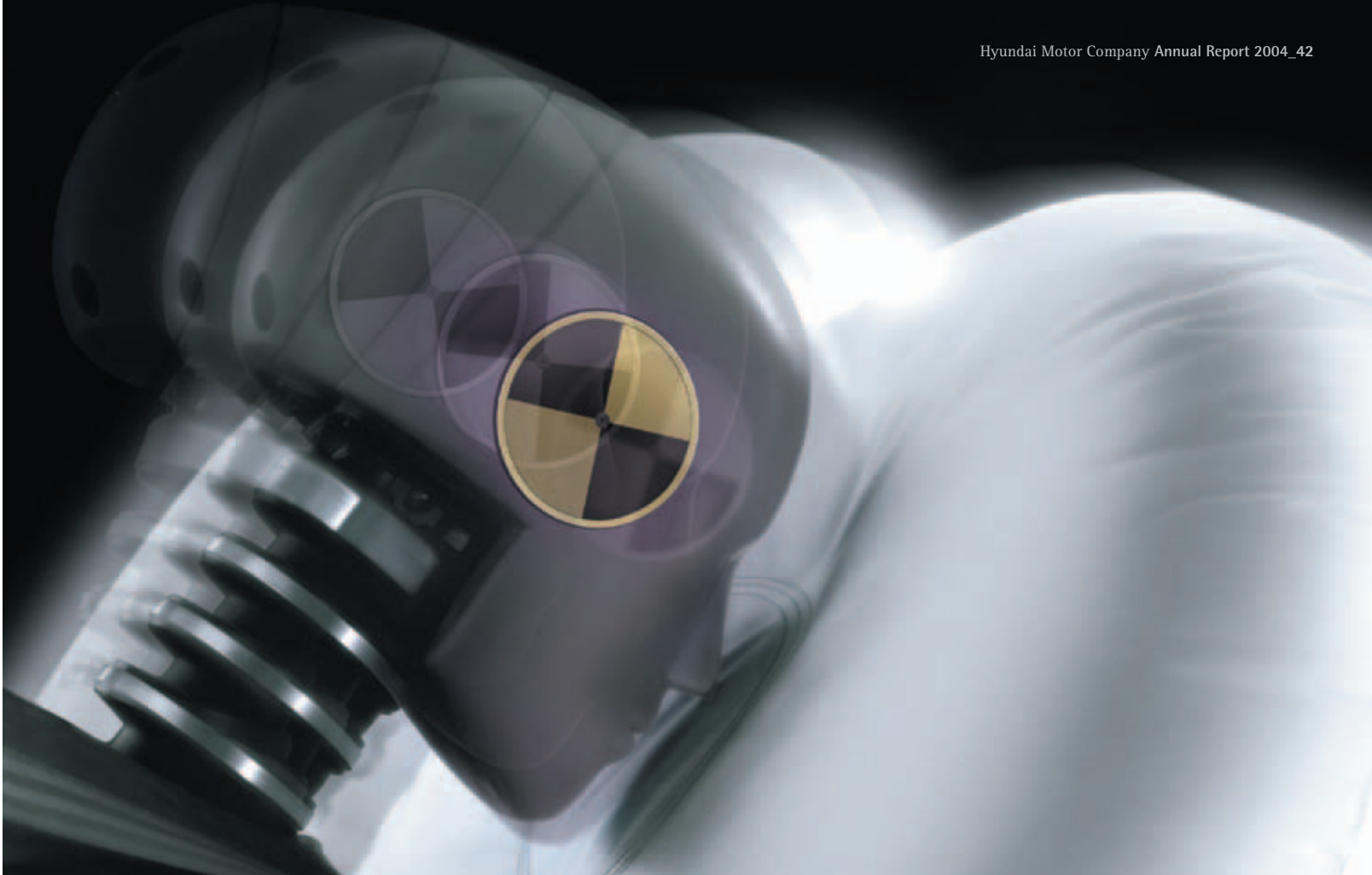
Our operations in Malaysia are still in its infancy but they are expecting big things and are very optimistic about the future. In 2005 Oriental-Hyundai aim to achieve a ten to 15 percent share of Malaysia's 1.6 litre and 1.8 litre imported passenger car market segment. The new Elantra in Kuala Lumpur, was recently launched there and the company believes the Elantra will help it to reach sales of 10,000 units overall this year. Our focus now is on increasing our service outlets as customer service is our number one priority.

Iran

In 2004 Hyundai saw its first Iranian-made cars roll out of the factory in September. Initially production will be between 20,000 to 30,000 units but production will ultimately increase to 100,000 cars per year.

Domestic

1. Hyundai & Kia Corporate R&D Division
2. The 10 millionth Hyundai vehicle is produced for export.
3. Hyundai Motor Company's Asan plant

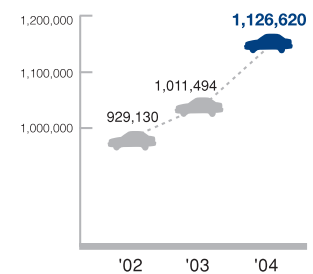


Although export shipments from Hyundai's Korean factories and production in overseas plants continue to fare well as of the 1st quarter of 2005, domestic sales remain in the doldrums. Hyundai, which controls half of the market at home, saw a drop of 6.4 percent in the combined domestic sales of passenger and commercial vehicles. Luckily it was the all-new Sonata that showed a 5.1 percent increase for the quarter, reaching 63,012 units. However, domestic sales in every other category were slow and sluggish. Contributing to this was the fall in sales of sport utility vehicles, vans and commercial vehicles. Each category saw a drop of more than 10 percent from the previous period's first quarter.

Indeed, it was the 27.5 percent increase in overseas sales during the first quarter of the year compared to last which helped HMC post an overall rise in first quarter sales.

Hyundai Motor Company currently exports cars to 193 countries all over the world. The most popular export model to date has been the Accent, which accounted for 2.1 million of the 10 million cumulative export total. The Elantra was next, making up 1.72 million units. The Sonata and Santa Fe have seen a recent increase in sales due to the demand for higher value added vehicles. These have helped enhance profitability as well as upgrade Hyundai's brand image.

Directly and indirectly, Hyundai employs some one million people worldwide, and conducts business with nearly 2000 local and overseas suppliers, as well as more than 5000 dealers worldwide. Hyundai is also a major contributor to the growth and development of the Korean economy. We strive to meet the needs of our consumers as well as the changing times through our long-term vision "Innovation for Humanity." We have actualized this vision in our domestic manufacturing plants by operating at optimal procurement levels and utilizing logistic manufacturing systems. These flexible systems consolidate changes in domestic and overseas markets, allowing us to



Hyundai Motor Company Domestic Total Export (Units)



Hyundai Motor Company 2004 Export by Region (Units)

rapidly respond to the growing needs of our customers. Our flagship Namyang Design and Technical Center, together with our domestic and worldwide manufacturing facilities, will bring Hyundai Motor to the forefront of the automobile industry.

Expanding into Overseas Markets

In order to offset the decreasing domestic market and the falling won/dollar exchange rate, Hyundai plans to increase exports by 10 percent in the coming year. HMC will do this by continuing to market our enhanced brand image, cutting costs by improving management systems, and focusing on local market development. In particular, we are localizing production of our vehicles in the United States, China, India, Turkey, and the emerging markets of Latin America.

Research and Development

Our Research and Development Division headquartered in Namyang integrates Hyundai and Kia research and development operations. Employing over 7,000 engineers at home and abroad, the division's funding in 2005 will reach 6.2 percent of sales and is equipped with cutting-edge facilities to facilitate vehicle design, development and testing. Our capabilities encompass the whole design process from conception to engineering and pilot production to final testing and validation while at the same time, we are expanding funding of basic research. The Namyang Center is our core research facility, consolidating research done at our facilities conducted around the world. This is where we design and test our

hybrid cars and other concept cars. We are expanding our facilities by investing our resources into the development of new technologies, design, testing, and evaluation by actively recruiting the highest-class of engineers and designers from around the world. One of our newest facilities, the Environmental Technology Center, will open in May 2005. This Center will ensure that all new cars are equipped with the latest in environmental technologies. Eventually, we plan to construct an environmental assessment system for the entire process of design, manufacturing, use, and end-of-life vehicle disposal.

Global Engine Project

The Global Engine Manufacturing Alliance (GEMA), which includes Hyundai Motor, has begun to manufacture the "World Engine" family of 1.8 liter, 2.0 liter, and 2.4-liter four-cylinder engines. Hyundai's Asan factory in South Korea is one of three designated to manufacture the engines (the others being in Japan and the United States). A production goal of 1.8 million units per year has been set, making this the single largest passenger car engine manufacturing venture in the world with significant economies of scale savings to be garnered by GEMA partners. The engine will be marketed as a sophisticated, high-performance unit without a premium price tag.



HED-1

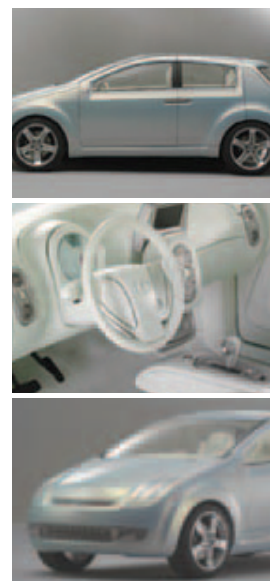
At the 2005 Geneva Motor Show Hyundai unveiled the HED-1 concept car, which was developed by our Europe Design and Technical Center. The Center exemplifies our technological knowledge and standing in the global market. The HED-1 concept car is a 4-passenger MPV (Multi Purpose Vehicle) designed to meet European tastes and is characterized by its elegant design, luxurious demeanor, and innovative interior that will appeal to female customers. The HED-1 is equipped with a 1,600cc diesel engine, elegant art deco style LED lamps, front and back displays to protect pedestrians, a multifunctional tailgate, and curtain/knee airbags. It gives us the possibility to corner the European small car market.



