

**Deloitte.**

**HYUNDAI MOTOR COMPANY**

NON-CONSOLIDATED  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2003 AND 2002  
TOGETHER WITH INDEPENDENT  
PUBLIC ACCOUNTANTS' REPORT

안진회계법인

Audit • Tax • Consulting • Financial Advisory •

## Anjin Deloitte LLC

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

Tel : 82-2-6676-1000, 1114  
Fax : 82-2-785-4753, 786-0267  
www.anjin.co.kr

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

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

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

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

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

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

As explained in Note 2, the Company prepared its financial statements as of December 31, 2003 in accordance with the Statements of Korea Accounting Standards ("SKAS") No. 2 – "Interim Financial Reporting", No. 4 – "Revenue Recognition", No. 5 – "Tangible Assets", No. 8 – "Investments in Securities" and No. 9 – "Convertible Securities", which are effective from January 1, 2003. For comparative purposes, certain accounts in the balance sheet as of December 31, 2002 and in the statements of income and cash flows for the year then ended were reclassified. Also, the statement of income for the year ended December 31, 2002 was revised in conformity with SKAS No. 4. These reclassification and revision do not affect the net assets and net income but resulted in the decrease of sales and cost of sales in 2002 by ₩1,771,075 million (US \$ 1,478,607 thousand) compared with the results based on the previous method.

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.

A handwritten signature in cursive script that reads "Anjin Deloitte LLC".

Anjin Deloitte LLC

Seoul, Korea  
February 6, 2004

#### Notice to Readers

This report is effective as of February 6, 2004, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002

<u>ASSETS</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Current assets:				
Cash and cash equivalents (Note 14)	₩ 1,442,517	₩ 1,277,372	\$ 1,204,305	\$ 1,066,432
Short-term financial instruments (Note 14)	3,389,683	2,507,726	2,829,924	2,093,610
Short-term investment securities (Note 4)	212,167	-	177,131	-
Marketable securities (Note 6)	-	545,505	-	455,422
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩27,628 million in 2003 and ₩28,126 million in 2002	1,463,770	1,087,333	1,222,048	907,775
Inventories (Note 3)	1,319,032	679,816	1,101,212	567,554
Advances and other	508,689	506,444	424,686	422,812
Total current assets	8,335,858	6,604,196	6,959,306	5,513,605
Non-current assets:				
Long-term investment securities (Notes 4 and 14)	320,046	-	267,195	-
Investment securities accounted for using the equity method (Notes 5 and 14)	5,047,877	3,811,438	4,214,290	3,182,032
Investment securities (Note 6)	-	305,815	-	255,314
Property, plant and equipment, net of accumulated depreciation of ₩4,003,751 million in 2003 and ₩3,490,091 million in 2002 (Notes 7, 8, 9 and 14)	8,475,827	8,447,313	7,076,162	7,052,357
Intangibles (Note 10)	948,472	945,652	791,845	789,491
Deferred income tax assets (Note 20)	576,329	365,121	481,156	304,826
Other assets (Notes 11 and 14)	545,736	387,738	455,615	323,708
Total non-current assets	15,914,287	14,263,077	13,286,265	11,907,728
Total assets	₩ 24,250,145	₩ 20,867,273	\$ 20,245,571	\$ 17,421,333

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2003 AND DECEMBER 31, 2002

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Current liabilities:				
Short-term borrowings (Note 12)	₩ 628,726	₩ 447,240	\$ 524,901	\$ 373,385
Current maturities of long-term debt (Note 13)	945,906	1,088,961	789,703	909,134
Trade notes and accounts payable	3,318,713	2,673,311	2,770,674	2,231,851
Accrued warranties	602,028	478,362	502,611	399,367
Accounts payable-other	935,040	773,185	780,631	645,504
Income tax payable	501,727	459,903	418,874	383,956
Withholdings and other	<u>476,974</u>	<u>495,581</u>	<u>398,208</u>	<u>413,743</u>
Total current liabilities	<u>7,409,114</u>	<u>6,416,543</u>	<u>6,185,602</u>	<u>5,356,940</u>
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 9 and 13)	1,013,680	1,739,037	846,285	1,451,859
Accrued severance benefits, net of National Pension payments for employees of ₩54,225 million in 2003 and ₩69,369 million in 2002 and individual severance insurance deposits of ₩791,614 million in 2003 and ₩778,497 million in 2002 (Note 2)	406,638	383,241	339,487	319,955
Accrued warranties	2,709,331	1,817,446	2,261,923	1,517,320
Other	<u>213,457</u>	<u>50,235</u>	<u>178,208</u>	<u>41,939</u>
Total long-term liabilities	<u>4,343,106</u>	<u>3,989,959</u>	<u>3,625,903</u>	<u>3,331,073</u>
Total liabilities	<u>11,752,220</u>	<u>10,406,502</u>	<u>9,811,505</u>	<u>8,688,013</u>
Commitments and contingencies (Note 14)				
Shareholders' equity:				
Capital stock (Note 15)	1,478,603	1,476,454	1,234,432	1,232,638
Capital surplus (Note 16)	5,384,271	5,376,074	4,495,134	4,488,290
Retained earnings (Note 17) (Net income of ₩1,749,371 million in 2003 and ₩1,443,545 million in 2002)	5,170,067	3,665,289	4,316,302	3,060,018
Capital adjustments (Note 18)	<u>464,984</u>	<u>(57,046)</u>	<u>388,198</u>	<u>(47,626)</u>
Total shareholders' equity	<u>12,497,925</u>	<u>10,460,771</u>	<u>10,434,066</u>	<u>8,733,320</u>
Total liabilities and shareholders' equity	<u>₩ 24,250,145</u>	<u>₩ 20,867,273</u>	<u>\$ 20,245,571</u>	<u>\$ 17,421,333</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Sales (Note 23)				
Domestic sales	₩ 10,646,265	₩ 12,383,414	\$ 8,888,183	\$ 10,338,465
Export sales	<u>14,321,000</u>	<u>12,182,433</u>	<u>11,956,086</u>	<u>10,170,674</u>
	<u>24,967,265</u>	<u>24,565,847</u>	<u>20,844,269</u>	<u>20,509,139</u>
Cost of sales	<u>18,248,594</u>	<u>18,626,256</u>	<u>15,235,092</u>	<u>15,550,389</u>
Gross profit	6,718,671	5,939,591	5,609,177	4,958,750
Selling and administrative expenses (Note 24)	<u>4,482,953</u>	<u>4,333,430</u>	<u>3,742,656</u>	<u>3,617,824</u>
Operating income	<u>2,235,718</u>	<u>1,606,161</u>	<u>1,866,521</u>	<u>1,340,926</u>
Other income (expenses), net:				
Interest income (expense), net	32,373	(79,568)	27,027	(66,428)
Foreign exchange gain (loss), net	(29,459)	141,826	(24,594)	118,405
Gain on valuation of investments accounted for using the equity method (Note 5)	11,518	592,102	9,615	494,325
Loss on valuation of marketable securities (Note 6)	-	(583)	-	(487)
Rental and royalty income	140,208	-	117,055	-
Provision for accrued warranties	-	(224,465)	-	(187,398)
Other, net	<u>(42,979)</u>	<u>(51,986)</u>	<u>(35,882)</u>	<u>(43,401)</u>
	<u>111,661</u>	<u>377,326</u>	<u>93,221</u>	<u>315,016</u>
Ordinary income	2,347,379	1,983,487	1,959,742	1,655,942
Income tax expense (Note 20)	<u>598,008</u>	<u>539,942</u>	<u>499,255</u>	<u>450,778</u>
Net income	<u>₩ 1,749,371</u>	<u>₩ 1,443,545</u>	<u>\$ 1,460,487</u>	<u>\$ 1,205,164</u>
Earnings per common share (Note 2)	<u>₩ 7,725</u>	<u>₩ 6,355</u>	<u>\$ 6.45</u>	<u>\$ 5.31</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 7,701</u>	<u>₩ 6,332</u>	<u>\$ 6.43</u>	<u>\$ 5.29</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF PROPOSED APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Unappropriated retained earnings (Note17)				
Beginning of year	₩ 693	₩ 192	\$ 579	\$ 160
Beginning balance adjustments:				
Adjustments in investment securities using the equity method	(1,514)	(38,965)	(1,265)	(32,531)
Net income	<u>1,749,371</u>	<u>1,443,545</u>	<u>1,460,487</u>	<u>1,205,164</u>
	<u>1,748,550</u>	<u>1,404,772</u>	<u>1,459,801</u>	<u>1,172,793</u>
Appropriations:				
Legal reserve	29,000	25,000	24,211	20,872
Reserve for technology development	1,433,000	1,136,000	1,196,360	948,405
Cash dividends (Note 19)	<u>285,674</u>	<u>243,079</u>	<u>238,499</u>	<u>202,938</u>
	<u>1,747,674</u>	<u>1,404,079</u>	<u>1,459,070</u>	<u>1,172,215</u>
Unappropriated retained earnings, end of year	<u>₩ 876</u>	<u>₩ 693</u>	<u>\$ 731</u>	<u>\$ 579</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:				
Net income	₩ 1,749,371	₩ 1,443,545	\$ 1,460,487	\$ 1,205,164
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	786,209	764,058	656,378	637,884
Loss on valuation of marketable securities, net	-	583	-	487
Loss on disposal of investments, net	-	31,743	-	26,501
Impairment loss on long-term investment securities	11,267	-	9,406	-
Loss on disposal of property, plant and equipment, net	193,071	157,721	161,188	131,675
Amortization of discount on debentures	22,925	36,222	19,139	30,240
Amortization of intangibles	216,209	688,747	180,505	575,010
Impairment loss on intangibles	84	51,742	70	43,198
Provision for doubtful accounts	424	4,272	354	3,567
Provision for severance benefits	319,339	480,075	266,605	400,797
Provision for warranties and product liabilities	1,420,499	1,605,365	1,185,923	1,340,261
Loss (gain) on foreign currency translation, net	34,900	(67,676)	29,137	(56,500)
Gain on disposition of short-term investment securities, net	(93,760)	-	(78,277)	-
Gain on disposition of long-term investment securities, net	(409)	-	(341)	-
Gain on disposition of investments securities accounted for using the equity method, net	(6,123)	-	(5,112)	-
Gain on valuation of investments securities accounted for using the equity method	(11,518)	(592,102)	(9,616)	(494,325)
Gain on valuation of derivative instruments, net	(35,640)	(22,132)	(29,755)	(18,477)
Other	44,213	38,207	36,912	31,898
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(412,349)	(380,546)	(344,255)	(317,704)
Increase in inventories	(779,038)	(27,940)	(650,391)	(23,326)
Decrease (increase) in other current assets	(8,054)	195,971	(6,724)	163,609
Decrease in long-term notes and accounts receivables	5,101	8,413	4,259	7,024
Increase in deferred income tax assets	(211,208)	(123,551)	(176,330)	(103,148)
Increase in trade notes and accounts payable	642,385	222,207	536,304	185,513
Increase in accounts payable-other	113,555	75,526	94,803	63,054
Decrease in accrued warranties and accrued product liabilities	(404,949)	(298,430)	(338,077)	(249,148)
Increase in other current liabilities	22,500	44,296	18,784	36,980
Payment of severance benefits	(298,084)	(227,311)	(248,860)	(189,774)
Increase in individual severance insurance deposits	(13,117)	(123,898)	(10,951)	(103,438)
Other	30,811	(7,343)	25,723	(6,130)
	<u>3,338,614</u>	<u>3,977,764</u>	<u>2,787,288</u>	<u>3,320,892</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of short-term investment securities	₩ 596,828	₩ -	\$ 498,270	\$ -
Proceeds from disposal of marketable securities	-	388,984	-	324,749
Reduction in other current assets	60,400	36,672	50,426	30,616
Proceeds from disposal of investments	36,558	151,546	30,521	126,520
Proceeds from disposal of investment securities accounted for using the equity method	14,538	12,288	12,137	10,259
Dividends from investment securities accounted for using the equity method	87,715	48,127	73,230	40,180
Reduction in other assets	59,588	97,883	49,749	81,718
Proceeds from disposal of property, plant and equipment	<u>17,026</u>	<u>29,190</u>	<u>14,214</u>	<u>24,370</u>
	<u>872,653</u>	<u>764,690</u>	<u>728,547</u>	<u>638,412</u>
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(881,957)	(1,511,647)	(736,314)	(1,262,020)
Acquisition of short-term investment securities	(116,681)	-	(97,413)	-
Acquisition of marketable securities	-	(351,439)	-	(293,404)
Acquisition of long-term investment securities	(53,449)	-	(44,623)	-
Acquisition of investment securities using the equity method	(775,214)	(272,418)	(647,198)	(227,432)
Additions to other current assets	(57,100)	(24,600)	(47,671)	(20,538)
Acquisition of investments	-	(61,105)	-	(51,014)
Additions to other assets	(71,702)	(67,857)	( 59,861)	(56,651)
Acquisition of property, plant and equipment	(897,665)	(610,168)	(749,428)	(509,407)
Expenditures for development costs	<u>(217,718)</u>	<u>(97,093)</u>	<u>(181,765)</u>	<u>(81,059)</u>
	<u>(3,071,486)</u>	<u>(2,996,327)</u>	<u>(2,564,273)</u>	<u>(2,501,525)</u>
	<u>(2,198,833)</u>	<u>(2,231,637)</u>	<u>(1,835,726)</u>	<u>(1,863,113)</u>
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	3,727,309	2,324,290	3,111,796	1,940,466
Proceeds from long-term debt	199,401	150,136	166,473	125,343
Proceeds from disposal of treasury stock	6,404	33	5,346	28
	<u>3,933,114</u>	<u>2,474,459</u>	<u>3,283,615</u>	<u>2,065,837</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	( 3,575,400)	(2,380,863)	(2,984,972)	(1,987,697)
Payment of cash dividends	(243,079)	(215,145)	(202,938)	(179,617)
Repayment of long-term debt	<u>(1,089,271)</u>	<u>(1,731,269)</u>	<u>(909,394)</u>	<u>(1,445,374)</u>
	<u>( 4,907,750)</u>	<u>(4,327,277)</u>	<u>(4,097,304)</u>	<u>(3,612,688)</u>
	<u>( 974,636)</u>	<u>(1,852,818)</u>	<u>(813,689)</u>	<u>(1,546,851)</u>

(continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net increase (decrease) in cash and cash equivalents	165,145	(106,691)	137,873	(89,072)
Cash and cash equivalents, beginning of year	<u>1,277,372</u>	<u>1,384,063</u>	<u>1,066,432</u>	<u>1,155,504</u>
Cash and cash equivalents, end of year	<u><del>₩</del> 1,442,517</u>	<u><del>₩</del> 1,277,372</u>	<u><del>\$</del> 1,204,305</u>	<u><del>\$</del> 1,066,432</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. THE COMPANY:

Hyundai Motor Company (the "Company") was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974. As of December 31, 2003, 48.75 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (13.18 percent) and INI Steel (4.86 percent), and the remaining 51.25 percent is owned by foreign investors, including Daimler Chrysler (10.44 percent) and Mitsubishi of Japan (2.52 percent), under foreign investment agreements.

The Company has three domestic production plants as follows:

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

In connection with its foreign business, the Company operates major foreign subsidiaries and branches as follows:

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

(\*) The company determined to discontinue the Branch's sales operations, effective on January 1, 2004 and established a representative office to continue supporting certain Branch's services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars based on the Bank of Korea Basic Rate of ₩1,197.80 to US \$ 1.00 at December 31, 2003, 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, 2003 in accordance with the Statements of Korea Accounting Standards ("SKAS") No. 2, 4, 5, 8 and 9, effective from January 1, 2003. Major changes compared with the standards applied in preparing the non-consolidated financial statements of the Company as of December 31, 2002 are as follows:

Statements of Korea Accounting Standards (SKAS)	Major Changes	Before application	After application
No. 2 Interim Financial Reporting	<ul style="list-style-type: none"> <li>• Presentation of comparative balance sheet</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet as of the end of the current interim period is compared with the end of the comparable interim period of immediately preceding fiscal year</li> <li>• Not included in interim financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet of the end of the current interim period is compared with the end of the immediately preceding fiscal year</li> <li>• Included in interim financial statements</li> <li>• 4<sup>th</sup> quarter financial statements can be replaced with the disclosure of key items of current operations in annual financial statements</li> </ul>
No. 4 Revenue Recognition	<ul style="list-style-type: none"> <li>• Recognition of sales to vendor to be repurchased under the outsourcing contract</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue recognition on a gross basis</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue recognition on a net basis</li> </ul>
No. 5 Tangible Assets	<ul style="list-style-type: none"> <li>• Explanatory notes</li> </ul>	-	<ul style="list-style-type: none"> <li>• Clarification of definition, scope, recognition and disclosures</li> </ul>



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

### Classification of Securities

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

### Valuation of Securities

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

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold and if the securities are determined to be impaired, the lump-sum cumulative amount of capital adjustments are included in current operations. However, available-for-sale securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refers 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.

In the beginning of 2003, in conformity with SKAS No. 8, the Company reclassified marketable securities and investment securities as of December 31, 2002 into available-for-sale and held-to-maturity securities. In respect with the reclassification and valuation of investments securities, the application of SKAS No. 8 resulted in the decrease by ₩37,293 million (US \$ 31,135 thousand) of net income in 2003 compared with the previous method.

#### Equity Securities Accounted for Using the Equity Method

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

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

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

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

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

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

In 2003, the Company has applied Statement of SKAS No. 5 – “Tangible Assets”, which provides more clarifications of accounting method of tangible assets including definition, scope, recognition, amortization and valuation.

#### Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over the estimated economic useful life (not exceeding 3 years) from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Cost in excess of net identifiable assets acquired (goodwill) is amortized over 20 years and industrial property rights and other intangibles are amortized over the period between three and forty years. If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess shall be recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss were recognized in prior years.

### Financing Costs

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

### Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method.

