

Annual Report 2005

Hyundai Sublime Drive



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Hyundai...
A Sublime Drive

Elevate your senses to a higher plane, to an enlightened place of mind, through the sublime driving experience of a Hyundai motor car. Produced through the innovation of our collective vision.

1960's: Foundation

Established in December 1967, Hyundai Motor Company began its evolution through a partnership with Ford U.K. They provided requisite technology for production of sedans. So fruitful was this collaboration that strong links between Korean and British automakers endure to this day despite the amazing global growth of Hyundai.

1970's: Fortification

Hyundai achieved self autonomy in the early 1970's as Hyundai Motor Company moved away from licensing agreements towards the development of its own proprietary passenger cars. Emboldened with the manufacturing know how of U.K and Japanese automakers, Hyundai Motor Company sought styling from Giorgio Guigiaro's ItalDesign to create vehicles of beauty as well as functionality. This fusion of expertise and creativity resulted in the production of Hyundai's first model, the Pony. The sub-compact was an enormous success in the Korean domestic market, elevating Hyundai into first place in domestic sales, a position which has remained unchallenged for over three decades. This early revolution allowed Hyundai to begin testing export markets.

1980's: Furthering Prosperity

On the back of a strong domestic economy and a skilled highly educated workforce, Hyundai massively expanded its Ulsan manufacturing plant in the early 1980's, increasing production output. During this hugely exciting period Hyundai began to look to overseas markets for future expansion. By the end of the decade Hyundai's cumulative exports to the U.S.A had surpassed one million units, an extraordinary achievement for a young manufacturer and in such a competitive market as the U.S.A. The Hyundai Excel was the catalyst for Hyundai Motor Company's initial claims in the U. S. A market, capturing the imagination of the American consumer and changing the compact class forever.

1990's: Fostering Our Energy to Create

The 1990's saw a dramatic rise in Hyundai research and development. 1990 was the beginning of a decade long commitment to developing patent technologies. In 1991 the company unveiled its first in-house designed powertrain, the Alpha engine, followed two years later by the Beta engine.

So confident was Hyundai in the expertise of its engineers and the quality of their product they began to compete in professional motor sports, winning in class the Asia Pacific Rally Championship in 1994 and 1996 with the Hyundai Elantra.

Towards the end of last century successive Sonata models, the EF and XG, earned Hyundai the highest possible accolades from international automotive press sustaining exports beyond 2000. The acquisition of Kia/Asia Motors and Hyundai Precision Industries and Hyundai Motor Service mergers endowed Hyundai Motor Company to boldly compete in markets across the globe.

2000 and beyond: For the Future

The establishment of manufacturing plants in China, Turkey, India and the U.S.A has catapulted Hyundai into the front ranks of the automotive industry and made Hyundai one of the most recognizable brands in the world.

Signature vehicles, the Sonata, Grandeur, Santa Fe and Tucson are regularly receiving accolades from motoring publications around the world and we now have an impressive market share and technological clout in nearly every automotive class.

2007 will mark the 40th anniversary of the company, providing a moment of reflection to take in the astonishing growth of the company and look forward to the exciting times which lie ahead.



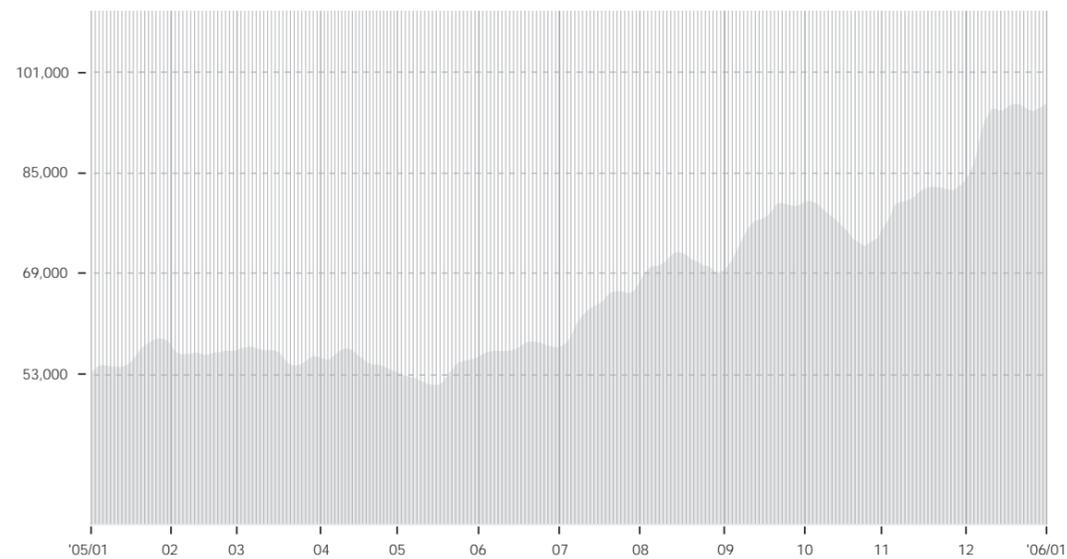
The history of Hyundai's flagship model, the Sonata



Evolution Supreme

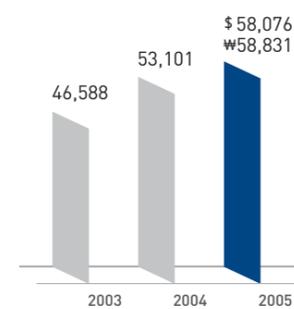
With the passage of time we arrive at our moment of greatest distinction. The current renaissance of Hyundai Motor Company has come from daring dreams and the will to see those dreams realized. We now stand at the pinnacle of our achievements and continue to innovate with progressive style and stunning ingenuity.

2005 Share Performance

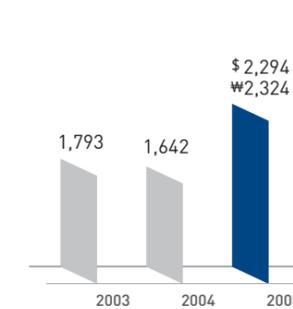


For the years ended December 31, 2005, 2004, and 2003

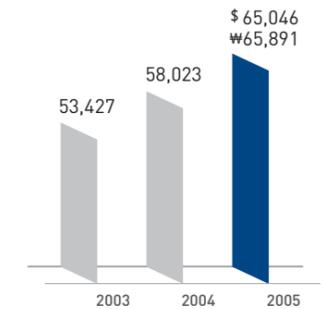
	2005	2004	2003	2005
			Korean won in billions	US dollars in millions
Sales	₩58,831	₩53,101	₩46,588	\$58,076
Net Income	2,324	1,642	1,793	2,294
Total Assets	65,891	58,023	53,427	65,046
Shareholder's Equity	19,640	16,756	15,429	19,388
Earnings Per Share (Korean won, US dollars)	10,696	7,193	7,909	10.56
Dividends Per Share (Korean won, US dollars)	1,250	1,150	1,000	1.234



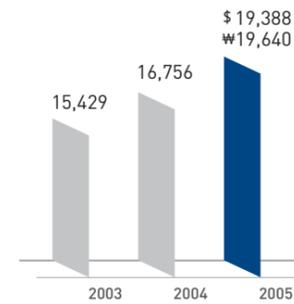
Sales
Korean won in billions, US dollars in millions



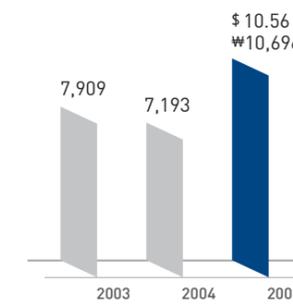
Net Income
Korean won in billions, US dollars in millions



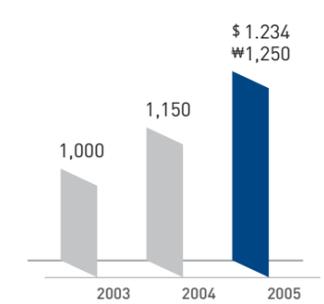
Total Assets
Korean won in billions, US dollars in millions



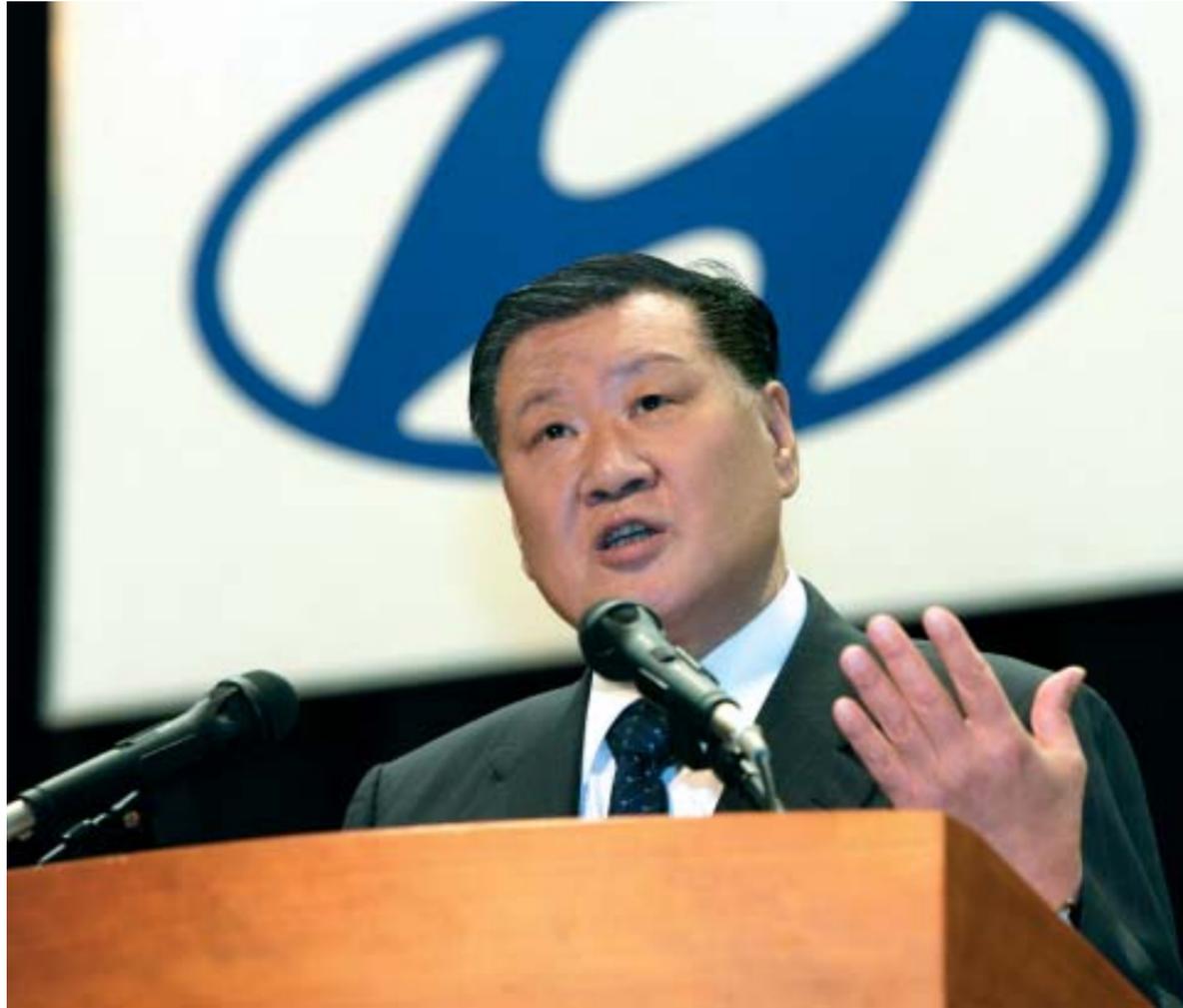
Shareholder's Equity
Korean won in billions, US dollars in millions



Earnings Per Share
Korean won, US dollars



Dividends Per Share
Korean won, US dollars



Our extraordinary evolution at Hyundai Motor Company continued throughout 2005 to a point where our brand is now ingrained in global consciousness. Our quality and innovation has surpassed the levels we aspired to at the turn of the century, raising the bar even higher for the next phase in our growth.

It is like being part of a rising tide. We are in perpetual motion, forever gaining momentum and strength. Our brand and product quality now bear all the hallmarks of a world-class auto manufacturer.

Our global presence is best exemplified in our ongoing partnership with FIFA. This partnership will reach its zenith during the 2006 FIFA World Cup Germany™. The unparalleled exposure the Hyundai brand will receive and the prestige of being involved in the biggest sporting event in the world make the year ahead a great time to be involved with Hyundai.

These really are exciting times for all of us.

In the year just gone this excitement reached a fever pitch with the opening of our first U.S.A manufacturing plant in Montgomery, Alabama. Hyundai Motor Manufacturing Alabama (HMMA) represents not only a boldly symbolic moment in our history but the fortification of our existing market share and a solid platform from which to aggressively target greater market share in the toughest automobile market in the world.

To that end, we have built into all our processes the best possible management practices, cutting edge plant facilities and manufacturing technologies, an active policy of environmental preservation and waste management and a corporate culture which is welcomed in every market on Earth. It is only through the delivery of all these elements that we can continue to raise our corporate value responsibly and accelerate the realization of our ultimate goal of being the producer of the world's finest motor vehicles.

Mong-Koo Chung
Chairman & CEO



We send many warm thanks and kind wishes to all of our loyal and respectable stakeholders who have followed our progress throughout the past year.

Despite the difficult economic climate of 2005 beginning with the drastic decline in the valuation of the foreign exchange rate, the instability in international oil markets and the hike in the overall prices of raw materials, 2005 was a highly successful year for Hyundai Motor Company as we were able to solidify our reputation as a leading global corporation through continued support from all levels of management.

Our continual pursuit of quality management and customer driven management has led to improvements across the board, not only propelling the development of the Hyundai brand throughout global markets, but also enhancing the general profit structure by placing the company into crisis management mode. Additionally, in order to expand potential sustainable development, efforts have been concentrated on strengthening the overall competence of the enterprise through investments in R&D and human resources and other related channels.

On the heels of the 2004 Sonata's number one ranking in the U.S.A in J.D. Power and Associates New Automobile Initial Quality Study, Hyundai Motor Company garnered top marks with respect to the best improvement in product quality in the 2005 J.D. Power and Associates Durability Study, outdistancing two German automobile giants.

Such improvements have given rise to an advancement in brand value, resulting in Hyundai Motor Company being named by BusinessWeek in a study conducted by Interbrand, as one of the world's top 100 brands with an estimated net brand value of US\$3.5 billion.

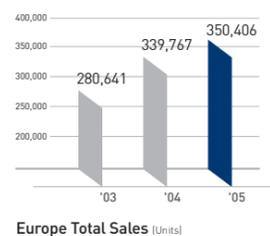
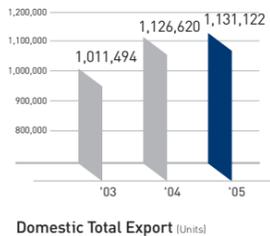
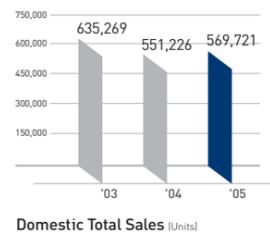
Using our success displayed in Hyundai Motor India (HMI) and Beijing Hyundai Motor Company (BHMC) as the foundation, we have recently completed the construction of HMMA in the U.S.A, the largest automotive market in the world. In addition, having recently established the European sales and marketing head office, Hyundai Motor Company has equipped itself with the necessary global production, sales foundation and infrastructure to play a pivotal role in the global automobile markets.

The continuing effort by Hyundai Motor Company to prioritize and strengthen the return on investment to stakeholders continues to be one of the most important objectives of the company. A recent study by PWC and other prominent global accounting firms cemented HMC's top automobile industry ranking as our 2005 price earnings ratio of 79.5 percent, greatly outdistanced the industry average of 9.4 percent. As a result of your continued support and loyalty, we are extremely pleased to pass along such outstanding accomplishments to you.

Despite the difficult financial circumstances surrounding the domestic economy in 2005, Hyundai Motor Company posted domestic production and exports of 570,000 and 1.131 million automobiles respectively; our foreign production centers produced and sold 636,000 automobiles totaling 2.337 million automobiles worldwide and achieving 34.9 trillion Korea won in global sales.

Respectable stakeholders.

There seems to be no end to the difficult economic global market this year in terms of an improvement in the valuation of the foreign exchange rate and price stability of international oil markets and raw materials. Despite difficult domestic and global financial market conditions, Hyundai Motor Company has selected this year to be the year in which it firmly entrenches its Global Management initiatives. Implementing Internal Management, Global Management, Emergency Management, Transparency and Ethics Management as its business policies, Hyundai Motor Company forecasts investment to total 3.436 trillion Korean won in 2006, an increase of 27.6 percent from the previous year and sales revenue to reach 41.4 trillion Korean won, a rise of 18.8 percent from the previous period. By reaching such lofty targets, Hyundai Motor Company will strive to meet profitable targets in the rapidly changing global market.



Sales targets for the current year have been set as 2.689 million automobiles, an increase of 15.1 percent from the previous year and encompassing a domestic production of 1.767 million automobiles and 922,000 automobiles from overseas production facilities respectively.

Through the expansion of the Hyundai line-up and dealer networks in overseas sales markets, Hyundai Motor Company expects a continued strengthening of brand value and has set regional sales targets of 532,000 automobiles for the U.S.A, 354,000 for Western Europe, 300,000 for China and 280,000 for India. Hyundai Motor Company plans the launch of 2-3 new models per region this year in these markets and will continue to strive forward in all international markets.

As the domestic market has fallen into a state of stagnation over the last several years, the whole industry has been faced with many difficulties. Expected to be a front-runner in the road to recovery this year, Hyundai Motor Company plans to strengthen its business capacity acting as the active agent of growth in order to help revitalize the overall business climate. Through the increase in product quality and the strengthening of Customer Satisfaction Management, Hyundai Motor Company has set a lofty target of 630,000 automobiles to be sold in the domestic market, an increase of 10.6 percent from the previous fiscal year.

Through our ongoing development in global markets and our continued progress in the development of environmentally friendly automobiles and automobile technologies, a rise in the brand value of our automobiles is assured. With that in mind Hyundai Motor Company will overcome the current difficult economic climate prudently, using the current crises as an opportunity to reinforce the state of the company.

Hyundai Motor Company plans to thoroughly reduce overall expenditures, and in order to act as the driving force for its growth, plans to increase R&D spending and overall investments in overseas markets.

In keeping with the compatibility of Crisis Management-based retrenchment and continued growth development based on investment expansion, Hyundai Motor Company is aggressively pursuing a dual motive comprised of a high return on investment and initiatives to further the future corporate value of the company.

Respectable stakeholders.

Hyundai Motor Company promises to reward the loyalty of our stakeholders by providing a high return on investment. In addition, Hyundai Motor Company will endeavor to become a model company for which all investors will find ample reason to place their trust in with respect to their investments.

Crisis is also a time for opportunity. Difficult economic circumstances call for a change to the existing order of markets. In addition, it is a fresh opportunity for newcomers. As Hyundai Motor Company is in the midst of its plans to establish its Global Management initiatives, we will endeavor to redefine our standards through the establishment of a new order in the global automobile industry.

We look forward to your continued interest, support and encouragement of Hyundai Motor Company. We invite you to follow our every step in good health and happiness as we continue to strive together for a brighter future and environment.

Thank you.

Dong-Jin Kim, Ph.D.
Vice Chairman & CEO



Enlightening

The enlightened mind makes shrewd decisions. Every moment in our creative process is calculated towards the beauty and refinement of the end product. Through clarity of vision and the harnessing of human and global energies our goal is achieved.

All-Star CEO

Driven by Greatness Towards Excellence

In 2005 Chung Mong-Koo, Hyundai Motor Company Chairman and CEO, was ranked by a leading motor industry publication as the top CEO of an Asian auto company.

The prestigious Automotive News "All-Star" Edition, published on July 11th 2005, honored Chairman Chung by selecting him from an outstanding group of auto company CEO's. He joins an elite list of past and present luminaries in the global automotive industry to have been chosen for this award.

In recognizing Chairman Chung's achievements, Automotive News pointed with distinction to the superior Hyundai brand and the rising tide of quality Hyundai vehicles.



"Hyundai sales are rising around the world... The industry is paying attention to the Korean giant." Automotive News "All-Star" Edition 2005/07/11

Global Awareness

Glowing Praise

In the September 27th 2005 edition of the U.K based Financial Times, Hyundai Motor Company was featured in a glowing article noting the rise of the Company. The daily paper pointed to an astonishing 360 percent sales increase in the U.S.A since 2000 as evidence of Hyundai's growing global reputation.

Chairman and CEO Chung Mong-Koo was credited by the Financial Times for his astute leadership since 2000. The daily cited Chairman Chung's commitment to quality management and global expansion, evaluating his management in the highest terms. According to the paper, it is Hyundai's commitment to quality, best exemplified by Chairman Chung's introduction of the 10-year/100,000 mile warranty which has been the primary catalyst for the enormous upward growth the company is experiencing.

Speaking with the Financial Times Chairman Chung promised to continue promoting overseas production in light of the huge gains currently being made through emerging markets such as China and India. Also outlined in the article was Chairman Chung's promise to the world to prepare for a better-than-Lexus luxury model soon to be developed by Hyundai.



Revving up the Hyundai Image

Powering On

American consumer interest in Hyundai vehicles is exploding. This is evident in the enormous amount of media Hyundai automobiles are now receiving in the U.S.A. In a five-page cover story in the 'global BUSINESS' section of its June 27 issue, TIME Magazine covered Hyundai's remarkable success in an article entitled "Hyundai Gets Hip: How South Korea's Leading Automaker Is Taking the Global Auto Industry by Storm."

Over four million American readers read the feature story on Hyundai Motor Company. That the U.S.A edition, which accounts for 80 percent of the magazine's total circulation, featured an article about Hyundai is indicative of how local production at HMMMA has contributed to a steep rise in American consumer interest in Hyundai automobiles. In turn, the feature story is expected to raise the image of Hyundai vehicles in the U.S.A even more dramatically.

The article in the June 27th U.S.A edition followed an April cover story on Hyundai's success in the 'global BUSINESS' section of TIME's Asian edition. Such coverage reflects America's growing interest in Hyundai which is now poised for dramatic success in the U.S.A following the establishment of the highly automated factory, in Alabama.

Reporting on the manufacture of the U.S.A made Hyundai Sonata, The Washington Times, in a June 24 article stated, "the Sonata, assembled in the good old U.S.A at Hyundai's new \$1 billion facilities in Alabama, is attractive and functional in all the right places." It also forecasts that the Sonata, as the vanguard in the enhanced image of Hyundai cars, will receive enormous attention from customers in the U.S.A.

The value of Hyundai Motor Company's investment in U.S.A manufacturing should not be underestimated. HMMMA is the crowning glory of Hyundai's recent dramatic ascension in world automobile rankings and will catapult the brand into the consciousness of every American consumer.



Corporate Confidence 'AAA'

Accelerating Absolute Assurance

Since 2004 Hyundai Motor Company has been rated Baa3 by financial ratings agency Moody's Investors. This endorsement means Hyundai commercial paper is rated as investment quality, further recognition of Hyundai's sound management and positive corporate and employee relations.

Significantly, Kia Motor Corporation also received the same recognition from Moody's at the same time as Hyundai, indicating a positive corollary in the financial outlook of both corporations.