E-Cubed

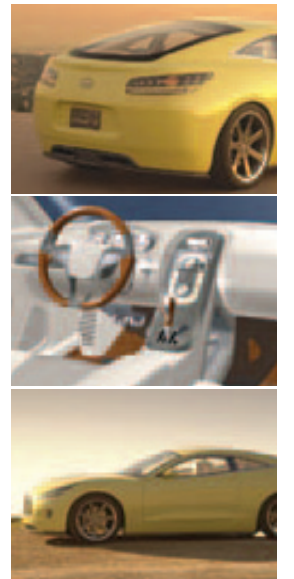
Unveiled at the 2004 Geneva Motor Show the E³ is a fully drivable concept car which hints at the future design directions of Hyundai's next generation C-segment car.

The E³ is the third in a series of Hyundai concept cars to be designed in Europe and the first creation of Hyundai's new European Design Center which opened in Russelsheim last year. Meeting the unique tastes and needs of Europeans, the E³ name can be understood to stand for three "E" values: Enjoyment, Environment and Extraordinary. Taken a step further, the name suggests new ways of using cubic space to create a mobile and personal environment that meet the needs and wants of tomorrow's more demanding customers.



HCD-8

The HCD-8, introduced in the presence of global auto experts and automaker participants at the 2004 Detroit Motor Show, is a cutting-edge concept car developed by our California Design Center. This model is a 4-passenger sports coupe that has a classical appearance, flexible curves, and a stylish harmony that will appeal to first time car buyers. The HCD-8 stood out from the crowd and even outranked the Ferrari in the comparative column of a British auto magazine. It has been earmarked in the market and is expected to play a key role in leading the development of new sports cars that combine design, performance, and style.



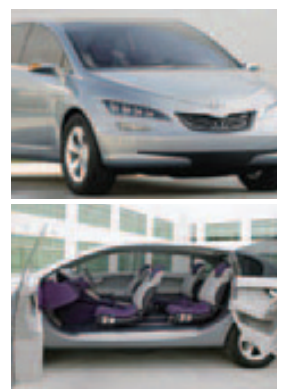
Portico

The Portico hybrid concept car was introduced at the 2005 Chicago Auto Show, and features Hyundai's upcoming hybrid drivetrain and revolutionizes the mini-van market with a sleek, sporty new design that will become popular for its style and practical purposes.

Classified as a crossover vehicle, the model is powered by the company's new Lambda 3.3-litre V6 engine with aluminum heads and a cylinder block consisting of two electric motors, one driving the front wheels and a second driving the rear wheels. The front electric motor has a power of 110kW and the rear has a power of 60kW. A six-speed Shiftronic automatic transmission would be offered in production vehicles.



The model is described as a vision of future family transport. According to product development chief John Krafcik, the Portico is the medium through which the company is exploring the segment of next generation family transportation. "Portico features seating for six passengers and roomy, flexible cargo space - previewing the types of attributes we'll be adding to our growing Hyundai line-up in the US. We'll have two all-new Hyundai models with seating for seven and roomy, flexible cargo space within the next year or so," he said. The Portico concept vehicle was designed and built by Hyundai's Advanced Design Team at the Design Center in South Korea.



Magnetic Marketing Moves



1. The new Sonata premiered at the 2004 Paris Motor Show.
2. The TG (Azera) made its world debut at the 2005 Geneva Motor Show.
3. The Hyundai TG (Azera) is shown here at the 2005 Chicago Motor Show.

Competing at Motor Shows with Cutting-Edge Design

At international auto shows, Hyundai Motor Company strives to showcase our newest technologies and future product ideas to customers, members of the media and business partners. Hyundai is a regular participant at all the leading exhibitions including Geneva, Paris, Tokyo, Frankfurt and Detroit. The year 2004 saw us roll out the Tucson and Sonata as well as our all-new Theta engine at international auto shows.

We also accomplished great sales increases and brand value enhancement in Russian and Eastern European markets by exhibiting nine vehicles, including the Tucson, at the Moscow Motor Show.

Two cutting-edge concept cars made their debuts. The HED-1 was introduced at the 2005 Geneva Motor Show, and the Portico made its debut at the 2005 Chicago Motor Show. Both of these cars have been highly praised as unique and imaginative interpretations of the next-generation family car.

In conclusion, Hyundai Motor is achieving its goal of becoming the global leader in the automotive industry by strategically participating in activities suited to local markets, such as sports marketing and motor shows.



1. Hyundai was an official sponsor of Euro 2004.
2. The official signing ceremony of Hyundai Motor Company and Kia Motor's eight-year long sponsorship agreement with FIFA.
3. The final of the Hyundai sponsored World Football Championships.

Hyundai Motor Company is proud to continue its tradition of mass marketing through sports sponsorship. Hyundai was the official vehicle supplier of the 28th Olympic Summer Games in Athens this past year. Hyundai Motor Company, along with Kia Motors, agreed to sponsor the 2006 World Cup in Germany. With this eight year-long sponsorship agreement, Hyundai became one of six official FIFA Partners who have sponsorship rights to the 2010 and 2014 FIFA World Cup™ including all other FIFA events, exclusive marketing assets, increased media exposure, and an affiliation with special events and development initiatives. Hyundai and Kia will showcase their vehicles at FIFA events as the official vehicle supplier to FIFA.

In addition, Hyundai Motor Company strengthened its commitment to European football by renewing its sponsorship with the Union des Associations Europeennes de Football as an Official Automotive Partner. The many events that Hyundai participated in include the Goodwill Ball Tour, which transports a giant four-meter wide football around England to gather good luck messages from fans. A replica of this ball was created and signed by celebrities and sports legends for the children's sports charity, SPARKS. Hyundai vehicles were used to chart the 600-mile "Beckham Route" to the finals last year. Hyundai sponsored the nationally and regionally covered "Search for the Best Five A-Side Teams" in Britain. According to the Times of London, Hyundai enjoyed a 32 percent rise in brand awareness and a 15-times return-on-investment following the conclusion of Euro 2004, the highest of any tournament sponsor.



Things Just Keep Getting Better!

Hyundai Motor's long term objective is to elevate our brand value to the level of the world's best auto maker and also join the ranks of the world's top 30 global brands. Since 1998, we have rapidly overtaken BMW, Renault, Fiat, Nissan and Honda to claim seventh position in the world in terms of production volume. We have now proclaimed our goal to be the world's best automaker by the end of the decade, and to amass global sales of five million units annually.

"Our new brand strategy is designed to ensure that we reach industry leading levels, not only in terms of size, but also in terms of customer perception and overall brand value, while laying a foundation for Hyundai to become, ultimately, the manufacturer of the world's best quality cars," said Chairman Chung.

The real key to our success in achieving our sales target of five million units a year will depend on the overseas market. Most of our growth will come from overseas sales which this year we forecast to grow at nearly twice the pace of domestic sales. Hyundai's overseas sales are forecast to reach 1.78 million units in 2005, up 15.3 percent over 2004 while domestic sales are forecast to rise by 9.8 percent to 605,000 units.

Hyundai has 15 manufacturing plants in 11 countries, and we produce more than half a million vehicles outside of Korea. We are aggressively expanding output in China and India and we are planning on constructing additional plants in Slovakia, Vietnam and Brazil. Like many of our competitors we plan to produce and sell our models as close as possible to the consumers who buy them, which ultimately means we need to expand our existing manufacturing network.

Our long-term vision, "Innovation for Humanity." will succeed our past excellence by furthering and developing our management philosophy for the future. Our new brand slogan, "Drive Your Way," secures our commitment to top quality and productivity through customer satisfaction and world-wide delivery systems.

Establishing a global manufacturing network that includes the Alabama Plant along with a new proving ground, which will become the test site for next-generation US-built Hyundai vehicles, is one of the first steps in our global campaign.

Beijing Hyundai Motor Co. will also produce the Mighty commercial vehicle in 2005 and Verna compact car in 2007. Capacity is planned to rise to 200,000 units a year by 2005 and expand to 600,000 units a year by 2010. The project will cost Hyundai US\$430 million through 2005 and US\$1.1 billion through 2010. We also have plans to build powertrain, engine and transmission plants in China in 2006 to push our local production capacity to a massive 600,000 units a year by 2008, two years earlier than we originally planned. India is currently our largest offshore operation in terms of production volume and supplies its cars to neighboring South Asian markets, as well as to Europe and Mexico

We also have a number of projects under way or in the final phases of planning in Malaysia with a joint venture plant between Inokom Corp. and HMC in Kulim, Kedah and a plant under construction in Vietnam in a joint venture with Vietnam Auto Industry Corp. (Vinamotor). The project in Vietnam will be the Hyundai-Vinamotor company's first automotive plant in the south and all technologies for the production are to be from Hyundai. We also have plans to build a factory in Brazil. The plant will initially assemble heavy trucks, before workers start assembling two different models of Hyundai cars. These globalizing and localizing moves will allow us to avoid import taxes, establish low-cost manufacturing bases and most importantly develop strong, personal bonds with our customers.