If principal, interest rate or repayment period of receivables is changed unfavourably for the Company by the court imposition such as commencement of reorganization or by mutual agreements and that the difference between nominal value and present value is material, such difference is recorded in current operations as a provision for doubtful accounts.

### Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,252,477 million (US \$ 1,045,648 thousand) and ₩1,231,107 million (US \$ 1,027,807 thousand) as of December 31, 2003 and December 31, 2002, respectively.

Accrued severance benefits are approximately 63 percent funded as of December 31, 2003 through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as a deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totalling ₩54,225 million (US \$ 45,270 thousand) and ₩69,369 million (US \$ 57,914 thousand) as of December 31, 2003 and December 31, 2002, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Actual payments of severance benefits amounted to ₩298,084 million (US \$ 248,860 thousand) and ₩227,311 million (US \$ 189,774 thousand) in 2003 and 2002, respectively.

### Accrued Warranties

The Company generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liabilities suits and voluntary recall campaign pending as of the balance sheet date. Additionally, the Company recognizes accrued liabilities of the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with an European Parliament directive regarding End-of-Life Vehicles (ELV), in which manufacturers are financially responsible for a portion of the cost of the dismantling and recycling of vehicles placed in service.

### Stock Options

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

## Derivative Instruments

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

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2003 and 2002, the Company deferred the loss of ₩63,814 million (US \$ 53,276 thousand) and gain of ₩25,852 million (US \$ 21,583 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The period in which the forecasted transactions are expected to occur is within 32 months from December 31, 2003. Of the net loss on valuation recorded as capital adjustments as of December 31, 2003 amounting to ₩63,814 million (US \$ 53,276 thousand), the loss of ₩55,274 million (US \$ 46,146 thousand) is expected to be realized and charged to current operations within one year from December 31, 2003.

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

<u>Contract Parties</u>	<u>Derivatives</u>	<u>Period</u>	<u>Number of Kia shares</u>	<u>Initial Price</u>
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
Credit Suisse First Boston International	Call option (*)	"	12,145,598	US\$ 11.53
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	14,574,717	US\$ 7.8811

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

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. As of December 31, 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 \$ 75,024 thousand) and accounts payable – other of ₩27,706 million (US \$ 23,131 thousand), after deducting the present value discount of ₩20,959 million (US \$ 17,498 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, 2003, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩14,745 million (US \$ 12,310 thousand) and accounts receivable-other of ₩4,547 million (US \$ 3,796 thousand), after deducting the present value discount of ₩3,441 million (US \$ 2,873 thousand) (see Note 11) and the present value of such premiums on the effective date of contract is recorded as deferred derivatives liabilities in other long-term liabilities. The present value discount will be amortized using the effective interest method.

In 2003 and 2002, the Company recognized the net gain of ₩35,640 million (US \$ 29,755 thousand) and ₩22,132 million (US \$ 18,477 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩162,722 million (US \$ 135,851 thousand) and ₩46,122 million (US \$ 38,506 thousand) in other assets as of December 31, 2003 and 2002, respectively (see Note 11). Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩104,596 million (US \$ 87,323 thousand) and ₩12,337 million (US \$ 10,300 thousand) is recorded in liabilities as of December 31, 2003 and 2002, respectively.

#### Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate, which was ₩1,197.80 and ₩1,200.40 to US \$1.00 at December 31, 2003 and 2002, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of branches outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet date and capital stocks and retained earnings are translated at historical exchange rate; income and expenses are translated at the average rates of exchange prevailing in 2003 and 2002, which was ₩1,191.60 and ₩1,251.18 to US\$1.00, respectively.

#### Income Tax Expense

The Company recognizes deferred income taxes. Accordingly, income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits).

#### Earnings Per 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 outstanding during the year. The number of shares used in computing earnings per common share is 218,173,808 and 218,084,933 in 2003 and 2002, respectively. Earnings per diluted share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the diluted potential common shares. The number of shares used in computing earnings per diluted share is 218,859,929 and 218,863,816 in 2003 and 2002, respectively.

#### Reclassification

For comparative purposes, certain accounts in the balance sheet as of December 31, 2002 and in the statements of income and cash flows for the year then ended were reclassified. Such reclassification had no effect on the income in 2002 or net equity as of December 31, 2002.

### 3. INVENTORIES:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Finished goods and merchandise	₩ 468,441	₩ 246,925	\$ 391,085	\$ 206,149
Semi-finished goods and work in process	419,021	187,831	349,825	156,813
Raw materials and supplies	294,387	181,663	245,773	151,664
Materials in transit	137,183	63,397	114,529	52,928
	<u>₩ 1,319,032</u>	<u>₩ 679,816</u>	<u>\$ 1,101,212</u>	<u>\$ 567,554</u>

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

- (1) Short-term investment securities as of December 31, 2003, all of which are classified into available-for-sale securities, consist of local currency beneficiary certificates of ₩200,155 million (US \$ 167,102 thousand), foreign currency beneficiary certificates of ₩11,992 million (US \$ 10,012 thousand) and other securities of ₩20 million (US \$ 17 thousand) such as government bonds. Available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to ₩53,048 million (US \$ 44,288 thousand) in capital adjustments as of December 31, 2003.
- (2) Long-term investment securities as of December 31, 2003 consist of available-for-sale securities of ₩271,546 million (US \$ 226,704 thousand) and held-to-maturity of ₩48,500 million (US \$ 40,491 thousand).
- (3) Available-for-sale securities of long-term investment securities consist of the following:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Equity securities stated at fair value	₩ 132,605	\$ 110,707
Equity securities stated at acquisition cost	133,862	111,757
Debt securities	<u>5,079</u>	<u>4,240</u>
	<u>₩ 271,546</u>	<u>\$ 226,704</u>

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

Name of Company/Details	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Jin Heung Mutual Savings Bank	₩ 2,166	₩ 1,990	\$ 1,661	8.66
Korea Mutual Savings Bank	2,846	3,501	2,923	8.13
Korea Industrial Development Co., Ltd.	2,861	1,856	1,550	1.25
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	68,563	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,052	2.21
Hyundai Corporation	13,626	747	624	1.08
LG Telecom, Ltd.	9,795	6,834	5,705	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	4,646	0.55
Chohung Bank	25,000	10,288	8,589	0.37
KT Freetel	10,800	6,376	5,323	0.17
Treasury Stock Fund (*)	4,067	1,499	1,251	-
Stock Market Stabilization Fund	3,525	10,546	8,805	-
Other	<u>283</u>	<u>18</u>	<u>15</u>	-
	<u>₩ 149,222</u>	<u>₩ 132,605</u>	<u>\$ 110,707</u>	

(\*) The acquisition costs of Treasury Stock Fund are presented after the deduction of the fair value of treasury stock included in those fund. The fair values of such treasury stock as of December 31, 2003 amounting to ₩44,918 million (US\$37,500 thousand) is recorded as treasury stock in capital adjustments.

The difference of ₩16,617 million (US \$ 13,873 thousand) as of December 31, 2003, between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities is recorded as loss on valuation of available-for-sale securities in capital adjustments. The net gain on valuation of available-for-sale securities amounting to ₩36,431 million (US \$ 30,415 thousand) in capital adjustments as of December 31, 2003 consists of gain on valuation of short-term investment securities amounting to ₩53,048 million (US \$ 44,288 thousand) and loss on valuation of long-term investment securities amounting to ₩16,617 million (US \$ 13,873 thousand).

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

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership Percentage (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	₩ 2,019	₩ 2,019	\$ 1,686	84.87
NGVTEK.com (*)	571	571	477	53.66
Jinil MVC Co., Ltd.	180	180	150	18.00
Industry Otomotif Komersial	4,439	4,439	3,706	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,749	14.97
Hyundai Research Institute	1,359	1,271	1,061	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	114	14.90
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,087	13.66
Mobil Com Co., Ltd.	1,200	1,200	1,002	11.59
Kihyup Finance	3,000	3,000	2,505	10.34
Hyundai Motor Deutschland GmbH	863	863	720	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	8,349	9.99
KOENTECH	1,500	1,500	1,252	7.50
Hankyoreh Plus Inc. (formerly Internet Hankyoreh Inc.)	4,800	284	237	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	74,184	7.24
Hyundai Asan Corporation	22,500	8,861	7,397	5.00
U.S Electrical Inc.	2,204	2,204	1,840	3.80
ROTIS Inc.	1,000	8	7	3.76
Other	1,579	1,478	1,234	-
	<u>₩ 158,856</u>	<u>₩ 133,862</u>	<u>\$ 111,757</u>	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$5,844 thousand), are not material.

In 2003, impairment loss of ₩11,267 million (US \$ 9,406 thousand) between the carrying amount and the estimated recoverable amount of Hyundai Unicorns Co., Ltd., Hankyoreh Plus Inc. (formerly Internet Hankyoreh Inc.), ROTIS Inc. and other are recognized in current operations.

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

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Corporate bonds	₩ 5,014	\$ 4,186
Government bonds	65	54
	<u>₩ 5,079</u>	<u>\$ 4,240</u>

All debt securities above will mature within 5 years from December 31, 2003.

- (4) Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2003 are subordinate debt securities of ₩48,500 million (US \$ 40,491 thousand) with the maturity on July 19, 2008, issued by Hyundai Capital Service Inc..

