

HYUNDAI MOTOR COMPANY

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

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

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

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

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

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

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

As explained in Note 2 to the non-consolidated financial statements, in 2005, the Company additionally adopted SKAS No. 15 - "Investments in Associates", No. 16 - "Income Taxes" and No. 17 - "Provisions, Contingent Liabilities and Contingent Assets", which are effective from January 1, 2005. The accompanying balance sheet as of December 31, 2004, and the accompanying statements of income and cash flows for the three months and six months ended June 30, 2004, which are presented for comparative purposes, have been restated to reflect the adjustments resulting from retroactive application of SKAS No.16. These adjustments include the adjustments of carrying amounts of the investment securities accounted for using the equity method, resulting from retroactive application of SKAS No.16 to the financial statements of investees. As a result of restatement, total assets and net equity as of December 31, 2004 decreased by ₩280,332 million (US\$270,069 thousand), net income for the year then ended decreased by ₩58,667 million (US\$56,519 thousand, compared with the results based on the previous method. The Company didn't retroactively apply SKAS No. 15 and 17 to the prior year financial statements, in accordance with the provision in SKAS No.15 and 17. However, the Company recalculated the beginning balance of accrued warranties in accordance with SKAS No.17, which requires the recalculation

of the beginning balance based on this revised standard in case the retroactive method is not applied. This recalculation decreased the beginning balance of accrued warranties and deferred tax assets by ₩676,469 million (US\$651,704 thousand) and ₩186,029 million (US\$179,219 thousand), respectively, and increased the beginning balance of retained earnings by ₩490,440 million (US\$472,486 thousand).

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

October 28, 2005

Notice to Readers

This report is effective as of October 28, 2005, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

ASSETS	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Current assets:				
Cash and cash equivalents	₩ 57,237	₩ 1,006,700	\$ 55,142	\$ 969,846
Short-term financial instruments (Note 15)	4,081,920	4,674,466	3,932,486	4,503,339
Short-term investment securities (Note 4)	671,504	205,029	646,921	197,523
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩23,471 million in 2005 and ₩27,059 million in 2004	1,186,476	1,011,508	1,143,040	974,478
Deferred income tax assets (Note 20)	125,795	185,283	121,190	178,500
Inventories (Note 3)	1,101,679	1,267,099	1,061,348	1,220,712
Advances and other	456,137	568,563	439,438	547,749
Total current assets	<u>7,680,748</u>	<u>8,918,648</u>	<u>7,399,565</u>	<u>8,592,147</u>
Non-current assets:				
Long-term investment securities (Notes 5 and 15)	432,196	308,049	416,374	296,772
Investment securities accounted for using the equity method (Notes 6 and 15)	5,918,714	5,089,958	5,702,037	4,903,620
Property, plant and equipment, net of accumulated depreciation and accumulated impairment loss of ₩4,948,320 million in 2005 and ₩4,510,301 million in 2004 (Notes 7, 8, 9 and 15)	8,931,358	8,733,403	8,604,391	8,413,683
Intangibles (Note 10)	796,262	656,488	767,112	632,455
Deferred income tax assets (Note 20)	-	186,372	-	179,549
Other assets (Notes 11 and 15)	777,421	527,604	748,961	508,289
Total non-current assets	<u>16,855,951</u>	<u>15,501,874</u>	<u>16,238,875</u>	<u>14,934,368</u>
Total assets	<u>₩ 24,536,699</u>	<u>₩ 24,420,522</u>	<u>\$ 23,638,440</u>	<u>\$ 23,526,515</u>

(Continued)