The route to become the world's best automaker will not be easy as many of our competitors will themselves be striving for growth, and have already embarked on their own ambitious expansion programs.

Other than our strategically sound global production plans we also continue to increase our research and development expenditures. As an investment in the future, the company will allocate 1.96 trillion won (US\$1.877 billion), an increase of 34.2 percent y-o-y for research and development. Total research and development expenditures for Hyundai Motor and affiliates will rise 19.4 percent y-o-y to 3.2 trillion won (US\$3.07 billion). In terms of facility investments alone, we have earmarked 820 billion won (US\$785.4 million) for 2005.

We have a very clear vision of our future in the automotive industry. We know that by tightening our belts, securing beneficial partnerships and maintaining our strong focus and commitment to quality that our goal will become a reality.



We at the Hyundai Motor Company strive to become the global leader by completing our social responsibilities, enhancing our brand value, securing credibility from our customers, and developing environment-friendly products by maintaining a philosophy of global environmental management.

Environmental Management: The Core Element of Success

Hyundai Motor Company is preparing our future as an environment-friendly company by implementing environmental management strategies in all core management decisions in a major effort to preserve the global environment. We have proven our social responsibility and are stating our clear intention of becoming a global leader in environmental management.

Our core strategy in environmental management is the commercialization of environment-friendly vehicles such as the hybrid car and parts like the fuel cell motor. Since the development of the Sonata electric vehicle as an environment-friendly project in 1991, we have continued to invest in the development of a hybrid car. We expect the Getz hybrid car to expedite the commercialization of environment-friendly vehicles.

We have made vast improvements in our abilities to correspond to environmental controls and develop environment-friendly vehicles by building systems to develop environment-friendly products. We are also actualizing environmental management by building environment-friendly marketing, sales and service systems. We have systematically controlled the whole process of research and development, procurement, production, logistics, sales, maintenance, and disposal in terms of environmental management.

Becoming an Environment-friendly Global Leader

Hyundai Motor Company has established the first domestic Environmental Technology Institute in order to systematically perform core research into the field of environmental technology. The Environmental Technology Institute focuses its research on environment-friendly design, recycling, and development of next generation environment-friendly vehicles, reduction of exhaust emissions, and improvement of gasoline mileage.

Our technological research enables us to rapidly and positively respond to environmental concerns and controls by operating the Environmental Technology Institute in an arena that can consolidate all relevant issues. Hyundai has also introduced a 'green procurement system' that will facilitate the procuring of environment-friendly parts from contractors whose environmental management strategies are compliant. A treatment plant for disused car parts will begin operation by the end of this business year.

Achieving a first in the motor industry, Hyundai was awarded the Grand Prize 2002 in the field of environment operations from the Pacific Economic Cooperation Council. We actively undertook our environmental duties at the UN Environmental motor forum meeting by discussing plans and programs to protect the environment with international auto makers such as GM, Ford, Honda, and Toyota.

Hyundai Motor Company recently organized a task force team to ensure we comply with the Climactic Change Convention as outlined in the Kyoto Protocol. We are very aware of this environmental issue, and are willing to undertake these voluntary measures, as they reinforce our competitiveness by upgrading our environmental capacity and economic efficiency.

We at the Hyundai Motor Company strive to become the global leader by completing our social responsibilities, enhancing our brand value, securing credibility from our customers, and developing environment-friendly products by maintaining a philosophy of global environmental management.



South Korea to Grant Special Benefits to Hybrids

Hyundai Motor will sell the 'Getz' hybrid car to the general public later next year. The Ministry of Finance and Economy in South Korea has observed that hybrid are environmentally friendly vehicles, and more fuel-efficient than subcompacts. As a result, the South Korean government will provide the same benefits for hybrid car owners as subcompacts. Among other benefits, hybrid owners will be eligible for a 50 percent decrease in expressway toll fees, as well as lower insurance premiums.

Hyundai Wins U.S. Dept. of Energy Contract to Further Research on Hydrogen Vehicles


HMC is proud to announce the winning of a grant from the United States government to research fuel cell technology. The five-year program will be responsible for demonstrating a fleet fueling site, developing important safety and legal codes and standards for hydrogen refueling technologies, and educating key audiences about hydrogen as a potential vehicle fuel source. HMC will partner with ChevronTexaco and UTC Fuel Cells to build six hydrogen refueling stations in Southern California, which will power a fleet of Hyundai Tucson Fuel Cell Electric Vehicles (FCEV). The Tucson will feature a higher output fuel cell, a new lithium ion polymer battery, lightweight, performance-boosting aluminum body components, low noise levels, and a roomy cabin that offers the same level of comfort and convenience as its gasoline-powered sibling. The Tucson will also be capable of starting and operating in sub-zero temperatures. Its driving range has been extended to 300km, and it gets a peak output of 80kW. Its maximum speed is rated at 150km/h. We will partner with UTC Fuel Cells of Hartford, CT and Enova Systems of Torrance, CA to bring consumers this extraordinary level of fuel cell technology.

Hybrid Alternative Fuel Engines

Hyundai Motor Company is pioneering the hybrid and fuel cell technology. Fuel cell cars generate electricity by burning hydrogen with water vapor, but will not be available to the public until around 2010. Until then, Hyundai is testing its hybrid car, which uses battery power at low speeds, and a gas-combustion engine at higher speeds. The hybrid is 50 percent more fuel efficient than normal gasoline-driven cars. We are working hard to make these hybrid engines available commercially by 2007.

Pioneering Environment-Friendly Diesel Technology

Hyundai's European Design and Technical Center in Ruesselsheim, Germany presented a new concept engine, the 1.1-liter CRDi ULEV turbo diesel, at the 2004 Paris Motor Show. The engine features Idle Stop & Go technology, which allows it to automatically turn off when stopped momentarily. The engine automatically restarts when the car engages into gear once again. The technology will reduce urban noise, air pollution, and fuel consumption.



Instead of solely donating money, we are committed to actively serving those in our community who need it most by identifying what they need and working with them to stand on their own.

One Community Living Together

Hyundai Motor Company strives to set an example for the world regarding corporate responsibility and volunteerism under the slogan "One Community Living Together." HMC developed a policy of "Social Partnership Interlink Marketing" to actively help those in need. Instead of solely donating money, we are committed to actively serving those in our community who need it most by identifying what they need and working with them to stand on their own.

We realize that our products can be utilized to help our community and therefore design automobiles that meet safety standards for the physically challenged. The Matrix model was designed with one-touch rotational seats and loading systems that can easily handle heavy electric motor wheelchairs. We also donate our time and services by organizing free vehicle inspections for the disabled and elderly.

We designated several weeks in January 2004 as "Social Charity Activity Weeks," visiting orphanages and retirement homes, and donating US\$2 million to these charities. In addition, we donated US\$7 million to the Korean Community Chest. In March 2004, we encouraged our employees to participate in blood drives, donating much-needed blood to leukemia and cancer patients. That month, we also sponsored a fundraiser with The Beautiful Store, a non-profit organization that collects and sells used goods and donates the profits to charity. Our employees donated 60,000 personal items to the store. HMC also donated a truck to

help the store operate with mobility. We donated money to the South Korean Red Cross, which they used to purchase and donate 3,000 wheelchairs for community hospitals and low-income families. Each spring for the last eight years, employees from our Ulsan plant visit the Sung Shim Center for Leprosy, bringing food and enjoying activities with the residents. Our social volunteer team has over 1,200 members. In the past, they have even hosted Korea's "Wheelchair Olympics," community clean-ups, and orphanage visits.

We acknowledged our responsibilities as a leader in Asia by becoming one of the first corporations to offer support to the South-East Asian nations damaged by the tsunami last December. We were actively involved in voluntary services by providing donations and relief goods corresponding to US\$1.5 million. More importantly, we sent a team of 5,000 relief workers to the area consisting of employees and dealers. In the past, our relief efforts have come to the aid of many, including victims of natural disasters such as the earthquakes in Algeria and Iran, where we donated ambulances to aid in rescue efforts.

A company, we feel it is our responsibility to promote social and cultural awareness through education and voluntary services throughout our community. We promote these ideals in all of our employees, who in turn strive to realize these values and implement them every day at Hyundai Motor Company.

Hyundai America Cares

For the past four years Hyundai has funded scholarships, research grants, continuing education grants, and sponsorships to support nurses and healthcare professionals in America. In April, Hyundai sponsored the annual conference of the Foundation of National Student Nurses Association (NSNA), where we granted five US\$1,200 nursing scholarships. In June, Hyundai gave a US\$5,000 scholarship to the Royce Osborn Minority. Hyundai plans to continue its support and will participate in several conferences for nurses and healthcare professionals in 2005. In April 2004, Hyundai America Technical Center in Michigan donated a water booster pump to improve the city's regional water supply. Hyundai California donated Santa Fe SUVs as police cruisers to the State of California. For several years, Hyundai has partnered with Montel Williams and Oprah to reach out to those in great need. Their programs do a superb job of bringing corporate donations of either products or services to those who need them the most. Hyundai is honored to be partnered with these programs to make a difference in the lives of our fellow citizens.