5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

Affiliated Company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)			Ownership percentage (%)
	Acquisition cost	Market (net equity) value	Book value	Book value	Market (net equity) value	Book value	
Hyundai Motor India	₩ 244,017	₩ 340,475	₩ 340,475	\$ 203,721	\$ 284,250	\$ 284,250	100.00
Hyundai Motor America	484,861	728,296	647,068	404,793	608,028	540,214	100.00
Hyundai Translead	74,977	13,363	45,220	62,596	11,156	37,753	100.00
Hyundai Machine Tool Europe GmbH	25,397	13,175	17,185	21,203	10,999	14,347	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	(446)	17,505	20,153	(372)	14,614	100.00
Hyundai Motor Japan Co. (*1)	21,376	-	-	17,846	-	-	100.00
Hyundai Motor Europe GmbH	17,529	21,974	21,974	14,634	18,345	18,345	100.00
Hyundai America Technical Center Inc.	9,635	16,101	16,101	8,044	13,442	13,442	100.00
HMJ R&D Center Inc.	1,510	2,391	2,391	1,261	1,996	1,996	100.00
Hyundai Motor Company Australia	12,329	13,696	13,696	10,293	11,434	11,434	100.00
Hyundai Capital Service Inc.	348,816	528,824	420,780	291,214	441,496	351,294	84.24
ROTEM	270,222	258,162	335,220	225,599	215,530	279,863	78.36
Hyundai Card Co., Ltd.	394,460	65,564	65,564	329,320	54,737	54,737	56.89
HAOSVT (Turkey)	48,013	42,483	25,859	40,084	35,468	21,589	50.00
Beijing-Hyundai Motor Company	133,691	281,997	281,997	111,614	235,429	235,429	50.00
Hyundai Powertech	120,000	128,338	128,338	100,184	107,145	107,145	50.00
Daimler Hyundai Truck Co., Ltd.	50,000	26,833	26,833	41,743	22,402	22,402	50.00
KEFICO	20,911	80,933	79,064	17,458	67,568	66,008	50.00
Dymos Inc.	68,872	83,140	81,668	57,499	69,411	68,182	47.27
WIA	347	87,464	58,115	290	73,021	48,518	45.30
e-HD.com	8,642	3,961	4,374	7,215	3,307	3,652	41.56
Kia Motors Corporation	923,957	1,463,712	2,030,655	771,378	1,222,000	1,695,320	37.33
Korea Space & Aircraft Co., Ltd.	129,800	79,568	79,312	108,365	66,428	66,215	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,264	13,264	11,286	11,074	11,074	30.00
Korea Economy Daily	19,973	10,058	14,129	16,675	8,397	11,796	29.57
Autoever Systems Corp.	1,250	4,106	4,106	1,044	3,428	3,428	25.00
Hyundai HYSCO	200,768	134,526	226,720	167,613	112,311	189,280	26.13
Iljin Automotive Systems Co., Ltd.	826	12,794	12,794	690	10,681	10,681	20.00
Daesung Automotive Co., Ltd.	400	5,619	5,619	333	4,691	4,691	20.00
Eukor Car Carriers Inc. (*2)	29,347	42,593	31,851	24,500	35,560	26,591	12.00
	<u>₩3,699,583</u>	<u>₩ 4,502,964</u>	<u>₩ 5,047,877</u>	<u>\$ 3,088,648</u>	<u>\$ 3,759,362</u>	<u>\$ 4,214,290</u>	

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

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

Investment securities accounted for using the equity method as of December 31, 2002 consist of the following:

Affiliated Company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)			Ownership percentage (%)
	Acquisition cost	Market (net equity) Value	Book value	Acquisition cost	Market (net equity) Value	Book value	
Hyundai Motor India	₩ 244,017	₩ 273,433	₩ 274,182	\$ 203,721	\$ 228,279	\$ 228,905	100.00
Hyundai Motor America	130,911	319,412	254,417	109,293	266,666	212,404	100.00
Hyundai Translead	74,977	(4,269)	29,517	62,596	(3,564)	24,643	100.00
Hyundai Machine Tool Europe GmbH	25,397	12,165	16,428	21,203	10,156	13,715	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	233	19,245	20,153	195	16,067	100.00
Hyundai Motor Japan Co. (*)	21,376	(27,773)	-	17,846	(23,187)	-	100.00
Hyundai Motor Europe GmbH	17,529	19,300	20,308	14,634	16,113	16,954	100.00
Hyundai America Technical Center Inc.	9,635	15,278	15,278	8,044	12,755	12,755	100.00
HMJ R&D Center Inc.	1,510	2,121	2,121	1,261	1,771	1,771	100.00
Hyundai Capital Service Inc.	348,816	562,050	563,320	291,214	469,235	470,296	84.24
ROTEM	270,222	209,104	290,500	225,599	174,573	242,528	78.36
HAOSVT (Turkey)	60,775	27,942	5,725	50,739	23,328	4,780	63.29
Beijing-Hyundai Motor	133,691	129,468	129,468	111,614	108,088	108,088	50.00
Hyundai Powertech	70,000	70,263	70,263	58,440	58,660	58,660	50.00
Daimler Hyundai Truck Co., Ltd.	50,000	46,455	46,455	41,743	38,784	38,784	50.00
KEFICO	20,911	67,745	65,723	17,458	56,558	54,870	50.00
Haevichi Resort (formerly Cheju Dynasty Co., Ltd)	10,650	4,297	6,887	8,891	3,587	5,750	50.00
Hyundai Dymos Inc.	50,116	46,895	45,332	41,840	39,151	37,846	46.89
WIA	347	61,911	30,924	290	51,687	25,817	45.30
e-HD.com	8,642	6,079	6,518	7,215	5,075	5,442	41.56
Kia Motors Corporation	923,957	1,181,712	1,568,333	771,378	986,569	1,309,345	36.32
Korea Space & Aircraft Co., Ltd.	129,800	78,533	78,260	108,365	65,564	65,335	33.33
Korea Economy Daily	19,973	12,251	16,648	16,675	10,228	13,898	29.57
Autoever Systems Corp.	1,250	2,732	2,732	1,044	2,281	2,281	25.00
Hyundai HYSKO	200,768	94,294	196,294	167,614	78,723	163,878	23.43
First CRV	67,824	39,649	39,649	56,623	33,102	33,102	20.00
Iljin Automotive Systems Co., Ltd.	826	11,779	11,779	690	9,834	9,834	20.00
Daesung Automotive Co., Ltd.	400	5,132	5,132	333	4,284	4,284	20.00
	<u>₩2,918,459</u>	<u>₩3,268,191</u>	<u>₩3,811,438</u>	<u>\$ 2,436,516</u>	<u>\$ 2,728,495</u>	<u>\$ 3,182,032</u>	

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

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

Affiliated Company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	End of period
Hyundai Motor India	₩ 274,182	₩ 74,316	₩ (8,023)	₩ 340,475	\$ 284,250
Hyundai Motor America	254,417	25,663	366,989	647,068	540,214
Hyundai Translead	29,517	15,753	(50)	45,220	37,753
Hyundai Machine Tool Europe GmbH	16,428	(1,833)	2,591	17,185	14,347
Hyundai Motor Poland Sp.zo.o.	19,245	(1,721)	(19)	17,505	14,614
Hyundai Motor Europe GmbH	20,308	(983)	2,649	21,974	18,345
Hyundai America Technical Center Inc.	15,278	856	(33)	16,101	13,442
HMJ R&D Center Inc.	2,121	43	228	2,391	1,996
Hyundai Motor Company Australia	-	209	13,487	13,696	11,434
Hyundai Capital Service Inc.	563,321	(268,233)	125,692	420,780	351,294
ROTEM	290,500	44,526	193	335,220	279,863
Hyundai Card Co., Ltd.	-	(328,355)	393,919	65,564	54,737
HAOSVT (Turkey)	5,725	21,379	(1,244)	25,859	21,589
Beijing-Hyundai Motor Company	129,468	152,701	(172)	281,997	235,429
Hyundai Powertech	70,263	8,339	49,736	128,338	107,145
Daimler Hyundai Truck Co., Ltd.	46,455	(19,622)	-	26,833	22,402
KEFICO	65,723	17,302	(3,961)	79,064	66,008
Dymos Inc.	45,332	15,085	21,251	81,668	68,182
WIA	30,924	27,262	(71)	58,115	48,518
e-HD.com	6,518	(2,174)	30	4,374	3,652
Kia Motors Corporation	1,568,333	215,088	247,234	2,030,655	1,695,320
Korea Space & Aircraft Co., Ltd.	78,260	3,455	(2,404)	79,312	66,215
Beijing Mobis Transmission Co., Ltd.	-	(283)	13,547	13,264	11,074
Korea Economy Daily	16,648	(2,437)	(83)	14,129	11,796
Autoever Systems Corp.	2,732	1,382	(9)	4,106	3,428
Hyundai HYSCO	196,294	11,818	18,607	226,720	189,280
Iljin Automotive Systems Co., Ltd.	11,779	1,128	(113)	12,794	10,681
Daesung Automotive Co., Ltd.	5,132	567	(80)	5,619	4,691
Eukor Car Carriers Inc.	-	(38)	31,888	31,851	26,591
First CRV	39,649	-	(39,649)	-	-
Haevichi Resort (formerly Cheju Dynasty Co., Ltd)	6,887	325	(7,213)	-	-
	<u>₩ 3,811,438</u>	<u>₩ 11,518</u>	<u>₩ 1,224,921</u>	<u>₩ 5,047,877</u>	<u>\$ 4,214,290</u>

(\*) Other changes consist of the increase of acquisition cost by ₩844,184 million (US \$ 704,779 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩48,064 million (US \$ 40,127 thousand) mainly due to disposal of investments, decrease by ₩87,715 million (US \$ 73,230 thousand) due to receipt of the dividends, decrease of retained earnings by ₩1,514 million (US \$ 1,265 thousand) and increase of capital adjustments by ₩518,030 million (US \$ 432,484 thousand).