These ratings reflect Moody's expectation that Hyundai Motor Company's overall earnings will continue to improve, supported by their solid positions in the Korean automotive market and strengthening global market positions as a result of regional diversification.

It further incorporates Moody's belief that Hyundai Motor Company will maintain its sound financial positions well into the future.

Recently, the Hyundai Motor Company financing unit in the U.S.A issued asset-backed securities (ABS) worth \$770 million in the U.S.A, with the proceeds being used to finance the sales promotion and consumer satisfaction activities of its automobile subsidiary in the U.S.A. This represents the largest amount of debt any South Korean company has ever sold in the U.S.A. The nation's largest automaker said it will use the funds to help Hyundai Motor America extend its reach and finance installment programs for customers in the world's largest auto market.

Deutsche Bank and Societe Generale lead-managed the issuance of securities with the credit rating of AAA. JP Morgan, Barclays and Wachovia banks also helped arrange the sale.



2005 Global Automotive Shareholder Value Award Winner

In January 2006 Hyundai Motor Company was named the PricewaterhouseCoopers and Automotive News 2005 Global Automotive Shareholder Value Award winner, a stark reminder of Hyundai's emergence as a top-tier global automaker. Presented at the 30th Automotive News World Congress in Dearborn, Michigan, the award recognizes automotive manufacturers, suppliers and retail distributors with top shareholder returns in their categories.

According to the PricewaterhouseCoopers Shareholder Value Index (SVI), Hyundai Motor Company has posted shareholder returns of 80 percent and 329 percent over the past one and three year periods, respectively. The SVI is accepted as the standard measure of relative shareholder value in the automotive industry. Hyundai Motor Company also received this recognition in 2003.

Developed seven years ago by PriceWaterhouse Coopers, the Shareholder Value Index (SVI) reflects the growing importance of shareholder value for publicly traded automotive companies. It looks at the value of \$100 invested in a stock over one and three year periods and compares relative returns generated by different companies and industry segments. The result is an objective and reliable measure of shareholder value for stock market-listed automotive companies. This year, Hyundai Motor Company was among only four companies awarded the Shareholder Value Award.



An Elite Company

Hyundai Motor Company is now a member of the esteemed Global Top 100 Brands Scoreboard, compiled by international brand consultancy Interbrand and published by BusinessWeek magazine.

Only ten automotive companies specializing in passenger vehicles were acknowledged with admittance into this elite group.

This exciting development occurred in the wake of Hyundai's 2005 brand slogan initiatives 'Drive Your Way™' and 'Refined & Confident' and is testament to the insight of our people and management.

Being an elite brand carries with it not only the privilege of being part of the global consciousness but the responsibility to use this privilege for the benefit of the planet and all mankind.

In 2005 Fortune Magazine rated Hyundai Motor Company 29th overall in the Socially Responsible Company category, an auspicious milestone which ratifies our social values and mission.

Joining the top 100 Interbrand list and the recognition received from Fortune Magazine further galvanizes the Hyundai global brand as a dynamic and progressive force and is the perfect platform from which to launch our global sales into the stratosphere.



Rising Caliber

Hyundai Motor Company improved its position in the 2005 J.D. Power and Associates Initial Quality Study (IQS) with the third best non-luxury brand ranking in the industry, up from fourth in 2004. On a brand-by-brand basis, Hyundai cars outscored Mercedes-Benz, BMW and Toyota, among others. U.S.A auto makers have been trailing Japanese on quality for decades as shown in J.D. Power quality studies. Throughout this period U.S.A manufacturers have been vowing to beat Toyota. GM, in particular, has closed the gap with Toyota and Honda on the J.D. Power survey in recent years, but Hyundai's coup, jumping to second place from 10th, has jolted the Detroit stalwart.

Commenting to Wall Street Magazine, Chance Parker, executive director of product and research analysis at J.D. Power and Associates gave due credit to the Korean automotive giant. "Hyundai experienced similar levels of improvement in the 2002 IQS, when these vehicles were new, which shows a successful effort by Hyundai in translating short-term quality improvements into higher long-term quality." He added that, "Hyundai is a great example of an automaker that is making strides toward improving vehicle quality by paying close attention to owner feedback and designing products with both short- and long-term quality in mind."

Significantly, Hyundai's all-new compact SUV, the 2005 Tucson, scored impressively in its first year of production, winning praise from J.D. Power as the highest quality all-new model launched in the industry for 2005.

Hyundai Motor Company quality has been duly recognized by J.D. Power and Associates in recent years. In the 2004 IQS the Sonata topped the Entry Mid-Size Car category in initial quality for that year.



5-Star Safety Recognition

The 2006 Hyundai Sonata and Tucson have received the U.S.A National Highway Traffic Safety Administration's (NHTSA) top five-star crash test rating for front and side impacts. On top of the success of Sonata and Tucson models, the 2006 Azera has received the Insurance Institute for Highways Safety's (IIHS) top crash test rating for frontal offset impacts. These results reflect Hyundai Motor Company's commitment to be a world leader in the standard application of the auto industry's most effective safety technologies.

The 2006 Tucson SUV and all-new Sonata mid-size sedan are setting the benchmarks for safety in their segments in the U.S.A market. Tucson was the first vehicle under US\$20,000 with standard Electronic Stability Control and six airbags. Both have received numerous accolades, including Tucson's "Best Value Car Award Winner" from SmartMoney magazine, and Sonata's "Automotive Excellence in Safety Award" from Popular Mechanics.

The Sonata features six airbags including dual front, front seat-mounted side-impact, and front and rear side curtain airbags-along with active front-seat head restraints. Other passive safety features include shingle-style rear seat head restraints for improved visibility, three-point seatbelts for all seating positions, front-seat seatbelt pretensioners and force limiters and rear seat LATCH system for child seats.

The Tucson is engineered to provide its passengers with multiple defensive layers. The steel unibody has designed in crumple zones and a high-tensile front sub-frame that are designed to work together to reduce the forces which reach the passenger compartment. To help resist intrusion, four structural rings encircle the body. All four doors also have internal guard beams to protect passengers in side-impact collisions.

The 2006 Azera received the IIHS top crash test rating meaning drivers are 46 percent less likely to be fatally injured in front collisions than those in poorly-rated vehicles. The Azera features the most standard safety features in its class including standard Electronic Stability Control (ESC) with Traction Control System (TCS) and Anti-lock Braking System (ABS). The Azera also comes with eight standard airbags, including advanced dual front airbags, front and rear seat-mounted side-impact airbags, and roof-mounted side curtain airbags for both front and rear outboard seat occupants. Active front head restraints provide extra protection against whiplash in rear-end collisions.





Genius in Motion

Genius flows from the river of imagination. In stirring rapids works the invigorated mind. The rising tide of Hyundai has landed.



Azera

With "The Art of Perfection" as its main communication concept, Azera now takes its place as Hyundai's premium sedan with an emphasis on a refined and modern image, comfortable driving performance and top-level quality to meet the needs of customers who desire the highest standards of engineering and comfort.

The Azera has been selected as the official car of 2006 FIFA World Cup Germany™, a fitting tribute to a car designed to compete directly against established European competitors.

Azera combines high quality materials and construction with European style and innovative technology. Azera has an impressive road presence and sense of refinement which takes the Hyundai brand to its zenith.

Part of our commitment to giving you the safest possible car is our adherence to NCAP testing procedures and requirements. Every facet of the Azera has been internally tested at our advanced in-house facilities to ensure that it complies with or exceeds these high standards. As a result large diameter disc brakes, active headrest, an airbag system, reversing safety sensors and ESP, a system developed to electronically coordinate ABS and Traction Control System, come as standard features of the Azera.

3.3 DOHC
Engine type: DOHC
Displacement(cc): 3,342
Max. Power(kW/rpm):
173(235ps)/6,000
Max. Torque(Nm/rpm):
304(31kg.m)/3,500

Awards

"Best New Family Car" – 2006 Car of the Year Awards, Automotive Journalists Association of Canada
"Recommended Buy Ratings" – Consumer Reports
Proven crashworthiness with "GOOD" rating – Insurance Institute for Highways Safety (IIHS)
Named "Best New Luxury Family Luxury Sedan" by FAME – Mujeres Al Volante Magazine

Sonata

Hyundai Motor Company's Sonata captured one of Popular Mechanics' inaugural Automotive Excellence awards, winning the safety category. The award was announced in the October 2005 issue of Popular Mechanics. With a readership in excess of nine million, the monthly is one of the largest and most trusted magazines published in the U.S.A.

This is the latest in a series of accolades bestowed on the Sonata. In February 2006 MotorWeek, America's most popular automotive videomagazine show, recognized the Hyundai Sonata as the Best Family Sedan in its 2006 "Drivers Choice Awards." The recipients of the 12-category awards were announced during a press conference at the Chicago Auto Show.

The all-new Sonata sets a new standard for safety equipment with six standard airbags (dual front, front seat-mounted side-impact and front and rear passenger side curtain airbags), standard active front head restraints, standard ABS and, for the first time in the midsize sedan segment, standard Electronic Stability Control (ESC) with Traction Control.

The midsize Sonata is the best-selling sedan in the Hyundai product line and the first 2006 model rolled off the production line in March at Hyundai's all-new manufacturing plant in Montgomery, Alabama. The all-new Sonata was designed specifically to meet the needs of the American consumer and is the product of three years of intensive collaborative development at Hyundai's global R&D operations, including those in Michigan and California.

2.4 DOHC
Displacement(cc): 2,359
Bore x Stroke(mm):
88.0 x 97.0
Compression ratio: 10.5
Max. Power(kW/rpm):
118.5(161ps)/5,800
Max. Torque(N.m/rpm):
219(22.3kg.m)/4,250

3.3 DOHC
Displacement(cc): 3,342
Bore x Stroke(mm):
92.0 x 83.8
Compression ratio: 10.4
Max. Power(kW/rpm):
171.4(233ps)/6,000
Max. Torque(N.m/rpm):
304(31kg.m)/3,500



Awards

Named "Best New Family Car" – 2006 Car of the Year Awards, America
Received "Good Design Award" – Japanese Industrial Design Promotion
Earned title "Best Bet" – Car Book 2005 in cooperation with Center for Auto Safety
Named "Best New Family Car" – 2006 Car of the Year Awards, Automotive Journalists Association of Canada
Selected as "The Most Trouble-free Vehicle" – Consumer Reports
Received Automotive Safety Excellence awards – Popular Mechanics
Received "What Women Want" Automotive Satisfaction Award – Good Housekeeping Institute Award

Santa Fe

Developed at cost of 162 billion Korea won (US\$155 million) over a period of 26 months under the CM project code-name, the 2006 Santa Fe rides on a 2.7m-long wheelbase, 8cm longer than its predecessor. This enabled an increase of 15cm, 5.5cm and 5cm in the overall length, width and height, respectively. As a result, the cabin offers more front and rear legroom and headroom than the outgoing model.

The result is a more luxurious ride without ever losing the exhilaration you expect from a high performance recreational vehicle of the class of Santa Fe. This is delivered through an all-new diesel engine, the D-2.2, which delivers 153ps at 4000rpm and 35kg.m of torque at 2000rpm with the help of a Variable Geometry Turbocharger.

The new diesel is coupled to an all-new five-speed transmission, with the customer being offered a selection of either manual or automatic, both fuel efficient, smooth-shifting designs.

2.7 V6 DOHC
 Displacement(cc): 2,656
 Bore x Stroke(mm): 86.7 x 75.0
 Compression ratio: 10.4
 Max. Power(kW/rpm): 138kW(188ps)/6,000
 Max. Torque(N.m/rpm): 284Nm(25.3kg.m)/4,500

2.2 CRDi
 Displacement(cc): 2,188
 Bore x Stroke(mm): 87.0 x 92.0
 Compression ratio: 17.3
 Max. Power(kW/rpm): 110kW(150ps)/4,000
 Max. Torque(N.m/rpm): 335Nm(34.2kg.m)/1,800-2,500



Awards

Earned title "Best Bet" title – Car Book 2005
 Received Recommended Buy Rating – Consumer Reports



2.0 DOHC
 Displacement(cc): 1,975
 Bore x Stroke(mm): 82.0 x 93.5
 Compression ratio: 10.1
 Max. Power(kW/rpm): 104/6,000
 Max. Torque(N.m/rpm): 184/4,500

2.7 V6 DOHC
 Displacement(cc): 2,656
 Bore x Stroke(mm): 86.7 x 75.0
 Compression ratio: 10.0
 Max. Power(kW/rpm): 129/6,000
 Max. Torque(N.m/rpm): 241/4,000

2.0 CRDi
 Displacement(cc): 1,991
 Bore x Stroke(mm): 83.0 x 92.0
 Compression ratio: 17.7
 Max. Power(kW/rpm): 82.5/4,000
 Max. Torque(N.m/rpm): 245/1,800-2,500

Tucson

In December 2005, an expedition of six Tucsons successfully completed a 6200km-long crossing of the African continent from the Atlantic to the Indian Ocean in a demonstration of the Hyundai 4x4's reliability and solid performance under highly demanding climactic and adverse road conditions.

The demonstration underscores the quality of the Tucson. All vehicles were stock Tucsons fitted with 2.0-liter Common Rail Fuel Injected engines, a 4x4 drivetrain and a driver-selectable 4WD lock to provide a continuous 50/50 torque split between front and rear wheels which came in handy as some 4,000km of the journey was over gravel.

The overall fuel consumption was measured at 9.3 liters per 100km, a respectable figure considering the vehicles were operating for 15 of the 22 days with the air conditioning set at full blast and maximum cargo loads of 300kg. Temperatures ranged from a low of 13 degrees to a high of 45 degrees centigrade.

Awards

Achieved Highest Quality all-new model rating – Initial Quality Survey (IQS), J.D. Power & Associates
 Selected "Best Quality Small SUV" – 2005 Strategic Vision Quality Study
 Chosen in "The Best Value Car" Category – Smart Money Journal (America)
 Received 5-star rating – U.S.A National Highway Traffic & Safety Administration (NHSTA)
 Ranked TOP in the compact SUV class – monitoring group Auto Pacific
 Won "Best SUV Under US\$25,000" – New England Motor Press Association Best winter Vehicle Awards

Elantra

Recalling its predecessor's reputation for quality and reliability, the all new Elantra has stepped up performance, redesigned its lines with curvaceous, but elegant styling, added room to its cabin and enhanced safety and comfort to create an extraordinary successor.

The Elantra accommodates your style and your pace of life, anticipating the intricacies and rhythms of your life. Available in GT, Limited and GLS versions, our proud tradition of excellence in the compact family car market continues with the Elantra. The fully featured Elantra is sleek and spacious, boldly displaying the European style influences that make it stand out from the crowd. Now more powerful and economical than ever before, the Elantra boasts a large 2.0L HVT (Hyundai Variable Valve Timing) engine that delivers full power, smoother driving and greater fuel economy with the option of automatic or manual transmission.

1.6 DOHC

Displacement(cc): 1,591
Bore x Stroke(mm): 77 x 85.44
Compression ratio: 10.5
Max. Power(PS/rpm):
121/6,200
Max. Torque(kgf.m/rpm):
156/4,200

2.0 CVVT

Displacement(cc): 1,975
Bore x Stroke(mm): 82.0 x 93.5
Compression ratio: 10.1
Max. Power(PS/rpm):
143/6,000
Max. Torque(kgf.m/rpm):
19.0/4,600

1.6 Diesel

Displacement(cc): 1,582
Bore x Stroke(mm): 77.2 x 84.5
Compression ratio: 17.3
Max. Power(PS/rpm):
115/4,000
Max. Torque(kgf.m/rpm):
26.0/1,900-2,750



Awards

Elantra named '2005 Car Book Best Bets'
Elantra achieved the second best-selling car in China, outpacing Volkswagen's Jetta, Santana, Honda Accord
Elantra received a "Recommended" rating from Consumer Reports

Accent

Hyundai Motor Company has long been at the forefront of the sub-compact class. This tradition continues with the all-new Accent, the latest generation of Hyundai's sub-compact family car. Bearing all the time-honored qualities you have come to expect from a Hyundai - reliability and durability, innovation and practicality, safety and economy - the Accent now hits the streets in an eye catching new profile.

Aligning pedigree with progress, the Accent is refining motoring in its class. The Accent is offered in the choice of sedan (GLS - 5 door) or sporty coupe (GT - 3 door), both coming with a stylized body hatch back. The design philosophy of the GT is to maintain the youthful exuberance Hyundai is famous for in the compact class. The Accent is accentuated by a sunroof, manual drive, painted surrounding bumpers, antifog headlights and a black spoiler.



1.4 DOHC

Displacement(cc): 1,399
Bore x Stroke(mm): 75.5 x 78.1
Compression ratio: 10.0
Max. Power(kW/rpm):
69.9 (95PS)/6,000
Max. Torque(N.m/rpm):
124.5 (12.7kg.m)/4,700

1.6 DOHC

Displacement(cc): 1,599
Bore x Stroke(mm): 76.5 x 87.0
Compression ratio: 10.0
Max. Power(kW/rpm):
82.4(112PS)/6,000
Max. Torque(N.m/rpm):
145.1 (14.8kg.m)/4,500

1.5 CRDi(Diesel)

Displacement(cc): 1,493
Bore x Stroke(mm): 75.0 x 84.5
Compression ratio: 17.8
Max. Power(kW/rpm):
81 (110PS)/4,000
Max. Torque(N.m/rpm):
235 (24kg.m)/1,900 - 2,750rpm

Awards

Named '2005 Car Book Best Bets'
Accent, Winner of Strategic Vision's 2005 Total Quality Award for Best Small Car Ownership Experience

GENUS

In February 2006 patrons at the Geneva Motor Show got their first glimpse at the Hyundai Genus concept vehicle.

Described as a coupe-wagon crossover, the Genus combines the sporting dynamism of a coupe with the versatility of a traditional wagon.

Created at the Hyundai Motor Europe Technical Center, in Rüsselsheim, Germany, the Genus was developed as a D-segment vehicle with broad appeal to many target groups. Thus, with its multi-use concept, the Genus can be used for work, extensive shopping tours, family holidays as well as for numerous free time activities.

A long wheelbase, reduced front and rear overhangs and a wide stance enable increased interior comfort and loading capacity without compromising the fundamental proportions inherent to a coupe. For maximum versatility, the floor features an integral hatch which can be lifted to reveal a retractable bench seat. The bench extends out to rest over the trunk sill and together with a sliding deck that is concealed in the bumper, it forms a multi-use outside seating area. The sliding deck can also be used separately for transportation of bicycles and other sports equipment.



Genus Specifications
Configuration: 4WD, 2+2 coupe-wagon
Wheelbase: 2,850 mm
Overall Length: 4,750 mm
Overall Height: 1,565 mm
Overall Width: 1,870 mm
Wheels: 20" aluminum
Engine: 2.2 liter CRDI
Transmission: 5-gear automatic

TALUS

Unveiled in January 2006 at the North American International Auto Show in Detroit Michigan, Hyundai's HCD-9 Talus offers a glimpse into the near future of the sports coupe.

Unlike a traditional sporty coupe, Talus can traverse steep driveways, potholes or two-track access roads thanks to its increased ground clearance. Talus also offers the performance of optional 4WD to assist in applying horsepower to the pavement or for added confidence in inclement weather. The increased ride height also improves visibility, giving the driver the ability to see and anticipate the road ahead.

Talus includes interior room for four adults, plus cargo space for that impromptu weekend getaway. More space, ease of access and the benefits of a commanding ride height are unique advantages Talus brings to the sports car market.

A sophisticated 4.6-liter V8 engine, mated to a 5-speed automatic transmission, delivers power to fit the demands of performance-oriented consumers.

In addition, Talus is equipped with next-generation technology including Electronic Stability Control, Night Vision, Shift-by-Wire Transmission, Wireless Internet, Adaptive Cruise Control.



HCD9 Talus Specifications
Configuration: Rear-drive, 2+2 sports coupe
Wheelbase: 2,800 mm. (110.2 in.)
Overall Length: 4,667 mm. (183.7 in.)
Overall Height: 1,578 mm. (62.1 in.)
Overall Width: 1,932 mm. (76.1 in.)
Track, f/r: 1592.6 mm (62.7 in.) / 1640.8 mm. (64.6 in.)
Wheels: 22" aluminum
Engine: 4.6-liter
Transmission: 5-speed manual transaxle

Driving the Future

At Hyundai Motor Company our commitment to future planning and development is best seen in our concept vehicles. The main aim of our design and development teams in Korea, Japan, Germany and California is to create vehicles which appear at once futuristic yet also fashionable to the current market. This is because we now have the capability to deliver concept vehicles to the market. The beautiful style and inspiring technologies our concept vehicles create will be available to the consumer in the very near future, not in some distant age. All our concept vehicles are created to test consumer desires and needs. So, if you like what you see then watch this space. At Hyundai, the future rises rapidly.



Hyundai Motor Company Concept Cars

- 1992: HCD-1
- 1993: HCD-2
- 1995: HCD-3
- 1998: EURO-1
- 2000: HCD-5, NEOS
- 2001: HCD-6, CLIX
- 2002: HCD-7, HIC
- 2003: OLV, CCS, NEOS-2
- 2004: HCD-8, E-CUBED
- 2005: HND-1, HED-1, ACCENT SR, NEOS-3
- 2006: HCD-9, HED-2



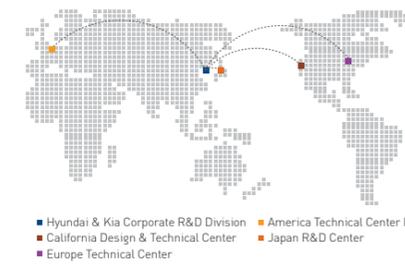
35 Born From Innovation- Forged in Steel

The vision of Hyundai Motor Company's Research and Development (R&D) network is to create vehicles which harmonize man and machine, machine and environment. Striving to maximize customer satisfaction, Hyundai R&D is developing safer, smarter vehicles while working to develop and put to practical use environment-friendly technologies including technologies related to recycling, exhaust emission reduction, fuel efficiency improvement, and environment-friendly next-generation vehicles.

Hyundai's global R&D network is among the most expansive and innovative in the industry. Overseen by Hyundai & Kia Corporate R&D Division in Korea, Hyundai has R&D outposts in Germany, California, Michigan and Japan and Korea, allowing us to recruit international talent from around the world.

Hyundai plans to invest heavily in next generation green vehicles and environmental technologies with focus placed on the development of core technologies for fuel cell and hybrid cars and mass production of such vehicles, development of technologies for lowering gas emissions and improving fuel efficiency, enhancing vehicle recycling as well as investigation into alternative materials to ferrous metals development of technologies for lowering air/water pollution during the manufacturing process and for recycling waste materials resulting from energy production.

Hyundai Motor Company
R&D Investments



Hyundai & Kia Corporate R&D Division - Namyang, Korea:

Equipped with cutting-edge facilities, Hyundai & Kia Corporate R&D Division encompasses the entire design process from pre-design studies, prototyping and full-scale aerodynamic testing to crash testing and final test driving along 70kms of test tracks of varying road conditions.

Mabuk Environmental Technology Center - Mabuk, Korea:

This is one of our latest, yet possibly most important developments in Hyundai R&D. Designed to ensure all Hyundai vehicles are equipped with world's best environmental protection technologies. The center houses an environmental assessment system which surveys the entire product cycle from design to manufacturing, use and end-of-life vehicle disposal.