Other American Charities Receiving Hyundai Support

National Affiliates

- ALS Association
- American Cancer Society
- American Diabetes Association
- American Heart Association
- Boy Scouts of America
- United Way of Orange County-Latino Unity Sponsorship
- WISC Foundation
- YWCA
- YWCA of Greater Los Angeles

Multicultural Charities

- A3M
- African Americans on Wheels
- Latino Health Access
- Native American Indian Culture Center
- Native American Media
- Prototypes
- Sweet Strings Musical Organization

Corporate/Community Charities

- Cal State Fullerton School Violence Prevention
- City of Hope
- City of Los Angeles
(Museum of Tolerance Violence Prevention Seminar)
- Deputy Firefighters
- Fantastikids
- Fountain Valley High School Barons Baseball Team
- Institute of Internal Auditors
- Los Angeles Women's Foundation
- Mariners Church (Summer Camp for Foster Kids)
- National Multiple Sclerosis Society
- Oceanside Women's Shelter
- Omega Boy's Club of San Francisco
- Orange County Child Abuse Prevention Center
- Police & Sheriff's Support Fund
- Read Across America
- Red Cross
- San Bernardino County Safety
- Second Harvest Food Bank
- Soccer for Hope Inspirational Walk
- St. Lucy's
- The All-American Boys Chorus
- University of Maryland School Violence Prevention Seminar

Arts/Humanities Charities

- Arts/Humanities Charities
- Create Now
- Healing Odessey
- Pasadena Dance Theater



● R&D Center ● Regional Manufacturing Facility ● Regional Assembly Facility ○ Overseas Sales Affiliate ● Overseas Subsidiary ● Regional Headquarters ● Regional Office

Domestic Facilities

Headquarters

Yangjae-Dong Office
Total lot area: 22,177m²
Total floor space: 82,750m²
Address: 231, Yangjae-Dong, Seocho-Gu, Seoul, 137-938, Korea
Tel: +82-2-3464-1114

Kye-Dong Office (Domestic Business Division)
Address: 140-2, Kye-Dong, Chongro-Gu, Seoul, 110-793, Korea
Tel: +82-2-746-1114

Ulsan Plant

Division: No.1 Plant, No.2 Plant, No.3 Plant, No.4 Plant, No.5 Plant,

Total plant site area of 5,000,000m²
Total floor space: 2,310,000m²
Production capacity: 1,530,000

Vehicles produced:
*No.1 Plant- Accent, Getz
*No.2 Plant- Santa Fe, Centennial, Tucson
*No.3 Plant- Elantra, Coupe, Matrix
*No.4 Plant- H-1, Trajet, H100 Truck, H-1 Truck
*No.5 Plant- Terracan, Tucson
Address: 700 Yangjong-dong, Buk-gu, Ulsan, Korea
Tel: +82-52-280-2114

Asan Plant

Total plant site area of 1,811,000m²
Total floor space: 429,000m²
Production capacity: 290,000

Vehicles produced: Sonata, Grandeur (Azera)
Address: 123 Kumsong-ri, Inju-myun, Asan-si, Chungchungnam-do, Korea
Tel: +82-41-530-5114

Jeonju Plant

Total plant site area of 990,000m²
Total floor space: 363,000m²
Production capacity: 60,000

Vehicles produced: Medium and large size buses, medium and large size trucks, special duty cars
Address: 800 Yongam-ri, Bongdong-eup, Wanju-gun, Jeollabuk-do, Korea
Tel: +82-63-260-5114

Hyundai & Kia Corporate R&D Division

Address: 772-1, Changduk-dong, Hwasung-si, Kyunggi-do, Korea
Tel: +82-31-368-5114

Environmental Technology Research Center

Address: Guseong-myun, Younging-si, Kyunggi-do, Korea

Commercial Vehicle R&D Center

Address: 800 Yongam-ri, Bongdong-eup, Wanju-gun, Jeollabuk-do, Korea
Tel: +82-63-260-5114

Overseas Facilities

Hyundai-Kia America Technical Center Inc. (HATCI)

Address: 5075 Venture Dr, Ann Arbor, MI 48108, U.S.A.
Tel: +1-734-213-8302

Hyundai-Kia California Design & Technical Center (HKMDTC)

Address: 81 Bunsen Irvine, CA 92608, U.S.A.
Tel: +1-949-585-7015, +1-949-585-7016

Hyundai Motor Europe Technical Center GmbH (HME R&D)

Address: Marie-Curie-Strasse 2, 65428 Russelsheim, Germany
Tel: +49-6196-5092-170

Hyundai Motor Japan R&D Center (HMJ R&D)

Address: 3-2-2 Nishinohara Inza-City, Chiba, Japan #270-1334
Tel: +81-476-47-6332

Hyundai Motor Manufacturing Alabama (HMMMA)

Address: 7515 Halcyon Summit Dr, Montgomery Alabama 36117, U.S.A.
Total plant site area of 6,900,000m²
Production capacity: 300,000
Vehicles produced: 2005 Sonata, New SUV

Hyundai Motor India (HMI)

Address: A-30, Mohan Co-Operative Industrial Area, Phase-1 Mathura Road, New Delhi 110-044, India
Total plant site area of 2,148,000m²
Production capacity: 250,000
Vehicles produced: Atos Prime, Elantra, Sonata

Beijing Hyundai Motor Company (BHMC)

Address: Room 601, Millennium Tower No.38 Xiaoyun Road, Chaoyang District, Beijing China
Total plant site area of 670,000m²
Production capacity: 150,000
Vehicles produced: Sonata, Elantra, Tucson

Hyundai Assan Otomotive Sanayi (HAOS)

Address: Sehith Mehmet Fatih Ongul Sk. No: 2, 34742 Kozyatagi, Istanbul, Turkey
Total plant site area of 1,000,000m²
Production capacity: 80,000
Vehicles produced: Accent, H-1, H100

Taganrog Automobile Plant (TagAZ)

Address: 99, Hatturinskiy, Rostov-on-don 344011, Russia
Vehicles produced: Accent, Sonata

Oriental-Hyundai Sdn Bhd

Address: Wisma Kah Motor, 2nd Floor, Hq A/C, Dept. No 566, Batu 3 1/2 Jalan Ipoh, 51200 Kuala Lumpur Malaysia
Vehicles produced: Accent, Elantra, Sonata

Overseas Facilities

Inokom Coporation Sdn Hbd

Address: Lot38, Mukim Padang Meha, 9400 Padang Serai, Kulim Kedah Malaysia
Vehicles produced: Atos, Matrix, Porter

Sudan Master Technology (SMT)

Address: P.O. Box 444 Khartoum 11111, Sudan
Vehicles produced: Accent

Prima Engineering Industries S.A.E

Address: Egyptian Vehicle Manufacturing, Ghabbour Km3 Cairo, Alex Agriculture Road, Egypt
Vehicles produced: Accent

Hyundai Indonesia Motor

Address: Jl. Sultan Iskandar Muda No. 81 Arteri Pondok Indah Lt 2 Jakarta Selatan 12240, Indonesia
Vehicles produced: Atos, Accent, Trajet

Auhui Jianghuai Automotive Co., Ltd

Address: 176, Donglim Road Hefei, China
Vehicles produced: H-1

Huatai Automobile Co., Ltd

Address: No.1 Anyuan Li An Dingmen Wai Chaoyang District, Beijing, China
Vehicles produced: Terracan

Reyan Vehicle Manufacturing Co. (RVMCO)

Address: Sadaf Complex, Arg Blvd., Kerman Khodro Blvd. Km 16 Karadj Special Road, Tehran, Iran
Vehicles produced: Accent

Vietnam Motors Industry Coporation

Address: 120 Hang Trong, Hoan Kiem, Hanoi Vietnam
Vehicles produced: Porter, H100 Truck

Dewan Farooque Motors Ltd

Address: Dewan City, Sujawal, District Thatta
Vehicles produced: Atos, H100 Truck

MMC Automotriz S.A.

Address: Caracas, Venezuela
Vehicles produced: Accent, Elantra

Sanyang Industry Co.,Ltd

Address: 3 Chunghua Road, Hukou Hsinchu Taiwan R.O.C
Vehicles produced: XG, Elantra, Tucson, Getz, Matrix

Hyundai Motor America (HMA)

Address: 10550 Talbert Avenue, P.O. Box 20850, Fountain Valley, CA 92728 0850, U.S.A.
Tel: +1-714-965-3000

Hyundai Auto Canada (HAC)

Address: 75 Frontenac Drive, Markham, Ontario L3R 6H2, Canada
Tel: +1-905-948-6786

Hyundai Motor Company Australia (HMCA)

Address: 8 Baywater Dr. Homebush Bay, NSW 2127
Tel: +61-2-9763-3571

Hyundai Motor Japan (HMJ)

Address: Shuwa Sanbancho Building 2F 28 Sanbancho Chiyoda-Ku, Tokyo
Tel: +81-3-5211-4100

Hyundai Motor Company Poland (HMP)

Address: Natpoll Building, No. 30, 4, Migdalowa Street, 02-796 Warsaw, Poland
Tel: +48-22-645-1625

Hyundai Motor Hungary KFT (HMH)

Address: H-1123 Budapest Alkotás U. 50, Hungary
Tel: +36-20-439-9340

Hyundai Motor Norway AS (HMN)

Address: Ensjovn. 12D, Postboks 6466, Etterstad, 0605, Oslo, Norway
Tel: +47-22-70-6154

Hyundai Motor Europe (HME)

Address: Marie-Curie-Strasse 2, 65428 Russelsheim, Germany
Tel: +49-6142-7889-360

World Marketing Group (WMG)