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Current liabilities:				
Short-term borrowings (Notes 12 and 15)	₩ 667,016	₩ 604,604	\$ 642,597	\$ 582,470
Current maturities of long-term debt (Notes 9, 13 and 15)	622,801	162,697	600,001	156,741
Trade notes and accounts payable	2,469,507	3,470,272	2,379,101	3,343,229
Accounts payable-other	1,064,090	866,754	1,025,135	835,023
Accrued warranties (Notes 14 and 15)	678,135	800,331	653,309	771,032
Income tax payable	36,466	430,668	35,131	414,902
Withholdings and other	<u>628,325</u>	<u>372,728</u>	<u>605,324</u>	<u>359,083</u>
Total current liabilities	<u>6,166,340</u>	<u>6,708,054</u>	<u>5,940,598</u>	<u>6,462,480</u>
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 13 and 15)	937,018	1,101,414	902,714	1,061,093
Accrued severance benefits, net of National Pension payments for employees of ₩30,525 million in 2005 and ₩37,351 million in 2004 and individual severance insurance deposits of ₩747,807 million in 2005 and ₩749,901 million in 2004 (Note 2)	413,256	374,537	398,127	360,826
Accrued warranties (Notes 14 and 15)	2,463,468	3,051,141	2,373,283	2,939,442
Deferred income tax liabilities (Note 20)	89,459	-	86,184	-
Other	<u>169,764</u>	<u>100,597</u>	<u>163,552</u>	<u>96,914</u>
Total long-term liabilities	<u>4,072,965</u>	<u>4,627,689</u>	<u>3,923,860</u>	<u>4,458,275</u>
Total liabilities	<u>10,239,305</u>	<u>11,335,743</u>	<u>9,864,458</u>	<u>10,920,755</u>
Commitments and contingencies (Note 15)				
Shareholders' equity:				
Capital stock (Note 16)	1,480,752	1,480,752	1,426,543	1,426,543
Capital surplus (Note 17)	5,383,413	5,359,553	5,186,332	5,163,346
Retained earnings (Note 18) (Net income of ₩1,657,860 million for nine months ended September 30, 2005 and ₩1,745,441 million for the year ended December 31, 2004)	8,234,627	6,383,208	7,933,167	6,149,526
Capital adjustments (Note 19)	<u>(801,398)</u>	<u>(138,734)</u>	<u>(772,060)</u>	<u>(133,655)</u>
Total shareholders' equity	<u>14,297,394</u>	<u>13,084,779</u>	<u>13,773,982</u>	<u>12,605,760</u>
Total liabilities and shareholders' equity	<u>₩ 24,536,699</u>	<u>₩ 24,420,522</u>	<u>\$ 23,638,440</u>	<u>\$ 23,526,515</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions, except per share amounts)				(In thousands, except per share amounts)	
Sales (Note 23)						
Domestic sales	₩ 2,705,199	₩ 2,380,953	₩ 7,577,945	₩ 7,588,796	\$ 7,300,525	\$ 7,310,979
Export sales	3,444,548	4,159,157	11,688,507	12,341,926	11,260,604	11,890,102
	<u>6,149,747</u>	<u>6,540,110</u>	<u>19,266,452</u>	<u>19,930,722</u>	<u>18,561,129</u>	<u>19,201,081</u>
Cost of sales	<u>5,005,071</u>	<u>5,004,868</u>	<u>15,555,505</u>	<u>14,889,325</u>	<u>14,986,036</u>	<u>14,344,244</u>
Gross profit	1,144,676	1,535,242	3,710,947	5,041,397	3,575,093	4,856,837
Selling and administrative expenses (Note 24)	<u>876,612</u>	<u>1,071,503</u>	<u>2,662,309</u>	<u>3,403,815</u>	<u>2,564,845</u>	<u>3,279,205</u>
Operating income	<u>268,064</u>	<u>463,739</u>	<u>1,048,638</u>	<u>1,637,582</u>	<u>1,010,248</u>	<u>1,577,632</u>
Other income (expenses), net:						
Interest income, net	15,933	24,933	49,740	55,647	47,919	53,610
Foreign exchange income, net	1,797	11,428	128,707	68,973	123,995	66,448
Gain on valuation of investment securities accounted for using the equity method, net (Note 6)	211,149	17,660	542,303	261,927	522,450	252,338
Gain on valuation of derivatives, net	133,915	9,001	217,708	25,776	209,738	24,832
Royalty income	47,658	59,936	153,609	131,544	147,986	126,728
Impairment loss on cost in excess of fair value of net identifiable assets acquired (Note 10)	-	-	-	(461,107)	-	(444,226)
Reversal of accrued warranties (Note 2)	-	-	-	341,293	-	328,799
Other, net	<u>(12,692)</u>	<u>2,540</u>	<u>(27,684)</u>	<u>(82,511)</u>	<u>(26,671)</u>	<u>(79,490)</u>
	<u>397,760</u>	<u>125,498</u>	<u>1,064,383</u>	<u>341,542</u>	<u>1,025,417</u>	<u>329,039</u>
Ordinary income	665,824	589,237	2,113,021	1,979,124	2,035,665	1,906,671
Income tax expense (Note 20)	<u>130,936</u>	<u>168,287</u>	<u>455,161</u>	<u>618,313</u>	<u>438,498</u>	<u>595,677</u>
Net income	<u>₩ 534,888</u>	<u>₩ 420,950</u>	<u>₩ 1,657,860</u>	<u>₩ 1,360,811</u>	<u>\$ 1,597,167</u>	<u>\$ 1,310,994</u>
Earnings per common share (Note 2)	<u>₩ 2,489</u>	<u>₩ 1,861</u>	<u>₩ 7,611</u>	<u>₩ 6,018</u>	<u>\$ 7.33</u>	<u>\$ 5.80</u>
Earnings per common share – assuming dilution (Note 2)	<u>₩ 2,477</u>	<u>₩ 1,856</u>	<u>₩ 7,575</u>	<u>₩ 6,002</u>	<u>\$ 7.30</u>	<u>\$ 5.78</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NON-COLSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Cash flows from operating activities:						
Net income	₩ 534,888	₩ 420,950	₩1,657,860	₩1,360,811	\$ 1,597,167	\$ 1,310,994
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	190,540	189,248	566,359	560,491	545,625	539,972
Gain on foreign currency translation, net	2,415	1,027	191	(36,106)	184	(34,784)
Loss on disposal of investment, net	-	1	1	4	1	4
Loss on disposal of trade notes and accounts receivable	15,108	11,297	44,607	30,222	42,974	29,116
Amortization of discount on debentures	1,547	2,717	4,496	9,962	4,431	9,597
Loss (gain) on disposal of short-term investment securities, net	(1,022)	7	(7,974)	(113)	(7,682)	(109)
Gain on disposal of long-term investment securities, net	(1,665)	(1)	(1,665)	(1,052)	(1,604)	(1,013)
Impairment loss on long-term investment securities	-	-	-	42,175	-	40,631
Gain on valuation of investment securities accounted for using the equity method, net	(211,149)	(17,660)	(542,303)	(261,927)	(522,450)	(252,338)
Loss on disposal of property, plant and equipment, net	7,838	18,602	37,003	38,236	35,648	36,836
Amortization of intangibles	48,331	34,936	130,901	128,227	126,109	123,533
Impairment loss on cost in excess of fair value of net identifiable assets acquired	-	-	-	461,107	-	444,226
Gain on valuation of derivatives, net	(133,915)	(9,001)	(217,708)	(25,776)	(209,738)	(24,832)
Reversal of accrued warranties	-	-	-	(341,293)	-	(328,799)
Provision for severance benefits	84,963	37,745	205,724	186,899	198,193	180,057
Provision for warranties	15,487	291,022	260,791	928,790	251,244	894,788
Other	865	4,457	4,203	14,381	4,049	13,855
Changes in operating assets and liabilities:						
Decrease (increase) in trade notes and accounts receivable	51,497	60,821	(218,248)	147,947	(210,258)	142,531
Decrease (increase) in inventories	281,078	109,637	56,008	(76,476)	53,958	(73,676)
Decrease (increase) in other current assets	125,149	(3,766)	113,241	(27,917)	109,095	(26,895)
Decrease (increase) in deferred income tax assets	(190,396)	(39,322)	116,495	75,612	112,230	72,844
Increase (decrease) in trade notes and accounts payable	(590,254)	(293,009)	(1,000,442)	(371,075)	(963,817)	(357,490)
Increase (decrease) in accounts payable-other	87,734	(42,389)	169,673	(423,563)	163,461	(408,057)
Decrease in income tax payable	36,467	(109,144)	(389,485)	(265,964)	(375,226)	(256,227)
Increase in other current liabilities	(33,522)	(249,411)	251,297	117,456	242,097	113,156
Decrease in accrued warranties	(101,682)	(80,205)	(294,191)	(283,952)	(283,421)	(273,557)
Payment of severance benefits	(42,222)	(38,100)	(186,950)	(293,334)	(180,106)	(282,595)
Decrease in individual severance insurance deposits	6,952	13,083	2,094	97,189	2,017	93,631
Other	11,022	13,665	26,539	21,920	25,568	21,117
	<u>196,054</u>	<u>327,207</u>	<u>788,517</u>	<u>1,812,881</u>	<u>759,649</u>	<u>1,746,516</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Cash flows from investing activities:						
Cash inflows from investing activities:						
Proceeds from disposal of short-term financial instruments	₩ 1,102,332	₩ -	₩ 3,250,936	₩ -	\$ 3,131,923	\$ -
Proceeds from disposal of short-term investment securities	31,969	64	190,381	12,836	183,411	12,366
Reduction in other current assets	74,629	30,900	117,829	120,699	113,515	116,280
Proceeds from disposal of long-term investment securities	3,649	-	3,649	14,885	3,515	14,340
Proceeds from disposal and dividends of investment securities accounted for using the equity method	28,523	30,617	174,256	144,443	167,877	139,155
Proceeds from disposal of property, plant and equipment	4,261	5,281	43,664	14,823	42,066	14,280
Proceeds from disposal of intangibles	-	-	-	2,701	-	2,602
Reduction in other assets	48,121	44,938	203,209	107,672	195,770	103,730
	<u>1,293,484</u>	<u>111,800</u>	<u>3,983,924</u>	<u>418,059</u>	<u>3,838,077</u>	<u>402,753</u>
Cash outflows from investing activities:						
Purchase of short-term financial instruments	(1,690,299)	(260,998)	(3,032,787)	(998,787)	(2,921,760)	(962,223)
Acquisition of short-term investment securities	(80,827)	(75)	(181,243)	(698)	(174,608)	(672)
Additions to other current assets	(112,193)	(30,600)	(154,793)	(140,999)	(149,126)	(135,837)
Acquisition of long-term investment securities	-	(2,580)	(17,232)	(5,468)	(16,601)	(5,268)
Acquisition of investment securities accounted for using the equity method	(198,536)	(439,247)	(622,810)	(516,819)	(600,010)	(497,899)
Acquisition of property, plant and equipment	(333,518)	(262,005)	(741,025)	(602,559)	(713,897)	(580,500)
Expenditures for development costs	(102,997)	(67,546)	(265,306)	(189,096)	(255,593)	(182,173)
Additions to other assets	(47,347)	(45,990)	(123,942)	(120,398)	(119,405)	(115,990)
	<u>(2,565,717)</u>	<u>(1,109,041)</u>	<u>(5,139,138)</u>	<u>(2,574,824)</u>	<u>(4,951,000)</u>	<u>(2,480,562)</u>
	<u>(1,272,233)</u>	<u>(997,241)</u>	<u>(1,155,214)</u>	<u>(2,156,765)</u>	<u>(1,112,923)</u>	<u>(2,077,809)</u>
Cash flows from financing activities:						
Cash inflows from financing activities:						
Proceeds from short-term borrowings	611,093	976,458	6,270,543	2,291,350	6,040,986	2,207,466
Proceeds from long-term debt	299,107	-	299,107	-	288,157	-
Proceeds from disposal of treasury stock	-	-	53,617	-	51,654	-
	<u>910,200</u>	<u>976,458</u>	<u>6,623,267</u>	<u>2,291,350</u>	<u>6,380,797</u>	<u>2,207,466</u>
Cash outflows from financing activities:						
Repayment of short-term borrowings	(454,159)	(639,794)	(6,212,955)	(1,968,178)	(5,985,506)	(1,896,125)
Repayment of current maturities of long-term debt	(907)	(215,766)	(5,674)	(448,813)	(5,466)	(432,382)
Payment of cash dividends	-	-	(326,833)	(285,659)	(314,868)	(275,201)
Purchase of treasury stock	-	-	(660,571)	(65,092)	(636,388)	(62,709)
	<u>(455,066)</u>	<u>(855,560)</u>	<u>(7,206,033)</u>	<u>(2,767,742)</u>	<u>(6,942,228)</u>	<u>(2,666,417)</u>
	<u>455,134</u>	<u>120,898</u>	<u>(582,766)</u>	<u>(476,392)</u>	<u>(561,431)</u>	<u>(458,951)</u>