Hyundai & Kia Motors California Proving Ground - California City, Mojave Desert, U.S.A:

This state-of-the-art proving ground, stretched over 4,300 acres in the Mohave Desert, is nothing short of spectacular. This proving ground is Hyundai's main testing site, validating the performance and durability of all Hyundai parts and vehicles sold in the U.S.A.

Hyundai & Kia America Technical Center Inc. - Michigan, U.S.A:

This serves as our core research and development facility in the United States, coordinating closely with our Irvine Design and Technical Center and California Proving Ground.

Hyundai & Kia California Design & Technical Center - Irvine, California, U.S.A:

The principal role of this exciting facility is to research new concepts and develop vehicle designs which meet the unique tastes of North American customers. Here auto designers, engineers, model makers and a technical staff of 200 are developing cutting edge vehicles.

Standing for Hyundai California Design, Hyundai's HCD concept cars attest to the originality and bold creativity in residence at this facility.

Hyundai Motor Europe Technical Center - Rüsselsheim, Germany:

This multifunctional compound operates to develop the highest quality vehicles catering for the particular tastes of our European customers. The facility was constructed to meet high European environmental standards and works in conjunction with our European subsidiary, managing product planning, marketing and sales.

Hyundai Japan R&D Center - Chiba, Japan:

Located on the outskirts of Tokyo this leading facility focuses on developing world first technologies in the most challenging automotive fields. Operations at this center are in close association with our corporate R&D division in Namyang, Korea.

- Hyundai & Kia Corporate R&D Division
- Mabuk Environmental Technology Center
- Hyundai & Kia Motors California Proving Ground
- Hyundai & Kia California Design & Technical Center
- Hyundai & Kia America Technical Center Inc
- Hyundai Japan R&D Center
- Hyundai Motor Europe Technical Center





Collective Consciousness

As a global company we draw from a global talent pool. We utilize the best minds from the four corners of the earth. Vehicles created by all people and for all people.



Production Spanning the Globe: Made In The U.S.A

Hyundai Motor Manufacturing Alabama (HMMA)

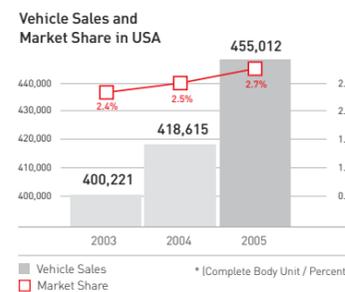
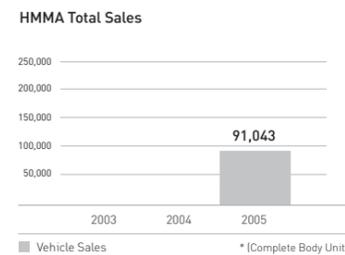
The grand opening of the HMMA plant in May 2005 was possibly the most significant moment in the history of Hyundai Motor Company.

Employing more than 2,000 skilled workers and utilizing 75 suppliers, the plant has begun its roll out of the all-new 2006 Sonata and, when it reaches full capacity, will produce 300,000 vehicles a year.

The 2 million square foot plant resides on 1,744 acres (7 million square meters) of land and includes a stamping facility, paint shop, vehicle assembly shop, a two-mile test track and an engine shop. It is Hyundai Motor Company's most advanced plant to date incorporating the world's best production, quality control and testing facilities.

HMMA is the cornerstone of Hyundai Motor Company's US\$1.1 billion investment in the American continent. We have R&D Centers in Irvine, California and Michigan and this network is coordinated from four regional headquarters in Washington, Miami, Detroit and Chicago.

The economic impact of the opening of the HMMA plant is yet to be fully realized. It is expected to generate up to 5,500 jobs in service, supplier and related industries, in addition to the more than 2,000 employees working at the plant, ensuring huge positive gains for the local economy.



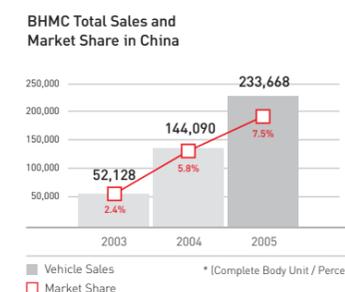
China: Partners In Production

Beijing Hyundai Motor Company (BHMC)

Beginning operations in December 2002 with the production of the EF Sonata BHMC has begun to earn recognition throughout the globe.

The pride of BHMC is the Beijing Plant which resides over 163 acres (661,000 square meters), with a production capacity of 300,000 vehicles per year. The Beijing Plant produces Hyundai's Sonata, Elantra and Tucson models. BHMC has shown such remarkable progress in so short a time that its success has been coined 'Hyundai Speed' in the Chinese vernacular. BHMC sold over 50,000 of the new EF Sonata in its first year of production, garnering a 9.2 percent share of the entry mid-size class in China.

In a mere six months the Elantra, modified to meet the demands of local consumers, became an instant success as well, ranking first in total sales for its class. As the top foreign automobile manufacturer in the Chinese market Hyundai Motor Company is moving forward to sustain this lofty status.



The success of Hyundai Motor Company's joint venture in BHMC has resulted not only in economic development but in improved inter Korean-Chinese relations.

Mr. Jia Qinglin, chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) used the term 'Hyundai Miracle' to describe the importance of Hyundai Motor Company to the Korean economy and foreshadowed that the continued success would translate into continuing progress and development in the Chinese automotive industry. His predictions could not have been more accurate as, on April 18th 2006, Hyundai Motor Company broke ground on its second manufacturing plant in Beijing, which will double Chinese manufacturing capacity to 600,000 units.



India: Emerging Markets

Hyundai Motor India (HMI)

In anticipation of unprecedented economic growth in India, Hyundai invested heavily in one of the world's fastest growing economies in the mid 1990's, culminating in the opening of the giant manufacturing plant in Tamil Nadu.

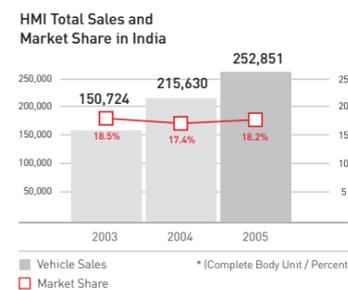
India is a central part of the BRIC's (Brazil, Russia, India and China) developing countries that will play a major global role as key economic centers of the future. HMI has been targeted as one of the key bases for Hyundai Motor Company's globalization efforts in the Indian, South-West Asian and Central and South American markets.

Being located in Chennai, its close proximity to infrastructure and supplier bases has allowed Hyundai Motor Company a smooth transition into the Indian automotive market. In addition, Chennai's geographical location as a port city, along with international airport facilities allow for cost efficiency and environmentally friendly logistics.

HMI's production facility in Chennai sprawls over 531 acres (2.149 million square meters), with a total production capacity of 250,000 vehicles per year. The plant produces Santro, Accent, Getz, Sonata and Elantra vehicles.

Since its inception, HMI has become the second top selling motor company in India. Hyundai Motor Company's Santro fought against a local manufacturer who boasted an 80 percent market share in its class. After just three years in competition, the Santro overtook the local competitor and remains the front runner in its class.

In the five years to December 2003, HMI sold over 500,000 vehicles to the Indian market.



Turkey: Producing For All People

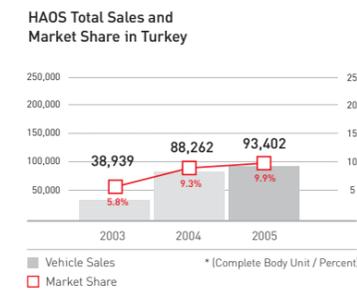
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S (HAOS)

Beginning in 1997, Hyundai Motor Company's joint venture with the local KIBAR group become the first international joint venture in Hyundai Motor Company's history. Located two hours from Istanbul, the HAOS plant is located within a 20 kilometer radius of other major automobile manufacturing plants. The area was specifically chosen for its close proximity to trading infrastructure.

Residing over 245 acres (1 million square meters), the plant includes the largest proving ground in Turkey and produces 60,000 vehicles each year. The Hyundai Accent, H-1 and H100 vehicles roll out of the HAOS Istanbul plant.

Unlike other Complete Knock Down (CKD) plants, HAOS is independent and has improved logistics systems to minimize adverse environmental impact.

HAOS implements a quality control reporting system for all models and a double-check system to ensure quality assurance in all its processes.



Korea: The Heartland

Ulsan Plant

The Ulsan manufacturing plant, consisting of five independent manufacturing facilities and covering 1,225 acres (4.958 million square meters) of land, has an annual manufacturing capacity of 1.6 million vehicles. Approximately 34 thousand employees work here. This plant has its own exclusive pier, which can accommodate three ships of 42 thousand tons each. It is one of the biggest auto manufacturing plants in the world and plays a core role in the Korean automobile industry.

Asan Plant

The Asan manufacturing plant, consists of a stamping shop, a highly automated body line, paint shop and final trim and assembly line as well as a foundry and an engine manufacturing facility. It stands on a 449 acre (1.818 million square meters) site and has an annual manufacturing capacity of 260,000 vehicles. This plant was built with the philosophy of creating the safest and most eco-friendly work environment possible. We have paid careful attention to environmental protection at this plant. We have also designed a wide variety of facilities for the comfort and convenience of our employees, as we believe in creating an optimal working environment for them, as they create excellence for our customers.

Jeonju Plant

Our Jeonju manufacturing plant, situated on 245 acres (1 million square meters) in the Korean heartland, specializes in manufacturing buses, 2.5 ton and heavier trucks and special purpose vehicles. This plant has an annual manufacturing capacity of 60,000 vehicles and is one of the biggest commercial vehicle manufacturing plants in the world. This plant strives to develop new eco-friendly products. The plant has various cutting-edge equipment required to independently develop about 100 different models of commercial vehicles.



Export by Region

		2003	2004	2005
North America	U.S.A	448,359	436,778	327,855
	Canada	65,941	58,440	58,947
Europe	Western Europe	254,534	274,144	293,340
	Eastern Europe	33,972	59,607	63,537
	Latin America	65,923	60,688	82,903
Others	Middle East/Africa	77,076	139,296	185,457
	Asia/Pacific	65,689	97,639	119,083
Total		1,011,494	1,126,592	1,131,122

* IUnit

Best in Show

At international motor shows around the world Hyundai Motor Company continues to demonstrate its credentials as a cutting-edge competitor in the field of new technologies.

At the 2006 North American Auto Show Hyundai exhibited 19 vehicles including the new 2006 Santa Fe which will roll out of our North American plant in Alabama later this year. Also shown at the 2006 North American Auto Show were the Tucson, the Sonata, the Azera and the HCD-9 Talus concept car.

Participation in the North American Auto Show, held in Detroit and the vanguard of U.S.A motor shows, provides Hyundai not only the most prestigious platform available for showing but an opportunity to test market forces and to predict customer needs and desires coming as it does at the beginning of the year.

With the release of the Santa Fe we have challenged the European SUV market at the 2006 Geneva Motor Show. In addition we displayed 15 other Hyundai Motor Company models including Accent, Getz, Matrix, Elantra, Sonata and Tucson to actualize the enhancement of our brand image.

Last year, our confidence as a global brand was clearly in evidence at the 2005 Tokyo Motor Show, the 2005 Frankfurt Motor Show and the 2005 Geneva Motor Show, three of the five biggest international motor shows in the world. At each event we premiered the new Azera and the new Getz, in addition to exhibiting our local flagship products.

The introduction of the Azera, boasting world class quality and competitiveness, at the 2005 Tokyo Motor Show and the 2005 Geneva Motor Show marks the



beginning of our participation in the North European automotive market. Also, our event starring Goleo, the official mascot of the 2006 FIFA World Cup Germany™, and World Cup Zone were rapturously received at the 2005 Frankfurt Motor Show. We also introduced the new Getz and Accent SR designed to go beyond the expectations of European consumers. Through these promotions, we made a highly successful entry into the European market.

The 2005 Shanghai Motor Show set the stage for the debut of the new Sonata which will exceed the fame and accolades of former models, and the E-Cubed multi-purpose hatchback concept car. At the 2005 Seoul Motor Show, we showcased a massive 46 models including the Azera luxury sedan, concept cars, economy-friendly vehicles, welfare vehicles, mass-produced cars, and commercial vehicles, along with a showcase of Hyundai new technologies.

All these vehicles were developed under our theme 'Refined & Confident,' which is designed to orient our brand to promote the image and vision of the world's best company in terms of trustworthiness and respectability. Under our foremost proposition 'global management', Hyundai Motor Company will be among the world's best by promoting local marketing strategies, differentiated sales promotions and brand image enhancement.





Hyundai's renewed agreement with FIFA includes ten sanctioned international football events including the 2006 FIFA World Cup Germany™

- FIFA Confederations Cup France 2003
- FIFA U-17 World Championship Finland 2003
- FIFA Women's World Cup USA 2003
- FIFA World Youth Championship UAE 2003
- FIFA U-19 Women's Youth Cup 2004
- FIFA World Youth Championship 2005
- FIFA Confederations Cup Germany 2005
- FIFA U-17 World Championship 2005
- FIFA U-19 Women's Youth Cup 2006
- 2006 FIFA World Cup Germany™

Hyundai Global Support for Football

- Official Sponsor Korea Football Association
- Official Sponsor Korean National Football Team
- Official Sponsor Czech Republic National Football Team
- Official Sponsor Football Federation Australia Hyundai A-League
- Chonbuk Hyundai Motors Football Club (K-League Korea)

Automotive Official Partner

- UEFA EURO 2000™
- UEFA EURO 2004™



Hyundai FIFA Partnership

On March 1st 2005, Hyundai Motor Company signed with FIFA to become one of six elite official FIFA partners from 2007 to 2014, sharing the values commitment and vision for promoting and developing the game on a global basis.

This uplifted FIFA partnership will assure not only unprecedented access to the world of football but also measurable media value, product category exclusivity, unparalleled opportunities to reach core football consumers, strong brand credibility in football and an all-round marketing vehicle delivering strengthened brand equity in football and measurable sales opportunities.

Hyundai took its first step on the road to prominence on the international sports stage by serving as an official partner of the FIFA Women's World Cup and joined FIFA to serve as the official partner of the 2002 World Cup Korea/Japan™ and Euro 2004™. Since then Hyundai has become a stronger supporter of the world game.

By sponsoring ten FIFA competitions, including the 2006 FIFA World Cup Germany™, Hyundai is securing a firm foundation that will enable it to push its sports marketing strategy forward to gain a better foothold in the global market.

2006 FIFA World Cup™ GAME ON

In 2006 "The Beautiful Game" stages its biggest event. The 2006 FIFA World Cup™ will be the most watched sporting event in history, telecast in every country on the planet. The FIFA World Cup holds the entire global public under its spell.

An accumulated audience of over 37 billion people watched the France 98 tournament, including approximately 1.3 billion for the final alone, while over 2.7 million people flocked to watch the 64 matches in the French stadia. The World Cup 2002, staged in Korea and Japan, attracted similar, astonishing audiences.

Hyundai's partnership with FIFA and the sponsoring of this event is significant as it places us in the top bracket of corporate sporting sponsorship. As the only car maker to be an official FIFA partner, the value of this relationship cannot be underestimated. The level of brand exposure we expect to receive will be the envy of our competitors across the globe.





Peace of Mind

Through using energy we must also create it.
In creating products for life we must cherish life.
Hyundai has always resolved to nurture land and people from across the globe for the benefit of current and future generations.

49 Hyundai Motor Company Environmental Advancements

In 2005 Hyundai Motor Company Chairman and CEO, Chung Mong-Koo launched our new corporate vision 'Innovation for Humanity'. This vision was designed to create new benchmarks against which all Hyundai operations would be judged.

Chief among these is care and respect for the environment without which there would be no Hyundai and no humanity. The challenge presented to corporations, governments and to all people is to find ways to live in harmony with the natural world and, wherever possible, turn back the planet's biological clock to a cleaner, greener world.

As an automobile manufacturer the number one priority of our environmental strategy is the commercialization of eco-friendly vehicles. Hyundai Motor Company continues to work towards this end with our electric and hybrid car developments, advancements in diesel engine technologies and our continuing commitment to end-of-life vehicle disassembly and recycling technologies.

Our financial investment in developing, commercializing and maintaining these technologies continues in recognition that, for the survival of our company, let alone the planet, the future must be green.



Hydrogen Fueling Station in California

As part of the Hydrogen Fleet & Infrastructure Demonstration and Validation Project, Hyundai Motor Company completed the construction of its first hydrogen fueling station located at the Hyundai & Kia America Technical Center in Chino, California. A state of the art facility, the fueling station produces 15kg of natural gas per day. Daily fueling capacity is 30 vehicles and fueling takes roughly 2 minutes to complete. Working in cooperation with Chevron Texaco, Hyundai Motor Company has made plans to build more hydrogen fueling stations in California and other states.

Hyundai Delivers Fuel Cell Vehicles for Exhaustive Test Program

In December 2005 Hyundai Motor Company delivered the first of 10 Hyundai Fuel Cell Electric Vehicles (FCEV) to the Alameda-Contra Costa Transit District (AC Transit) in Emeryville, California. The ceremony took place at AC Transit's Emeryville Bus Division and marked the beginning

of a five-year demonstration and validation project designed to evaluate fuel cell vehicles and hydrogen infrastructure technologies.

"Hyundai's partnership with AC Transit represents the first time that a third-party has been involved in our fuel cell vehicle research, and it marks another milestone in our effort to bring this technology to commercialization," said Dr. Won Suk Cho, president, Hyundai America Technical Center, Inc., which is responsible for alternative fuel research in the U.S.A. "Our vehicles will be operating in real-world working environments everyday proving the viability of this technology."

In April 2004 Hyundai, Chevron Corporation and UTC Power were awarded a U.S.A Department of Energy grant to support research into hydrogen-powered fuel cell technology for automotive applications. The grant represents U.S.A government faith in Hyundai Motor Company to deliver on its environmental goal of building better and cleaner vehicles.

1. Hydrogen Fueling Pump
2. Hydrogen Fueling Station in California



Tucson fuel cell vehicles to the Alameda-Contra Costa Transit District in California, as a part of a project commissioned by the U.S.A



Developed FGV-1	Developed FGV-2 / Developed Elantra hybrid vehicle	Participated in California fuel cell partnership / Developed Accent hybrid vehicle / Developed County hybrid vehicle / Developed Santa Fe fuel cell electric vehicle	Accomplished 350 bar hydrogen charge for the first time in the world [CaFCP]	Developed Getz hybrid vehicle / Participated in the fuel cell commercialization project in Japan	The Ministry of Environment's demonstration of the Getz hybrid vehicle / Developed the Tucson fuel cell electric vehicle / Validation project of the fuel cell car operation commissioned by the U.S.A Department of Energy (DOE)	Developed the new Accent hybrid vehicle / Developed the Tucson fuel cell electric vehicle with cold startability / Completed the construction of Chino Hydrogen Energy Station in the U.S.A
1995	1999	2000	2001	2002	2004	2005

Hybrid Electric Vehicle (HEV)

Combines the conventional power-train with the electric motor and battery system. Offers reduced improved energy efficiency (greater than 50 percent improvement in fuel economy) and a reduction in emissions (greater than 15 percent reduction in fuel emissions). Currently in operation as Hyundai Accent HEV and Getz HEV. Hyundai Sonata HEV will be produced from 2007.

resulting in the outflow of electricity. The FCEV offers greater re-fueling ease, increased power and superior performance to its predecessor the Electric Vehicle (EV). Currently in operation are Santa Fe FCEV and Tucson FCEV which features a start up ability in sub-zero weather.

Gasoline Controlled Auto Ignition (CAI) Engine
Hyundai Motor Company is developing the CAI Engine to reduce NOx emissions produced from gasoline engines. The CAI reduces NOx emissions by over 90 percent compared to existing conventional engines. In addition, fuel efficiency

improves by 15 percent when the Gasoline Direct Injection System is applied to the Gasoline CAI engine

Homogenous Charge Compression Ignition (HCCI)

Although diesel powered engines achieve higher efficiency and low emissions, internal combustion chamber related problems result in excess NOx emissions. To combat this Hyundai Motor Company is developing the HCCI Engine to reduce NOx emissions.

ELV Disassembly Plant

In November 2004, Hyundai Motor Company completed the construction of the ELV Disassembly Plant. The plant includes state of the art disposal equipment and related technologies and has a maximum recycling capacity of 4,000 vehicles. Comprising eight phases, the plant includes a continuous flow disassembly system along with a system which monitors recycling.

Vehicle Recycling

Hyundai Motor Company is developing various waste parts recycling technologies for use in the

production of new vehicles. In line with its plastic and rubber recycling initiatives, Hyundai Motor Company recycles vehicle carpets and seating foam and reuses parts in trunk trim and noise reducing padding parts. In addition, Hyundai Motor Company will introduce a new recycling system for waste bumpers from 2005. The system allows for large scale re-circulation of materials from used bumpers and for the elimination of disposal wastes through recycling.

Catalysts Recycling

Platinum Group Metals (PGM) are used as the

main catalyst to refine petroleum and purify emissions. Due to rising global demand and the relatively high cost of PGM, recycling initiatives have been set as a major priority. In partnership with suppliers, Hyundai Motor Company established a joint venture which became the first domestic environmentally friendly PGM recycling company. This joint venture allows for Hyundai Motor Company to achieve cost savings and reductions and continued progress in the domestic automobile industry.

51 Hyundai Motor Company Social Initiatives

In the wake of possibly humanity's worst ever natural disaster, Hyundai's pledge to be a responsible corporate citizen saw our social commitments focused like never before.

Hyundai Motor Company was one of the first companies to offer support to South-East Asian nations affected by the 2004 Boxing Day Tsunami. We were actively involved in support services by providing donations and relief goods totaling US\$1.5million. More importantly, we sent a team of 5,000 voluntary relief workers, comprising employees and dealers, to the affected areas.

Hyundai Motor Company has a contingency plan in place to provide timely support to any nation in the event of natural disaster. In the past our support has come to the aid of many in need including victims of the Algerian and Iranian earthquakes.

Further social contributions include our 'Be A Global Friend' Program which provides opportunities for Korean university students to experience the richness of other cultures and our guest engineer program at Hyundai & Kia Corporate R&D Division which opens our doors to emerging talent from all over the world.

In addition, our social volunteer team has over 1,200 members who host events such as Korea's 'Wheelchair Olympics', community clean-ups and orphanage visits. Hyundai America funds scholarships, with a particular emphasis on support for healthcare education, research and continuing education grants, and provides ongoing support to healthcare conferences across North America.

Hyundai America also offers financial support to National Affiliates, Multicultural Charities, Corporate/Community Charities and Arts/Humanities Charities.



Hyundai Hope on Wheels Tour

In order to sure up support for research and treatment of pediatric cancer, Hyundai Motor America and Hyundai dealers created Hyundai Hope on Wheels initiative to give back to the communities in which we live and do business.

Since 1998 Hyundai Hope on Wheels Tour has generated more than US\$7 million in corporate contributions to hospitals across the U.S.A. Charged with the mission of helping kids fight cancer in 2005 Hyundai Hope on Wheels Tour was expanded through our new partnership with CureSearch National Childhood Cancer Foundation. Our alliance with CureSearch, an organization dedicated to finding a cure for childhood cancer, helps us take our message of hope to additional hospitals throughout America and assists in raising greater awareness of of this important cause.