Address: 4 Park Plaza Suite 950 Irvine, CA 92614, U.S.A.
Tel: +1-949-440-2104

Hyundai Motor Finance Co. (HMFC)

Address: 10550 Talbert Avenue, Fountain Valley, CA 92728 0850, U.S.A.
Phone: +1-714-965-3400

Beijing Jingxian Motor Safeguard Service Co., Ltd

Address: 18A Zhichun Road, Haidian District Beijing, China
Tel: +86-10-6252-4660

Hyundai Motor Company (Central & Eastern Europe Regional Headquarters)

Address: World Trade Center, Ent.3 #1902, Krasnopresnenskaya nab.12, 123610 Moscow, Russia
Tel: +7-095-258-1400

Hyundai Motor Company (Asia Regional Headquarters)

Address: Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450, Kuala Lumpur, Malaysia
Tel: +60-3-2713-8383

Hyundai Motor Company (Africa & Middle East Regional Headquarters)

Address: #2903, Api World Tower Sheikh Zayed Rd., P.O. Box 34406 Dubai, U.A.E.
Tel: +971-4-332-6667

Hyundai Motor Company (Central & South America Regional Headquarters)

Address: 9250 NW 25th Street Miami, FL 33172 U.S.A.
Tel: +1-305-470-8001

Hyundai Motor Company (Pacific Regional Headquarters)

Address: 8 Baywater Dr. Homebush Bay, NSW 2127
Tel: +61-2-9763-3571

Hyundai & Kia China Regional Headquarters

Address: Room 1001, Hyundai Motor Tower, No. 38 Xiaoyun Road, Chaoyang District Beijing, China
Tel: +86-10-8453-9777

Hyundai Motor Beijing Office

Address: Room 701, Millennium Tower NO.38 Xiaoyun Road, Chaoyang District, Beijing China (POST BOX NO.100027)
Tel: +86-10-8453-9666

Hyundai Washington Office

Address: 1660 L Street, NW, Suite 201, Washington DC 20036 U.S.A.
Tel: +1-202-296-5550

Hyundai Detroit Office

Address: Hyundai Kia Motor Company 41850 W. 11 Mile Road Ste 110 Novi, MI 48375
Tel: +1-248-468-2414 (101)

Hyundai Motor Company Hanoi Office

Address: Suite 1004, 10th, Hanoi Central Office Building, 44B Ly Thuong Kiet Street, Hanoi, Vietnam
Tel: +84-4-936-4059-61



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HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

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

Deloitte HanaAnjin LLC

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INDEPENDENT AUDITORS' REPORT

(English Translation of a Report Originally Issued in Korean)

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

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

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

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

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

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

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

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

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

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

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

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



Deloitte HanaAnjin LLC
Seoul, Korea, April 14, 2005

Notice to Readers

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2003

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

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED) AS OF DECEMBER 31, 2004 AND 2003

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

Commitments and contingencies (Note 24)

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED) AS OF DECEMBER 31, 2004 AND 2003

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

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

1. GENERAL INFORMATION:

The Company

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

The Company has three domestic production plants as follows:

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

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

Consolidated Subsidiaries

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

Shareholders' equity As of December 31, 2004

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Shareholders' equity As of December 31, 2004

Subsidiaries	Business	Korean won (in millions)(*)	Translation into U.S. dollars (Note 2) (in thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Haevichi Resort	Real estate development	16,174	15,495	2,015,000	65.00%	KIA - 40% & WIA - 25%
Bontek Co., Ltd.	Manufacturing	57,141	54,743	397,210	39.72%	KIA - 39.72%
Aju Metal Co., Ltd.	"	14,353	13,751	972,680	97.27%	WIA - 50% & DYMOS -47.27%
Mseat Co., Ltd.	"	35,222	33,744	998,140	99.81%	DYMOS - 99.81%
Autoever Systems Corp. (formerly Autoever Co., Ltd.)	Information technology	23,945	22,940	499,000	49.90%	KIA - 20% & HCS 4.90%
Foreign subsidiaries:						
Hyundai Motor India (HMI)	Manufacturing	369,670	354,158	8,127,785	100.00%	
Hyundai Motor America (HMA)	Sales	950,806	910,908	1,150	100.00%	
Hyundai Motor Japan Co. (HMJ)	"	(48,462)	(46,428)	60,000	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	9,180	8,795	172,862	100.00%	
Hyundai Motor Europe GmbH (HME)	"	17,934	17,181	-	100.00%	
Hyundai Motor Company Australia (HMCA)	"	23,713	22,718	10,000,000	100.00%	
Hyundai Translead (HT)	"	27,971	26,797	1,160,000	100.00%	
Hyundai Machine Tool Europe GmbH (HYME)	"	6,694	6,413		100.00%	
Hyundai America Technical Center Inc. (HATCI)	R & D	15,049	14,418	1,000	100.00%	
Beijing Mobis Transmission Co., Ltd.	Manufacturing	44,015	42,168	-	60.00%	KIA - 30%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	432,108	413,976	-	100.00%	HMA - 100%
Hyundai Motor Finance Company (HMFC)	Financing service	296,246	283,815	750	100.00%	HMA - 100%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	105	101	100	100.00%	HMA - 100%
Sevenwood Property Inc.	Real estate rent	70	67	4,088,071	100.00%	HMA - 100%
World Marketing Group LLC (WMG)	Sales	12,584	12,056	-	100.00%	HMA - 50% & KMA - 50%
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing	6,149	5,891	9,996	99.96%	HT - 99.96%

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Shareholders' equity As of December 31, 2004

Subsidiaries	Business	Korean won (in millions)(*)	Translation into U.S. dollars (Note 2) (in thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Stampted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	16,226	15,545	18,542,284	100.00%	HMA - 72.45%
Stampted Metal America Research Technology LLC	Manufacturing	16,226	15,545	-	100.00%	SMARTI - 100%
China Millennium Corporations (CMEs)	Real estate development	33,376	31,975	-	89.90%	KIA - 30.3%
Beijing Hines Millennium Real Estate Development	Real estate development	15,807	15,144	-	100.00%	CMEs -99.00%
Kia Japan Co., Ltd. (KJC)	Sales	23,286	22,309	85,800	100.00%	KIA - 100%
Kia Motors America Inc. (KMA)	"	18,205	17,441	1,000,000	100.00%	KIA - 100%
Kia Motors Deutschland GmbH (KMD)	"	(7,814)	(7,486)	-	100.00%	KIA - 100%
Kia Canada, Inc. (KCI)	"	(15,078)	(14,445)	6,298	100.00%	KIA - 82.5% & KMA - 17.5%
Kia Motors Polska Sp.z.o.o. (KMP)	"	(6,484)	(6,212)	15,637	99.60%	KMD - 99.6%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	117,544	112,612	25,000	100.00%	KIA - 100%
Kia Motors Slovakia S.r.o. (KMS)	Sales	60,732	58,184	100	100.00%	KME - 100%
Kia Motors Belgium (KMB)	Sales	(1,228)	(1,176)	1,000,000	100.00%	KME - 100%
Kia Motors Czech s.r.o. (KM CZ)	"	2,079	1,992	106,870,000	100.00%	KME - 100%
Kia Motors (UK) Ltd.(KMUK)	"	20,186	19,339	17,000,000	100.00%	KME - 100%
Kia Motors Austria GmbH (KMAS)	"	4,789	4,588	2,107,512	100.00%	KME - 100%
Kia Motors Hungary Kft (KMH)	"	4,508	4,319	30,000,000	100.00%	KME - 100%
Kia Motors Iberia (KMIB)	"	32,045	30,700	31,600,000	100.00%	KME - 100%
Kia Motors Sweden AB (KMSW)	"	3,700	3,545	4,400,000	100.00%	KME - 100%
Kia Automobiles France (KMF)	"	(6,995)	(6,701)	5,000,000	100.00%	KME - 100%
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing	119,514	114,499	-	100.00%	KIA - 50%
Hyundai Pipe of America, Inc.	Sales	6,017	5,765	250,000	50%	HYSKO -100%
Hysco America Co. Inc	Sales	10,146	9,720	1,000	100.00%	HYSKO -100%
Beijing Hyundai Hysco Steel Process Co., Ltd.	Manufacturing	9,641	9,236	-	100.00%	HYSKO -100%
Kia Heavy Industries U.S.A., Corp.	Sales	(1,488)	(1,426)	1,200	100.00%	WIA - 100%

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

(1) Hyundai Card Co., Ltd. and Aju Metal Co., Ltd. are included in the consolidation mainly due to the holding and acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.

(2) World Marketing Group LLC are included in 2003 consolidation since its individual total assets at the end of the preceding year exceeded the required level of ₩7,000 million (US\$6,706 thousand).

(3) HMCA, Beijing Mobis Transmission Co., Ltd. and Beijing Hyundai Hysco Steel Process Co., Ltd. are included in the consolidation due to the new acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.

(4) HAOSVT and WISCO, which had been included in the 2002 consolidation, are excluded in 2003 consolidation due to the disposal of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**Basis of Consolidated Financial Statement Presentation**

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

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

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

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

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

Principles of Consolidation

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

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

life of the identifiable acquired depreciable assets and the amount of negative goodwill in excess of the total fair value of the acquired identifiable non-monetary assets is recognized as non-operating gain at the date of acquisition.