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HYUNDAI MOTOR COMPANY

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won				Translation into U. S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Net decrease in cash and cash equivalents	<u>₩ (621,045)</u>	<u>₩ (549,136)</u>	<u>₩ (949,463)</u>	<u>₩ (820,276)</u>	<u>\$ (914,705)</u>	<u>\$ (790,244)</u>
Cash and cash equivalents, beginning of period	<u>678,282</u>	<u>1,171,377</u>	<u>1,006,700</u>	<u>1,442,517</u>	<u>969,846</u>	<u>1,389,708</u>
Cash and cash equivalents, end of period	<u>₩ 57,237</u>	<u>₩ 622,241</u>	<u>₩ 57,237</u>	<u>₩ 622,241</u>	<u>\$ 55,142</u>	<u>\$ 599,464</u>

See accompanying notes to non-consolidated financial statements.

HYUNDAI MOTOR COMPANY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

1. THE COMPANY:

Hyundai Motor Company (the “Company”) was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974. As of September 30, 2005, 52.98 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (14.59 percent) and INI Steel (5.30 percent), and the remaining 47.02 percent is owned by foreign investors under foreign investment agreements.

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 Asan	November 1996	Passenger cars

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

Affiliated company	Description
Production:	
Hyundai Assan Otomotive Sanayi Ve Ticaret A.S. (HAOSVT. Turkey)	Manufacturer of passenger cars since September 1997
Hyundai Motor India (HMI)	Manufacturer of passenger cars since October 1998
Beijing Hyundai Motor Company (BHMC)	Manufacturer of passenger cars since October 2002
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacture passenger cars and SUV since May 2005
Distribution:	
Hyundai Motor America (HMA)	Exclusive importer and distributor of motor vehicles and parts
Hyundai Motor Japan Co. (HMJ)	"
Hyundai Motor Poland Sp. Zo.o (HMP)	"
Hyundai Motor Europe GmbH (HME)	"
Hyundai Motor Company Australia (HMCA)	"
Hyundai Motor (UK) Ltd (HMUK)	"
Hyundai Translead (HT)	Distributor of van trailers and equipment
Research and Development:	
Hyundai America Technical Center Inc. (HATCI)	Involve in research and development for motor vehicles
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	"
Hyungdai Motor Europe Technical Center GmbH (HMETC)	"

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts are included solely for the convenience of readers outside of the Republic of Korea and have been made at the rate of ₩1,038.00 to US\$ 1.00 at September 30, 2005, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

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

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

The accompanying balance sheet as of December 31, 2004, and the accompanying statements of income and cash flows for the three months and nine months ended September 30, 2004, which are presented for comparative purposes, have been restated to reflect the adjustments resulting from retroactive application of SKAS No.16. These adjustments include the adjustments of carrying amounts of the investment securities accounted for using the equity method, resulting from retroactive application of SKAS No.16 to the financial statement of investees. As a result of restatement, total assets and net equity as of December 31, 2004 decreased by ₩280,332 million (US\$270,069 thousand), net income for the year then ended decreased by ₩58,667 million (US\$ 56,519 thousand).

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

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

The Company did not retroactively apply SKAS No. 15 and 17 to the prior year financial statements, in accordance with the provision in SKAS No.15 and 17. However, the Company recalculated the beginning balance of accrued warranties in accordance with SKAS No.17, which requires the recalculation of the beginning balance based on this revised standard in case the retroactive method is not applied. This recalculation decreased the beginning balance of accrued warranties and deferred tax assets by ₩676,469 million (US\$651,704 thousand) and ₩186,029 million (US\$179,219 thousand), respectively, and increased the beginning balance of retained earnings by ₩490,440 million (US\$472,486 thousand).

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

Revenue Recognition

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

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of receivables.

Inventories

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

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

Classification of Securities

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

Valuation of Securities

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

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

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

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

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

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.

Investment Securities Accounted for Using the Equity Method

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

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

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

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

Property, Plant and Equipment and Related Depreciation

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

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

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

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

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over 3 years from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. Industrial property rights and other intangibles are amortized over the period between 2 and 40 years.

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

Financing Costs

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

Valuation of Receivables and Payables at Present Value

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

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩1,191,588 million (US\$1,147,965 thousand) and ₩1,161,789 million (US\$1,119,257 thousand) as of September 30, 2005 and December 31, 2004, respectively.

Accrued severance benefits are funded partially through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totalling ₩30,525 million (US\$29,408 thousand) and ₩37,351 million (US\$35,984 thousand) as of September 30, 2005 and December 31, 2004, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

Actual payments of severance benefits amounted to ₩186,950 million (US\$180,106 thousand) and ₩293,334 million (US\$282,595 thousand) for the nine months ended September 30, 2005 and 2004, respectively.

Accrued Warranties

The Company generally provides a warranty to the ultimate consumer for each product sold and accrues warranty expense at the time of sale based on actual claims history. Also, the Company accrues potential expenses, which may occur due to product liability suit, voluntary recall campaign and other obligations as of the balance sheet date. If the difference between nominal value and present value is material, the provision is valued at present value of the expenditures estimated in order to settle the obligation.

Until 2003, the Company recognized accrued liabilities for the provision for the projected costs for dismantling and recycling vehicles the Company sold in European Union region to comply with European Parliament directive regarding End-of-Life Vehicles (ELV). However, in 2004, the Company revised the contracts with most of its agents in the European Union by which the agents are responsible for all of the costs of the dismantling and recycling the vehicles placed in service in the future. The Company reversed the accrued liabilities exceeding the estimated expense by ₩341,293 million (US\$328,799 thousand) in 2004.

Stock Options

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

Derivative Instruments

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

The Company entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of September 30, 2005 and December 31, 2004 the Company deferred the net gain of 17,443 million (US\$16,804 thousand) and ₩30,581 million (US\$29,461 thousand), after deducting the deferred income tax of ₩6,616 million (US\$6,374 thousand) and ₩11,600 million (US\$11,175 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The longest period in which the forecasted transactions are expected to occur is within 59 months from September 30, 2005. Of the net gain on valuation recorded as capital adjustments as of September 30, 2005, the gain of ₩10,977 million (US\$10,575 thousand) before deduction of the deferred income tax effect is expected to be realized and charged to current operations within one year from September 30, 2005.