Hyundai Hope on Wheels Tour began in 2004. The centerpiece is a white Hyundai SUV covered with the colorful handprints of pediatric cancer patients from all over the U.S.A

Our ongoing goal is more handprints, more hospitals, more hope each and every year.



Social Welfare:

- Wheelchair donations in Korea
- Food aid for the under privileged
- Annual blood Donations
- Fundraisers in collaboration with Beautiful Store®
- Community Chest of Korea
- Three Leaf Clover program
- Junior Traffic Safety Campaign
- Traffic Accident Prevention for the physically challenged
- Social volunteer programs
- Public Service for the Under-Privileged
- ABC's of Traffic Car Safety Education
- Public Campaigning and Social Welfare projects
- Purse Program for Women

Education & Joint Research:

- Student Marketing Forum and Design
- Contest R&D Scholarship programs
- Mechanics contest
- Computer donations to grade school in Shunyi District, China
- Donation of vehicles engines to Tsinghua University
- Next Generation Vehicle Research Institute, Seoul National University
- Guest engineer program, Hyundai & Kia Corporate R&D Division
- High School Poster and Peer PSA contests

Environment:

- Support for National Trust of Korea
- Environmental restoration programs in plant vicinities

National Emergency Management:

- Reforestation of fire ravaged areas

International Relationship:

- Tsunami relief in South East Asia
- Donation of medical vehicles to Eritrea, Africa
- 'Be A Global Friend' program
- 2005 Beijing New Year's Eve concert sponsorship
- Welfare Service Team for disaster relief

National Development:

- Domestic Foreign Laborers' Medical Service





- | | | | | | |
|---|--|---|--|---|---|
| 1. Headquarters
(Ulsan Plant/Asan Plant/Jeonju Plant/
Environmental Technology/Research Center/
Commercial Vehicle R&D Center) | 6. Hyundai Motor Manufacturing Alabama
(HMMA) | 16. Auhui Jianghuai Automotive Co., Ltd | 27. Hyundai Motor Company Poland (HMP) | 35. Hyundai Motor Company
(Asia Regional Headquarters) | 40. Hyundai Washington Office |
| 2. Hyundai - Kia America Technical Center Inc.
(HATC) | 7. Hyundai Motor India (HMI) | 17. Huatai Automobile Co., Ltd | 28. Hyundai Motor Hungary KFT (HMH) | 36. Hyundai Motor Company
(Africa & Middle East Regional
Headquarters) | 41. Hyundai Detroit Office |
| 3. Hyundai - Kia California Design & Technical
Center (HKMDTC) | 8. Beijing Hyundai Motor Company (BHMC) | 18. Reyan Vehicle Manufacturing Co. (RVMCO) | 29. Hyundai Motor Norway AS (HMN) | 37. Hyundai Motor Company
(Central & South America Regional
Headquarters) | 42. Hyundai Motor Company Hanoi Office |
| 4. Hyundai Motor Europe Technical Center
GmbH (HME R&D) | 9. Hyundai Assan Otomotive Sanayi (HAOS) | 19. Vietnam Motors Industry Corporation | 30. Hyundai Motor Europe (HME) | 38. Hyundai Motor Company
(Pacific Regional Headquarters) | 43. Hyundai Motor United Kingdom (HMUK) |
| 5. Hyundai Motor Japan R&D Center (HMJ R&D) | 10. Taganrog Automobile Plant (TagAZ) | 20. Dewan Farooque Motors Ltd | 31. World Marketing Group (WMG) | 39. Hyundai Motor Beijing Office | 44. Hyundai Motor Shanghai |
| | 11. Oriental-Hyundai Sdn Bhd | 21. MMC Automotriz S.A. | 32. Hyundai Motor Finance Co. (HMFC) | | 45. Hyundai Motor Guangzhou |
| | 12. Inokom Corporation Sdn Hbd | 22. Sanyang Industry Co.,Ltd | 33. Beijing Jingxian Motor Safeguard
Service Co., Ltd | | 46. Hyundai Motor South Africa |
| | 13. Sudan Master Technology (SMT) | 23. Hyundai Motor America (HMA) | 34. Hyundai Motor Company
(Central & Eastern Europe Regional
Headquarters) | | |
| | 14. Prima Engineering Industries S.A.E | 24. Hyundai Auto Canada (HAC) | | | |
| | 15. Hyundai Indonesia Motor | 25. Hyundai Motor Company Australia (HMCA) | | | |
| | | 26. Hyundai Motor Japan (HMJ) | | | |



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Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company (the "Company") and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. In 2005 and 2004, we did not audit the financial statements of certain subsidiaries, which statements reflect total assets of ₩22,393,490 million (US\$22,106,111 thousand) and ₩17,125,773 million (US\$16,905,995 thousand), respectively, and total revenues of ₩33,279,134 million (US\$32,852,057 thousand) and ₩27,558,371 million (US\$27,204,710 thousand), respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2005 and 2004, and the results of their operations and changes in the shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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.

April 7, 2006

Notice to Readers

This report is effective as of April 7, 2006, 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.

ASSETS	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Current assets:				
Cash and cash equivalents	₩4,397,808	₩3,187,954	\$4,341,370	\$3,147,042
Short-term financial instruments (Note 17)	4,399,626	5,540,454	4,343,165	5,469,352
Short-term investment securities (Note 4)	859,774	471,218	848,740	465,171
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩219,056 million in 2005 and ₩258,146 million in 2004, and unamortized present value discount of ₩2,743 million in 2005 and ₩1,269 million in 2004 (Note 17)	4,327,963	2,755,645	4,272,422	2,720,281
Inventories (Notes 3 and 17)	7,976,723	6,940,542	7,874,356	6,851,473
Advances and other, net of allowance for doubtful accounts of ₩353,466 million in 2005 and ₩98,855 million in 2004	2,964,964	3,317,974	2,926,914	3,275,394
Total current assets	24,926,858	22,213,787	24,606,967	21,928,713
Non-current assets:				
Long-term financial instruments (Note 17)	71,653	135,385	70,733	133,648
Long-term investment securities (Notes 5 and 17)	2,346,863	2,884,751	2,316,745	2,847,731
Investment securities accounted for using the equity method (Notes 6 and 17)	1,620,167	1,119,085	1,599,375	1,104,724
Property, plant and equipment, net of accumulated depreciation of ₩9,891,942 million in 2005 and ₩8,523,304 million in 2004 (Notes 7, 8, 9 and 17)	21,448,039	19,802,286	21,172,793	19,548,160
Intangibles (Note 10)	2,330,122	1,812,495	2,300,219	1,789,235
Deferred income tax assets (Note 19)	452,915	1,351,434	447,103	1,334,091
Other assets (Notes 11 and 17)	1,638,298	1,079,972	1,617,274	1,066,111
Total non-current assets	29,908,057	28,185,408	29,524,242	27,823,700
Other financial business assets (Note 12)	11,056,431	7,623,936	10,914,542	7,526,097
Total assets	₩65,891,346	₩58,023,131	\$65,045,751	\$57,278,510

(continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Current liabilities:				
Short-term borrowings (Note 13)	₩11,855,332	₩10,571,772	\$11,073,191	\$10,436,103
Current maturities of long-term debt, net of unamortized discount of ₩2,009 million in 2005 and ₩3,002 million in 2004 (Note 14)	3,470,787	3,998,768	3,426,246	3,947,451
Trade notes and accounts payable	6,336,976	6,374,259	6,255,653	6,292,457
Accrued warranties and product liabilities	1,564,570	1,395,228	1,544,492	1,377,323
Accounts payable-other	4,087,859	2,318,211	4,035,399	2,288,461
Accrued expenses	1,309,111	726,357	1,292,311	717,036
Income tax payable	141,868	596,285	140,047	588,633
Other current liabilities	1,274,774	740,777	1,258,415	731,270
Total current liabilities	30,041,277	26,721,657	29,655,754	26,378,734
Long-term liabilities:				
Long-term debt, net of current maturities (Note 14)	10,576,104	7,683,741	10,440,378	7,585,134
Accrued severance benefits, net of National Pension payments for employees of ₩67,300 million in 2005 and ₩80,850 million in 2004, and individual severance insurance deposits of ₩1,893,603 million in 2005 and ₩1,711,181 million in 2004 (Note 2)	1,054,688	1,005,201	1,041,153	992,301
Accrued loss on valuation of derivatives (Note 2)	206,448	24,693	203,799	24,376
Accrued warranties and product liabilities	2,983,849	3,594,569	2,945,557	3,548,439
Deferred income tax liabilities (Note 19)	173,677	1,067,351	171,448	1,053,654
Other long-term liabilities	928,565	1,061,524	916,648	1,047,901
Total long-term liabilities	15,923,331	14,437,079	15,718,983	14,251,805
Other financial business liabilities (Note 12)	286,329	108,843	282,654	107,446
Total liabilities	₩46,250,937	₩41,267,579	\$45,657,391	\$40,737,985

Commitments and contingencies (Note 24)

(continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Shareholders' equity:				
Capital stock (Note 15)	₩1,482,905	₩1,480,752	\$1,463,875	\$1,461,749
Capital surplus	5,591,882	5,162,184	5,520,120	5,095,937
Retained earnings (Net income of ₩2,323,816 million in 2005 and ₩1,641,941 million in 2004)	8,813,754	6,328,355	8,700,646	6,247,142
Capital adjustments (Note 16)	(966,118)	(216,453)	(953,720)	(213,675)
Minority interests	4,717,986	4,000,714	4,657,439	3,949,372
Total shareholders' equity	19,640,409	16,755,552	19,388,360	16,540,525
Total liabilities and shareholders' equity	₩65,891,346	₩58,023,131	\$65,045,751	\$57,278,510

See accompanying notes to consolidated financial statements.

	Korean Won (In millions, except per share amounts)		Translation into U.S. Dollars (Note 2) (In thousands, except per share amounts)	
	2005	2004	2005	2004
Sales (Note 25)	₩58,830,632	₩53,100,621	\$58,075,649	\$52,419,172
Cost of sales	45,952,958	39,419,561	45,363,236	38,913,683
Gross profit	12,877,674	13,681,060	12,712,413	13,505,489
Selling and administrative expenses (Note 18)	10,586,234	11,299,042	10,450,379	11,154,039
Operating income	2,291,440	2,382,018	2,262,034	2,351,450
Other income (expenses), net:				
Interest expense, net	(104,457)	(1,178)	(103,116)	(1,163)
Gain on foreign currency translation, net	122,422	200,547	120,851	197,973
Gain on foreign currency transactions, net	170,461	184,966	168,273	182,592
Gain on valuation of investments accounted for using the equity method, net	538,773	284,264	531,859	280,616
Gain on valuation of investment securities	180,737	-	178,418	-
Gain (loss) on disposal of investments and other assets, net	158,298	(15,884)	156,267	(15,680)
Loss on disposal of trade receivables	(173,744)	(114,365)	(171,514)	(112,897)
Loss on disposal of property, plant and equipment, net	(261,612)	(137,193)	(258,255)	(135,432)
Royalty income	316,685	202,630	312,621	200,030
Reversal of loss (Loss) on impairment of investments	57,835	(232,476)	57,093	(229,493)
Reversal of accrued warranties and product liabilities (Note 2)	2,866	305,765	2,829	301,841
Impairment loss on intangibles (Note 10)	(7,859)	(472,906)	(7,758)	(466,837)
Other, net	98,213	133,760	96,951	132,043
	1,098,618	337,930	1,084,519	333,593
Ordinary income	3,390,058	2,719,948	3,346,553	2,685,043
Extraordinary item	-	-	-	-

(continued)

	Korean Won (In millions, except per share amounts)		Translation into U.S. Dollars (Note 2) (In thousands, except per share amounts)	
	2005	2004	2005	2004
Income before income tax	₩3,390,058	₩2,719,948	\$3,346,553	\$2,685,043
Income tax expense (Note 19)	570,457	921,324	563,136	909,500
Income before minority interests	2,819,601	1,798,624	2,783,417	1,775,543
Minority interests	(495,785)	(156,683)	(489,423)	(154,672)
Net income	₩2,323,816	₩1,641,941	\$2,293,994	\$1,620,871
Ordinary income per common share	₩10,696	₩7,193	\$10.56	\$7.10
Earnings per common share	₩10,696	₩7,193	\$10.56	\$7.10
Ordinary income per fully diluted common share	₩10,642	₩7,174	\$10.51	\$7.08
Earnings per fully diluted common share	₩10,642	₩7,174	\$10.51	\$7.08

See accompanying notes to consolidated financial statements.

	Korean Won (In millions)						Translation into U.S. Dollars (Note 2) (In thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total amount
January 1, 2004	₩1,478,603	₩5,328,775	₩5,029,254	₩(113,760)	₩3,383,279	₩15,106,151	\$14,912,291
Additional investment in subsidiaries	-	(84,296)	-	-	(42,096)	(126,392)	(124,770)
Disposal of subsidiaries' stock	-	95,489	(13,041)	-	241,929	324,377	320,214
Extinguishment of treasury stock by surplus	-	-	(65,092)	-	-	(65,092)	(64,257)
Increase in subsidiaries' capital-stock	-	(60,965)	-	-	287,517	226,552	223,645
Merger between subsidiaries	-	(32,409)	-	-	(506)	(32,915)	(32,493)
Effect of changes in consolidation scope	-	-	-	-	14,942	14,942	14,750
Payment of cash dividends (Note 20)	-	-	(285,674)	-	(70,096)	(355,770)	(351,204)
Net income	-	-	1,641,941	-	-	1,641,941	1,620,871
Treasury stock	-	-	-	(5,150)	-	(5,150)	(5,084)
Discount on stock issuance	-	-	-	(229)	-	(229)	(226)
Gain on valuation of available-for-sale securities	-	-	-	124,468	-	124,468	122,871
Loss on valuation of investment equity securities	-	-	-	(72,635)	-	(72,635)	(71,703)
Stock options	2,149	8,197	-	2,919	-	13,265	13,095
Cumulative effect of foreign currency translation	-	-	-	(181,106)	-	(181,106)	(178,782)
Loss on transaction of derivatives	-	-	-	29,040	-	29,040	28,667
Minority interests	-	-	-	-	156,683	156,683	154,672
Others	-	(92,607)	20,967	-	29,062	(42,578)	(42,032)
December 31, 2004	₩1,480,752	₩5,162,184	₩6,328,355	₩(216,453)	₩4,000,714	₩16,755,552	\$16,540,525

(continued)

	Korean Won (In millions)						Translation into U.S. Dollars (Note 2) (In thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total amount
January 1, 2005	₩1,480,752	₩5,162,184	₩6,328,355	₩(216,453)	₩4,000,714	₩16,755,552	\$16,540,525
Stock option exercised	2,153	8,209	-	-	-	10,362	10,229
Disposal of subsidiaries' stock	-	225,459	-	-	286,361	511,820	505,252
Increase in subsidiaries' capital-stock	-	(417)	-	-	89,285	88,868	87,728
Effect of changes in consolidation scope	-	-	-	-	314,220	314,220	310,188
Payment of cash dividends (Note 20)	-	-	(326,833)	-	(78,051)	(404,884)	(399,688)
Net income	-	-	2,323,816	-	-	2,323,816	2,293,994
Effect of beginning balance adjustment in accrued warranties	-	-	505,626	-	-	505,626	499,137
Treasury stock	-	-	-	(645,351)	-	(645,351)	(637,069)
Discount on stock issuance	-	-	-	1,556	-	1,556	1,536
Gain on valuation of available-for-sale securities	-	-	-	(84,821)	-	(84,821)	(83,732)
Loss on valuation of investment equity securities	-	-	-	25,007	-	25,007	24,686
Stock options	-	-	-	(4,602)	-	(4,602)	(4,543)
Cumulative translation debits	-	-	-	(78,917)	-	(78,917)	(77,904)
Loss on transaction of derivatives	-	-	-	37,463	-	37,463	36,982
Minority interests	-	-	-	-	495,785	495,785	489,423
Others	-	196,447	(17,210)	-	(390,328)	(211,091)	(208,384)
December 31, 2005	₩1,482,905	₩5,591,882	₩8,813,754	₩(966,118)	₩4,717,986	₩19,640,409	\$19,388,360

See accompanying notes to consolidated financial statements.

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Cash flows from operating activities:				
Net income	₩2,323,816	₩1,641,941	\$2,293,994	\$1,620,871
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	2,085,629	1,622,192	2,058,864	1,601,375
Gain on foreign currency translation, net	(200,227)	(201,308)	(197,657)	(198,725)
Loss (gain) on disposal of investments and other assets, net	(158,298)	15,884	(156,267)	15,680
Gain on valuation of investments accounted for using the equity method, net	(538,773)	(284,264)	(531,859)	(280,616)
Loss on disposal of property, plant and equipment, net	261,612	137,193	258,255	135,432
Gain on redemption of debentures, net	-	(3,144)	-	(3,104)
Loss (reversal of loss) on impairment of investments	(57,835)	232,476	(57,093)	229,493
Loss on disposal of trade receivables	173,744	114,365	171,514	112,897
Impairment loss on intangibles	7,859	472,906	7,758	466,837
Amortization of discount on debentures	26,815	38,294	26,471	37,803
Amortization of intangibles, net	413,240	387,433	407,937	382,461
Provision for severance benefits	616,320	558,188	608,411	551,025
Provision for warranties and product liabilities, net	634,214	872,706	626,075	861,506
Reversal of accrued warranties and product liabilities	(2,866)	(305,765)	(2,829)	(301,841)
Gain on valuation of investment securities	(180,737)	-	(178,418)	-
Provision for doubtful accounts	633,394	934,865	625,266	922,868
Amortization of present value discount accounts	10,865	-	10,726	-
Net income on minority interests	495,785	176,103	489,423	173,843
Others	(249,276)	274,250	(246,077)	270,731
Changes in operating assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	(1,424,044)	129,784	(1,405,769)	128,118
Increase in advances	(176,626)	(51,189)	(174,359)	(50,532)
Increase in inventories	(1,217,301)	(1,341,159)	(1,201,679)	(1,323,948)
Increase in other current assets	(53,160)	(537,866)	(52,478)	(530,963)
Increase in long-term notes and accounts receivables	(554)	-	(547)	-
Decrease in deferred income tax assets	52,935	146,981	52,256	145,095
Increase (decrease) in trade notes and accounts payable	(37,992)	815,166	(37,504)	804,705
Increase in accounts payable-other	1,648,925	200,316	1,627,764	197,745
Increase (decrease) in other current liabilities	405,165	(298,882)	399,965	(295,046)
Increase in individual severance insurance deposits	(103,594)	(69,580)	(102,265)	(68,687)
Increase (decrease) in accrued warranties and product liabilities	(500,339)	163,314	(493,918)	161,218
Decrease in accrued loss on valuation of derivatives	(565)	(152,035)	(558)	(150,084)
Increase in cumulative translation credits, net	7,692	-	7,593	-
Increase (decrease) in deferred income tax liabilities	(56,777)	124,962	(56,048)	123,358
Payment of severance benefits	(423,551)	(538,361)	(418,115)	(531,452)
Others	20,261	67,495	20,001	66,628
	4,435,756	5,343,261	4,378,833	5,274,691

(continued)

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of short-term investment securities	₩4,621,951	₩6,130,563	\$4,562,636	\$6,051,888
Reduction in short-term financial instruments and other current assets	1,926,638	355,002	1,901,913	350,446
Proceeds from disposal of long-term investment securities	995,006	815,601	982,237	805,134
Proceeds from disposal of investment securities accounted for using the equity method	67,690	43,397	66,821	42,840
Reduction in other assets	2,123,166	445,011	2,095,919	439,300
Proceeds from disposal of property, plant and equipment	210,053	243,104	207,357	239,984
	9,944,504	8,032,678	9,816,883	7,929,592
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(4,837,001)	(1,660,920)	(4,774,926)	(1,639,605)
Acquisition of short-term investment securities	(337,822)	(6,216,350)	(333,487)	(6,136,575)
Additions to other current assets	(129,517)	(148,663)	(127,855)	(146,755)
Acquisition of long-term investment securities	(672,992)	(1,462,683)	(664,355)	(1,443,912)
Additions to other assets	(6,528,384)	(1,715,051)	(6,444,604)	(1,693,041)
Acquisition of property, plant and equipment	(3,892,069)	(3,412,036)	(3,842,121)	(3,368,249)
Expenditures for development costs	(858,864)	(657,511)	(847,842)	(649,073)
	(17,256,649)	(15,273,214)	(17,035,190)	(15,077,210)
	(7,312,145)	(7,240,536)	(7,218,307)	(7,147,618)
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	23,583,562	29,802,633	23,280,911	29,420,171
Proceeds from long-term debt	6,834,217	5,841,587	6,746,512	5,766,621
Proceeds from issuance of stock	6,413	6,404	6,331	6,322
Proceeds from disposal of treasury stock	53,617	-	52,929	-
Others	853,372	433,209	842,421	427,650
	31,331,181	36,083,833	30,929,104	35,620,764
Cash outflows from financing activities:				
Repayment of short-term borrowings	(21,720,920)	(28,657,473)	(21,442,172)	(28,289,707)
Payment of current maturities of long-term debt	(3,696,695)	(5,595,553)	(3,649,255)	(5,523,744)
Payment of cash dividends	(404,080)	(285,674)	(398,894)	(282,008)
Repayment of long-term debt	(850,353)	(397,346)	(839,440)	(392,247)
Purchase of treasury stock	(660,654)	(209,268)	(652,176)	(206,582)
Others	(115,479)	(508,549)	(113,998)	(502,024)
	(27,448,181)	(35,653,863)	(27,095,935)	(35,196,312)
	3,883,000	429,970	3,833,169	424,452

(continued)

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Effect of exchange rate on cash	₩(53,272)	₩(92,999)	\$(52,589)	\$(91,806)
Effect of change in consolidated subsidiaries	256,515	(15,194)	253,222	(14,999)
Net increase (decrease) in cash and cash equivalents	1,209,854	(1,575,498)	1,194,328	(1,555,280)
Cash and cash equivalents, beginning of year	3,187,954	4,763,452	3,147,042	4,702,322
Cash and cash equivalents, end of year	₩4,397,808	₩3,187,954	\$4,341,370	\$3,147,042

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION:

The Company

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

The Company has three domestic production plants as follows:

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

As of December 31, 2005, 54.90 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (14.56 percent) and Hyundai Steel (Formerly INI Steel, 5.29 percent), and the remaining 45.10 percent is owned by foreign investors.