The changes in equity securities accounted for using the equity method in 2002 are as follows:

Affiliated Company	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	End of period
Hyundai Motor India	₩ 316,109	₩ 59,797	₩ (101,724)	₩ 274,182	\$ 228,905
Hyundai Motor America	133,593	171,253	(50,429)	254,417	212,404
Hyundai Translead	61,460	(31,154)	(789)	29,517	24,643
Hyundai Machine Tool Europe GmbH	16,409	(833)	852	16,428	13,715
Hyundai Motor Poland Sp.zo.o.	19,809	(556)	(8)	19,245	16,067
Hyundai Motor Europe GmbH	-	(469)	20,777	20,308	16,954
Hyundai America Technical Center Inc.	12,228	649	2,401	15,278	12,755
HMJ R&D Center Inc.	1,975	137	9	2,121	1,771
Hyundai Capital Service Inc.	398,394	91,107	73,819	563,320	470,296
ROTEM	241,536	48,964	-	290,500	242,528
HAOSVT (Turkey)	-	(2,425)	8,150	5,725	4,780
Beijing-Hyundai Motor	-	(1,040)	130,508	129,468	108,088
Hyundai Powertech	34,393	6,227	29,643	70,263	58,660
Daimler Hyundai Truck Co., Ltd.	50,019	(3,564)	-	46,455	38,784
KEFICO	52,004	16,558	(2,839)	65,723	54,870
Haevichi Resort (formerly Cheju Dynasty Co., Ltd)	6,504	383	-	6,887	5,750
Hyundai Dymos Inc.	37,351	5,477	2,504	45,332	37,846
WIA	534	30,390	-	30,924	25,817
e-HD.com	2,756	(340)	4,102	6,518	5,442
Kia Motors Corporation	1,341,462	205,558	21,313	1,568,333	1,309,345
Korea Space & Aircraft Co., Ltd.	73,557	4,712	(9)	78,260	65,335
Korea Economy Daily	17,355	(605)	(102)	16,648	13,898
Autoever Systems Corp.	-	1,318	1,414	2,732	2,281
Hyundai HYSKO	182,475	17,419	(3,600)	196,294	163,878
First CRV	70,245	(28,488)	(2,108)	39,649	33,102
Iljin Automotive Systems Co., Ltd.	11,150	1,363	(734)	11,779	9,834
Daesung Automotive Co., Ltd.	4,787	405	(60)	5,132	4,284
Wuhan Grand Motor Co., Ltd.	8,455	(430)	(8,025)	-	-
Hyundai-Kia-Yueda Motor Company	227	289	(516)	-	-
	<u>₩ 3,094,787</u>	<u>₩ 592,102</u>	<u>₩ 124,549</u>	<u>₩ 3,811,438</u>	<u>\$ 3,182,032</u>

(\*) Other changes consist of increase of acquisition cost by ₩279,258 million (US \$ 233,142 thousand) mainly due to the acquisition and participation in investees' additional paid-in capital, decrease by ₩8,018 million (US \$ 6,694 thousand) due to disposal of investments, decrease by ₩48,127 million (US \$ 40,179 thousand) due to receipt of the dividends, decrease of retained earnings by ₩38,965 million (US \$ 32,531 thousand) and decrease of capital adjustments by ₩59,599 million (US \$ 49,756 thousand).

Equity securities accounted for using the equity method as of December 31, 2003 and 2002 are valued based on the financial statements of the investees as of the same balance sheet date, respectively, which were neither audited nor reviewed by an external auditor.

Significant unrealized profits (losses) that occurred in transactions with investees are eliminated. As of December 31, 2003 and 2002, unrealized profit occurred in transactions of inventories and investment securities with investees are ₩297,928 million (US \$ 248,729 thousand) and ₩144,813 million (US \$ 120,899 thousand), respectively.

The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. In 2003 and 2002, such adjustments of the difference of accounting treatments resulted in the decrease in gain on valuation included in current operations by ₩38,568 million (US \$ 32,199 thousand) and ₩21,135 million (US \$ 17,645 thousand), respectively.

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The unamortized balance of goodwill as of December 31, 2003 and 2002 are ₩176,403 million (US \$ 147,272 thousand) and ₩185,478 million (US \$ 154,849 thousand), respectively. In 2003, the difference between the acquisition cost and the Company's portion of Hyundai Card Co., Ltd., amounting to ₩163,273 million (US \$ 136,311 thousand), is charged to current operation as loss on valuation of investment securities accounted for using the equity methods.

#### 6. MARKETABLE SECURITIES AND INVESTMENT SECURITIES:

(1) Marketable securities consist of beneficiary certificates of ₩544,832 million (US \$ 454,860 thousand) and debt securities of ₩673 million (US \$ 562 thousand) as of December 31, 2002. Marketable securities are stated at fair value with the resulting valuation loss of ₩583 million (US \$ 487 thousand) in current operations in 2002.

(2) Investment securities as of December 31, 2002 consist of the following:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Marketable equity securities	₩ 87,244	\$ 72,837
Unlisted equity securities	185,106	154,538
Debt securities	<u>33,465</u>	<u>27,939</u>
	<u>₩ 305,815</u>	<u>\$ 255,314</u>

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

<u>Affiliated Company</u>	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Ownership percentage (%)
	Acquisition cost	Book value	Book value	
Jin Heung Mutual Savings Bank	₩ 2,181	₩ 2,044	\$ 1,706	8.66
Korea Mutual Savings Bank	2,846	2,983	2,490	8.13
Korea Industrial Development Co., Ltd.	2,894	1,488	1,242	6.00
Hyundai Corporation	13,626	2,079	1,736	2.99
Hyundai Heavy Industries Co., Ltd.	56,924	41,720	34,831	2.88
Hyundai Information Technology Co., Ltd.	10,000	1,267	1,058	2.21
LG Telecom	9,795	8,178	6,828	0.69
Hyundai Merchant Marine Co., Ltd.	7,329	1,040	868	0.55
Chohung Bank	25,000	10,788	9,007	0.48
Treasury Stock Fund (*)	20,737	4,489	3,748	-
Stock Market Stabilization Fund	8,114	11,146	9,305	-
Other	<u>283</u>	<u>22</u>	<u>18</u>	-
	<u>₩ 159,729</u>	<u>₩ 87,244</u>	<u>\$ 72,837</u>	

(\*) The acquisition costs of Treasury Stock Fund are presented after the deduction of fair value of treasury stock included in those fund. The fair values of such treasury stock as of December 30, 2002 amount to ₩28,248 million (US \$ 23,583 thousand) and are recorded as treasury stock in capital adjustments on the basis set forth in Note 2.

Marketable equity securities are stated at fair value and the difference as of December 30, 2002 amount to ₩72,485 million (US \$ 60,515 thousand) and are recorded as loss on valuation of investment equity securities in capital adjustments.

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

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Acquisition cost (%)
	Acquisition cost	Book value	Book value	
Hyundai Jingxian Motor Safeguard Service Co.,Ltd. (*)	₩ 2,019	₩ 2,019	\$ 1,686	84.88
NGVTEK.com (*)	450	450	376	43.90
Jinil MVC Co., Ltd.	180	180	150	18.00
Industry Otomotif Komersial	4,439	4,439	3,706	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,748	14.97
Hyundai Research Institute	1,271	1,271	1,061	14.90
Hyundai Unicorns Co., Ltd.	5,795	5,795	4,838	14.90
Eukor Car Carriers Inc.	29,347	29,347	24,501	12.00
Kihyup Finance	3,000	3,000	2,505	10.34
Hyundai Motor Deutschland GmbH	802	802	670	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	8,349	9.99
KOENTECH	1,500	1,500	1,252	7.50
Internet Hankyoreh Inc.	4,800	4,800	4,007	7.41
Hyundai Oil refinery Co., ltd.	88,857	88,857	74,183	7.24
Hyundai Asan Corporation	22,500	8,861	7,398	5.00
U.S Electrical Inc.	2,204	2,204	1,840	3.80
ROTIS	1,000	1,000	835	3.76
KT ICOM Co., Ltd.	10,800	10,800	9,016	0.60
Other	5,291	5,291	4,417	-
	<u>₩ 198,745</u>	<u>₩ 185,106</u>	<u>\$ 154,538</u>	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US \$ 5,844 thousand), are not material.