For the nine months ended September 30, 2005 and 2004, the Company recognized the net gain of ₩217,708 million (US\$209,738 thousand) and ₩25,776 million (US\$24,832 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

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

<u>Contract Parties</u>	<u>Derivatives</u>	<u>Period</u>	<u>Outstanding number of Kia shares</u>	<u>Initial Price</u>
Credit Suisse First Boston International	Equity swap	September 17, 2003 ~ September 8, 2008	12,145,598	US\$ 8.2611
Credit Suisse First Boston International	Call option (*)	"	12,145,598	US\$ 11.5300
Credit Suisse First Boston International	Equity swap	"	21,862,076	US\$ 8.2611
JP Morgan Chase Bank, London Branch	Equity swap	"	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. All premiums to be paid by the Company are recorded as accounts payable-other of ₩24,033 million (US\$ 23,153 thousand) and long-term other accounts payable in long-term liabilities of ₩40,083 million (US\$38,616 thousand) after deducting the present value discount of ₩7,865 million (US\$7,577 thousand) as of September 30, 2005 and accounts payable-other of ₩24,168 million (US\$23,283 thousand) and long-term other accounts payable of ₩60,492 million (US\$58,277 thousand) after deducting the present value discount of ₩11,891 million (US\$11,456 thousand) as of December 31, 2004. Also, all premiums to be received by the Company are recorded as accounts receivable-other of ₩3,940 million (US\$3,796 thousand) and long-term other accounts receivable of ₩6,514 million (US\$6,276 thousand) after deducting the present value discount of ₩1,366 million (US\$1,316 thousand) as of September 30, 2005 and accounts receivable-other of ₩3,962 million (US\$3,817 thousand) and long-term other accounts receivable of ₩9,771 million (US\$9,413 thousand) after deducting the present value discount of ₩2,115 million (US\$2,038 thousand) as of December 31, 2004.

The Company recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩492,226 million (US\$474,206 thousand) and ₩252,785 million (US\$243,531 thousand) in current and non-current assets as of September 30, 2005 and December 31, 2004, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩119,687 million (US\$115,305 thousand) and ₩25,357 million (US\$24,429 thousand) is recorded in current and long-term liabilities as of September 30, 2005 and December 31, 2004, respectively.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Base Rate announced by Seoul Money Brokerage Service, Ltd, which was ₩1,038.00 and ₩1,043.80 to US \$1.00 at September 30, 2005 and December 31, 2004, respectively, and translation gains or losses are reflected in current operations.

Assets and liabilities of branches outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet date; income and expenses are translated at the average rates of exchange prevailing during the period.

Income Tax Expense

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

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

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

Earnings per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends for preferred stock, by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings per common share is 207,185,676 and 217,171,992 for the three months ended September 30, 2005 and 2004, respectively, and 210,270,903 and 217,761,318 for the nine months ended September 30, 2005 and 2004, respectively.

Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends for preferred stock and addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the diluted potential common shares. The number of shares used in computing earnings per diluted common share is 208,215,582 and 217,762,302 for the three months ended September 30, 2005 and 2004, respectively, and 211,300,809 and 218,353,711 for the nine months ended September 30, 2005 and 2004, respectively.

Earnings per common share and earnings per diluted common share for the year ended December 31, 2004 is ₩7,668 (US\$7.39) and ₩7,649 (US\$7.37), respectively.

3. INVENTORIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
	(In millions)		(In thousands)	
Finished goods and merchandise	₩ 239,628	₩ 487,441	\$ 230,855	\$ 469,596
Semi finished goods and work in process	445,473	387,427	429,165	373,244
Raw materials and supplies	319,076	310,259	307,395	298,901
Materials in transit	97,502	81,972	93,933	78,971
	<u>₩ 1,101,679</u>	<u>₩ 1,267,099</u>	<u>\$ 1,061,348</u>	<u>\$ 1,220,712</u>

4. SHORT-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
	(In millions)		(In thousands)	
Local currency beneficiary certificates	₩ 666,343	₩ 205,009	\$ 641,949	\$ 197,504
Government bonds	5,161	20	4,972	19
	<u>₩ 671,504</u>	<u>₩ 205,029</u>	<u>\$ 646,921</u>	<u>\$ 197,523</u>

Available-for-sale securities in short-term investment securities are stated at fair value with the resulting gain on valuation of available-for-sale securities amounting to ₩146,129 million (US\$140,779 thousand) and ₩58,029 million (US\$55,905 thousand), before the deduction of the deferred income tax effect, in capital adjustments as of September 30, 2005 and December 31, 2004, respectively.

In 2005, the unrealized gain of ₩93,250 million (US\$ 89,846 thousand) increased and gain of ₩5,160 million (US\$ 4,971 thousand) is realized mainly due to disposal of investments before the deduction of deferred income tax effect.

5. LONG-TERM INVESTMENT SECURITIES:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Available-for-sale securities	₩ 383,696	₩ 259,549	\$ 369,649	\$ 250,047
Held-to-maturity securities	48,500	48,500	46,725	46,725
	<u>₩ 432,196</u>	<u>₩ 308,049</u>	<u>\$ 416,374</u>	<u>\$ 296,772</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Equity securities stated at fair value	₩ 243,576	₩ 115,112	\$ 234,659	\$ 110,898
Equity securities stated at acquisition cost	140,055	139,287	134,928	134,188
Government bonds	65	65	62	62
Corporate bonds	-	5,085	-	4,899
	<u>₩ 383,696</u>	<u>₩ 259,549</u>	<u>\$ 369,649</u>	<u>\$ 250,047</u>

Debt securities of ₩65 million (US\$62 thousand) and ₩5,150 million (US\$4,961 thousand), classified into available-for-sale securities, included in long-term investment securities will mature within 5 years from September 30, 2005 and December 31, 2004, respectively.

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

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Book value		
	(In millions)		(In thousands)		
Korea Environment Technology Co., Ltd.	₩ 1,500	₩ 4,530	\$ 4,364		6.00
Jin Heung Mutual Savings Bank	2,166	2,075	1,999		3.33
Hyundai Heavy Industries Co., Ltd.	56,924	169,944	163,723		2.88
Korea Mutual Savings Bank	862	1,638	1,578		2.46
Hyundai Information Technology Co., Ltd.	10,000	1,423	1,371		2.21
Hyundai Corporation	13,626	1,285	1,238		1.08
LG Telecom	9,795	10,415	10,034		0.68
Hyundai Development Company	9,025	14,850	14,306		0.60
Hyundai Merchant Marine Co., Ltd.	7,329	8,488	8,177		0.55
KT Freetel	10,800	8,729	8,409		0.18
Dong Yang Investment Bank	282	83	80		0.01
Treasury Stock Fund (*)	3,427	20,116	19,380		-
	<u>₩ 125,736</u>	<u>₩ 243,576</u>	<u>\$ 234,659</u>		

(*) The acquisition costs of Treasury Stock Fund are presented after the deduction of ₩32,120 million (US\$30,944 thousand), the lower of the fair value of treasury stock included in those fund and the fair value of investments in those fund, which is recorded as treasury stock in capital adjustments.

The difference of ₩117,840 million (US\$113,526 thousand) as of September 30, 2005, between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities consists of gain on valuation of available-for-sale securities in capital adjustments of ₩139,005million (US\$133,916 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$20,390 thousand) reflected before 2005.

In 2005, the unrealized gain of ₩121,745 million (US\$ 117,288 thousand) increased and ₩333 million (US\$ 321 thousand) decreased before the deduction of deferred income tax effect.

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

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)		
	Acquisition		Book value				
	cost	Book value	Book value				
	(In millions)		(In thousands)				
Hyundai Motor Hungary (*)	₩	5,415	₩	5,415	\$	5,217	100.00
Hyundai Motor Norway AS (*)		5,636		5,636		5,430	100.00
NGVTEK.com (*)		571		571		550	53.66
Heesung PM Tech Corporation		1,194		1,194		1,150	19.90
Jinil MVC Co., Ltd.		180		180		173	18.00
Clean Air Technology Inc.		500		500		482	16.13
Industry Otomotif Komersial		4,439		4,439		4,276	15.00
Hyundai Technology Investment Co., Ltd.		4,490		4,490		4,326	14.97
Hyundai Research Institute		1,359		1,271		1,224	14.90
Hyundai Unicorns Co., Ltd.		5,795		137		132	14.90
Mando Map & Soft Co., Ltd.		778		778		750	13.97
Kyungnam Credit Information Service Co., Ltd.		2,500		2,500		2,408	13.66
The Sign Corporation (formerly Mobil.Com Co., Ltd.)		1,200		1,200		1,156	11.59
Micro Infinity		607		607		585	10.51
Kihyup Finance		3,000		3,000		2,890	10.34
Yonhap Capital Co., Ltd.		10,000		10,000		9,634	9.99
Hankyoreh Plus Inc.		4,800		284		274	7.41
Hyundai Oil Refinery Co., ltd.		88,857		88,857		85,604	7.24
Hyundai Asan Corporation		22,500		5,405		5,207	4.61
U.S Electrical Inc.		2,204		2,204		2,123	3.80
ROTIS Inc.		1,000		8		8	1.33
Other		1,379		1,379		1,329	-
	₩	168,404	₩	140,055	\$	134,928	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$ 6,744 thousand), are not material.