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

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

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

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

Revenue Recognition

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

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

Allowance for Doubtful Accounts

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

Inventories

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

Investment Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

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

Valuation of Securities

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

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

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

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

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

Investment Securities Accounted for Using the Equity Method

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

Property, Plant and Equipment and Related Depreciation

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

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

	Useful lives (years)
Buildings and structures	2 - 60
Machinery and equipment	2 - 20
Vehicles	2 - 10
Tools, dies and molds	2 - 10
Other equipment	2 - 10

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

Intangibles

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

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

	Useful lives (years)
Goodwill (Negative goodwill)	Within 20 years
Industrial property rights	3 - 40
Development costs	3 - 10
Other	3 - 40

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

Financing Costs

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

Valuation of Receivables and Payables at Present Value

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

Discount on Debentures

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

Accounting for Lease Contracts

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

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

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

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

Accrued Severance Benefits

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

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

Accrued Warranties and Product Liabilities

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

Stock Options

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

Derivative Instruments

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

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

In 2004 and 2003, the Company and its subsidiaries recognized the net gain of ₩79,037 million (US\$75,720 thousand) and the net loss of ₩39,548 million (US\$37,888 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

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

(*) The Company has the position of seller.

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

Accounting for Foreign Currency Transaction and Translation

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

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

Income Tax Expense

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

Earnings per Common Share

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Reclassifications

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

3. INVENTORIES:

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

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

4. SHORT-TERM INVESTMENT SECURITIES:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

5. LONG-TERM INVESTMENT SECURITIES:

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Companies	Acquisition cost	Book value Korean won (in millions)	Book value Translation into U. S. dollars (Note 2) (in thousands)	Ownership percentage [*3]
ROTIS	1,000	8	8	1.33
Koryo Co., Ltd.	6,625	728	697	1.02
Korea Software Financial Cooperative	500	500	479	0.60
Cheju International Convention Center	500	500	479	0.59
Korea Economy Daily	168	168	161	0.22
Daewoo Motor Co., Ltd.	2,213	-	-	0.02
Pilot beneficiary certificates	10,786	10,786	10,333	-
Machinery Insurance Cooperative	10,501	10,501	10,060	-
Badbank Harmony Co., Ltd.	13,905	-	-	-
Korea Defense Industry Association	4,890	4,890	4,685	-
Other	5,530	3,011	2,885	-
	₩251,013	₩192,608	\$184,526	

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

(*2) This investment security was excluded from using the equity method despite its ownership percentage exceeding twenty percentages, since there is no significant influence on the investee.

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

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

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

Companies	Acquisition cost	Book value Korean won (in millions)	Book value Translation into U. S. dollars (Note 2) (in thousands)	Ownership percentage [*2]
Hyundai Jingxian Motor Safeguard Service Co., Ltd. [*1]	₩2,019	₩2,019	\$1,934	84.87
NGVTEK.com [*1]	571	571	547	53.66
Amco Corp.	950	950	910	19.99
Dongyong Industries Co., Ltd.	241	241	231	19.35
Jinil MVC Co., Ltd.	180	180	172	18.00
Mobil.Com Co., Ltd.	1,800	1,800	1,724	17.39
Industri Otomotif Komersial	4,439	4,439	4,253	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,302	14.97

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Companies	Acquisition cost	Book value Korean won (in millions)	Translation into U.S. dollars (Note 2)		Ownership percentage (*2)
			Book value (in thousands)	(%)	
Hyundai Unicorns Co., Ltd.	5,795	137	131	14.90	
Hyundai Research Institute	1,359	1,271	1,218	14.90	
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,395	13.66	
Kihyup Finance, Inc.	3,700	3,700	3,545	12.75	
3Gcore, Inc.	225	225	216	10.43	
Hyundai Motor Deutschland GmbH	863	863	827	10.00	
Wisco Co., Ltd.	348	280	268	9.68	
Hyundai Finance Corporation	9,888	9,888	9,473	9.29	
Namyang Industrial Co., Ltd.	200	200	192	8.00	
KOENTECH	1,550	1,550	1,485	7.50	
Hankyoreh Plus Inc.	4,800	284	272	7.41	
Hyundai Oil refinery Co., Ltd.	88,857	88,857	85,128	7.24	
Korea Credit-card Electronic-settlement Service Co., Ltd.	484	255	244	6.72	
Hyundai Asan Corporation	22,500	8,861	8,489	5.00	
Dongwon Capital Co., Ltd.	3,000	3,000	2,874	4.62	
U.S. Electrical Inc.	2,204	2,204	2,112	3.80	
ROTIS	1,000	-	-	3.76	
KIS Information & Communication, Inc.	220	220	211	1.67	
Yonhap Capital Co., Ltd.	10,500	10,500	10,059	1.49	
Koryo Co., Ltd.	6,625	727	697	1.02	
Korea Software Financial Cooperative	500	500	479	0.60	
Cheju International Convention Center	500	500	479	0.59	
Daewoo Motor Co., Ltd.	2,213	-	-	0.02	
Machinery Insurance Cooperative	8,188	8,188	7,844	-	
Space Imaging LLC	5,319	5,319	5,096	-	
Korea Defense Industry Association	4,690	4,690	4,493	-	
Daejoo Heavy Industry Co. Ltd.	650	650	623	-	
Hyundai RB Co.	550	550	527	-	
Yonhi Information & Communication Co., Ltd.	500	-	-	-	
Toba Telecom	405	-	-	-	
Other	5,332	2,634	2,523	-	
	₩210,155	₩173,243	\$165,973		

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

Description	Ownership percentage (*2)	Historical cost	Book value			
			Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
			2004	2003	2004	2003
Kia Tigers Co., Ltd. (*1)	100.00	₩20,300	₩6,024	₩10,090	\$5,771	\$9,667
HMJ R&D (*1)	100.00	1,510	2,245	2,391	2,151	2,291
Yan Ji Kia Motors A/S (*1)	100.00	1,792	1,792	1,792	1,717	1,717
Kia Motors Australia Pty Ltd. (*1)	100.00	825	825	-	790	-
Wia Automotive Parts Co., Ltd. (*1)	100.00	6,975	6,975	-	6,682	-
Beijing-Hyundai Motor Company Hyundai Assan Otomotive Sanayi	50.00	133,691	292,896	281,997	280,606	270,164
Ve Ticaret A.S. (HAOSVT)	50.00	48,013	24,765	25,859	23,726	24,774
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	50.00	571	571	-	547	-
Donghui Auto Co., Ltd.	35.10	10,530	7,695	5,608	7,372	5,373
Korea Space & Aircraft Co., Ltd.	33.33	129,800	81,827	79,312	78,394	75,984
PT. Kia Timor Motors	30.00	10,908	10,337	12,865	9,903	12,325
Hyundai Motor Deutschland GmbH	30.00	6,761	12,589	-	12,061	-
Hyundai Motor Group China, Ltd.	30.00	1,508	1,508	-	1,445	-
Korea Economy Daily	29.57	19,973	14,247	14,129	13,649	13,536
TRW Steering Co., Ltd.	29.00	8,952	7,598	8,254	7,279	7,908
NGVTEK.com	24.39	250	250	250	240	240
Hyundai MOBIS	20.45	118,993	546,923	310,060	523,973	297,049
EUKOR Car Carriers, Inc.	20.00	48,912	80,809	53,323	77,418	51,085
Iljin Bearing Co., Ltd. (formerly Iljin Automotive Co., Ltd.)	20.00	826	13,102	12,794	12,552	12,257
Daesung Automotive Co., Ltd.	20.00	400	6,094	5,619	5,838	5,383
Kia Service Philippines Co.	20.00	185	-	185	-	177
Eukor Car Carriers Singapore Pte.	20.00	13	13	13	12	12
Hysco America Co., Ltd.	-	-	-	5,690	-	5,451
		₩571,688	₩1,119,085	₩830,231	\$1,072,126	\$795,393

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

7. LEASED ASSETS:

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

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

8. INSURED ASSETS:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

9. PROPERTY, PLANT AND EQUIPMENT:

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

10. INTANGIBLES:

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

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

The changes in intangibles in 2004 are as follows:

Description	2004						2003	
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total	
Beginning of the year	₩805,751	₩(83,596)	₩21,204	₩1,032,995	₩85,703	₩1,862,057	\$1,783,921	
Addition:								
Expenditures	244,554	-	8,399	1,311,550	12,860	1,577,363	1,511,174	
Deduction:								
Disposal	-	-	-	(2,701)	(8,384)	(11,085)	(10,620)	
Amortization	(130,098)	6,923	(7,966)	(237,222)	(12,147)	(380,510)	(364,543)	
Research	-	-	-	(628,237)	-	(628,237)	(601,875)	
Ordinary development	-	-	-	(139,012)	-	(139,012)	(133,179)	
Impairment loss	(461,107)	-	-	(11,799)	-	(472,906)	(453,062)	
Other	882	4,360	(858)	738	(297)	4,825	4,623	
End of the year	₩459,982	₩(72,313)	₩20,779	₩1,326,312	₩77,735	₩1,812,495	\$1,736,439	

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

11. OTHER ASSETS:

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

12. OTHER FINANCIAL BUSINESS ASSETS:

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

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

13. SHORT-TERM BORROWINGS:

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

14. LONG-TERM DEBT:

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

15. CAPITAL STOCK:

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

16. CAPITAL ADJUSTMENTS:

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

Description	Korean won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)	
	2004	2003	2004	2003
Treasury stock	₩(98,341)	₩(93,191)	\$(94,214)	\$(89,281)
Discounts on stock issuance	(3,244)	(3,015)	(3,108)	(2,888)
Gain on valuation of available-for-sale Securities (see Notes 4 and 5)	490,869	361,630	470,271	346,455
Loss on valuation of investment securities accounted for using the equity method	(316,820)	(194,082)	(303,526)	(185,938)
Stock option cost	19,130	16,667	18,327	15,968
Cumulative translation adjustments	(213,608)	(32,503)	(204,645)	(31,139)
Loss on valuation of derivatives (see Note 2)	(17,051)	(83,863)	(16,335)	(80,344)
	₩(139,065)	₩(28,357)	\$(133,230)	\$(27,167)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