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has substantial control and whose individual beginning balance of total assets or paid-in capital at the date of its establishment is more than ₩7,000 million (US\$6,910 thousand). The consolidated subsidiaries as of December 31, 2005 are as follows:

Shareholders' equity as of December 31, 2005

Subsidiaries	Business	Korean Won(*) (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Domestic subsidiaries:						
Kia Motors Corporation (KIA)	Manufacturing	4,960,285	4,896,629	148,004,181	42.62%	HCS - 3.95%
Hyundai HYSKO	"	1,001,339	988,489	32,108,868	40.04%	KIA - 13.91%
Hyundai Capital Service Inc. (HCS)	Financing service	864,871	853,772	56,083,743	56.12%	
Hyundai Card Co., Ltd.	"	305,025	301,111	40,564,165	42.35%	KIA - 11.31%
KEFICO Corporation	Manufacturing	225,084	222,195	1,670,000	50.00%	
Hyundai Powertech	"	296,700	292,892	48,000,000	100.00%	KIA - 50.00%
WIA Corporation (WIA)	"	264,518	261,123	17,120,611	78.79%	KIA - 39.33%
Dymos Inc. (DYMOS)	"	227,706	224,784	29,335,805	97.76%	KIA - 45.37% & WIA - 5.12%
Automobile Industrial Ace Corporation	"	(17,692)	(17,465)	1,116,662	100.00%	WIA -100%
ROTEM	Manufacturing	304,592	300,683	40,306,304	78.36%	
Haevichi Resort	Real estate development	18,897	18,654	2,015,000	65.00%	KIA - 40% & WIA - 25%
Bontek Co., Ltd.	Manufacturing	89,456	88,308	397,210	39.72%	KIA - 39.72%

Shareholders' equity as of December 31, 2005

Subsidiaries	Business	Korean Won[*] (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares [**]	Percentage ownership [**]	Indirect ownership [**]
METIA Co., Ltd. (Formerly Aju Metal Co., Ltd.)	Manufacturing	24,733	24,416	2,972,680	99.09%	WIA - 50.94% & DYMOS - 48.15%
Mseat Co., Ltd.	"	38,010	37,522	998,140	99.81%	DYMOS - 99.81%
Autoever Systems Corp.	Information technology	35,851	35,391	499,000	49.90%	KIA - 20% & HCS 4.90%
Partecs Co.	Manufacturing	39,944	39,431	6,960,000	96.89%	KIA - 31.00%
Hyundai Autonet Co., Ltd.	"	319,678	315,576	38,870,000	21.62%	
Haevichi Leisure Co., Ltd.	Real estate development	18,193	17,960	2,880,000	80.00%	KIA - 25.00% & HYSCO - 5.00%
Foreign subsidiaries:						
Hyundai Motor India (HMI)	Manufacturing	424,494	419,046	8,125,411	100.00%	
Hyundai Motor America (HMA)	Sales	1,370,149	1,352,566	1,150	100.00%	
Hyundai Motor Japan Co. (HMJ)	"	(39,248)	(38,744)	80,000	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	12,224	12,067	172,862	100.00%	
Hyundai Motor Europe GmbH (HME)	"	23,764	23,459		100.00%	
Hyundai Motor Company Australia (HMCA)	"	40,531	40,011	10,000,000	100.00%	
Hyundai Motor (UK) Ltd. (HMUK)	"	17,221	17,000	20,000,000		
Hyundai Translead (HT)	"	58,795	58,040	1,160,000	100.00%	
Hyundai America Technical Center Inc. (HATCI)	R & D	16,520	16,308	1,000	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	"	43,375	42,818	-	100.00%	
Beijing Mobis Transmission Co., Ltd. (BMT)	Manufacturing	79,361	78,343	-	72.20%	KIA - 21.04% & HMGC - 30.12%
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.(HAOSVT)	"	197,489	194,955	144,354,180,656	70.00%	
Hyundai Motor Group (China) Ltd. (HMGC)	Investment	28,136	27,775	-	80.00%	KIA - 30.00%
Hyundai Jingxian Motor Safeguard Service Co. Ltd.	"	3,722	3,674	-	91.75%	
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	580,302	572,855	-	100.00%	HMA - 100%
Hyundai Motor Finance Company (HMFC)	Financing service	385,943	380,990	750	100.00%	HMA - 100%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	2,422	2,391	100	100.00%	HMA - 100%
Sevenwood Property Inc.	Real estate rent	301	297	4,088,071	100.00%	HMA - 100%
World Marketing Group LLC (WVG)	Sales	19,019	18,775	-	100.00%	HMA - 50% & KMA - 50%

Shareholders' equity as of December 31, 2005

Subsidiaries	Business	Korean Won[*] (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	Shares [**]	Percentage ownership [**]	Indirect ownership [**]
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing	8,853	8,739	9,996	99.96%	HT - 99.96%
Stampeted Metal America Research Technology Inc. (SMARTI)	Managing subsidiaries	(7,185)	(7,093)	18,542,284	72.45%	HMA - 72.45%
Stampeted Metal America Research Technology LLC	Manufacturing	(7,185)	(7,093)	-	100.00%	SMARTI -100%
China Millennium Corporations (CMEs)	Real estate development	18,811	18,570	-	89.90%	KIA - 30.3%
Beijing Hines Millennium Real Estate Development	Real estate development	18,811	18,570	-	99.00%	CMEs - 99.00%
Kia Japan Co., Ltd. (KJC)	Sales	19,758	19,504	267,800	100.00%	KIA - 100%
Kia Motors America Inc. (KMA)	"	(1,276)	(1,260)	1,000,000	100.00%	KIA - 100%
Kia Motors Deutschland GmbH (KMD)	"	(47,079)	(46,475)	-	100.00%	KIA - 100%
Kia Canada, Inc. (KCI)	"	(40,954)	(40,428)	6,298	100.00%	KIA - 82.5% & KMA - 17.5%
Kia Motors Polska Sp.z.o.o.(KMP)	"	(3,476)	(3,431)	15,637	99.60%	KMD - 99.6%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	100,636	99,345	25,000	100.00%	KIA - 100%
Kia Motors Slovakia S.r.o. (KMS)	Sales	205,780	203,139	100	100.00%	KME - 100%
Kia Motors Belgium (KMB)	Sales	(3,173)	(3,132)	1,000,000	100.00%	KME - 100%
Kia Motors Czech s.r.o. (KMCZ)	"	2,416	2,385	106,870,000	100.00%	KME - 100%
Kia Motors (UK) Ltd. (KMUK)	"	(43,070)	(42,517)	17,000,000	100.00%	KME - 100%
Kia Motors Austria GmbH (KMAS)	"	2,168	2,140	2,107,512	100.00%	KME - 100%
Kia Motors Hungary Kft (KMH)	"	1,372	1,354	30,000,000	100.00%	KME - 100%
Kia Motors Iberia (KMIB)	"	(3,074)	(3,035)	31,600,000	100.00%	KME - 100%
Kia Motors Sweden AB (KMSW)	"	(2,250)	(2,221)	4,400,000	100.00%	KME - 100%
Kia Automobiles France (KMF)	"	(20,916)	(20,648)	5,000,000	100.00%	KME - 100%
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing	119,752	118,215	-	50.00%	KIA - 50%
Hyundai Pipe of America, Inc.	Sales	6,686	6,600	250,000	100%	HYSCO -100%
Hysco America Co. Inc	Sales	10,701	10,564	1,000	100.00%	HYSCO -100%
Beijing Hyundai Hysco Steel Process Co., Ltd.	Manufacturing	17,029	16,810	-	100.00%	HYSCO -100%
Hyundai-Kia Machine America Corp. (HKMA, formerly Kia Heavy Industries U.S.A., Corp.)	"	4,365	4,309	1,000	100.00%	WIA - 100%
Hyundai-Kia Machine Europe GmbH (HKME, formerly Hyundai Machine Tools Europe GmbH)	"	5,205	5,138	-	100.00%	WIA - 100%
Wia Automotive Parts (WAP)	"	19,867	19,612	-	100.00%	WIA - 100%

- 71 (*) Local currency in foreign subsidiaries is translated into Korean won using the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2005.
- (**) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2005. Indirect ownership represents subsidiaries' holding ownership.

In 2005, the Company added three domestic companies, including Partecs Co., Hyundai Autonet Co., Ltd. and Haevichi Leisure Co., Ltd., and six overseas companies, including Hyundai Motor (UK) Ltd. (HMUK), Hyundai Motor Europe Technical Center GmbH (HMETC), Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.(HAOSVT), Hyundai Motor Group (China) Ltd., Hyundai Jingxian Motor Safeguard Service Co. Ltd. and Wia Automotive Parts (WAP), to its consolidated subsidiaries due to the acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control or the increase in individual assets at the end of the preceding year exceeding the required level of ₩7,000 million (US\$6,910 thousand) for consolidation with substantial control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩1,013.00 to US\$1.00 at December 31, 2005, the market average exchange rate announced by Seoul Money Brokerage Services, Ltd.. Such translations should not be construed as representations that the Korean Won amounts could be converted at that or any other rate.

The Company prepared its financial statements as of December 31, 2005 in accordance with Financial Accounting Standards and Statements of Korea Accounting Standards ("SKAS") in the Republic of Korea.

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

The accompanying balance sheet as of December 31, 2004 and the accompanying statements of income, changes in shareholders' equity and cash flows for year ended December 31, 2004, which are presented for comparative purposes, have been restated to reflect the adjustments resulting from retroactive application of SKAS No.16. As a result of the restatement, total assets and net equity as of December 31, 2004 decreased by ₩343,431 million (US\$339,024 thousand), and net income for the year then ended decreased by ₩44,890 million (US\$ 44,314 thousand).

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

	<i>Korean Won (In millions, except per share amounts)</i>		
	2002	2003	2004
Deferred income tax assets	1,057,244	1,274,817	947,077
Retained earnings	3,628,319	5,029,254	6,328,355
Capital adjustments	(244,521)	(113,760)	(216,453)
Minority interests	2,936,258	3,383,279	4,000,714
Ordinary income	2,770,680	2,714,107	2,719,948
Net income	1,473,261	1,690,481	1,641,941
Ordinary income per common share	6,491	7,441	7,193
Earnings per common share	6,491	7,441	7,193

The Company did not retroactively apply SKAS No. 15 and 17 to the prior year financial statements, in accordance with the provisions in SKAS No.15 and 17. However, the Company recalculated the beginning balance of accrued warranties in accordance with SKAS No.17, which requires the recalculation of the beginning balance based on this revised standard in case the retroactive method is not applied. This recalculation decreased the beginning balance of accrued warranties and deferred tax assets by ₩730,008 million (US\$720,640 thousand) and ₩200,753 million (US\$198,177 thousand), respectively, and increased the beginning balance of retained earnings by ₩505,626 million (US\$499,137 thousand).

The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than 30 percent of the voting shares, except for companies with total assets of less than ₩7,000 million (US\$6,910 thousand) at the end of the preceding fiscal year. Investments in affiliates in which a consolidated entity is able to exercise significant influence over the operating and financial policies of a non-consolidated company are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than twenty percent of the investee's voting shares unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,910 thousand), are not material, investments in affiliates can be excluded from using the equity method.

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

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

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

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

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

Revenue Recognition

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

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

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average cost method, except for materials in transit for which cost is determined using the specific identification method. Valuation loss incurred when the market value of an inventory falls below its carrying amount is added to the cost of goods sold.

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

Classification of Securities

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

Valuation of Securities

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

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

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

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

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

The lower of the fair value of treasury stock included in treasury stock fund and the fair value of investments in treasury stock funds is accounted for as treasury stock in capital adjustment.

75 **Investment Securities Accounted for Using the Equity Method**

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

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

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

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

Property, Plant and Equipment and Related Depreciation

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

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

	Useful lives (years)
Buildings and structures	2 – 60
Machinery and equipment	2 – 16
Vehicles	3 – 10
Tools, dies and molds	2 – 16
Other equipment	3 – 10

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

Intangibles

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

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

	Useful lives (years)
Goodwill (Negative goodwill)	5 – 20
Industrial property rights	2 – 40
Development costs	3 – 10
Other	2 – 50

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

Financing Costs

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

Valuation of Receivables and Payables at Present Value

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

Discount on Debentures

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

77 Accounting for Lease Contracts

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

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

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

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

Accrued Severance Benefits

Employees and directors of the Company and its subsidiaries are entitled to receive a lump-sum payment upon termination of their service based on the applicable severance plan of each company. The accrued severance benefits that would be payable assuming all eligible employees of the Company and its domestic subsidiaries terminated their employment amount to ₩3,015,591 million (US\$2,998,481 thousand) and ₩2,797,232 million (US\$2,761,335 thousand) as of December 31, 2005 and 2004, respectively.

Accrued severance benefits are funded through an individual severance insurance plan. Individual severance insurance deposits, of which a beneficiary is a respective employee, are presented as deduction from accrued severance benefits. Actual payments of severance benefits amounted to ₩423,551 million (US\$418,115 thousand) and ₩538,361 million (US\$531,452 thousand) in 2005 and 2004, respectively.

Accrued Warranties and Product Liabilities

The Company and its subsidiaries generally provide a warranty to the ultimate consumer with each product and accrue warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liability suits, pending voluntary recall campaign and other obligation as of the balance sheet date. Actual costs incurred are charged against the accrual when paid.

Stock Options

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

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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 with the settlement for the difference between the fair value and the contracted initial price of Kia Motors Corporation shares as follows:

Contract parties	Derivatives	Period	Number of KIA shares	Initial price
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
Credit Suisse First Boston International	Call option (*)	"	12,145,598	US\$ 11.5300
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	1,839,367	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, 2005, all premiums to be paid by the Company are recorded as accounts payable - other in current liabilities of ₩23,455 million (US\$23,154 thousand) and long-term other accounts payable in long-term liabilities of ₩40,209 million (US\$39,693 thousand), after deducting the present value discount of ₩6,584 million (US\$6,500 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, 2005, all premiums to be received by the Company are recorded as accounts receivable-other in current assets of ₩3,845 million (US\$3,796 thousand) and long-term other accounts receivable in non-current assets of ₩6,536 million (US\$6,452 thousand), after deducting the present value discount of ₩1,154 million (US\$1,139 thousand) and the present value of such premiums on the effective date of contract is recorded as deferred derivatives liabilities in other long-term liabilities. As of December 31, 2004, all premiums to be paid by the Company are recorded as accounts payable - other in current liabilities of ₩24,168 million (US\$23,858 thousand) and long-term other accounts payable in long-term liabilities of ₩60,492 million (US\$ 59,716 thousand), after deducting the present value discount of ₩11,891 million (US\$11,738 thousand). Also, as of December 31, 2004, all premiums to be received by the Company are recorded as accounts receivable-other in current assets of ₩3,962 million (US\$3,911 thousand) and long-term other accounts receivable in non-current assets of ₩9,771 million (US\$9,646 thousand), after deducting the present value discount of ₩2,115 million (US\$2,088 thousand). The present value discount is amortized using the effective interest method.

79 Accounting for Foreign Currency Transaction and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction dates. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the market average exchange rate announced by Seoul Money Brokerage Services, Ltd., which was ₩1,013.00 and ₩1,043.80 to US\$1.00 at December 31, 2005 and 2004, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of subsidiaries outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet dates; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year, which was ₩1,024.20 and ₩1,146.14 to US\$1.00 in 2005 and 2004, respectively. Cumulative translation debits or credits, which occurred in the translations of financial statements of foreign subsidiaries and branches, are recorded as capital adjustments.

Income Tax Expense

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

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

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

Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends on preferred stock, by the weighted average number of common shares. The number of shares used in computing earnings per common share is 209,529,206 and 217,655,607 in 2005 and 2004, respectively. Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to dilutive securities on net income, by the number of the weighted average number of common shares plus the dilutive potential common shares. The number of shares used in computing earnings per diluted common share is 210,582,591 and 218,223,739 in 2005 and 2004, respectively.

Reclassifications

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

3. INVENTORIES:

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

Accounts	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Finished goods and merchandise	₩4,653,727	₩4,297,037	\$4,594,005	\$4,241,892
Semi finished goods and work in process	980,670	794,303	968,085	784,110
Raw materials and supplies	1,189,029	866,274	1,173,770	855,157
Materials in transit	1,121,303	976,921	1,106,913	964,384
Other	31,994	6,007	31,583	5,930
	₩7,976,723	₩6,940,542	\$7,874,356	\$6,851,473

4. SHORT-TERM INVESTMENT SECURITIES:

Short-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)
		Book value	Book value	Book value
Trading securities:				
Beneficiary certificates	₩153,509	₩154,831		\$152,844
Available-for-sale securities:				
Government bonds	2,087	2,090		2,063
Corporate bonds	341,942	341,942		337,554
Asset backed securities	5,790	5,804		5,730
Beneficiary certificates	337,022	348,877		344,400
Held-to-maturity securities:				
Corporate bonds	6,249	6,230		6,149
	₩846,599	₩859,774		\$848,740

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

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	(In thousands)
Trading securities:			
Beneficiary certificates	₩240,436	₩241,309	\$238,212
Available-for-sale securities:			
Government bonds	1,009	1,009	996
Asset backed securities	11,167	4,667	4,607
Beneficiary certificates	222,057	222,726	219,868
Held-to-maturity securities:			
Government bonds	1,507	1,507	1,488
	₩476,176	₩471,218	\$465,171

5. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into	
	2005	2004	2005	2004
			U.S. Dollars (Note 2)	U.S. Dollars (Note 2)
			(In thousands)	(In thousands)
Available-for-sale securities:				
Equity securities stated at fair value	₩528,747	₩558,802	\$521,962	\$551,631
Equity securities stated at acquisition cost	249,204	192,608	246,006	190,136
Debt securities	1,507,167	2,120,040	1,487,825	2,092,833
	2,285,118	2,871,450	2,255,793	2,834,600
Held-to-maturity securities:				
Debt securities	61,745	13,301	60,952	13,131
	₩2,346,863	₩2,884,751	\$2,316,745	\$2,847,731

(2) Equity securities stated at fair value included in long-term investment securities as of December 31, 2005 consist of the following:

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage [*2]
		(In millions)	U.S. Dollars (Note 2)	
		Book value	(In thousands)	(%)
KOENTEC	₩1,550	₩4,604	\$4,545	6.20
Saehan Media [*1]	4,933	4,450	4,393	4.90
Korea Information Service, Inc.	5,252	4,119	4,066	4.41
Jin Heung Mutual Savings Bank	2,166	3,097	3,057	3.33
Daewoo Engineering & Construction Co., Ltd.	42,483	136,996	135,238	3.01
Hyundai Heavy Industries Co., Ltd.	56,924	168,411	166,250	2.88
Daewoo International Corporation	9,822	90,652	89,489	2.50
Hyundai Information Technology Co., Ltd.	10,000	2,790	2,754	2.21
LG Telecom, Ltd.	9,795	12,483	12,323	0.68
Hyundai Development Company	12,786	29,198	28,823	0.85
Hyundai Corporation	13,626	1,513	1,494	1.08
Doosan Industrial Development Co., Ltd.	2,186	5,723	5,650	0.58
Hyundai Merchant Marine Co., Ltd.	7,329	7,645	7,547	0.55
SsangYong Cement Industrial Co., Ltd.	6,394	5,405	5,336	0.50
Kanglim Co., Ltd.	347	55	54	0.38
KT Freetel	18,000	13,715	13,539	0.30
Hyundai Engineering & Construction Co., Ltd.	13,332	13,302	13,131	0.27
SeAH Besteel Co., Ltd. (Formerly Kia Steel Co., Ltd.)	854	1,269	1,253	0.17
Wigoglobal Co., Ltd.	904	4	4	0.12
Tong Yang Investment Bank	282	115	114	0.01
Treasury Stock Fund	22,353	22,353	22,066	-
SK Networks Co., Ltd. [*1]	363	846	834	-
Other	98	2	2	-
	₩241,779	₩528,747	\$521,962	

(*1) Disposal of stocks is restricted.

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

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

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage [*2]
		(In millions)	U.S. Dollars (Note 2) (In thousands)	
INI Steel [*1]	₩137,175	₩317,911	\$313,831	25.76
Jin Heung Mutual Savings Bank	2,166	1,308	1,291	8.66
Korea Mutual Savings Bank	2,846	3,325	3,282	8.13
Saehan Media	4,933	3,499	3,454	6.52
KOENTEC	1,550	5,409	5,340	6.20
Korea Information Service, Inc.	5,252	4,140	4,087	4.41
Daewoo Engineering & Construction Co., Ltd.	42,483	64,511	63,683	3.05
Hyundai Heavy Industries Co., Ltd.	56,924	75,446	74,478	2.88
Daewoo International Corporation	9,822	24,648	24,332	2.49
Hyundai Information Technology Co., Ltd.	10,000	1,217	1,201	2.21
LG Telecom, Ltd.	19,851	14,895	14,704	1.34
Hyundai Corporation	13,626	850	839	1.08
Doosan Industrial Development Co., Ltd.	2,186	2,093	2,066	0.95
ICOLS Inc.	80	70	69	0.51
Hyundai Merchant Marine Co., Ltd.	7,329	8,432	8,324	0.55
Kanglim Co., Ltd.	347	31	31	0.38
KT Freetel	18,000	13,742	13,566	0.30
Hyundai Engineering & Construction Co., Ltd.	13,332	4,581	4,522	0.27
SeAH Besteel Co., Ltd. (Formerly Kia Steel Co., Ltd.)	2,451	602	594	0.19
Hynix Semiconductor Inc.	2,047	8,411	8,303	0.16
Wigoglobal Co., Ltd.	904	5	5	0.12
Tong Yang Investment Bank	282	36	36	0.01
Aztech WB	152	60	59	-
Treasury Stock Fund	3,425	3,498	3,453	-
Other	67	82	81	-
	₩357,230	₩558,802	\$551,631	

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

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

The differences between the acquisition cost and the book value stated at fair value in short-term investment securities and long-term investment securities are recorded in capital adjustments (See Note 16).

(3) Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2005 consist of the following:

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage [*3]
		(In millions)	U.S. Dollars (Note 2) (In thousands)	
Hyundai Motor Hungary [*1]	₩5,415	₩5,415	\$5,346	100.00
Hyundai Motor Norway AS [*1]	5,636	5,636	5,564	100.00
BONTEC America Inc. [*1]	313	44	43	100.00
Carnes Co., Ltd. [*1]	250	250	247	49.99
Seoul Metro 9th line [*2]	37,195	37,195	36,718	49.02
Mando Map & Soft Co., Ltd. [*1]	2,634	2,634	2,600	33.96
3Gcore, Inc. [*1]	225	225	222	20.86
HI Network Co., Ltd.	59	59	58	19.99
Mediazen, Inc.	329	329	325	19.95
Heesung PM Tech Corporation	1,194	1,194	1,179	19.90
MT Zone Co., Ltd.	10	10	10	19.50
Dongyong Industries Co., Ltd.	241	241	238	19.23
Hyundai RB Co., Ltd.	550	550	543	18.64
Jinil MVC Co., Ltd.	180	180	178	18.00
Clean Air Technology Inc.	500	500	494	16.13
Industri Otomotif Komersial	4,439	4,439	4,382	15.00
Hyundai ERW Co., Ltd.	150	150	148	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,432	14.97
Hyundai Research Institute	1,359	1,271	1,255	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	135	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,468	13.66
WIZ Communication Co., Ltd.	345	345	341	12.98
The Sign Corporation (Formerly Mobil.Com Co., Ltd.)	1,800	1,800	1,777	17.39
Micro Infinity	607	607	599	10.51
Kihyup Finance, Inc.	3,700	3,700	3,653	12.75
Toba Telecom	405	-	-	10.02
Sang Rok Soo 1st Securitization Specialty Co., Ltd.	1	1	1	10.00
Yonhap Capital Co., Ltd.	10,500	10,500	10,365	10.99
Wisco Co., Ltd.	348,366	348	344	9.68
Hyundai Finance Corporation	9,888	9,888	9,761	9.29
Daejoo Heavy Industry Co. Ltd.	650	650	642	9.29
Namyang Industrial Co., Ltd.	200	200	197	8.00
Badbank Harmony Co., Ltd.	13,905	-	-	7.99
Korea Credit-card Electronic-settlement Service Co., Ltd.	484	254	251	7.50
Hankyoreh Plus Inc.	4,800	284	280	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	87,717	7.24
Korea Smart Card Co., Ltd.	1,628	1,628	1,607	5.31

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Companies	Acquisition cost	Book value Korean Won (In millions)	Book value Translation into U.S. Dollars (Note 2) (In thousands)	Ownership percentage (*3) (%)
Hyundai Digitech Co., Ltd.	150	150	148	5.18
ENOVA System (Formerly U.S. Electrical Inc.)	4,075	2,461	2,429	4.67
Hyundai Asan Corporation	22,500	5,405	5,336	4.61
The Korea Economy Daily Co., Ltd.	4,168	4,168	4,115	4.35
Space Imaging LLC	5,319	432	426	4.32
Korea Credit Bureau Co., Ltd.	3,000	3,000	2,962	6.26
NtoB Co., Ltd.	300	300	296	1.88
ROTIS Inc.	1,000	8	8	1.33
Koryo Co., Ltd.	6,625	728	719	1.02
Hyundai Astec Co., Ltd.	44	44	43	0.99
Onse Telecom Co., Ltd.	83	83	82	0.46
Korea Investment Mutual Savings & Finance Co., Ltd. (Formerly :Dongwon Capital Co., Ltd.)	3,000	3,000	2,962	0.41
International Convention Center Jeju Co., Ltd.	500	500	494	0.31
HI Network Co., Ltd. (Preferred Stock)	17	17	17	0.20
The Kyongnam Shinman Co., Ltd.	20	3	3	0.08
Hyundai Merchant Marine Co., Ltd.	407	680	671	0.05
Novelis Korea Co., Ltd.	502	502	496	0.03
GM Daewoo auto and technology Co., Ltd.	2,187	-	-	0.02
Daewoo Electronics Co., Ltd.	8	8	8	0.01
Korea Data Systems Co., Ltd. (Preferred Stock)	3	3	3	0.01
Tata Daewoo Commercial Vehicle Co., Ltd.	40	2	2	-
Pilot beneficiary certificates	10,786	22,361	22,074	-
Daewoo Motor Co., Ltd.	25	-	-	-
Other	31,360	18,838	18,592	-
	₩655,719	₩249,204	\$246,006	

(*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,910 thousand), are not material.