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

Name of company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)		
	Acquisition		Book value				
	cost	Book value	Book value				
	(In millions)		(In thousands)				
Jin Heung Mutual Savings Bank	₩	2,166	₩	1,308	\$	1,260	8.66
Korea Mutual Savings Bank		2,846		3,325		3,203	8.13
Korea Environment Technology Co., Ltd.		1,500		5,235		5,043	6.00
Hyundai Heavy Industries Co., Ltd.		56,924		75,446		72,684	2.88
Hyundai Information Technology Co., Ltd.		10,000		1,217		1,172	2.21
Hyundai Corporation		13,626		850		819	1.08

Name of company	Korean Won		Translation into	Ownership percentage (%)
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2) Book value	
	(In millions)		(In thousands)	
LG Telecom	9,795	7,520	\$7,245	0.68
Hyundai Merchant Marine Co., Ltd.	7,329	8,432	8,123	0.55
KT Freetel	10,800	8,245	7,943	0.18
Dong Yang Investment Bank	282	36	35	0.01
Treasury Stock Fund (*)	3,425	3,498	3,371	-
	<u>₩ 118,693</u>	<u>₩ 115,112</u>	<u>\$ 110,898</u>	

(*) The acquisition costs of Treasury Stock Fund are presented after the deduction of ₩45,560 million (US\$43,892 thousand), the lower of the fair value of treasury stock included in those fund and the fair value of investments in those fund, which is recorded as treasury stock in capital adjustments.

The difference of ₩3,581 million (US\$3,450 thousand) as of December 31, 2004, between the book value and the acquisition cost consists of gain on valuation of available-for-sale securities in capital adjustments of ₩17,584 million (US\$16,940 thousand) and impairment loss on long-term investment securities of ₩21,165 million (US\$20,390 thousand). In 2004, the unrealized gain of ₩40,216 million (US\$ 38,744 thousand) before the deduction of deferred income tax effect occurred and unrealized gain of ₩6,015 million (US\$5,795 thousand) before the deduction of deferred income tax effect is realized mainly due to disposal of investment securities.

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

Affiliated company	Korean Won		Translation into	Ownership percentage (%)
	Acquisition		U.S. Dollars	
	cost	Book value	(Note 2) Book value	
	(In millions)		(In thousands)	
Hyundai Motor Hungary (*)	₩ 721	₩ 721	\$ 695	100.00
Hyundai Motor Norway AS (*)	2,123	2,123	2,045	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	4,907	4,907	4,727	91.75
NGVTEK.com (*)	571	571	550	53.66
Hyundai-Motor Group Ltd. (*)	2,534	2,534	2,441	50.00
Heesung PM Tech Corporation	1,194	1,194	1,150	19.90
Jinil MVC Co., Ltd.	180	180	173	18.00
Clean Air Technology Inc.	500	500	482	16.13
Industry Otomotif Komersial	4,439	4,439	4,276	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,326	14.97
Hyundai Research Institute	1,359	1,271	1,224	14.90
Hyundai Unicorns Co., Ltd.	5,795	137	132	14.90
Mando Map & Soft Co., Ltd.	778	778	750	13.97
Kyungnam Credit Information Service Co., Ltd.	2,500	2,500	2,408	13.66
Mobil.Com Co., Ltd.	1,200	1,200	1,156	11.59
Micro Infinity	607	607	585	10.51
Kihyup Finance	3,000	3,000	2,890	10.34
Yonhap Capital Co., Ltd.	10,000	10,000	9,634	9.99
Hankyoreh Plus Inc.	4,800	284	274	7.41
Hyundai Oil Refinery Co., ltd.	88,857	88,857	85,604	7.24
Hyundai Asan Corporation	22,500	5,405	5,207	4.61
U.S Electrical Inc.	2,204	2,204	2,123	3.80
ROTIS Inc.	1,000	8	8	1.33
Other	1,377	1,377	1,328	-
	<u>₩ 167,636</u>	<u>₩ 139,287</u>	<u>\$ 134,188</u>	

(*) In conformity with Financial Accounting Standards in the Republic of Korea, the equity securities of these affiliates were not accounted for using the equity method since the Company believes the changes in the investment value due to the changes in the net assets of the investee, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million (US\$6,744 thousand), are not material.

In 2004, impairment loss of ₩42,175 million (US\$40,631 thousand) between the carrying amount and the estimated recoverable amount of Hyundai Information Technology Co., Ltd, Hyundai Corporation, Chohung Bank, Hyundai Asan Corporation and other are recognized in current operations.

- (3) Debt securities included in held-to-maturity of long-term investment securities as of September 30, 2005 and December 31, 2004 are subordinate debt securities of ₩48,500 million (US\$46,725 thousand) with maturity on July 19, 2008, issued by Hyundai Capital Service Inc.

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

- (1) Investment securities accounted for using the equity method as of September 30, 2005 consist of the following:

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition cost	Book value	Acquisition cost	Book value	
	(In millions)		(In thousands)		
Hyundai Motor India	₩ 244,017	₩ 422,228	\$ 235,084	\$ 406,771	100.00
Hyundai Motor America	1,134,406	1,036,218	1,092,877	998,283	100.00
Hyundai Translead	74,977	78,937	72,232	76,047	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	27,082	23,255	26,091	100.00
Hyundai Motor Japan Co. (*1)	42,292	-	40,744	-	100.00
Hyundai Motor Europe GmbH	17,529	23,510	16,887	22,649	100.00
Hyundai America Technical Center Inc.	9,635	16,227	9,282	15,633	100.00
HMJ R&D Center Inc.	1,510	2,047	1,455	1,972	100.00
Hyundai Motor Company Australia	12,382	28,565	11,929	27,519	100.00
Hyundai Motor Europe Technical Center GmbH	47,634	44,870	45,890	43,227	100.00
Hyundai Motor (UK) Ltd	36,681	19,889	35,338	19,161	100.00
Beijing Jinxian Motor Safeguard Service Co., Ltd	4,907	4,416	4,727	4,254	91.75
ROTEM	270,222	274,291	260,329	264,250	78.36
HAOSVT (Turkey)	91,315	111,575	87,972	107,490	70.00
Hyundai Capital Service Inc.	468,743	275,625	451,583	265,535	61.08
China Millennium Corporations	53,466	53,515	51,509	51,556	59.60
Hyundai Card Co., Ltd.	557,126	155,972	536,730	150,262	59.02
Beijing-Hyundai Motor Company	133,691	277,496	128,797	267,337	50.00
Hyundai Motor Group China. Ltd	15,371	14,313	14,808	13,789	50.00
Hyundai Powertech	120,000	136,496	115,607	131,499	50.00
KEFICO	20,911	107,633	20,145	103,693	50.00
Haevichi Leisure Co. Ltd	9,000	9,047	8,671	8,716	50.00
Dymos Inc.	68,872	102,766	66,351	99,004	47.27
WIA Corporation	34,357	119,338	33,099	114,969	39.46
Kia Motors Corporation	923,957	1,972,596	890,132	1,900,382	38.67
Korea Aerospace Industries, Ltd.	129,800	80,601	125,048	77,650	33.33
Hyundai Motor Deutschland GmbH	6,761	11,254	6,513	10,842	30.00
Hyundai HYSOCO	200,768	258,898	193,418	249,420	26.13
Autoever Systems Corp.	1,250	7,931	1,204	7,641	25.00
Hyundai Autonet Co., Ltd.	118,554	118,554	114,214	114,214	21.62
Beijing Mobis Transmission Co., Ltd.	13,518	16,661	13,023	16,051	21.04
Korea Economy Daily	29,973	23,578	28,876	22,715	20.55
Iljin Bearing Co., Ltd.	826	14,138	796	13,620	20.00
Daesung Automotive Co., Ltd.	400	5,957	385	5,739	20.00
Eukor Car Carriers Inc. (*2)	29,347	66,490	28,274	64,056	12.00
	<u>₩4,948,337</u>	<u>₩5,918,714</u>	<u>\$4,767,184</u>	<u>\$5,702,037</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. Cumulative losses not recognized by the Company due to the suspension of using the equity method as of September 30, 2005 is ₩34,652 million (US\$33,383 thousand).