(1) Treasury stock

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

(2) Discounts on stock issuance

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

(3) Stock option cost

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

(4) Cumulative translation adjustments

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

(5) Gain (loss) on valuation of derivatives

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

17. PLEDGED ASSETS, CHECKS AND NOTES:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

18. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses are as follows:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

20. DIVIDENDS:

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

21. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

22. INTER-COMPANY TRANSACTIONS:

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Significant transactions in 2003 and 2002 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
Hyundai Capital Service Inc.	Kia Motors Corporation	₩28,586	₩2,786	\$27,386	\$2,669
	Hyundai Card	6,710	5,942	6,428	5,693
Autoever Systems Corp.	Kia Motors Corporation	34,574	4,304	33,123	4,123
	Hyundai Capital Service Inc.	6,394	7,458	6,126	7,145
	Hyundai Card	7,100	8,467	6,802	8,112
	Hyundai HYSKO	9,844	-	9,431	-
Hyundai Card	Hyundai Capital Service Inc.	4,048	3,374	3,878	3,232
KEFICO Corporation	Kia Motors Corporation	81,246	60,376	77,837	57,842
	Hyundai Powertech	61,022	15,897	58,461	15,230
Dyos Inc.	Kia Motors Corporation	58,151	22,851	55,711	21,892
	ROTEM	60,620	20,111	58,076	19,267
WIA Corporation	Kia Motors Corporation	727,697	530,520	697,161	508,258
	Aju Metal Co., Ltd.	47,598	-	45,601	-
	Kia Heavy Industries U.S.A., Corp.	21,568	-	20,663	-
Hyundai Powertech	Kia Motors Corporation	350,327	199,208	335,627	190,849
Hyundai HYSKO	Kia Motors Corporation	49,801	76,872	47,711	73,646
Hyundai Motor America	Hyundai America Technica Center Inc.	4,553	-	4,362	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	18,360	-	17,590	-
Kia Motors Corporation	WIA Corporation	-	281	-	269
	Kia Motors Deutschland GmbH	654,879	443,686	627,399	425,068
	Kia Canada, Inc.	400,462	389,781	383,658	373,425
	Hyundai Powertech	8,557	1,179	8,198	1,130
	Kia Motors America Inc. and others	4,589,058	3,341,616	4,396,492	3,201,395
	KEFICO Corporation	3,416	-	3,273	-
	Kia Motors Europe GmbH	1,664,717	938,173	1,594,862	898,805
	Dong Feng Yueda Kia Motor Co., Ltd.	178,974	-	171,464	-
	Kia Motors Belgium	-	25,609	-	24,534
	Kia Motors (UK) Ltd.	-	279,197	-	267,481
	Kia Motors Austria GmbH	-	53,363	-	51,124

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
Kia Motors Europe GmbH	Kia Motors Deutschland GmbH	-	428,553	-	410,570
	Kia Motors Czech s.r.o.	38,004	21,781	36,409	20,867
	Kia Motors Hungary Kft	36,556	23,469	35,022	22,484
	Kia Motors (UK) Ltd.	588,456	259,884	563,763	248,979
	Kia Automobiles France	193,904	-	185,767	-
	Kia Motors Iberia	605,045	-	579,656	-
	Kia Motors Belgium	70,185	24,910	67,240	23,865
	Kia Motors Sweden AB	41,671	-	39,922	-
	Kia Motors Austria GmbH	105,819	51,893	101,379	49,715
Aju Metal Co., Ltd.	WIA Corporation	68,461	-	65,588	-
ROTEM	Hyundai HYSKO	2,960	-	2,836	-
	Kia Motors Corporation	4,406	-	4,221	-
	WIA Corporation	2,590	-	2,481	-
Kia Motors Deutschland GmbH	Kia Motors Polska Sp.z.o.o.	7,064	-	6,768	-
World Marketing Group LLC	Hyundai Motor America	6,806	-	6,520	-
	Kia Motors America Inc.	13,606	-	13,035	-

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

	Korean won (in millions)				Translation into U. S. dollars (Note 2) (in thousands)			
	2004		2003		2004		2003	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Capital Service Inc.	₩19,966	₩10,123	₩34,852	₩7,931	\$19,128	\$9,698	\$33,390	\$7,598
ROTEM	316	5,382	902	11,842	303	5,156	864	11,345
Hyundai Card	21,466	60,679	38,334	57,371	20,565	58,133	36,725	54,964
KEFICO Corporation	2,086	51,232	2,365	54,579	1,998	49,082	2,266	52,289
Hyundai Dymos	1,123	84,412	7,666	73,276	1,076	80,870	7,344	70,201
Hyundai Powertech	9,930	48,257	17,927	30,669	9,513	46,232	17,175	29,382
WIA Corporation	7,548	67,849	3,327	36,175	7,231	65,002	3,187	34,657
Kia Motors Corporation	174,496	119,381	264,780	13,211	167,174	114,372	253,669	12,657
Mseat Co., Ltd.	1,371	20,789	-	-	1,313	19,917	-	-
Autoever Systems Corp.	20	59,665	5,114	53,034	19	57,161	4,899	50,809
Hyundai HYSKO	2,051	26,119	100	30,786	1,965	25,023	96	29,494
Aju Metal Co., Ltd.	113	2,803	-	-	108	2,685	-	-
HAC	179,748	7,131	111,876	4,989	172,205	6,832	107,181	4,780
HMCA	130,247	1,315	104,932	2,030	124,782	1,260	100,529	1,945
HME	342,935	-	61,947	-	328,545	-	59,348	-
Hyundai Motor America	90,149	5,013	1,276,476	48,700	86,366	4,803	1,222,912	46,656
Hyundai Motor Manufacturing Alabama, LLC	9,885	-	4,552	-	9,470	-	4,361	-
Hyundai America Technical Center Inc.	-	4,002	-	10,040	-	3,834	-	9,619
Hyundai Motor India	15,513	2,859	33,039	68	14,862	2,739	31,653	65
Hyundai Motor Japan Co.	1,495	-	38,959	-	1,432	-	37,324	-
Hyundai Motor Poland Sp. Zo. O	5,892	1,226	13,233	76	5,645	1,175	12,678	73

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
Kia Motors Corporation	WIA Corporation	₩159,987	₩610	\$153,274	\$584
	Autoever Co., Ltd.	14,683	-	14,067	-
	Hyundai Card	30,529	-	29,248	-
	Hyundai HYSKO	12,781	-	12,245	-
	Dymos Inc.	21,641	-	20,733	-
	KEFICO Corporation	11,618	-	11,130	-
	Mseat Co., Ltd.	6,628	-	6,350	-
	Hyundai Powertech	63,030	-	60,385	-
	ROTEM	9,433	-	9,037	-
	Kia Motors America Inc.	1,070,653	683,481	1,025,726	654,801
	Kia Canada, Inc.	127,266	113,620	121,926	108,852
	Bontek Co., Ltd.	3,284	-	3,146	-
	Kia Motors Deutschland GmbH	261,988	39,065	250,994	37,426
	Kia Motors Polska Sp.z.o.o.	644	24,309	617	23,289
	Dong Feng Yueda	-	-	-	-
	Kia Motor Co., Ltd.	20,297	-	19,445	-
	Kia Motors Europe GmbH	827,780	349,486	793,045	334,821
	Kia Motors Belgium	-	17,424	-	16,693
	Kia Motors (UK) Ltd.	330	114,492	316	109,688
	Kia Motors Austria GmbH	-	26,470	-	25,359
Kia Motors Europe	Kia Motors Deutschland GmbH	246,413	166,831	236,073	159,830
	Kia Motors Czech s.r.o.	15,140	12,088	14,505	11,581
	Kia Motors Hungary Kft	15,345	12,317	14,701	11,800
	Kia Motors UK	267,700	110,851	256,467	106,199
	Kia Automobiles France	129,389	-	123,960	-
	Kia Motors Iberia	337,026	-	322,884	-
	Kia Motors Sweden AB	17,100	-	16,382	-
	Kia Motors Belgium	41,162	17,444	39,435	16,712
	Kia Motors Austria GmbH	47,011	27,125	45,038	25,987
	Autoever Co., Ltd.	Kia Motors Corporation	14,683	12,340	14,067
KEFICO Corporation	Kia Motors Corporation	11,618	10,136	11,130	9,711
	Hyundai Powertech	-	2,636	-	2,525
Hyundai Dymos	Kia Motors Corporation	21,614	5,927	20,707	5,678
Hyundai Capital Service Inc.	Hyundai Powertech	-	13,151	-	12,599