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

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

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

Companies	Acquisition cost	Book value Korean Won (In millions)	Book value Translation into U.S. Dollars (Note 2) (In thousands)	Ownership percentage (*3) (%)
Hyundai Motor Hungary (*1)	₩721	₩721	\$712	100.00
Hyundai Motor Norway AS (*1)	₩2,123	₩2,123	\$2,096	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	4,907	4,907	4,844	91.75
NGVTEK.com (*1)	571	571	564	53.66
Hyundai-Motor Group China Ltd. (*1)	2,534	2,534	2,501	50.00
Seoul Metro 9th line (*2)	2,153	2,153	2,125	29.40
Michigan Global Culture Investment (*1)	1,000	1,000	987	20.00
Amco Corp.	1,024	1,024	1,011	19.99
Heesung PM Tech Corporation	1,194	1,194	1,179	19.90
Dongyong Industries Co., Ltd.	241	241	238	19.23
Hyundai RB Co., Ltd.	550	550	543	18.64
Jinil MVC Co., Ltd.	180	180	178	18.00
Mobil.Com Co., Ltd.	1,800	1,800	1,777	17.39
Clean Air Technology Inc.	500	500	494	16.13
Industri Otomotif Komersial	4,439	4,439	4,382	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,432	14.97
Hyundai Unicorns Co., Ltd.	5,795	137	135	14.90
Hyundai Research Institute	1,359	1,271	1,255	14.90
Mando Map & Soft Co., Ltd.	778	778	768	14.00
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,468	13.66
Kihyup Finance, Inc.	3,700	3,700	3,653	12.75
Micro Infinity	607	607	599	10.50
Yonhap Capital Co., Ltd.	10,500	10,500	10,365	10.49
3Gcore, Inc.	225	225	222	10.43
Toba Telecom	405	-	-	10.02
Wisco Co., Ltd.	349	349	345	9.68
Hyundai Finance Corporation	9,888	9,888	9,761	9.29
Daejoo Heavy Industry Co. Ltd.	650	650	642	9.29
Namyang Industrial Co., Ltd.	200	200	197	8.00
Hanyoreh Plus Inc.	4,800	284	280	7.41
Hyundai Oil Refinery Co., Ltd.	88,857	88,857	87,717	7.24
Korea Credit-card Electronic-settlement Service Co., Ltd.	484	254	251	6.72
Korea Smart Card Co., Ltd.	1,628	1,628	1,607	5.00
Hyundai Asan Corporation ENOVA System (Formerly U.S. Electrical Inc.)	22,500	5,405	5,336	4.61
Space Imaging LLC	2,204	2,204	2,176	3.80
Dongwon Capital Co., Ltd.	5,319	432	426	2.16
KIS Information & Communication, Inc.	3,000	3,000	2,962	1.77
ROTIS Inc.	220	220	217	1.67
ROTIS Inc.	1,000	8	8	1.33
Koryo Co., Ltd.	6,625	728	719	1.02
Korea Software Financial Cooperative	500	500	494	0.60
Cheju International Convention Center	500	500	494	0.59

Companies	Acquisition cost	Korean Won	Translation into	Ownership percentage (*2)
		(In millions)	U.S. Dollars (Note 2)	
		Book value	Book value	(%)
The Korea Economy Daily Co., Ltd.	168	168	166	0.22
Daewoo Motor Co., Ltd.	2,213	-	-	0.02
Pilot beneficiary certificates	10,786	10,786	10,648	-
Machinery Insurance Cooperative	10,501	10,501	10,366	-
Badbank Harmony Co., Ltd.	13,905	-	-	-
Korea Defense Industry Association	4,890	4,890	4,827	-
Other	5,530	3,011	2,969	-
	₩251,013	₩192,608	\$190,136	

(*1) The equity securities of these affiliates were excluded from using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,910 thousand), are not material.

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

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

(4) Debt securities, classified into available-for-sale securities, included in long-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
Government bonds	₩24,797	₩28,548	\$28,182
Corporate bonds	9,951	10,167	10,037
Asset backed securities	1,469,359	1,468,359	1,449,515
Other	86	93	91
	₩1,504,193	₩1,507,167	\$1,487,825

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

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
Government bonds	₩6,046	₩6,501	\$6,418
Corporate bonds	6,085	6,085	6,007
Asset backed securities	2,302,323	2,107,097	2,080,056
Other	1,153	357	352
	₩2,315,607	₩2,120,040	\$2,092,833

(5) Debt securities included in held-to-maturity of long-term investment securities as of December 31, 2005 consist of the following:

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
Government bonds	₩12,545	₩12,545	\$12,384
Corporate bonds	49,200	49,200	48,568
	₩61,745	₩61,745	\$60,952

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

Description	Acquisition cost	Korean Won	Translation into
		(In millions)	U.S. Dollars (Note 2)
		Book value	Book value
Government bonds	₩12,612	₩12,612	\$12,450
Corporate bonds	689	689	681
	₩13,301	₩13,301	\$13,131

(6) Maturity of debt securities as of December 31, 2005 and 2004 consist of the following:

Maturity	Korean Won		Translation into	
	2005	2004	2005	2004
	Book value	Book value	Book value	Book value
1 year ~ 5 years	₩1,426,206	₩1,760,504	\$1,407,903	\$1,737,911
6 years ~ 10 years	142,206	372,337	140,381	367,559
Over 10 years	500	500	493	493
	₩1,568,912	₩2,133,341	\$1,548,777	\$2,105,963

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 2005 and 2004 consist of the following:

Description	Book value					
	2005		Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Ownership percentage (*2)	Historical cost	2005	2004	2005	2004
Kia Tigers Co., Ltd. (*1)	100.00	₩20,300	₩1,857	₩6,024	\$1,833	\$5,947
HMJ R&D (*1)	100.00	1,510	1,886	2,244	1,862	2,215
Yan Ji Kia Motors A/S (*1)	100.00	1,792	1,792	1,792	1,769	1,769
Kia Motors Australia Pty Ltd. (*1)	100.00	825	825	825	814	814
Hysco Slovakia S.R.O (*1)	100.00	5,196	4,385	-	4,329	-
Hyundai Information System North America, LLC (*1)	100.00	5,332	5,521	-	5,450	-
Hyundai Electronics (Tianjin) Co., Ltd. (*1)	100.00	3,972	3,724	-	3,676	-
Hyundai Hi-Tech Electronics (Tianjin) Co., Ltd. (*1)	100.00	4,149	186	-	184	-
Hyundai Autonet Pontus America (*1)	100.00	450	450	-	444	-
Pontus Map Co., Ltd. (*1)	90.00	180	180	-	178	-
NGVTEK.com (*1)	78.05	821	821	250	810	247
Beijing-Hyundai Motor Company	50.00	201,179	373,911	292,896	369,113	289,137
Tianjin Hyundai Hangsheng Electronics Co., Ltd	50.00	712	712	-	703	-
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	40.00	2,662	2,773	572	2,737	565
Donghui Auto Co., Ltd.	35.10	10,530	8,237	7,695	8,131	7,596
Korea Space & Aircraft Co., Ltd.	33.33	129,800	89,548	81,827	88,399	80,777
Global Engine Alliance, LLC	33.33	1,484	1,484	-	1,465	-
Global Engine Manufacturing, LLC	33.33	101	101	-	100	-
PT. Kia Timor Motors	30.00	10,908	-	10,337	-	10,204
Hyundai Motor Deutschland GmbH	30.00	6,761	17,412	12,588	17,189	12,426
TRW Steering Co., Ltd.	29.00	8,952	7,273	7,598	7,180	7,500
Hyundai Steel Company	27.80	317,911	362,218	-	357,570	-
Korea Economy Daily	20.55	29,973	25,095	14,247	24,773	14,064
Hyundai MOBIS	20.40	244,753	564,195	546,923	556,955	539,904
EUKOR Car Carriers, Inc.	20.00	48,912	99,032	80,809	97,761	79,772
Eukor Car Carriers Singapore Pte.	20.00	13	13	13	13	13
Iijin Bearing Co., Ltd	20.00	826	13,983	13,102	13,804	12,934
Daesung Automotive Co., Ltd.	20.00	400	6,113	6,094	6,035	6,016
Amco Corp.	19.99	10,067	26,440	-	26,101	-
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOSVT)	-	-	-	24,765	-	24,447
Hyundai Motor Group China, Ltd.	-	-	-	1,508	-	1,489
Wia Automotive Parts Co., Ltd.	-	-	-	6,975	-	6,886
		₩1,070,471	₩1,620,167	₩1,119,085	\$1,599,375	\$1,104,724

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US\$6,910 thousand).

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

(2) The changes in investment securities accounted for using the equity method in 2005 are as follows:

Affiliated Company	Beginning of year	Gain (loss) on valuation	Other changes (*)	Korean Won	Translation into
				(In millions)	U.S. Dollars (Note 2) (In thousands)
				End of year	End of year
Kia Tigers Co., Ltd.	₩6,024	₩(4,167)	₩ -	₩1,857	\$1,833
HMJ R&D	2,244	34	(392)	1,886	1,862
Yan Ji Kia Motors A/S	1,792	-	-	1,792	1,769
Hysco Slovakia S.R.O	-	(699)	5,084	4,385	4,329
Hyundai Information System North America	-	150	5,371	5,521	5,450
Beijing-Hyundai Motor Company	292,896	88,899	(7,884)	373,911	369,113
HAOSVT (Turkey)	24,765	27,444	(52,209)	-	-
Donghui Auto Co., Ltd.	7,695	542	-	8,237	8,131
Korea Space & Aircraft Co., Ltd.	81,827	329	7,392	89,548	88,399
Global Engine Alliance, LLC	-	-	1,484	1,484	1,465
Global Engine Manufacturing, LLC	-	-	101	101	100
PT. Kia Timor Motors	10,337	-	(10,337)	-	-
Korea Economy Daily	14,247	113	10,735	25,095	24,773
TRW Steering Co., Ltd.	7,598	(325)	-	7,273	7,180
Hyundai Steel Company	-	277,599	84,619	362,218	357,570
NGVTEK.com	250	-	571	821	810
Hyundai MOBIS	546,923	102,143	(84,871)	564,195	556,955
EUKOR Car Carriers, Inc.	80,810	21,979	(3,757)	99,032	97,761
Iijin Bearing Co., Ltd.	13,102	721	160	13,983	13,804
Daesung Automotive Co., Ltd.	6,094	465	(446)	6,113	6,035
Amco Corp.	-	16,417	10,023	26,440	26,101
Eukor Car Carriers Singapore Pte.	13	-	-	13	13
Kia Motors Australia. Pty	825	-	-	825	814
Wia Automotive Parts Co., Ltd.	6,975	-	(6,975)	-	-
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	572	16	2,185	2,773	2,737
Hyundai Motor Deutschland GmbH	12,588	7,113	(2,289)	17,412	17,189
Hyundai Motor Group China, Ltd.	1,508	-	(1,508)	-	-
Hyundai Electronics (Tianjin) Co., Ltd.	-	-	3,724	3,724	3,676
Tianjin Hyundai Hangsheng Electronics Co., Ltd.	-	-	712	712	703
Hyundai Hi-Tech Electronics (Tianjin) Co., Ltd.	-	-	186	186	184
Hyundai Autonet Pontus America	-	-	450	450	444
Pontus Map Co., Ltd.	₩ -	₩ -	₩180	₩180	₩178
	₩1,119,085	₩538,773	₩(37,691)	₩1,620,167	\$1,599,375

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

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

Affiliated Company	Beginning of year	Gain (loss) on valuation	Other changes (*)	Translation into U.S. Dollars (Note 2) (In thousands)	
				Korean Won (In millions)	End of year
Kia Tigers Co., Ltd.	₩10,090	₩(4,066)	₩ -	₩6,024	\$5,947
HMJ R&D	2,391	88	(234)	2,245	2,216
Yan Ji Kia Motors A/S	1,792	-	-	1,792	1,769
Beijing-Hyundai Motor Company	281,997	120,120	(109,221)	292,896	289,137
HAOSVT (Turkey)	25,859	7,165	(8,259)	24,765	24,447
Donghui Auto Co., Ltd.	5,608	2,087	-	7,695	7,596
Korea Space & Aircraft Co., Ltd.	79,312	2,516	(1)	81,827	80,777
PT. Kia Timor Motors	12,865	201	(2,729)	10,337	10,204
Korea Economy Daily	14,129	98	20	14,247	14,064
TRW Steering Co., Ltd.	8,254	(656)	-	7,598	7,500
NGVTEK.com	250	-	-	250	247
Hyundai MOBIS	310,060	121,862	115,001	546,923	539,904
EUKOR Car Carriers, Inc.	53,323	28,196	(710)	80,809	79,772
Iijin Bearing Co., Ltd. (Formerly Iijin Automotive Co., Ltd.)	12,794	381	(73)	13,102	12,934
Daesung Automotive Co., Ltd.	5,619	555	(80)	6,094	6,016
Kia Service Philippines Co.	185	-	(185)	-	-
Eukor Car Carriers Singapore Pte.	13	-	-	13	13
Kia Motors Australia. Pty	-	-	825	825	814
Wia Automotive Parts Co., Ltd.	-	-	6,975	6,975	6,885
Beijing Lear Dymos Automotive Seating and Interior Co., Ltd.	-	-	571	571	564
Hyundai Motor Deutschland GmbH	-	5,717	6,872	12,589	12,427
Hyundai Motor Group China, Ltd.	-	-	1,508	1,508	1,489
Hysco America Co., Ltd.	5,690	-	(5,690)	-	-
	₩830,231	₩284,264	₩4,590	₩1,119,085	\$1,104,724

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

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) within 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The net unamortized balance of goodwill and unreversed balance of negative goodwill as of December 31, 2005 and 2004 are ₩328,873 million (US\$ 324,653 thousand) and ₩8,721 million (US\$ 8,609 thousand), respectively.

7. LEASED ASSETS:

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The Company and its subsidiaries have entered into lease agreements for certain machinery and equipment. The capital lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on these lease agreements as of December 31, 2005 are as follows (Won in millions):

	Financing leases		Operating leases	
	Lease payments	Interest portion	Lease obligation	Lease payments
2006	55,760	4,379	51,381	22,362
2007	34,929	1,065	33,864	20,811
2008	114	3	111	19,978
2009	-	-	-	16,581
Thereafter	-	-	-	74,889
	₩90,803	₩5,447	₩85,356	₩154,621

8. INSURED ASSETS:

As of December 31, 2005, certain property, plant and equipment are insured for ₩12,267,408 million (US\$12,109,978 thousand) and the Company and certain subsidiaries carry general insurance for vehicles and workers' compensation and casualty insurance for employees. In addition, the Company and its subsidiaries carry products and completed operations liability insurance with a maximum coverage of ₩280,575 million (US\$276,974 thousand).

9. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment as of December 31, 2005 and 2004 consist of the following:

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Buildings and structures	₩7,078,546	₩6,518,904	\$6,987,706	\$6,435,246
Machinery and equipment	11,508,182	10,290,771	11,360,496	10,158,708
Vehicles	212,382	183,877	209,656	181,517
Tools, dies and molds	4,392,993	4,017,552	4,336,617	3,965,994
Other equipment	1,310,013	1,279,070	1,293,201	1,262,655
	24,502,116	22,290,174	24,187,676	22,004,120
Less: Accumulated depreciation	(9,891,942)	(8,523,304)	(9,764,997)	(8,413,923)
	14,610,174	13,766,870	14,422,679	13,590,197
Land	4,165,180	4,084,137	4,111,728	4,031,725
Construction in progress	2,672,685	1,951,279	2,638,386	1,926,238
	₩21,448,039	₩19,802,286	\$21,172,793	\$19,548,160

93 The changes in property, plant and equipment in 2005 are as follows:

	Korean Won (In millions)						Translation into U.S. Dollars (Note 2) (In thousands)	
	Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of year	End of year
Land	₩4,084,137	₩107,891	₩(8,989)	₩(12,398)	₩(1,864)	₩(3,597)	₩4,165,180	\$4,111,728
Buildings and structures	5,394,729	159,638	402,743	(76,626)	(247,781)	93,121	5,725,824	5,652,344
Machinery and equipment	6,414,214	271,770	1,353,217	(211,054)	(1,042,179)	173,900	6,959,868	6,870,551
Vehicles	117,640	41,040	22,919	(17,391)	(35,796)	2,059	130,471	128,797
Tools, dies and molds	1,173,557	78,904	394,470	(14,897)	(459,094)	72,513	1,245,453	1,229,470
Other equipment	666,730	137,272	3,367	(13,336)	(298,915)	53,441	548,558	541,517
Construction in progress	1,951,279	3,091,895	(2,167,727)	(307,108)	-	104,345	2,672,685	2,638,386
	₩19,802,286	₩3,888,410	₩ -	₩(652,810)	₩(2,085,629)	₩495,782	₩21,448,039	\$21,172,793

As of December 31, 2005 and 2004, the value of the land, which the Company and its subsidiaries own domestically, totals ₩4,189,062 million (US\$4,135,303 thousand) and ₩3,915,257 million (US\$3,865,012 thousand), respectively, in terms of land prices officially announced by the Korean government.

10. INTANGIBLES:

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

Description	2005				2004		2005	2004
	Acquisition cost	Accumulated amortization	Accumulated Impairment loss	Government subsidy	Book value	Book value	Book value	Book value
Goodwill	₩517,062	₩(40,719)	₩ -	₩ -	₩476,343	₩459,982	\$470,230	\$454,079
Negative goodwill	(90,656)	4,235	-	-	(86,421)	(72,313)	(85,312)	(71,385)
Industrial property rights	59,549	(34,637)	-	-	24,912	20,779	24,592	20,512
Development costs	3,289,789	(1,439,361)	(8,063)	(12,068)	1,830,297	1,326,312	1,806,808	1,309,291
Other	148,218	(60,926)	(2,301)	-	84,991	77,735	83,900	76,737
	₩3,923,962	₩(1,571,408)	₩(10,364)	₩(12,068)	₩2,330,122	₩1,812,495	\$2,300,219	\$1,789,235

The changes in intangibles in 2005 are as follows:

Description	Korean Won (In millions)					Translation into U.S. Dollars (Note 2) (In thousands)	
	Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	Total
Beginning of the year	₩459,982	₩(72,313)	₩20,779	₩1,326,312	₩77,735	₩1,812,495	\$1,789,235
Addition:							
Expenditures	33,828	(23,016)	11,242	1,634,762	17,830	1,674,646	1,653,155
Deduction:							
Disposal	-	-	-	-	(20)	(20)	(20)
Amortization	(10,950)	8,709	(8,133)	(380,679)	(13,478)	(404,531)	(399,340)
Research	-	-	-	(620,621)	-	(620,621)	(612,656)
Ordinary development	-	-	-	(108,726)	-	(108,726)	(107,331)
Impairment loss	-	-	-	(7,772)	(87)	(7,859)	(7,758)
Other	(6,517)	199	1,024	(911)	3,011	(3,194)	(3,153)
Government subsidy	-	-	-	(12,068)	-	(12,068)	(11,913)
End of the year	₩476,343	₩(86,421)	₩24,912	₩1,830,297	₩84,991	₩2,330,122	\$2,300,219

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

In 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile Division and Machine Tool Division of Hyundai MOBIS (Formerly Hyundai Precision and Industry Co., Ltd.), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$455,190 thousand), is accounted for as impairment loss and charged to current operations.

11. OTHER ASSETS:

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

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩90 million in 2005 and ₩61 million in 2004, and unamortized present value discount of ₩3,095 million in 2005 and ₩3,110 million in 2004	₩21,239	₩25,154	\$20,966	\$24,831
Lease and rental deposits	377,588	378,137	372,742	373,284
Long-term deposits	53,250	49,055	52,567	48,425
Deferred gain on valuation of derivatives	754,224	200,830	744,545	198,253
Long-term loans, net of allowance for doubtful accounts of ₩5 million in 2005 and nil in 2004	56,023	77,994	55,304	76,993
Other	375,974	348,802	371,150	344,325
	₩1,638,298	₩1,079,972	\$1,617,274	\$1,066,111

12. OTHER FINANCIAL BUSINESS ASSETS AND LIABILITIES:

Other financial business assets as of December 31, 2005 and 2004 consist of the following:

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Finance receivables	₩7,277,317	₩4,836,945	\$7,183,926	\$4,774,872
Lease receivables	1,601,497	1,078,509	1,580,945	1,064,668
Card receivables	2,173,722	1,700,092	2,145,826	1,678,275
Other	3,895	8,390	3,845	8,282
	₩11,056,431	₩7,623,936	10,914,542	\$7,526,097

Other financial business liabilities of ₩286,329 million (US\$ 282,654 thousand) and ₩108,843 million (US\$ 107,446 thousand) as of December 31, 2005 and 2004, respectively, consist of operating other accounts payable.

13. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2005 and 2004 amount to ₩11,855,332 million (US\$11,703,191 thousand) and ₩10,571,772 million (US\$10,436,103 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 0.25 percent to 8.83 percent.