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

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

Affiliated company	Korean Won		Translation into U.S. Dollars (Note 2)		Ownership percentage (%)
	Acquisition	Book value	Acquisition	Book value	
	cost	(In millions)	cost	(In thousands)	
Hyundai Motor India	₩ 244,017	₩ 359,233	\$ 235,084	\$ 346,082	100.00
Hyundai Motor America	824,800	711,431	794,605	685,386	100.00
Hyundai Translead	74,977	61,278	72,232	59,035	100.00
Hyundai Machine Tool Europe GmbH	25,397	9,288	24,467	8,948	100.00
Hyundai Motor Poland Sp.zo.o.	24,139	25,543	23,255	24,608	100.00
Hyundai Motor Japan Co. (*1)	32,479	-	31,290	-	100.00
Hyundai Motor Europe GmbH	17,529	35,044	16,887	33,761	100.00
Hyundai America Technical Center Inc.	9,635	15,148	9,282	14,593	100.00
HMJ R&D Center Inc.	1,510	2,244	1,455	2,162	100.00
Hyundai Motor Company Australia	12,382	30,932	11,929	29,800	100.00
ROTEM	270,222	288,532	260,329	277,969	78.36
Hyundai Capital Service Inc.	468,743	259,656	451,583	250,150	61.08
China Millennium Corporations	53,450	53,450	51,493	51,493	59.60
Hyundai Card Co., Ltd.	557,126	97,706	536,730	94,129	59.02
HAOSVT (Turkey)	48,013	24,765	46,255	23,858	50.00
Beijing-Hyundai Motor Company	133,691	304,040	128,797	292,909	50.00
Hyundai Powertech	120,000	134,475	115,607	129,552	50.00
KEFICO	20,911	93,566	20,145	90,141	50.00
Dymos Inc.	68,872	93,620	66,351	90,193	47.27
WIA Corporation	8,989	88,604	8,660	85,360	45.30
Kia Motors Corporation	923,957	1,960,439	890,132	1,888,670	38.67
Korea Aerospace Industries, Ltd.	129,800	81,827	125,048	78,831	33.33
Beijing Mobis Transmission Co., Ltd.	13,518	13,205	13,023	12,722	30.00
Hyundai Motor Deutschland GmbH	6,761	12,588	6,513	12,127	30.00
Korea Economy Daily	19,973	14,247	19,242	13,725	29.57
Hyundai HYSCO	200,768	243,925	193,418	234,995	26.13
Autoever Systems Corp.	1,250	5,968	1,204	5,750	25.00
Iljin Bearing Co., Ltd.	826	13,102	796	12,622	20.00
Daesung Automotive Co., Ltd.	400	6,094	386	5,872	20.00
Eukor Car Carriers Inc. (*2)	29,347	50,008	28,274	48,177	12.00
	<u>₩ 4,343,482</u>	<u>₩ 5,089,958</u>	<u>\$4,184,472</u>	<u>\$4,903,620</u>	

(*1) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. Cumulative losses not recognized by the Company due to the suspension of using the equity method as of December 31, 2004 is ₩48,412 million (US\$46,640 thousand).

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

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

Affiliated company	Korean won				Translation into
	Beginning	Gain (loss)	Other	End of	U.S. dollars
	of period	on valuation	changes (*)	period	(Note 2)
					End of
					period
					(In thousands)
Hyundai Motor India	₩ 417,581	₩ 35,887	₩ (31,240)	₩ 422,228	\$ 406,771
Hyundai Motor America	976,502	25,395	34,321	1,036,218	998,283
Hyundai Translead	71,726	6,519	692	78,937	76,047
Hyundai Motor Poland Sp.zo.o.	26,186	378	518	27,082	26,091
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	21,265	2,147	98	23,510	22,649
Hyundai America Technical Center Inc.	15,562	449	216	16,227	15,633
HMJ R&D Center Inc.	2,051	22	(26)	2,047	1,972
Hyundai Motor Company Australia	18,120	10,172	273	28,565	27,519
Hyundai Motor Europe Technical Center GmbH	43,789	761	320	44,870	43,227
Hyundai Motor (UK) Ltd	-	(17,115)	37,004	19,889	19,161
Beijing Jinxian Motor Safeguard Service Co., Ltd.	4,231	30	155	4,416	4,254
ROTEM	279,580	(5,578)	289	274,291	264,250
HAOSVT (Turkey)	61,299	5,729	44,547	111,575	107,490
Hyundai Capital Service Inc.	287,172	43,688	(55,235)	275,625	265,535
China Millennium Corporations	53,491	(366)	390	53,515	51,556
Hyundai Card Co., Ltd.	120,084	18,627	17,261	155,972	150,262
Beijing-Hyundai Motor Company	248,394	18,973	10,129	277,496	267,337
Hyundai Motor Group China Ltd	13,820	(8)	501	14,313	13,789
Hyundai Powertech	135,165	47	1,284	136,496	131,499
KEFICO	104,116	3,298	219	107,633	103,693
Haevichi Leisure Co. Ltd	9,000	47	-	9,047	8,716
Dymos Inc.	102,046	720	-	102,766	99,004
WIA Corporation	115,711	5,416	(1,789)	119,338	114,969
Kia Motors Corporation	1,960,564	47,948	(35,916)	1,972,596	1,900,382
Korea Space & Aircraft Co., Ltd.	82,000	(1,399)	-	80,601	77,650
Hyundai Motor Deutschland GmbH	10,916	236	102	11,254	10,842
Hyundai HYSKO	255,710	3,182	6	258,898	249,420
Autoever Systems Corp.	7,278	653	-	7,931	7,641
Hyundai Autonet Co., Ltd.	-	-	118,554	118,554	114,214
Beijing Mobis Transmission Co., Ltd.	15,281	930	450	16,661	16,051
Korea Economy Daily	23,607	(29)	-	23,578	22,715
Iljin Bearing Co., Ltd.	14,034	104	-	14,138	13,620
Daesung Automotive Co., Ltd.	6,012	(55)	-	5,957	5,739
Eukor Car Carriers Inc.	62,149	4,341	-	66,490	64,056
	<u>₩ 5,564,442</u>	<u>₩ 211,149</u>	<u>₩ 143,123</u>	<u>₩ 5,918,714</u>	<u>\$ 5,702,037</u>

- (*) Other changes consist of increase of acquisition cost by ₩198,536 million (US\$191,268 thousand) mainly due to acquisition and participation in investees' additional paid-in capital, decrease by ₩28,523 million (US\$27,479 thousand) due to receipt of dividends, decrease of retained earnings by ₩17,238 million (US\$16,607 thousand) and decrease of capital adjustments by ₩9,652 million (US\$9,299 thousand)