Unlisted investment equity securities are stated at cost, except where an investee's net equity value has declined and is not expected to recover. Impairment loss of ₩13,639 million (US \$ 11,387 thousand) between book value and acquisition cost of Hyundai Asan Corporation are recognized in current operations in 2002. Total net equity value of unlisted investment equity securities as of December 31, 2002 amounts to ₩140,339 million (US \$ 117,214 thousand) based on the investees' latest financial statements.

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

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
	2002	2002
Non-guaranteed bonds	₩ 33,239	\$ 27,750
Convertible bonds	161	135
Government bonds	65	54
	<u>₩ 33,465</u>	<u>\$ 27,939</u>

## 7. PROPERTY, PLANT AND EQUIPMENT:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002
Buildings and structures	₩ 2,920,973	₩ 2,783,164	\$ 2,438,615	\$ 2,323,563
Machinery and equipment	3,934,089	3,928,848	3,284,429	3,280,053
Vehicles	69,351	51,086	57,899	42,650
Dies, molds and tools	2,170,977	2,188,230	1,812,470	1,826,874
Other equipment	561,346	530,961	468,647	443,281
	9,656,736	9,482,289	8,062,060	7,916,421
Less: Accumulated depreciation	(4,003,751)	(3,490,091)	(3,342,587)	(2,913,751)
	5,652,985	5,992,198	4,719,473	5,002,670
Land	1,852,298	1,838,947	1,546,417	1,535,270
Construction in progress	970,544	616,168	810,272	514,417
	₩ 8,475,827	₩ 8,447,313	\$ 7,076,162	\$ 7,052,357

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

	Korean won (in millions)						U. S. dollars (Note 2) (in thousands)	
	Beginning of period	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of period	End of period
Land	₩ 1,838,948	₩ -	₩ 15,790	₩ (2,439)	₩ -	₩ (1)	₩ 1,852,298	\$ 1,546,417
Buildings and structures	2,365,550	-	159,751	(17,745)	(91,119)	(5)	2,416,432	2,017,392
Machinery and equipment	2,533,901	-	241,753	(130,490)	(329,713)	-	2,315,451	1,933,086
Vehicles	27,034	-	23,453	(1,119)	(8,058)	-	41,310	34,488
Dies, molds and tools	810,322	-	143,708	(42,751)	(279,886)	-	631,393	527,127
Other equipment	255,390	22	80,925	(10,398)	(77,433)	(107)	248,399	207,380
Construction in progress	616,168	897,643	(665,380)	(5,265)	-	127,378	970,544	810,272
End of the period	₩ 8,447,313	₩ 897,665	₩ -	₩ (210,207)	₩ (786,209)	₩ 127,265	₩ 8,475,827	\$ 7,076,162

A substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩975,277 million (US \$ 814,224 thousand) (see Note 14).

As of December 31, 2003, the published value of the Company-owned land (12,208 thousand square meters) totals ₩1,605,981 million (US \$ 1,340,776 thousand) in terms of land prices officially announced by the Korean government.

## 8. INSURANCE:

As of December 31, 2003, property, plant and equipment are insured for ₩5,113,057 million (US \$ 4,268,707 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of ₩144,376 million (US \$ 120,534 thousand), general insurance for vehicles and workers' compensation and casualty insurance for employees.

9. LEASED ASSETS:

The Company has entered into financing lease agreements for certain machinery and equipment. The lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of December 31, 2003 are as follows (won in millions):

	Financing leases		
	Lease Payments	Interest Portion	Lease Obligations
2004	₩ 7,821	₩ 117	₩ 7,704
2005	1,224	13	1,211
2006	119	1	118
	<u>₩ 9,164</u>	<u>₩ 131</u>	<u>₩ 9,033</u>

10. INTANGIBLES:

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

	Korean won (in millions)			U. S. dollars (Note 2) (in thousands)		
	December 31, 2003		December 31, 2002	December 31, 2003	December 31, 2002	
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value	
Cost in excess of fair value of net identifiable assets acquired	₩ 611,412	₩ 135,020	₩ 476,392	₩ 506,963	\$ 397,722	\$ 423,245
Industrial property rights	30,845	15,006	15,839	14,558	13,223	12,154
Development costs	1,106,706	664,825	441,881	407,631	368,911	340,316
Other	36,386	22,026	14,360	16,500	11,989	13,776
	<u>₩1,785,349</u>	<u>₩ 836,877</u>	<u>₩ 948,472</u>	<u>₩ 945,652</u>	<u>\$ 791,845</u>	<u>\$ 789,491</u>

The changes in intangibles in 2003 are as follows:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)	
	Cost in excess of fair value of net identifiable assets acquired	Industrial property rights	Development costs	Other	Total	Total
Beginning of period	₩ 506,963	₩ 14,558	₩ 407,631	₩ 16,500	₩ 945,652	\$ 789,491
Addition:						
Expenditures	-	7,421	710,116	-	717,537	599,046
Deduction:						
Disposal	-	(56)	(5,970)	-	(6,026)	(5,031)
Amortization	(30,571)	(6,084)	(177,414)	(2,140)	(216,209)	(180,505)
Research	-	-	(297,789)	-	(297,789)	(248,614)
Ordinary development	-	-	(194,609)	-	(194,609)	(162,472)
Impairment loss	-	-	(84)	-	(84)	(70)
End of period	<u>₩ 476,392</u>	<u>₩ 15,839</u>	<u>₩ 441,881</u>	<u>₩ 14,360</u>	<u>₩ 948,472</u>	<u>\$ 791,845</u>

The changes in intangibles in 2002 are as follows:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)	
	Cost in excess of fair value of net identifiable assets acquired	Industrial property Rights	Development Costs	Other	Total	Total
Beginning of period	₩ 537,533	₩14,577	₩ 1,028,322	₩ 16,001	₩ 1,596,433	\$ 1,332,804
Addition:						
Expenditures	-	5,050	555,426	2,685	563,161	470,163
Deduction:						
Disposal	-	-	(15,120)	-	(15,120)	(12,623)
Amortization	(30,570)	(5,069)	(650,922)	(2,186)	(688,747)	(575,010)
Research	-	-	(182,492)	-	(182,492)	(152,356)
Ordinary development	-	-	(275,841)	-	(275,841)	(230,289)
Impairment loss	-	-	(51,742)	-	(51,742)	(43,198)
End of period	₩ 506,963	₩ 14,558	₩ 407,631	₩ 16,500	₩ 945,652	\$ 789,491

For the year ended December 31, 2003, amortization of ₩ 216,209 million (US \$ 180,505 thousand) is recorded in selling and administrative expenses of ₩38,738 million (US \$ 32,341 thousand) million and in manufacturing cost of ₩177,471million (US \$ 148,164 thousand). In addition, the Company accounted for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

#### 11. OTHER ASSETS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Long-term notes and accounts receivable, less unamortized present value discount of ₩2,087 million in 2003 and ₩3,413 million in 2002	₩ 18,271	₩ 19,201	\$ 15,254	\$ 16,030
Lease and rental deposits	195,372	176,859	163,109	147,653
Long-term deposits	45,026	36,346	37,590	30,344
Deferred derivatives assets (see Note 2)	162,722	46,122	135,851	38,505
Long-term loans, less unamortized present value discount of nil in 2003 and ₩4,397 million in 2002	90,983	90,593	75,958	75,633
Long-term other accounts receivable, less unamortized present value discount of ₩3,441 million in 2003	14,745	-	12,310	-
Other	18,617	18,617	15,543	15,543
	₩ 545,736	₩ 387,738	\$ 455,615	\$ 323,708

#### 12. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2003 and 2002 amount to ₩628,726 million (US \$ 524,901 thousand) and ₩447,240 million (US \$ 373,385 thousand), respectively, and consist primarily of bank overdrafts and bankers' usance with annual interest rates ranging from Libor + 0.3 percent to 10.1 percent.