14. LONG-TERM DEBT:

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

Description	Interest rate (%)	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2005	2004	2005	2004
Debentures	1.19 ~ 9.48	₩11,950,259	₩10,028,072	\$11,796,899	\$9,899,380
Won currency loans:					
Capital lease	6.30 ~ 7.77	55,214	14,772	54,505	14,582
Reorganization claims	(*)	136,721	328,136	134,966	323,925
General loans	1.00 ~ 8.90	358,431	74,630	353,831	73,672
Other	1.00 ~ 6.47	309,508	376,392	305,537	371,562
		859,874	793,930	848,839	783,741
Foreign currency loans:					
Capital lease	L+0.98 ~ 4.18	33,713	1,643	33,182	1,622
Reorganization claims	(*)	55,292	84,994	54,582	83,903
Other	3.25 ~ 5.27	1,147,753	773,870	1,133,122	763,939
		1,236,758	860,507	1,220,886	849,464
		14,046,891	11,682,509	13,866,624	11,532,585
Less: Current maturities		(3,470,787)	(3,998,768)	(3,426,246)	(3,947,451)
		₩10,576,104	₩7,683,741	\$10,440,378	\$7,585,134

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

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

Description	Maturity	Annual interest rate (%)	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
			2005	2004	2005	2004
Domestic debentures:						
Guaranteed debentures	6 Jan, 2006 ~ 16 Dec, 2008	3.95 ~ 5.67	₩315,000	₩220,000	\$310,958	\$217,177
Non-guaranteed Debentures	14 Apr, 2006 ~ 24 Oct, 2011	1.19 ~ 9.20	10,377,934	8,608,332	10,244,752	8,497,860
Convertible bonds and bonds with warranty	31 Jan, 2009 ~ 31 Oct, 2010	4.0	333,072	135,120	328,798	133,386
Overseas debentures	12 Jun, 2006 ~ 25 Apr, 2015	6.68 ~ 9.38	949,915	1,098,887	937,725	1,084,785
			11,975,921	10,062,339	11,822,233	9,933,207
Discount on debentures			(25,662)	(34,267)	(25,334)	(33,827)
			₩11,950,259	₩10,028,072	\$11,796,899	\$9,899,380

Convertible bonds as of December 31, 2005 and 2004 are all issued by Hyundai Card Co., Ltd., a subsidiary.

97 The maturity of long-term debt as of December 31, 2005 is as follows:

	Debtentures	Korean Won (In millions)		Total	Translation into
		Local currency loans	Foreign currency loans		U.S. Dollars (Note 2) (In thousands)
2006	₩3,172,269	₩238,647	₩61,880	₩3,472,796	\$3,428,229
2007	3,412,920	340,321	727,569	4,480,810	4,423,307
2008	2,840,738	210,454	146,067	3,197,259	3,156,228
2009	846,594	44,057	2,859	893,510	882,043
Thereafter	1,703,400	26,395	298,383	2,028,178	2,002,150
	₩11,975,921	₩859,874	₩1,236,758	₩14,072,553	\$13,891,957

15. CAPITAL STOCK:

Capital stock as of December 31, 2005 consists of the following:

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	219,058,702 shares	₩5,000	₩1,151,894	\$1,137,112
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	326,763
				₩1,482,905	\$1,463,875

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

	Authorized	Issued	Par value	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common stock	450,000,000 shares	218,628,302 shares	₩5,000	₩1,149,741	\$1,134,986
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	326,763
				₩1,480,752	\$1,461,749

In 2005 and 2004, a part of the stock options granted to the directors were exercised at an exercise price of ₩14,900 (US\$14,709) and new common stock of 430,400 and 429,800 shares were issued, respectively. This issuance of new common stock resulted in the increase of paid-in capital in excess of par value by ₩8,209 million (US\$8,104 thousand) and ₩8,197 million (US\$8,092 thousand) in 2005 and 2004, respectively.

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

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 2005, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

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

In 1999, the Company issued 45,788,000 Global Depositary Shares representing 22,894,000 common shares for ₩601,356 million (US\$593,639 thousand), which include paid-in capital in excess of par value of ₩486,886 million (US\$480,638 thousand).

16. CAPITAL ADJUSTMENTS:

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

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Treasury stock	₩(743,692)	₩(98,341)	\$(734,149)	\$(97,079)
Discounts on stock issuance	1,688	(3,244)	(1,666)	(3,202)
Gain on valuation of available-for-sale securities (See Notes 4 and 5)	358,400	443,221	353,801	437,533
Loss on valuation of investment securities accounted for using the equity method	(310,141)	(335,148)	(306,162)	(330,847)
Stock option cost	14,528	19,130	14,342	18,885
Cumulative translation adjustments	(292,525)	(213,608)	(288,771)	(210,867)
Gain (Loss) on valuation of derivatives	9,000	(28,463)	8,885	(28,098)
	₩(966,118)	₩(216,453)	\$(953,720)	\$(213,675)

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,416,470 common shares and 2,950,960 preferred shares with a carrying value of ₩736,113 million (US\$726,666 thousand) as of December 31, 2005 and 820,910 common shares and 3,138,600 preferred shares with a carrying value of ₩90,348 million (US\$89,189 thousand) as of December 31, 2004, respectively, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund. In addition, the Company's ownership portion of subsidiaries' treasury stock held by themselves, amounting to ₩7,579 million (US\$7,482 thousand) and ₩7,993 million (US\$7,890 thousand) as of December 31, 2005 and 2004, respectively, are included in the treasury stock.

(2) Discounts on stock issuance

Certain subsidiaries accounted for expense on issuance of new stock as discounts on stock issuance. The Company's ownership portion of these discounts amounting to ₩1,688 million (US\$1,666 thousand) and ₩3,244 million (US\$3,202 thousand) is accounted for as a debit to capital adjustments as of December 31, 2005 and 2004, respectively.

(3) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011). 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, 2005 are exercised, 1,242,554 shares 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 2005 and 2004, 430,400 and 429,800 shares of stock options granted as of March 10, 2000 were exercised by directors, respectively (See Note 15).

The Company calculates the total compensation expense using the option-pricing model. In the model, the risk-free rate of 4.94%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent are used. Total compensation expenses amounting to ₩14,231 million (US\$14,048 thousand) have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(4) Cumulative translation adjustments

Cumulative translation debits of ₩292,525 million (US\$288,771 thousand) and ₩213,608 million (US\$210,867 thousand) as of December 31, 2005 and 2004, respectively, which result from the translation of financial statements of overseas subsidiaries and the two branches located in the United States, are included in capital adjustments on the basis set forth in Note 2.

(5) Gain (loss) on valuation of derivatives

The gain (loss) on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports is included in capital adjustments on the basis set forth in Note 2. The Company recorded a gain of ₩9,000 million (US\$8,885 thousand) and a loss of ₩28,463 million (US\$28,098 thousand) as of December 31, 2005 and 2004, respectively, including its ownership portion of subsidiaries' gain and loss.

17. PLEDGED ASSETS, CHECKS AND NOTES:

As of December 31, 2005, the following assets, checks and notes are pledged as collateral:

- (1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩2,972 billion (US\$ 2,934 million).
- (2) The Company's and its domestic subsidiaries' financial instruments of ₩95,682 million (US\$ 94,454 thousand), some investment securities, including 1,593,466 shares of KIA, 4,400,000 shares of Eukor Car Carriers Inc. and others, are pledged as collateral for various borrowings, debentures, payables, lease agreements, guarantees of a customer financing system and others.
- (3) Certain overseas subsidiaries' receivables, inventories and other financial business assets are pledged as collateral for their borrowings.
- (4) 50 blank checks, 162 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,590 thousand) and 6 promissory notes amounting to ₩6,328 million (US\$6,247 thousand) are pledged as collateral to financial institutions and others.

18. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses are as follows:

	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Salaries	₩1,984,507	₩1,925,695	\$1,959,039	\$1,900,982
Export related expenses	1,356,056	1,238,938	1,338,654	1,223,038
Sales promotion	2,811,283	1,903,907	2,775,205	1,879,474
Sales commission	574,628	531,333	567,254	524,514
Sales warranties	1,122,815	2,084,101	1,108,406	2,057,355
Taxes and dues	84,947	59,088	83,857	58,330
Communications	47,753	78,058	47,140	77,056
Utilities	47,150	47,866	46,545	47,252
Freight and warehousing	223,047	202,529	220,185	199,930
Rent	105,959	65,630	104,599	64,788
Travel	132,563	125,297	130,862	123,689
Service charges	255,692	784,157	252,411	774,094
Supplies	96,404	99,045	95,167	97,774
Research	620,621	628,237	612,656	620,175
Depreciation	222,823	213,053	219,963	210,319
Amortization	70,546	217,691	69,641	214,897
Provision for bad debt	612,588	933,732	604,727	921,749
Other	216,852	160,685	214,068	158,623
	₩10,586,234	₩11,299,042	\$10,450,379	\$11,154,039

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

Income tax expense in 2005 and 2004 consists of the following:

Description	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004
Income tax currently payable	₩482,488	₩846,929	\$476,296	\$836,060
Changes in deferred income taxes due to:				
Temporary differences	360,870	222,404	356,239	219,550
Tax loss carried forward	42,376	(88,794)	41,832	(87,654)
Tax credit carried over	(69,765)	(49,644)	(68,870)	(49,007)
Deferred income taxes directly reflected to equity	(245,512)	(9,571)	242,361	9,449
	87,969	74,395	86,840	73,440
Income tax expense	₩570,457	₩921,324	\$563,136	\$909,500

As of December 31, 2005, accumulated temporary differences of the Company and its subsidiaries amount to ₩4,506,564 million (US\$4,448,731 thousand). Some portion of the temporary difference, net operating loss carry-forwards and tax exemption carry-forwards, which are more likely than not, were not recognized as deferred tax assets. Deferred tax assets were calculated using the expected tax rate (27.5%) with residual temporary differences. As of December 31, 2005, the Company believes the total current and non-current deferred income tax assets of ₩462,203 million (US\$456,271 thousand) and ₩452,915 million (US\$447,103 thousand), respectively, before deduction of the total current and non-current deferred income tax liabilities of ₩6,451 million (US\$ 6,368 thousand) and ₩173,677 million (US\$171,448 thousand), respectively, can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. The effective tax rates are 16.83 percent and 33.87 percent in 2005 and 2004, respectively.

20. DIVIDENDS:

The computation of the proposed dividends for 2005 is as follows:

	Number of shares	Dividend rate (%)	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	207,642,232	25	₩259,553	\$256,222
Preferred shares, net of treasury shares:				
First and Third preferred shares	25,637,321	26	33,328	32,900
Second preferred shares	36,613,865	27	49,429	48,795
			₩342,310	\$337,917

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

	Number of shares	Dividend rate (%)	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Common shares, net of treasury shares	217,807,392	23	₩250,479	\$247,265
Preferred shares, net of treasury shares:				
First and Third preferred shares	24,492,541	24	29,391	29,014
Second preferred shares	37,571,005	25	46,963	46,360
			₩326,833	\$322,639

The proposed dividends for 2005 and 2004 were approved at the shareholders' meeting on March 10, 2006 and March 4, 2005, respectively.

21. ELIMINATION OF UNREALIZED PROFITS AND LOSSES:

Unrealized profits and losses resulting from inter-company sales are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements.

Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2005 are as follows:

	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩10,010	₩ -	₩ -	\$9,882	\$ -	\$ -
Downstream sales	217,366	92,644	67,113	214,577	91,455	66,252
Sales between consolidated subsidiaries	391,567	1,686	-	386,542	1,664	-

Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2004 are as follows:

	Korean Won (In millions)			Translation into U.S. Dollars (Note 2) (In thousands)		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩11,063	₩2,381	₩ -	\$10,921	\$2,350	\$ -
Downstream sales	432,445	48,890	273,433	426,895	48,263	269,924
Sales between consolidated subsidiaries	465,351	8,800	-	459,379	8,687	-

22. INTER-COMPANY TRANSACTIONS:

Significant transactions in 2005 and 2004 between the Company and consolidated subsidiaries are as follows:

	Korean Won (In millions)		Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)		Translation into U.S. Dollars (Note 2) (In thousands)	
	2005	2004	2005	2004	2005	2004	2005	2004
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses
Hyundai Capital Service Inc.	₩340,174	₩37,915	₩123,340	₩35,737	\$335,808	\$37,428	\$121,757	\$35,278
KEFICO Corporation	245	293,907	13	337,208	242	290,135	13	332,881
Hyundai Powertech	27,025	238,863	17,604	179,653	26,678	235,798	17,378	177,347
Dymos Inc.	7,634	507,485	12,766	228,559	7,536	500,972	12,602	225,626
Kia Motors Corporation	654,236	447,228	1,008,767	355,184	645,840	441,489	995,821	350,626
Hyundai HYSKO	2,033	160,856	4,693	209,993	2,007	158,792	4,633	207,298
WIA Corporation	163,099	292,699	1,079	258,192	161,006	288,943	1,065	254,879
Autoever Systems Corp.	5,349	124,265	853	126,043	5,280	122,670	842	124,425
Aju Metal Co., Ltd.	4,640	25,086	2,236	5,890	4,580	24,764	2,207	5,814
ROTEM	185	43,767	-	-	183	43,205	-	-
Mseat Co., Ltd.	-	7,737	-	-	-	7,638	-	-
Hyundai Motor America	5,008,656	-	6,954,356	-	4,944,379	-	6,865,110	-
Hyundai America Technical Center Inc.	-	49,811	-	30,417	-	49,172	-	30,027
Hyundai Motor India	446,790	13,963	432,282	15,037	441,056	13,784	426,734	14,844
Hyundai Motor Japan Co.	30,708	-	25,898	-	30,314	-	25,566	-
Hyundai Motor Manufacturing Alabama, LLC	88,354	88	51,608	-	87,220	87	50,946	-
Hyundai Motor Poland Sp. Zo. O	110,950	-	145,667	-	109,526	-	143,798	-
Hyundai Motor Europe GmbH	2,595,567	-	2,276,451	-	2,562,258	-	2,247,237	-
Hyundai Motor Company Australia	464,399	-	389,220	-	458,439	-	384,225	-
Hyundai-Kia Machine Europe GmbH	-	-	3,673	-	-	-	3,626	-
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	636,653	-	-	-	628,483	-	-	-
Hyundai Motor Europe Technical Center GmbH	-	22,769	-	-	-	22,477	-	-

105 Significant transactions in 2005 and 2004 between the consolidated subsidiaries are as follows:

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2005	2004	2005	2004
Hyundai Capital Service Inc.	Kia Motors Corporation	₩19,475	₩28,586	\$19,225	\$28,219
	Hyundai Card	11,814	6,710	11,662	6,624
Autoever Systems Corp.	Kia Motors Corporation	47,924	34,574	47,309	34,130
	Hyundai Capital Service Inc.	31,932	6,394	31,522	6,312
	Hyundai Card	26,791	7,100	26,447	7,009
	Hyundai HYSKO	22,751	9,844	22,459	9,718
	Dymos Inc.	3,272	-	3,230	-
	Korea Rolling Stock Corp	6,874	-	6,786	-
	WIA Corporation	15,041	-	14,848	-
Hyundai Card	Hyundai Capital Service Inc.	5,258	4,048	5,191	3,996
	Autoever Systems Corp	3,575	-	3,529	-
	Hyundai HYSKO	4,829	-	4,767	-
	Kia Motors Corporation	18,228	-	17,994	-
KEFICO Corporation	Kia Motors Corporation	87,411	81,246	86,289	80,203
	Hyundai Powertech	49,829	61,022	49,190	60,239
Dymos Inc.	Kia Motors Corporation	134,124	58,151	132,403	57,405
	ROTEM	34,517	60,620	34,074	59,842
	M.Seat Co., Ltd.	5,183	-	5,116	-
	WIA Corporation	16,834	-	16,618	-
WIA Corporation	Kia Motors Corporation	974,813	727,697	962,303	718,358
	Aju Metal Co., Ltd.	5,392	47,598	5,323	49,687
	ROTEM	34,475	-	34,033	-
	Hyundai-Kia Machine America Corp	40,329	21,568	39,910	21,291
	Hyundai-Kia Machine Europe Gmbh	33,276	-	32,849	-
	Wia Automotive Parts	7,857	-	7,756	-
Hyundai Powertech	Kia Motors Corporation	300,304	350,327	296,450	345,831
Hyundai HYSKO	Kia Motors Corporation	53,886	49,801	53,194	49,162
	Hyundai Motor Manufacturing Alabama, LLC	21,686	-	21,408	-
Aju Metal Co., Ltd.	WIA Corporation	113,617	68,461	112,159	67,582
	Kia Motors Corporation	3,096	-	3,056	-
ROTEM	Hyundai HYSKO	-	2,960	-	2,922
	Kia Motors Corporation	103,219	4,406	101,894	4,349
	WIA Corporation	-	2,590	-	2,557
Kia Motors Corporation	WIA Corporation	3,886	-	3,836	-
	Kia Motors Deutschland GmbH	-	654,879	-	646,475
	Kia Canada, Inc.	367,698	400,462	362,979	395,323

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2005	2004	2005	2004
Kia Motors Corporation	Hyundai Powertech	2,100	8,557	2,073	8,447
	Kia Motors America Inc. and others	3,929,627	4,589,058	3,879,197	4,530,166
	KEFICO Corporation	3,193	3,416	3,152	3,372
	Kia Motors Europe GmbH	2,572,566	1,664,717	2,539,552	1,643,353
	Dong Feng Yueda Kia Motor Co., Ltd.	232,285	178,974	229,304	176,677
	Kia Motors Slovakia. S.r.o	23,647	-	23,344	-
	Kia Motors Polska Sp.z.o.o.	63,134	-	62,324	-
AIA Corporation	WIA Corporation	170,994	-	168,800	-
Mseat Co., Ltd.	Kia Motors Corporation	3,550	-	3,504	-
	Dymos Inc.	286,158	-	282,486	-
Hyundai Motor America	Hyundai America Technica Center Inc.	10,126	4,553	9,996	4,495
Hyundai America Technical Center Inc.	Kia Motors Corporation	21,762	18,360	21,483	18,124
Kia Motors Europe GmbH	Kia Motors Deutschland GmbH	649,741	562,491	641,403	555,272
	Kia Motors Czech s.r.o.	41,387	38,004	40,856	37,516
	Kia Motors Hungary Kft	23,665	36,556	23,361	36,087
	Kia Motors (UK) Ltd.	650,864	588,456	642,511	580,904
	Kia Automobiles France	312,017	193,904	308,013	191,416
	Kia Motors Iberia	621,302	605,045	613,329	597,280
	Kia Motors Belgium	87,123	70,185	86,005	69,284
	Kia Motors Sweden AB	46,177	41,671	45,584	41,136
	Kia Motors Austria GmbH	127,045	105,819	125,415	104,461
Hyundai Motor America	Hyundai America Technical Center Inc.	10,126	4,553	9,996	4,495
Hyundai America Technical Center Inc.	Kia Motors Corporation	21,762	18,360	21,483	18,124
Kia Motors Deutschland GmbH	Kia Motors Polska Sp.z.o.o.	-	7,064	-	6,973
World Marketing Group LLC	Hyundai Motor America	7,141	6,806	7,049	6,719
	Kia Motors America Inc.	11,967	13,606	11,813	13,431
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	178,375	-	176,086	-
Hyundai Motor Europe Technical Center GmbH	Kia Motors Corporation	16,266	-	16,057	-
Hyundai Motor India	WIA Corporation	34,886	-	34,438	-
	Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	9,595	-	9,472	-
Hyundai Translead, Inc.	Hyundai Motor America	10,494	-	10,359	-
	Kia Motors America Inc.	8,254	-	8,148	-

107 As of December 31, 2005 and 2004, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean Won (In millions)				Translation into U.S. Dollars (Note 2) (In thousands)			
	2005		2004		2005		2004	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Capital Service Inc.	₩27,143	₩17,202	₩19,966	₩10,123	\$26,795	\$16,981	\$19,710	\$9,698
ROTEM	444	42,536	316	5,382	438	41,990	312	5,313
Hyundai Card	44,573	51,634	21,466	60,679	44,001	50,971	21,191	59,900
KEFICO Corporation	1,089	-	2,086	51,232	1,075	-	2,059	50,575
Dymos Inc.	10,408	129,819	1,123	84,412	10,274	128,153	1,109	83,329
Hyundai Powertech	13,342	75,088	9,930	48,257	13,171	74,124	9,803	47,638
WIA Corporation	17,979	202,159	7,548	67,849	17,748	199,565	7,451	66,978
Kia Motors Corporation	228,440	176,820	174,496	119,381	225,508	174,551	172,257	117,849
Mseat Co., Ltd.	-	-	1,371	20,789	-	-	1,353	20,522
Autoever Systems Corp.	30	42,520	20	59,665	30	41,974	20	58,899
Hyundai HYSCO	1,568	32,414	2,051	26,119	1,548	31,998	2,025	25,784
Aju Metal Co., Ltd.	9,073	8,901	113	2,803	8,957	8,787	112	2,767
Hyundai Autonet Co., Ltd	11	48,941	-	-	11	48,313	-	-
HMCA	127,678	297	130,247	1,315	126,039	293	128,576	1,298
HME	443,402	-	342,935	-	437,712	-	338,534	-
Hyundai Motor America	1,026,664	20,077	269,897	12,144	1,013,489	19,819	266,433	11,988
Hyundai Motor Manufacturing Alabama, LLC	57,985	56	9,885	-	57,241	55	9,758	-
Hyundai America Technical Center Inc.	-	8,507	-	4,002	-	8,398	-	3,951
Hyundai Motor India	16,428	1,417	15,513	2,859	16,217	1,399	15,314	2,822
Hyundai Motor Japan Co.	30,905	211	1,495	-	30,508	208	1,476	-
Hyundai Motor Poland Sp. Zo. O	24,038	493	5,892	1,226	23,730	487	5,816	1,210
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	156,741	-	-	-	154,730	-	-	-
Hyundai Motor Europe Technical Center GmbH	-	4,307	-	-	-	4,252	-	-

As of December 31, 2005 and 2004, significant balances related to the transactions between the consolidated subsidiaries are as follows:

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Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2005	2004	2005	2004
		Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable	Subsidiary's receivable
Kia Motors Corporation	WIA Corporation	₩ -	₩159,987	\$ -	\$157,934
	Autoever Systems Corp.	285	14,683	281	14,495
	Hyundai Card	6,506	30,529	6,423	30,137
	Hyundai HYSCO	-	12,781	-	12,617
	Dymos Inc.	804	21,641	794	21,363
	KEFICO Corporation	225	11,618	222	11,469
	Mseat Co., Ltd.	-	6,628	-	6,543
	Hyundai Powertech	188	63,030	186	62,221
	ROTEM	172	9,433	170	9,312
	Kia Motors America Inc.	1,237,206	1,070,653	1,221,329	1,056,913
	Kia Canada, Inc.	163,504	127,266	161,406	125,633
	Bontek Co., Ltd.	2	3,284	2	3,242
	Kia Motors Deutschland GmbH	398,767	261,988	393,650	258,626
	Kia Motors Polska Sp.z.o.o.	1,170	644	1,155	636
	Dong Feng Yueda Kia Motor Co., Ltd.	38,617	20,297	38,121	20,037
	Kia Motors Europe GmbH	1,028,576	827,780	1,015,376	817,157
	Kia Motors Slovakia. S.r.o	5,356	-	5,287	-
	Kia Motors (UK) Ltd.	12,046	330	11,891	326
	Kia Motors Austria GmbH	1,240	-	1,224	-
	Kia Motors Iberia	8,730	-	8,618	-
Kia Automobiles France	3,344	-	3,301	-	
Kia Motors Europe	Kia Motors Deutschland GmbH	384,825	246,413	379,886	243,251
	Kia Motors Czech s.r.o.	14,913	15,140	14,722	14,946
	Kia Motors Hungary Kft	12,728	15,345	12,565	15,148
	Kia Motors UK	370,592	267,700	365,836	264,265
	Kia Automobiles France	169,094	129,389	166,924	127,729
	Kia Motors Iberia	344,731	337,026	340,307	332,701
	Kia Motors Sweden AB	25,609	17,100	25,280	16,881
	Kia Motors Belgium	44,392	41,162	43,822	40,634
	Kia Motors Austria GmbH	69,728	47,011	68,833	46,408
	Autoever Co., Ltd.	Kia Motors Corporation	11,883	14,683	11,731
	Hyundai Card	8,162	-	8,057	-
	Hyundai HYSCO	7,868	-	7,767	-
KEFICO Corporation	Kia Motors Corporation	11,192	11,618	11,048	11,469
	Hyundai Powertech	11,640	-	11,491	-
Dymos Inc.	Kia Motors Corporation	12,170	21,614	12,014	21,337
	ROTEM	6,971	-	6,882	-