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

Affiliated company	Korean Won				Translation into
	Beginning of period	Gain (loss) on valuation	Other changes (*)	End of period	U.S. Dollars (Note 2) End of period
	(In millions)				(In thousands)
Hyundai Motor India	₩ 359,233	₩ 99,888	₩ (36,893)	₩ 422,228	\$ 406,771
Hyundai Motor America	711,431	4,938	319,849	1,036,218	998,283
Hyundai Translead	61,278	17,476	183	78,937	76,047
Hyundai Machine Tool Europe GmbH	9,288	-	(9,288)	-	-
Hyundai Motor Poland Sp.zo.o.	25,543	2,222	(683)	27,082	26,091
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	35,044	(7,850)	(3,684)	23,510	22,649
Hyundai America Technical Center Inc.	15,148	1,142	(63)	16,227	15,633
HMJ R&D Center Inc.	2,244	16	(213)	2,047	1,972
Hyundai Motor Company Australia	30,932	(1,633)	(734)	28,565	27,519
Hyundai Motor Europe Technical Center GmbH	-	1,697	43,173	44,870	43,227
Hyundai Motor (UK) Ltd	-	(17,115)	37,004	19,889	19,161
Beijing Jinxian Motor Safeguard Service Co., Ltd.	-	(1,137)	5,553	4,416	4,254
ROTEM	288,532	(15,221)	980	274,291	264,250
HAOSVT (Turkey)	24,765	43,309	43,501	111,575	107,490
Hyundai Capital Service Inc.	259,656	109,330	(93,361)	275,625	265,535
China Millennium Corporations	53,450	(171)	236	53,515	51,556
Hyundai Card Co., Ltd.	97,706	24,272	33,994	155,972	150,262
Beijing-Hyundai Motor Company	304,040	56,493	(83,037)	277,496	267,337
Hyundai Motor Group China. Ltd	-	(1,590)	15,903	14,313	13,789
Hyundai Powertech	134,475	(568)	2,589	136,496	131,499
KEFICO	93,566	17,915	(3,848)	107,633	103,693
Haevichi Leisure Co. Ltd	-	47	9,000	9,047	8,716
Dymos Inc.	93,620	9,185	(39)	102,766	99,004
WIA Corporation	88,604	18,850	11,884	119,338	114,969
Kia Motors Corporation	1,960,439	140,536	(128,379)	1,972,596	1,900,382
Korea Space & Aircraft Co., Ltd.	81,827	(1,243)	17	80,601	77,650
Hyundai Motor Deutschland GmbH	12,588	599	(1,933)	11,254	10,842
Hyundai HYSCO	243,925	19,160	(4,187)	258,898	249,420
Autoever Systems Corp.	5,968	1,963	-	7,931	7,641
Hyundai Autonet Co., Ltd.	-	-	118,554	118,554	114,214
Beijing Mobis Transmission Co., Ltd.	13,205	3,225	231	16,661	16,051
Korea Economy Daily	14,247	(596)	9,927	23,578	22,715
Iljin Bearing Co., Ltd.	13,102	699	337	14,138	13,620
Daesung Automotive Co., Ltd.	6,094	(17)	(120)	5,957	5,739
Eukor Car Carriers Inc.	50,008	16,482	-	66,490	64,056
	<u>₩ 5,089,958</u>	<u>₩ 542,303</u>	<u>₩ 286,453</u>	<u>₩ 5,918,714</u>	<u>\$ 5,702,037</u>

(*) Other changes consist of increase of acquisition cost by ₩622,810 million (US\$600,010 thousand) mainly due to acquisition and participation in investees' additional paid-in capital, decrease by ₩9,288 million (US\$8,948 thousand) due to disposal of investments, decrease by ₩168,349 million (US\$162,186 thousand) due to receipt of dividends, increase of retained earnings by ₩30,459 million (US\$29,344 thousand), decrease of capital adjustments by ₩196,619 million (US\$189,421 thousand) and increase by ₩7,440 million (US\$7,168 thousand) due to transfer from long-term investment securities.

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

Affiliated company	Korean Won				U.S. Dollars
	Beginning of period	Gain (loss) on valuation	Other changes(*)	End of period	(Note 2) End of period
	(In millions)				(In thousands)
Hyundai Motor India	₩ 355,261	₩ 32,253	₩ (33,226)	₩ 354,288	\$ 341,318
Hyundai Motor America	603,628	13,974	274,931	892,534	859,859
Hyundai Translead	54,558	8,438	(213)	62,783	60,485
Hyundai Machine Tool Europe GmbH	15,210	(404)	186	14,992	14,443
Hyundai Motor Poland Sp.zo.o.	17,657	2,518	160	20,334	19,590
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	20,693	5,574	301	26,567	25,594
Hyundai America Technical Center Inc.	15,979	332	(68)	16,244	15,649
HMJ R&D Center Inc.	2,300	26	(66)	2,260	2,177
Hyundai Motor Company Australia	15,813	7,910	435	24,158	23,274
Hyundai Commercial Vehicle Engine Co., Ltd.	50,808	(11,239)	-	39,570	38,121
Hyundai Capital Service Inc.	286,751	(50,252)	31,730	268,229	258,409
ROTEM	316,710	(15,759)	131	301,083	290,061
Hyundai Card Co., Ltd.	-	(66,532)	186,765	120,233	115,831
HAOSVT (Turkey)	18,047	6,072	(296)	23,823	22,951
Beijing-Hyundai Motor Company	297,511	29,833	(1,614)	325,730	313,805
Hyundai Powertech	130,856	1,169	46	132,071	127,236
KEFICO	85,485	3,417	13	88,915	85,660
Dymos Inc.	87,873	1,961	2	89,836	86,547
WIA	75,391	2,573	30	77,993	75,138
Kia Motors Corporation	1,832,222	36,638	26,261	1,895,121	1,825,743
Korea Aerospace Industries, Ltd.	80,587	2,137	-	82,724	79,696
Beijing Mobis Transmission Co., Ltd.	12,979	475	(58)	13,396	12,906
Hyundai Motor Deutschland GmbH	8,722	-	198	8,920	8,593
Korea Economy Daily	13,563	79	44	13,685	13,184
Hyundai HYSCO	235,637	3,934	35	239,606	230,834
Autoever Systems Corp.	4,858	580	-	5,438	5,239
Iljin Bearing Co., Ltd.	13,147	210	-	13,357	12,868
Daesung Automotive Co., Ltd.	5,717	80	-	5,797	5,585
Eukor Car Carriers Inc.	43,244	1,663	-	44,907	43,264
	<u>₩ 4,701,207</u>	<u>₩ 17,660</u>	<u>₩ 485,727</u>	<u>₩ 5,204,594</u>	<u>\$ 5,014,060</u>

(*) Other changes consist of increase of acquisition cost by ₩439,247 million (US\$423,167 thousand) mainly due to acquisition, decrease by ₩30,617 million (US\$29,496 thousand) due to receipt of dividends, increase of retained earnings by ₩1,800 million (US\$1,734 thousand) and increase of capital adjustments by ₩75,297 million (US\$72,540 thousand).