13. LONG-TERM DEBT:

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

	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note2) (in thousands)	
		2003	2002	2003	2002
Debentures	5.45 ~ 7.80	<u>₩ 1,893,682</u>	<u>₩ 2,669,745</u>	<u>\$ 1,580,967</u>	<u>\$ 2,228,874</u>
Local currency loans					
Capital lease	14.25	-	71	-	59
General loans	3.00 ~ 5.42	<u>30,860</u>	<u>39,041</u>	<u>25,764</u>	<u>32,594</u>
		<u>30,860</u>	<u>39,112</u>	<u>25,764</u>	<u>32,653</u>
Foreign currency loans					
Capital lease	Libor + 0.88 ~ 1.55	9,033	29,913	7,541	24,973
Other	Libor + 0.80 ~ 1.19	<u>26,011</u>	<u>89,228</u>	<u>21,716</u>	<u>74,493</u>
		<u>35,044</u>	<u>119,141</u>	<u>29,257</u>	<u>99,466</u>
		1,959,586	2,827,998	1,635,988	2,360,993
Less: Current maturities		<u>(945,906)</u>	<u>(1,088,961)</u>	<u>(789,703)</u>	<u>(909,134)</u>
		<u>₩ 1,013,680</u>	<u>₩ 1,739,037</u>	<u>\$ 846,285</u>	<u>\$ 1,451,859</u>

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

	Maturity	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note2) (in thousands)	
			2003	2002	2003	2002
Non-guaranteed debentures	20 Apr, 2004 ~ 10 Nov, 2008	5.45 ~ 7.00	<u>₩ 1,275,000</u>	<u>₩ 2,072,000</u>	<u>\$ 1,064,451</u>	<u>\$ 1,729,838</u>
Overseas debentures	18 Oct, 2004 ~ 15 Jul, 2007	7.33 ~ 7.80	<u>639,625</u>	<u>641,014</u>	<u>534,000</u>	<u>535,159</u>
			1,914,625	2,713,014	1,598,451	2,264,997
Discount on debentures			<u>(20,943)</u>	<u>(43,269)</u>	<u>(17,484)</u>	<u>(36,123)</u>
			<u>₩ 1,893,682</u>	<u>₩ 2,669,745</u>	<u>\$ 1,580,967</u>	<u>\$ 2,228,874</u>

The maturity of long-term debt as of December 31, 2003 is as follows:

	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
	Debentures	Local Currency Loans	Foreign Currency Loans	Total	Total
2004	<u>₩ 904,670</u>	<u>₩ 8,462</u>	<u>₩ 32,774</u>	<u>₩ 945,906</u>	<u>\$ 789,703</u>
2005	179,670	4,252	2,152	186,074	155,347
2006	481,758	2,861	118	484,737	404,689
2007	148,527	1,888	-	150,415	125,576
Thereafter	<u>200,000</u>	<u>13,397</u>	<u>-</u>	<u>213,397</u>	<u>178,157</u>
	1,914,625	30,860	35,044	1,980,529	1,653,472
Less: Discount on debentures	<u>(20,943)</u>	<u>-</u>	<u>-</u>	<u>(20,943)</u>	<u>(17,484)</u>
	<u>₩ 1,893,682</u>	<u>₩ 30,860</u>	<u>₩ 35,044</u>	<u>₩ 1,959,586</u>	<u>\$ 1,635,988</u>

14. COMMITMENTS AND CONTINGENT LIABILITIES:

- (1) The Company is contingently liable for guarantees of indebtedness, primarily for its affiliates, as of December 31, 2003.

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine	₩ 375,209	\$ 313,249
HMA	135,191	112,866
HMMA	479,120	400,000
HMFC	215,604	180,000
HMI	117,580	98,163
HT	142,538	119,000
HAOSVT	116,499	97,261
HME	82,639	68,992
HMJ	30,229	25,237
HMP	12,771	10,662
HYME	1,198	1,000
HMJ R&D	1,120	935
Equus Cayman Finance Ltd.	479,120	400,000
Other	987	824
	<u>₩2,189,805</u>	<u>\$ 1,828,189</u>

- (2) Investment securities of ₩95,151 million (US \$ 79,438 thousand) at book value, 16 blank promissory notes, 1 check amounting to ₩2,624 million (US \$ 2,191 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, the local currency and foreign currency loans and other payables up to a maximum of ₩975,277 million (US \$ 814,224 thousand) (see Note 7). Certain bank deposits of ₩16,593 million (US \$ 13,853 thousand) in cash equivalents, short-term financial instruments and other assets are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩185,621 million (US \$ 154,968 thousand) to the banks concerned as of December 31, 2003. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (4) As of December 31, 2003, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,447,998 million (US \$ 1,208,881 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at December 31, 2003.
- (5) The Company accrues estimated product liabilities expenses (see Note 2) and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the law suits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2003 will not have any material effect on its financial position.

15. CAPITAL STOCK:

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

	Authorized	Issued	Par value	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common stock	450,000,000 shares	219,518,502 shares	₩ 5,000	₩ 1,147,592	\$ 958,083
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	276,349
				<u>₩ 1,478,603</u>	<u>\$ 1,234,432</u>

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

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean won (in millions)</u>	<u>U.S. dollars (Note 2) (in thousands)</u>
Common stock	450,000,000 shares	219,088,702 shares	₩ 5,000	₩ 1,145,443	\$ 956,289
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>276,349</u>
				<u>₩ 1,476,454</u>	<u>\$ 1,232,638</u>

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

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, 2003, 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 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.

#### 16. CAPITAL SURPLUS:

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

	<u>Korean won (in millions)</u>		<u>U.S. dollars (Note 2) (in thousands)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Paid-in capital in excess of par value	₩ 3,264,433	₩ 3,256,236	\$ 2,725,358	\$ 2,718,514
Asset revaluation surplus	1,852,871	1,852,871	1,546,895	1,546,895
Other	<u>266,967</u>	<u>266,967</u>	<u>222,881</u>	<u>222,881</u>
	<u>₩ 5,384,271</u>	<u>₩ 5,376,074</u>	<u>\$ 4,495,134</u>	<u>\$ 4,488,290</u>

In 2003, paid-in capital in excess of par value were increased by ₩ 8,197 million (US \$ 6,843 thousand) due to the issuance of new common stock (see Note 15).

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US \$ 2,126,747 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US \$ 13,376 thousand), a deferred foreign currency translation loss of ₩594,275 million (US \$ 496,139 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US \$ 56,393 thousand) and adjustment of ₩16,702 million (US \$ 13,944 thousand) due to the disposal of revalued assets within 1 year after revaluation.

17. RETAINED EARNINGS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Appropriated:				
Legal reserve	₩ 126,870	₩ 101,870	\$ 105,919	\$ 85,048
Reserve for business rationalization	545,800	545,800	455,669	455,669
Reserve for improvement of financial structure	98,947	98,947	82,607	82,607
Reserve for overseas market development	48,800	48,800	40,741	40,741
Reserve for technology development	2,601,100	1,465,100	2,171,565	1,223,160
	3,421,517	2,260,517	2,856,501	1,887,225
Unappropriated	1,748,550	1,404,772	1,459,801	1,172,793
	<u>₩5,170,067</u>	<u>₩3,665,289</u>	<u>\$ 4,316,302</u>	<u>\$ 3,060,018</u>

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

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

Appropriations of retained earnings for the year ended December 31, 2002 was approved at the shareholders' meeting on March 14, 2003 and the appropriations including the cash dividends of ₩243,079 million (US \$ 202,938 thousand) are reflected in retained earnings on that date.

18. CAPITAL ADJUSTMENTS:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Treasury stock	₩ (89,706)	₩ (73,036)	\$ (74,892)	\$ (60,975)
Gain on valuation of available-for-sale securities (Note 4)	36,431	53,643	30,415	44,784
Gain on valuation of investments accounted for using the equity method	569,962	-	475,841	-
Loss on valuation of investment securities, net	-	(72,485)	-	(60,515)
Stock option cost	15,404	12,291	12,860	10,261
Cumulative translation adjustments	(3,293)	(3,311)	(2,749)	(2,764)
Gain (loss) on valuation of derivatives	(63,814)	25,852	(53,276)	21,583
	<u>₩ 464,984</u>	<u>₩ (57,046)</u>	<u>\$ 388,199</u>	<u>\$ (47,626)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US \$ 74,892 thousand) as of December 31, 2003 and 1,005,570 common shares and 3,167,300 preferred shares with a carrying value of ₩73,036 million (US \$ 60,975 thousand) as of December 31, 2002, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

(2) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011) and of ₩14,900 (grant date: March 10, 2000, beginning date for exercise: March 10, 2003, expiry date for exercise: March 9, 2008). These stock options all require at least two-year continued service starting from the grant date. If all of the stock options as of December 31, 2003 are exercised, 2,352,200 shares (1,492,000 shares and 860,200 shares for the options granted as of February 14, 2003 and March 10, 2000, respectively) will be issued as new shares or using treasury stock or will be compensated by cash, according to the decision of the Board of Directors. In 2003, 429,800 shares of stock options granted as of March 10, 2000 were exercised by directors (see Note 15).

The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 4.94% and 9.04%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent and 71.1 percent are used for the options granted as of February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ₩17,088 million (US \$ 14,266 thousand) and ₩11,832 million (US \$ 9,878 thousand) for the options granted as of February 14, 2003 and March 10, 2000, respectively, have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(3) Cumulative translation adjustments

Cumulative translation debits of ₩3,293 million (US \$ 2,749 thousand) and ₩3,311 million (US \$ 2,764 thousand) as of December 31, 2003 and 2002, respectively, which result from the translation of financial statements of the two branches (Hyundai Machine Tools America and Hyundai Truck America) located in the United States, are included in capital adjustments on the basis set forth in Note 2.

(4) Gain (loss) on valuation of derivatives

Loss of ₩ 63,814 million (US \$ 53,276 thousand) and gain of ₩25,852 million (US \$ 21,583 thousand) on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as of December 31, 2003 and 2002, respectively, is included in capital adjustments on the basis set forth in Note 2.