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Subsidiaries	Counterpart subsidiaries	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		2004	2003	2004	2003
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
Hyundai Card	Hyundai Capital Service Inc.	24,183	-	23,168	-
Hyundai Powertech	Kia Motors Corporation	63,030	46,845	60,385	44,879
ROTEM	Dymos Inc.	4,731	-	4,532	-
WIA Corporation	Kia Motors Corporation	159,987	83,813	153,274	80,296
	Hyundai HYSKO	1,029	-	986	-
	Kia Heavy Industries U.S.A., Corp.	-	16,747	-	16,044
Hyundai HYSKO	Kia Motors Corporation	12,781	7,918	12,245	7,586
AIA	WIA Corporation	16,301	-	15,617	-
Aju Metal Co., Ltd.	Dymos Inc.	1,112	-	1,065	-
	WIA Corporation	11,325	-	10,850	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	2,471	3,749	2,367	3,592
World Marketing Group LLC	Kia Motors America Inc. and others	23,619	-	22,628	-
Kia Heavy Industries U.S.A., Corp.	WIA Corporation	14,398	-	13,794	-
Kia Motors America Inc.	World Marketing Group LLC	23,619	-	22,628	-

23. RELATED PARTY TRANSACTIONS:

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

Companies	Related party	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩482,053	₩1,579,099	\$461,825	\$1,512,837
	Amco Corp.	-	195,199	-	187,008
	Glovis Co., Ltd.	-	311,790	-	298,707
Kia Motors Corporation	Hyundai Mobis	44,851	1,492,643	42,969	1,430,009
	Amco Corp.	361	151,279	346	144,931
	Glovis Co., Ltd.	3,003	145,802	2,877	139,684

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

Companies	Related party	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩133,565	₩953,080	\$127,960	\$913,087
	Amco Corp.	-	127,068	-	121,736
	Glovis Co., Ltd.	-	210,534	-	201,700
Kia Motors Corporation	Hyundai Mobis	46,798	488,651	44,834	468,146
	Amco Corp.	43	123,293	41	118,119
	Glovis Co., Ltd.	1,812	63,223	1,736	60,570

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

24. COMMITMENTS AND CONTINGENCIES:

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

(2) As of December 31, 2004, the outstanding balance of accounts receivable discounted with recourse and transferred by the Company and its subsidiaries amounts to ₩145,737 million (US\$139,622 thousand).

(3) The Company and its subsidiaries have used a customer financing system related to a long-term installment sales system and have provided guarantees to related banks amounting to ₩201,018 million (US\$192,583 thousand) as of December 31, 2004. These guarantees are all covered by insurance contracts, which specify the customer and the Company and its subsidiaries as contractor and beneficiary, respectively.

(4) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2004 will not have any material effect on its financial position.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

25. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

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

Consolidated Balance Sheet as of December 31, 2004

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

Consolidated Balance Sheet as of December 31, 2003

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

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

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

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

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

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

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

(2) Regional Results of Operations

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

26. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES:

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

27. MERGER AND SALES OF BUSINESS DIVISION BETWEEN SUBSIDIARIES:

- (1) Effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. (HCVE) with assets of ₩125,110 million (US\$119,860 thousand) and liabilities of ₩127,418 million (US\$122,071 thousand) without issuing new common stock for its shareholders (the exchange rate for merger – the Company : HCVE = 1 : 0). Since HCVE was a subsidiary of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (US\$31,534 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of the HCVE is accounted for as deduction in capital surplus.
- (2) Effective February 1, 2004, Autoever Systems Corp. acquired On-Line Education Business division with assets of ₩446,639 million (US\$427,897 thousand) and the related personnel from e-HD.com by cash payment of ₩941,139 million (US\$901,647 thousand). Since both Autoever Systems Corp. and e-HD.com were subsidiaries of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩494,500 million (US\$473,750 thousand) of the cash payments over the carrying amount of acquired assets of e-HD.com is accounted for as deduction in retained earnings instead of capital surplus, which does not exist.
- (3) Effective February 1, 2004, ROTEM acquired Aircraft Business division from Hyundai MOBIS with assets and liabilities of ₩15,399 million (US\$14,753 thousand) and ₩504 million (US\$483 thousand), respectively, by cash payment of ₩14,895 million (US\$14,270 thousand).
- (4) Effective March 31, 2003, WIA Corporation merged with e-HD.com by issuing new common stock for its shareholders (the exchange rate for merger – WIA Corporation : e-HD.com = 1 : 0.0162). WIA Corporation recorded acquired assets and liabilities of ₩40,507 million (US\$38,807 thousand) and ₩35,028 million (US\$33,558 thousand), respectively, on a consolidated basis of the carrying amount as of the merger date.
- (5) To prohibit having competition with GE Capital Korea Ltd., the subsidiary of GE Holdings, which has the same business with Hyundai Capital Service Inc. (HCSI), one of the Company's domestic subsidiaries, after GE Holdings' acquisition of HCSI's shares, HCSI entered into a business transfer contract with GE Capital Korea at the extraordinary shareholders' meeting on October, 1, 2004, wherein GE Capital Korea transferred the right of business of installment financing for new or used vehicles made by the Company and Kia Motors Corporation, tangible assets related to such right of business (including lease contract of sales office and related fixtures and equipments) and related employees. In accordance with such business transfer contract, HCSI paid ₩17,958 million (US\$17,204 thousand) for the considerations of the business transfer. According to the business transfer agreement, the considerations of the business transfer on the personal credit loans are to be paid depending on the personal credit loan business performance (net income that are computed by the agreed earn-out payment model) in three years from the business transfer date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004 AND 2003

- (6) Effective June 4, 2003, Hyundai Card Co., Ltd. merged First CRV, which had been the sole owner of Hyundai Card Co., Ltd., by issuing new common stock for its shareholders. Applying the pooling of interest method, Hyundai Card Co., Ltd. recorded acquired assets and liabilities on a basis of the carrying amount as of the merger date. Through this issuance of new common stock, the treasury stock of ₩118,295 million (US\$113,331 thousand) held by Hyundai Card Co., Ltd. was all retired in accordance with approval at the shareholders' meeting on September 3, 2003.
- (7) Effective July 1, 2003, Autoever Systems Corp. entered into a sales contract of Used Cars Auction Business division with Glovis Co., Ltd. under the decision of the board of directors on June 10, 2003. In accordance with the contract, Autoever Systems Corp. transferred the assets and liabilities of ₩1,141 million (US\$1,093 thousand) and ₩1,350 million (US\$1,293 thousand), respectively, and paid cash of ₩209 million (US\$200 thousand) for the excess of transferred liabilities over transferred assets.

28. SALES AND ACQUISITION OF ASSETS:

- (1) Effective March 5, 2004, WIA Corporation acquired plant equipments by the payment of ₩22,258 million (US\$21,324 thousand) from Kovico. Ltd. in accordance with the decision of the board of directors on February 28, 2004. The excess cost of the acquisition over the fair value of the plant equipments, amounting to ₩5,151 million (US\$4,935 thousand), is recorded as goodwill.
- (2) Kia Motors Corporation entered into a trust contract for maintenance and disposal of receivables, long-term investment securities and properties (book value of ₩154,892 million (US\$148,392 thousand)) of the Company with Woori Bank ("trustee" hereinafter) on December 27, 2004, and received Class A Certificate and Class B Certificate for the trust contract from the trustee on December 30, 2004. The Company disposed the Class A Certificate (face value of ₩158,000 million (US\$151,370 thousand)) to Pilot Asset Securitization Specialty Co. Also, the Company entered into a lease contract (lease period: 2 years and 6 months) on the trusted property (land and buildings) with Woori Bank. Also, the Company did not recognize the value of the Class B Certificate from the trust contract of property on the balance sheet due to the uncertainty of inflow of economic benefits in the future. As result of this transaction, the Company recorded ₩6,308 million (US\$6,043 thousand) of gain on disposal of investments and ₩3,482 million (US\$3,336 thousand) of loss on disposal of property, plant and equipment as other income and other expenses in 2004.
- (3) Hyundai Hysco made a consortium with INI Steel and entered into a contract for acquisition of assets of Hanbo Iron & Steel Co., Ltd., effective July 31, 2004, to satisfy the increasing demand of steel plate (specially coated steel plate) used for vehicle manufacture. On October 1, 2004, the consortium acquired the assets by the payment of remaining consideration on September 10, 2004.

29. THE STOCK RETIREMENT OF SUBSIDIARIES:

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

30. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE:

- (1) Sales of Assets and Liabilities of Machine Tool Division and Share of Hyundai Machine Tool Europe GmbH
Effective January 1, 2005, the Company sold assets and liabilities of Machine Tool Division and investment securities of Hyundai Machine Tool Europe GmbH to WIA Corporation for ₩46,124 million (US\$44,189 thousand).
- (2) Decision of Treasury Stock Acquisition
In order to stabilize the fluctuation of the stock price in the exchange market, on February 4, 2005, the board of directors' decided to reacquire 11,000,000 shares of common stock and 1,000,000 shares of preferred stock in the exchange market.
- (3) Appointment as Primary Negotiator for the Acquisition of Hyundai Autonet Co., Ltd.
On March 9, 2005, the Company was appointed as primary negotiator for the acquisition of Hyundai Autonet Co., Ltd., an automobile audio and digital road navigator manufacturer through the consortium with Siemens Group, and the procedures for the decision of the acquisition are in progress.
- (4) New Shares Issued by WIA Corporation
WIA Corporation, one of the domestic subsidiaries, issued 14,000,000 shares of new common stock at ₩5,000 per share on January 14, 2005 based on the decision of the Board of Directors on November 1, 2004. Twenty percent of new issued shares were distributed to the employees.



Created by: Meeyours Written by: Mark Wigley Printed by: Sawha Printing Co. Seoul, Korea



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