Subsidiaries	Counterpart subsidiaries	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		2005	2004	2005	2004
Hyundai Capital Service Inc.	Hyundai Powertech	7,322	-	7,228	-
Hyundai Card	Kia Motors Corporation	14,834	-	14,644	-
	Hyundai Capital Service Inc	59,874	24,183	59,106	23,873
	Autoever Systems Corp.	10,280	-	10,148	-
	Hyundai HYSKO	5,651	-	5,578	-
	WIA Corporation	30,579	-	30,187	-
Hyundai Powertech ROTEM	Kia Motors Corporation	58,874	63,030	58,118	62,221
	Dymos Inc.	-	4,731	-	4,670
	Kia Motors Corporation	36,735	-	36,264	-
WIA Corporation	Kia Motors Corporation	196,883	159,987	194,356	157,934
	Hyundai HYSKO	1,502	1,029	1,483	1,016
	ROTEM	31,292	-	30,890	-
	Hyundai-Kia Machine America Corp	14,825	-	14,635	-
	Hyundai-Kia Machine Europe Gmbh	22,674	-	22,383	-
Hyundai HYSKO	Kia Motors Corporation	10,300	12,781	10,168	12,617
	Hyundai Card	12,992	-	12,825	-
	Hyundai Motor Manufacturing Alabama, LLC	11,440	-	11,293	-
AIA Corporation	WIA Corporation	20,178	16,301	19,919	16,092
Aju Metal Co., Ltd.	Dymos Inc.	1,258	1,112	1,242	1,098
	WIA Corporation	14,476	11,325	14,290	11,180
M.Seat Co., Ltd.	Dymos Inc.	41,571	-	41,038	-
Hyundai America Technical Center Inc.	Kia Motors Corporation	3,828	2,471	3,779	2,439
World Marketing Group LLC	Kia Motors America Inc.	10,308	23,619	10,176	23,316
	Hyundai Motor America	9,962	-	9,834	-
Hyundai-Kia Machine America Corp	WIA Corporation	69	14,398	68	14,213
Kia Motors America Inc.	World Marketing Group LLC	-	23,619	-	23,316
Hyundai Motor Europe GmbH	Hyundai Motor (UK) Ltd.	145,121	-	143,259	-
Hyundai Motor Finance Company	Kia Motors Corporation	8,389	-	8,281	-
Hyundai Translead, Inc.	Hyundai Motor Finance Company	10,826	-	10,687	-

23. RELATED PARTY TRANSACTIONS:

In 2005, significant transactions with related parties other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩577,796	₩2,348,197	\$570,381	\$2,318,062
	Amco Corp.	-	347,440	-	342,981
	Glovis Co., Ltd.	-	337,307	-	332,978
	Beijing-Hyundai Motor Company	688,867	-	680,027	-
	Hyundai Steel Company	3,106	41,715	3,066	41,180
Kia Motors Corporation	Iljin Bearing Co., Ltd.	124	39,214	122	38,711
	EUKOR Car Carriers Inc.	1,512	553,446	1,493	546,344
	Hyundai Mobis	46,598	1,914,575	46,000	1,890,005
	Amco Corp.	600	173,919	592	171,687
	Glovis Co., Ltd.	54,969	176,325	54,264	174,062
	Donghee Auto Co., Ltd.	19	85,297	19	84,202
	EUKOR Car Carriers Inc.	33	437,366	33	431,753

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

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩482,053	₩1,579,099	\$475,867	\$1,558,834
	Amco Corp.	-	195,199	-	192,694
	Glovis Co., Ltd.	-	311,790	-	307,789
	Beijing-Hyundai Motor Company	454,403	-	448,572	-
	Hyundai Steel Company	2,457	43,681	2,425	43,120
Kia Motors Corporation	Iljin Bearing Co., Ltd.	6,783	43,426	6,696	42,869
	EUKOR Car Carriers Inc.	1,476	569,780	1,457	562,468
	Hyundai Mobis	44,851	1,492,643	44,275	1,473,488
	Amco Corp.	361	151,279	356	149,338
	Glovis Co., Ltd.	3,003	145,802	2,964	143,931
	Donghee Auto Co., Ltd.	11,976	79,522	11,822	78,501
	EUKOR Car Carriers Inc.	-	421,963	-	416,548

111 As of December 31, 2005, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩112,481	₩632,193	\$111,038	\$624,080
	Amco Corp.	-	188,196	-	185,781
	Glovis Co., Ltd.	-	49,599	-	48,962
	Hyundai Steel Company	713	3,152	704	3,112
	Iljin Bearing Co., Ltd.	19	4,000	19	3,949
	EUKOR Car Carriers Inc.	38	15,352	38	15,155
Kia Motors Corporation	Hyundai Mobis	13	239,132	13	236,063
	Amco Corp.	-	92,103	-	90,921
	Glovis Co., Ltd.	357	25,707	352	25,377
	EUKOR Car Carriers Inc.	-	39,583	-	39,075

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

Companies	Related party	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
		Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩47,101	₩396,959	\$46,497	\$391,865
	Amco Corp.	-	91,485	-	90,311
	Glovis Co., Ltd.	-	51,833	-	51,168
	Hyundai Steel Company	969	10,300	957	10,168
	Iljin Bearing Co., Ltd.	253	6,153	250	6,074
	EUKOR Car Carriers Inc.	-	17,480	-	17,256
Kia Motors Corporation	Hyundai Mobis	12,051	310,850	11,896	306,861
	Amco Corp.	6	81,348	6	80,304
	Glovis Co., Ltd.	559	21,376	552	21,102
	EUKOR Car Carriers Inc.	-	12,355	-	12,196

24. COMMITMENTS AND CONTINGENCIES:

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(1) The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of related parties including subsidiaries as of December 31, 2005 as follows:

Company providing guarantee of indebtedness	Beneficiary Companies	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)	
Hyundai Motor Company	Hyundai Merchant Marine	₩252,542	\$249,301	
	Hyundai Motor America	14,499	14,313	
	Hyundai Motor Manufacturing Alabama LLC	683,775	675,000	
	Hyundai Motor Finance Company	587,540	580,000	
	Hyundia Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi	48,006	47,390	
	Hyundai Motor Europe GmbH	28,804	28,434	
	Hyundai Translead	120,547	119,000	
	Hyundai Machine Tool Europe GmbH	20,260	20,000	
	Hyundai Motor Poland Sp.Zo.O	6,001	5,924	
	Hyundai Motor Japan Co.	34,402	33,961	
	HMJ R&D Center Inc.	4,730	4,669	
	Smart Alabama LLC	66,858	66,000	
	Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,533	2,500	
	Hyundai Motor Company	Beijing Hines Millennium Real Estate Development	15,195	15,000
		Equus Cayman Finance Ltd.	405,200	400,000
Hyundai Card Co., Ltd		4,052	4,000	
Kia Motors Corporation	Other domestic companies	69,990	69,092	
	Kia Motors Slovakia	108,988	107,589	
	Kia Motors(UK) Ltd	17,399	17,176	
Dymos Inc.	Kia Motors Europe GmbH	32,404	31,988	
	Kia Motors Australia. Pty Ltd	595	587	
	WIA Corporation	65,844	64,999	
WIA Corporation	Beijing Lear Dymos Automotive Systems Co.	3,242	3,200	
	Amco town Contractor	40,747	40,224	
	Dymos Inc.	19,354	19,106	
Hyundai HYSCO	Other foreign subsidiaries	44,572	44,000	
	Hyundai Pipe of America, Inc.	20,260	20,000	
	Hysco America Company, Inc	45,585	45,000	
Hyundai Autonet	Beijing Hyundai Hysco Steel Process Co., Ltd.	30,467	30,076	
	Hysco Slovakia S. R. O	15,002	14,809	
	Hyundai Hi-Tech Electronics (Tianjin) Co. Ltd	6,078	6,000	

(2) As of December 31, 2005, the outstanding balance of accounts receivable discounted with recourse and transferred by the Company and its subsidiaries amounts to ₩110,518 million (US\$109,100 thousand).

(3) The Company and its subsidiaries have used a customer financing system related to a long-term installment sales system and have provided guarantees to related banks amounting to ₩136,527 million (US\$190,112 thousand) as of December 31, 2005. These guarantees are all covered by insurance contracts, which specify the customer and the Company and its subsidiaries as contractor and beneficiary, respectively.

(4) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (See Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2005 will not have any material effect on its financial position.

Kia Motors Corporation, a domestic subsidiary, is a defendant pertaining to its claim in the in-court reorganization proceeding, the lawsuits related to its operation such as product liabilities, lawsuits for compensation of losses or damages. KIA also has a pending lawsuit in a Brazilian court pertaining to the disputes with the Brazilian Government and the Brazilian shareholders of Asia Motors Do Brasil S.A. (AMB), which was established as a joint venture by Asia Motors with a Brazilian investor. Also, in 2001, KIA brought the case to the International Court of Arbitration to settle the disputes. KIA, a stockholder of AMB, had already written off its investment of ₩14,057 million (US\$13,877 thousand) and estimates that the above matter does not and will not affect its financial statements at this time. The outcome of the creditors' claims in relation to KIA's denial of their claims in the in-court reorganization proceedings is not currently determinable.

(5) As of December 31, 2005, the Company's consolidated subsidiaries have been provided for payment guarantee by other companies as follows:

Consolidated Subsidiaries	Company providing guarantee of indebtedness	Amounts of guarantee (In thousands)		Translation into U.S. Dollars (Note 2) (In thousands)
Dymos Inc.	Korea Exchange Bank & other	KRW	25,050,000	\$24,729
KEFICO Corporation	Korea Exchange Bank and other	USD	629	629
		JPY	524,318	4,451
		EUR	187	222
		KRW	105,000	104
ROTEM	Machinery Insurance Cooperative and other	KRW	799,410,000	789,151
		USD	72,397	72,397
		EUR	131,513	155,810
		NTD	8,084	311
		CAD	8,033	6,909
		HKD	45,138	5,821

25. SEGMENT INFORMATION:

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2005 and 2004, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheet as of December 31, 2005

ASSETS	Korean Won (In millions)		Translation into U.S. Dollars (Note 2) (In thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩23,410,682	₩1,552,756	\$23,110,249	\$1,532,829
Non-current assets:				
Investments, net of unamortized present value discount	4,735,303	2,608,660	4,674,534	2,575,183
Property, plant and equipment, net of accumulated depreciation	21,211,029	130,657	20,938,824	128,980
Intangibles, net of amortization	2,254,645	74,735	2,225,711	73,776
Other financial business assets	-	11,295,391	-	11,150,435
Total non-current assets	28,200,977	14,109,443	27,839,069	13,928,374
Total assets	₩51,611,659	₩15,662,199	\$50,949,318	\$15,461,203
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩22,709,571	₩7,572,708	\$22,418,135	\$7,475,526
Non-current liabilities	9,746,884	6,245,002	9,621,801	6,164,859
Other financial business liabilities	-	286,329	-	282,654
Total liabilities	32,456,455	14,104,039	32,039,936	13,923,039
Shareholders' equity:				
Capital stock	1,482,905	1,283,800	1,463,875	1,267,325
Capital surplus	5,038,670	866,340	4,974,008	855,222
Retained earnings	9,280,764	(666,721)	9,161,662	(658,165)
Capital adjustments	(791,672)	74,741	(781,512)	73,782
Minority interests	4,144,537	-	4,091,349	-
Total shareholders' equity	19,155,204	1,558,160	18,909,382	1,538,164
Total liabilities and shareholders' equity	₩51,611,659	₩15,662,199	\$50,949,318	\$15,461,203

115 Consolidated Balance Sheet as of December 31, 2004

ASSETS	Korean Won (in millions)		Translation into U.S. Dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩20,504,959	₩1,635,450	\$20,241,815	\$1,614,462
Non-current assets:				
Investments, net of unamortized present value discount	4,745,661	3,206,150	4,684,759	3,165,005
Property, plant and equipment, net of accumulated depreciation	19,667,696	150,506	19,415,297	148,575
Intangibles, net of amortization	1,765,121	19,549	1,742,469	19,298
Other financial business assets	-	7,813,618	-	7,713,344
Total non-current assets	26,178,478	11,189,823	25,842,525	11,046,222
Total assets	₩46,683,437	₩12,825,273	\$46,084,341	\$12,660,684
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩19,247,245	₩7,498,007	\$19,000,242	\$7,401,784
Non-current liabilities	10,258,642	4,193,856	10,126,991	4,140,036
Other financial business liabilities	-	108,843	-	107,446
Total liabilities	29,505,887	11,800,706	29,127,233	11,649,266
Shareholders' equity:				
Capital stock	1,480,752	1,653,342	1,461,749	1,632,124
Capital surplus	5,168,984	296,732	5,102,650	292,924
Retained earnings	7,359,361	(1,159,206)	7,264,917	(1,144,330)
Capital adjustments	(189,262)	233,699	(186,833)	230,700
Minority interests	3,357,715	-	3,314,625	-
Total shareholders' equity	17,177,550	1,024,567	16,957,108	1,011,418
Total liabilities and shareholders' equity	₩46,683,437	₩12,825,273	\$46,084,341	\$12,660,684

Consolidated Statement of Income for the year ended December 31, 2005

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	Korean Won (in millions)		Translation into U.S. Dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩56,691,394	₩2,734,437	\$55,963,864	\$2,699,346
Cost of sales	45,205,279	1,247,642	44,625,152	1,231,631
Selling and administrative expenses	9,278,617	1,379,111	9,159,543	1,361,413
Operating income	2,207,498	107,684	2,179,169	106,302
Other income (expenses), net	913,376	350,818	901,654	346,316
Ordinary income	3,120,874	458,502	3,080,823	452,618
Extraordinary item	-	-	-	-
Income before income tax	3,120,874	458,502	3,080,823	452,618
Income tax expense	570,457	(27,617)	563,136	(27,263)
Income before minority interests	2,550,417	486,119	2,517,687	479,881
Minority interests	359,908	-	355,289	-
Net income	₩2,190,509	₩486,119	\$2,162,398	\$479,881

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

	Korean Won (in millions)		Translation into U.S. Dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩51,094,313	₩2,267,519	\$50,438,611	\$2,238,420
Cost of sales	38,606,878	983,007	38,111,429	970,392
Selling and administrative expenses	9,730,792	1,660,632	9,605,915	1,639,321
Operating income (loss)	2,756,643	(376,120)	2,721,267	(371,293)
Other income (expenses), net	873,694	(204,260)	862,482	(201,639)
Ordinary income (loss)	3,630,337	(580,380)	3,583,748	(572,932)
Extraordinary item	-	-	-	-
Income (loss) before income tax	3,630,337	(580,380)	3,583,748	(572,932)
Income tax expense	1,072,996	24,843	1,059,226	24,524
Income (loss) before minority interests	2,557,341	(605,223)	2,524,522	(597,456)
Minority interests	400,536	-	395,396	-
Net income (loss)	₩2,156,805	₩(605,223)	\$2,129,126	\$(597,456)

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

(2) Regional Results of Operations

Results of operations, by region where the Company and its subsidiaries in 2005 are located, are as follows:

	Domestic	North America	Asia	Europe	Consolidation adjustments	Consolidated amounts
	<i>Korean Won (In millions)</i>					
Total sales	₩56,370,908	₩14,161,711	₩3,910,992	₩8,594,056	₩(24,207,035)	₩58,830,632
Inter-company sales	(23,670,050)	(147,223)	(168,514)	(221,248)	24,207,035	-
Net sales	32,700,858	14,014,488	3,742,478	8,372,808	-	58,830,632
Operating income	2,096,940	(4,133)	122,172	(160,681)	237,142	2,291,440
Total assets	59,330,969	8,746,236	1,950,654	4,247,009	(8,383,522)	65,891,346

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

	Domestic	North America	Asia	Europe	Consolidation adjustments	Consolidated amounts
	<i>Korean Won (In millions)</i>					
Total sales	₩52,535,991	₩13,383,736	₩3,030,102	₩6,718,250	₩(22,567,458)	₩53,100,621
Inter-company sales	(21,921,418)	(68,512)	(15,037)	(562,491)	22,567,458	-
Net sales	30,614,573	13,315,224	3,015,065	6,155,759	-	53,100,621
Operating income	2,202,845	(57,311)	130,071	(1,513)	107,926	2,382,018
Total assets	57,138,560	4,337,373	1,872,023	507,140	(5,831,965)	58,023,131

26. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES:

Hyundai Capital Service Inc., Hyundai Card Co., Ltd. and Hyundai Motor Finance Company dispose their finance receivable assets to special purpose companies or financial intermediaries for the purpose of funding its operating capital. Hyundai Capital Service Inc. disposed such assets of ₩2,611,236 million (US\$2,577,726 thousand) and ₩4,366,544 million (US\$4,310,507 thousand) in 2005 and 2004, respectively, with a resultant net gain of ₩13,635 million (US\$13,460 thousand) and ₩24,180 million (US\$23,870 thousand) in 2005 and 2004, respectively. Also, Hyundai Card Co., Ltd. disposed its finance receivable assets of ₩433,982 million (US\$428,413 thousand) and ₩294,078 million (US\$290,304 thousand) in 2005 and 2004, respectively, on a basis of the carrying amount. The gain on disposal of finance receivables assets were accounted for as operating income and included in sales in the consolidated financial statements.

27. MERGER AND SIGNIFICANT TRANSACTIONS OF BUSINESS OR ASSETS:

- Effective April 11, 2005, METIA Co., Ltd. acquired receivables and security rights from ISU Casting Co., Ltd. for ₩22,500 million (US\$22,211 thousand). On April 22, 2005, METIA also made a successful bid for plant site and main facilities through public sale of Chang-won District Court by the bid amount of ₩26,000 million (US\$25,666 thousand) and gain on recovery of secured debts with the amount of ₩3,748 million (US\$3,700 thousand) was accounted for as non-operating income. METIA Co., Ltd. also acquired the business with assets and liabilities from Samjoo Machinery Co., Ltd. for ₩2,350 million (US\$2,320 thousand). The excess amount of ₩5,609 million (US\$5,537 thousand) of the investment over the recognizable fair value was recorded as goodwill.
- Effective January 1, 2005, WIA Corporation acquired both Machine Tool Engineering department of HMC with assets and liabilities and the equity of Hyundai Machine Tools Europe GmbH (HYME) for ₩46,124 million (US\$45,532 thousand). In addition, HYME changed its firm name to Hyundai-Kia Machine Europe GmbH (HKME).
- Effective November 5, 2004, the Company merged with Hyundai Commercial Vehicle Engine Co., Ltd. (HCVE) with assets of ₩125,110 million (US\$123,504 thousand) and liabilities of ₩127,418 million (US\$125,783 thousand) without issuing new common stock for its shareholders (the exchange rate for merger – the Company : HCVE = 1 : 0). Since HCVE was a subsidiary of the Company and in accordance with the Accounting Standards for Business Combination in the Republic of Korea, the excess amount of ₩32,915 million (US\$32,496 thousand) of the investment securities in HCVE over the carrying amount of acquired net assets of the HCVE is accounted for as deduction in capital surplus.
- Effective February 1, 2004, ROTEM acquired the Aircraft Business division from Hyundai MOBIS with assets and liabilities of ₩15,399 million (US\$15,201 thousand) and ₩504 million (US\$498 thousand), respectively, for ₩14,895 million (US\$14,704 thousand).
- Effective March 5, 2004, WIA Corporation acquired plant equipments for ₩22,258 million (US\$21,972 thousand) from Kovico. Ltd. in accordance with the decision of the board of directors on February 28, 2004. The excess cost of the acquisition over the fair value of the plant equipments, amounting to ₩5,151 million (US\$5,085 thousand), was recorded as goodwill.

28. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE:

(1) Merger between subsidiaries

Effective February 2, 2006, Bontek Co., Ltd. was merged with Hyundai Autonet Co. Ltd.

(2) New shares issued by Hyundai Card Co. Ltd.

Hyundai Card Co. Ltd. issued 56,199,554 shares of new common stock at ₩6,840 per share on January 5, 2006 based on the decision of the Board of Directors on October 31, 2005 (Capital stock: ₩280,983 million, Paid in capital: ₩384,484 million).

(3) Credit Facility Agreement by Hyundai Capital Service Inc.

Effective January 13, 2006, Hyundai Capital Service Inc. made Credit Facility Agreement with GE Capital Corporation (GECC) and Credit Facility limit is US\$ 600,000 thousand. According to Credit Facility Agreement, Hyundai Capital Service Inc., GECC and the Company made Support Agreement, which gives GECC the right to swap the amount withdrawn for equity unless Hyundai Capital Service Inc. can repay the withdrawal. As such, GECC have put option to sell the converted equity by the holding ratio of the Company. The Company also have call option to buy equity from GECC with the same condition unless GECC exercises put option.

(4) Going into Liquidation Procedure

Effective March 6, 2006, Haevichi Leisure Co., Ltd. entered into process of liquidation for the expiration of its business purpose.

(5) Sales of business division

Effective February 7, 2006, Hyundai Autonet entered into a contract to acquire Cartronics R&D Center of Hyundai Mobis for ₩35,356 million (US\$34,902 thousand) for improving efficiency of R&D.

(6) Investigation by the Prosecutor's Office

Subsequent to December 31, 2005, the Company and its certain subsidiaries are being investigated by the Prosecutors' Office of the Republic of Korea with respect to certain money transactions of the prior years. Currently, it is impossible to reasonably measure the effect of this investigation on the Company's consolidated financial statements; accordingly, no adjustment is reflected in the accompanying financial statements.

29. CHANGES OF SUBSIDIARY NAME:

Effective January 1, 2006, Aju Metal Co., Ltd. changed its firm name to Metia Corporation. Also, in 2005, Kia Heavy Industries U.S.A. Corp and Hyundai Machine Tools Europe GmbH also changed their company names to Hyundai-Kia Machine America Corp. (HKME) and Hyundai-Kia Machine Europe GmbH (HKME), respectively.



Centennial (Equus)



Azera (Grandeur)



Sonata



Elantra (Avante)



Terracan



H-1 (Starex)



H-100 Truck (Porter)



H-1 Truck (Libero)



Hyundai Coupe (Tuscani)



Matrix (Lavita)



Accent (Verna)



Getz (Click)



Mighty-II



5 Ton Cargo



Tractor



Dump Truck



Santa Fe



Tucson



Trajt (Trajet XG)



County



Aero Town



Aero Hi-Class



Drive your way™