19. DIVIDENDS:

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

	Number of shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	218,629,032	20%	₩ 218,629	\$ 182,526
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	21%	25,717	21,470
Second preferred shares	37,571,005	22%	41,328	34,503
			<u>₩ 285,674</u>	<u>\$ 238,499</u>

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

	Number of shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	218,083,132	17%	₩ 185,371	\$ 154,760
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	18%	22,043	18,403
Second preferred shares	37,542,305	19%	35,665	29,775
			<u>₩ 243,079</u>	<u>\$ 202,938</u>

20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Income tax currently payable	₩ 809,216	₩ 663,493	\$ 675,585	\$ 553,926
Changes in deferred income taxes due to temporary differences	(211,208)	(123,551)	(176,330)	(103,148)
Income tax expense	₩ 598,008	₩ 539,942	\$ 499,255	\$ 450,778

In 2003 and 2002, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Income before tax	₩ 2,347,379	₩ 1,983,487	\$ 1,959,742	\$ 1,655,942
Addition	1,723,894	2,282,574	1,439,217	1,905,639
Deduction	(918,563)	(1,769,810)	(766,875)	(1,477,551)
Taxable income	₩ 3,152,710	₩ 2,496,251	\$ 2,632,084	\$ 2,084,030

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

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Beginning of period, net	₩ 832,284	₩ 315,155	\$ 694,844	\$ 263,112
Changes for period, net	871,659	517,129	727,717	431,732
End of period, net	₩ 1,703,943	₩ 832,284	\$ 1,422,561	\$ 694,844

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

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Accumulated temporary differences, net	₩ 1,703,943	₩ 832,284	\$ 1,422,561	\$ 694,844
Adjustments (*1):	345,567	397,078	288,501	331,506
	2,049,510	1,229,362	1,711,062	1,026,350
Statutory tax rate	x (*2)	x 29.7%	x (*2)	x 29.7%
Deferred income tax assets	₩ 576,329	₩ 365,121	\$ 481,156	\$ 304,826

(\*1) The Company did not recognize deferred income tax assets related to gain of revaluation of land and others since the probability of its realization in the near future is uncertain.

(\*2) In accordance with the revision of Corporate Income Tax Law of Korea, starting from 2005, the Company's statutory income tax rate is expected to be 27.5 percent. Therefore, in calculation of deferred income tax assets, the Company used 29.7 percent for the temporary difference expected to be realized in 2004 and 27.5 percent for the temporary difference expected to be realized thereafter.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future and calculated using the expected corporate tax rate in the period when the tax benefits will be realized. As of December 31, 2003, the Company believes the deferred income tax assets of ₩576,329 million (US \$ 481,156 thousand) can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The effective tax rates are 25.5 percent and 27.2 percent for the years ended December 31, 2003 and 2002, respectively.

21. RELATED PARTY TRANSACTIONS:

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

Affiliated Company	Sales / Proceeds (Expenses / Purchases)			
	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Hyundai Motor America	₩ 7,185,235	₩ 6,649,344	\$ 5,998,693	\$ 5,551,297
HAOSVT	349,037	121,849	291,398	101,727
Hyundai Motor India	244,051	149,550	203,749	124,854
Hyundai Motor Japan Co.	23,474	33,246	19,598	27,756
Hyundai Motor Poland Sp.zo.o.	84,990	82,176	70,955	68,606
Kia Motors Corporation	974,856	1,042,088	813,872	870,002
	(414,513)	(443,301)	(346,062)	(370,096)
Hyundai MOBIS	133,565	95,288	111,508	79,553
	(953,080)	(656,140)	(795,692)	(547,788)
Hyundai Capital	86,994	50,993	72,628	42,572
KEFICO	(293,920)	(278,883)	(245,383)	(232,829)
Dymos Inc.	(189,731)	(220,367)	(158,400)	(183,976)
Hyundai HYSCO	(164,712)	(187,993)	(137,512)	(156,949)
Hyundai Powertech	(144,569)	(86,554)	(120,695)	(72,261)
WIA	(132,087)	(116,657)	(110,275)	(97,393)
Autoever Systems Corp.	(77,488)	(41,643)	(64,692)	(34,766)

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

Affiliated Company	Receivables (Payables)			
	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Hyundai Motor America	₩ 258,066	₩ 189,089	\$ 215,450	\$ 157,864
	(38,556)	(124)	(32,189)	(104)
HAOSVT	30,019	4,943	25,062	4,127
Hyundai Motor India	22,309	6,692	18,625	5,587
Kia Motors Corporation	109,816	111,369	91,681	92,978
	(96,736)	(104,780)	(80,761)	(87,477)
Hyundai MOBIS	56,098	26,497	46,834	22,121
	(178,071)	(96,838)	(148,665)	(80,847)
KEFICO	(53,590)	(32,102)	(44,740)	(26,801)
Dymos Inc.	(73,095)	(50,150)	(61,024)	(41,868)
Hyundai HYSCO	(30,100)	(22,734)	(25,129)	(18,980)
Hyundai Powertech	(30,252)	(22,611)	(25,256)	(18,877)
WIA	(34,717)	(13,858)	(28,984)	(11,570)
Autoever Systems Corp.	(51,800)	(24,695)	(43,246)	(20,617)

22. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

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

	Foreign Currencies				Korean Won (in millions)			
	2003		2002		2003	2002		
Assets	US\$	787,075,386	US\$	332,202,100	₩	942,759	₩	398,775
	JP ¥	235,516,298	JP ¥	-		2,637		-
	GBP	35,467,992	GBP	2,760,537		75,521		5,314
	CAD	10,012,579	CAD	11,430,101		9,272		8,700
	EUR	134,334,020	EUR	121,252,463		201,848		152,458
	AUD	12,960,566	AUD	13,587,499		11,625		9,236
					₩	1,243,662	₩	574,483
Liabilities	US\$	1,029,725,152	US\$	886,146,626	₩	1,233,405	₩	1,063,724
	JP ¥	29,214,309,605	JP ¥	20,913,121,313		327,083		211,815
	GBP	9,010,979	GBP	3,736,884		19,187		7,193
	CAD	3,332,657	CAD	1,905,984		3,086		1,451
	EUR	167,708,780	EUR	180,229,258		251,996		226,609
	AUD	27,323,421	AUD	14,590,591		24,508		9,918
					₩	1,859,265	₩	1,520,710

23. REGIONAL SALES INFORMATION:

Sales by region in 2003 and 2002 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Domestic sales	₩ 10,646,265	₩ 12,383,414	\$ 8,888,183	\$ 10,338,465
Export sales - Vehicle products				
North America	7,175,439	6,654,174	5,990,515	5,555,330
Europe	3,132,984	2,565,453	2,615,615	2,141,804
South America	503,367	488,537	420,243	407,862
Asia & Pacific	640,259	582,065	534,529	485,945
Middle Asia & Africa	789,756	877,356	659,339	732,473
	12,241,805	11,167,585	10,220,241	9,323,414
Export sales - Other	2,079,195	1,014,848	1,735,845	847,260
Export sales	14,321,000	12,182,433	11,956,086	10,170,674
Total sales	₩ 24,967,265	₩ 24,565,847	\$ 20,844,269	\$ 20,529,139

24. SELLING AND ADMINISTRATIVE EXPENSES:

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

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Salary related expenses	₩ 850,124	₩ 876,062	\$ 709,738	\$ 731,393
Export costs	575,209	534,116	480,221	445,914
Sales promotion and advertisements	410,801	423,227	342,963	353,337
Sales commissions	284,250	308,085	237,310	257,209
Sales warranties	1,511,502	1,482,507	1,261,898	1,237,692
Taxes and dues	31,110	29,185	25,973	24,366
Communications	23,878	23,532	19,935	19,646
Utilities	23,545	22,975	19,657	19,181
Freight and warehousing	71,944	81,598	60,063	68,123
Rent	20,695	25,120	17,278	20,972
Travel	47,916	46,156	40,003	38,534
Service charges	159,562	142,997	133,213	119,383
Maintenance	18,521	12,146	15,463	10,140
Supplies	19,567	16,798	16,336	14,024
Research	298,298	182,492	249,038	152,356
Depreciation	61,741	56,310	51,545	47,011
Amortization	38,738	37,710	32,341	31,483
Provision for doubtful accounts	424	4,272	354	3,566
Stock option cost	7,056	83	5,891	69
Other	28,072	28,059	23,436	23,425
	₩ 4,482,953	₩ 4,333,430	\$ 3,742,656	\$ 3,617,824

25. FINANCIAL PERFORMANCE IN FINAL INTERIM PERIOD:

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

	Korean won (in millions, except per share amounts)		U.S. dollars (Note 2) (in thousands, except per share amounts)	
	2003	2002	2003	2002
Sales	₩ 7,252,909	₩ 6,826,895	\$ 6,055,192	\$ 5,699,528
Gross profit	1,855,591	1,410,534	1,549,166	1,177,604
Operating income	725,537	301,748	605,725	251,919
Ordinary income	589,413	305,473	492,080	255,028
Net income	459,311	253,870	383,462	211,947
Earnings per share	2,031	1,098	1,696	917

26. ACTUAL APPROVAL OF THE FINANCIAL STATEMENTS:

The financial statements of the Company as of December 31, 2003, which will be submitted to the shareholders' meeting, are scheduled to be approved by the Board of Directors on February 13, 2004.