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

Affiliated company	Korean Won				U.S. Dollars
	Beginning of period	Gain (loss) on valuation	Other changes(*)	End of period	(Note 2) End of period
	(In millions)				(In thousands)
Hyundai Motor India	₩ 340,475	₩ 64,875	₩ (51,062)	₩ 354,288	\$ 341,318
Hyundai Motor America	647,068	23,177	222,289	892,534	859,859
Hyundai Translead	45,220	18,435	(872)	62,783	60,485
Hyundai Machine Tool Europe GmbH	17,185	(1,469)	(724)	14,992	14,443
Hyundai Motor Poland Sp.zo.o.	17,505	2,650	179	20,334	19,590
Hyundai Motor Japan Co.	-	-	-	-	-
Hyundai Motor Europe GmbH	21,974	5,729	(1,136)	26,567	25,594
Hyundai America Technical Center Inc.	16,101	827	(684)	16,244	15,649
HMJ R&D Center Inc.	2,391	54	(185)	2,260	2,177
Hyundai Motor Company Australia	13,696	11,840	(1,378)	24,158	23,274
Hyundai Commercial Vehicle Engine Co., Ltd.	26,833	(14,874)	27,611	39,570	38,121
Hyundai Capital Service Inc.	350,127	(116,345)	34,447	268,229	258,409
ROTEM	335,220	(33,689)	(448)	301,083	290,061
Hyundai Card Co., Ltd.	65,564	(102,719)	157,388	120,233	115,831
HAOSVT (Turkey)	25,859	88	(2,124)	23,823	22,951
Beijing-Hyundai Motor Company	281,997	117,205	(73,472)	325,730	313,805
Hyundai Powertech	128,338	3,716	17	132,071	127,236
KEFICO	79,064	14,001	(4,150)	88,915	85,660
Dymos Inc.	81,668	8,147	21	89,836	86,547
WIA	58,115	16,327	3,551	77,993	75,138
e-HD.com	4,374	-	(4,374)	-	-
Kia Motors Corporation	1,704,157	204,860	(13,896)	1,895,121	1,825,743
Korea Aerospace Industries, Ltd.	79,312	3,412	-	82,724	79,696
Beijing Mobis Transmission Co., Ltd.	13,264	693	(561)	13,396	12,906
Hyundai Motor Deutschland GmbH	-	2,102	6,818	8,920	8,593
Korea Economy Daily	14,129	(369)	(75)	13,685	13,184
Hyundai HYSKO	226,720	17,139	(4,253)	239,606	230,834
Autoever Systems Corp.	4,106	1,456	(124)	5,438	5,239
Iljin Bearing Co., Ltd.	12,794	635	(72)	13,357	12,868
Daesung Automotive Co., Ltd.	5,619	258	(80)	5,797	5,585
Eukor Car Carriers Inc.	31,851	13,766	(710)	44,907	43,264
	<u>₩ 4,650,726</u>	<u>₩ 261,927</u>	<u>₩ 291,941</u>	<u>₩ 5,204,594</u>	<u>\$ 5,014,060</u>

(*) Other changes consist of increase of acquisition cost by ₩517,682 million (US\$498,730 thousand) mainly due to acquisition, decrease by ₩144,443 million (US\$139,155 thousand) due to receipt of dividends, decrease of retained earnings by ₩23,748 million (US\$22,879 thousand) and decrease of capital adjustments by ₩57,550 million (US\$55,443 thousand).

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

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

Affiliated company	Korean Won				Translation into U.S. Dollars (Note 2)			
	Assets	Liabilities	Sales	Net income (loss)	Assets	Liabilities	Sales	Net income (loss)
	(In millions)				(In thousands)			
Hyundai Motor India	₩ 942,153	₩ 513,812	₩ 1,310,867	₩ 95,411	\$ 907,662	\$ 495,002	\$ 1,262,878	\$ 91,918
Hyundai Motor America	3,438,038	2,168,398	6,013,006	7,855	3,312,175	2,089,015	5,792,877	7,567
Hyundai Translead	229,711	179,253	299,260	17,651	221,302	172,691	288,304	17,005
Hyundai Motor Poland Sp.zo.o.	25,540	14,551	108,336	2,423	24,605	14,018	104,370	2,334
Hyundai Motor Japan Co.	25,236	64,236	25,922	(4,498)	24,312	61,884	24,973	(4,333)
Hyundai Motor Europe GmbH	343,216	319,706	1,894,149	8,047	330,651	308,002	1,824,806	7,752
Hyundai America Technical Center Inc.	23,638	7,411	46,664	1,199	22,773	7,140	44,956	1,155
HMJ R&D Center Inc.	6,328	4,280	11,672	74	6,096	4,123	11,245	71
Hyundai Motor Company Australia	175,088	139,335	548,463	12,721	168,678	134,234	528,384	12,255
Hyundai Motor Europe Technical Center GmbH	97,189	52,319	25,880	1,678	93,631	50,404	24,933	1,617
Hyundai Motor (UK) Ltd.	338,658	318,769	121,095	(17,115)	326,260	307,099	116,662	(16,488)
Beijing Jinxian Motor Safeguard Service Co., Ltd.	7,699	2,887	17,613	230	7,417	2,781	16,968	222
ROTEM	1,410,160	1,148,744	815,611	(15,234)	1,358,536	1,106,690	785,752	(14,676)
Hyundai Capital Service Inc.	10,490,913	9,804,901	1,364,419	338,848	10,106,853	9,445,955	1,314,469	326,443
China Millennium Corporations	87,608	68,923	12,562	2,523	84,401	66,400	12,102	2,431
Hyundai Card Co., Ltd.	2,354,178	2,116,669	523,513	42,160	2,267,994	2,039,180	504,348	40,617
HAOSVT (Turkey)	529,037	345,520	796,294	55,131	509,670	332,871	767,143	53,113
Beijing-Hyundai Motor Company	1,273,880	693,567	2,254,219	126,969	1,227,245	668,176	2,171,695	122,321
Hyundai Motor Group China Ltd.	28,659	33	97	(2,322)	27,610	32	93	(2,237)
Hyundai Powertech	857,318	571,947	639,429	17,075	825,933	551,009	616,020	16,450
KEFICO	342,706	124,238	358,877	31,325	330,160	119,690	345,739	30,178
Haevichi Leisure Co. Ltd.	18,094	-	-	94	17,432	-	-	91
Dymos Inc.	651,608	431,427	930,458	18,896	627,753	415,633	896,395	18,204
WIA Corporation	1,321,274	948,200	1,802,551	39,585	1,272,904	913,487	1,736,562	38,136
Kia Motors Corporation	10,515,264	5,474,629	11,420,789	417,227	10,130,312	5,274,209	11,002,687	401,953
Korea Aerospace Industries, Ltd.	1,465,046	1,149,800	479,839	(3,308)	1,411,412	1,107,707	462,273	(3,187)
Beijing Mobis Transmission Co., Ltd.	157,059	77,867	165,875	12,120	151,309	75,016	159,803	11,676
Hyundai Motor Deutschland GmbH	148,690	95,831	661,796	14,257	143,247	92,323	637,568	13,735
Hyundai HYSCO	2,405,387	1,390,868	1,986,514	72,345	2,317,329	1,339,950	1,913,790	69,697
Autoever Systems Corp.	141,737	110,012	242,424	7,781	136,548	105,985	233,549	7,496
Hyundai Autonet Co., Ltd.	428,114	108,239	358,121	28,506	412,441	104,276	345,011	27,462
Korea Economy Daily	203,787	106,690	76,576	478	196,327	102,784	73,773	461
Iljin Bearing Co., Ltd.	126,741	56,049	148,382	3,254	122,101	53,997	142,950	3,135
Daesung Automotive Co., Ltd.	64,283	34,495	53,208	855	61,930	33,232	51,260	824
Eukor Car Carriers Inc.	1,701,480	1,066,158	1,175,185	162,121	1,639,191	1,027,127	1,132,163	156,186

(4) The significant differences of accounting treatments between the Company and investees for similar transactions and accounting events are adjusted. Such adjustments of the difference of accounting treatments decreased the gain on equity method valuation included in current operations by ₩23,532 million (US\$22,671 thousand) and increased retained earnings by ₩15,814 million (US\$15,235 thousand) for the nine months ended and as of September 30, 2005 and increased the gain on equity method valuation included in current operations by ₩33,556 million (US\$32,328 thousand) for the nine months ended September 30, 2004.

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

Transaction type	Korean Won				Translation into U.S. Dollars (Note 2)	
	Beginning of period	Increase	Decrease	End of period	End of period	
	(In millions)				(In thousands)	
Inventories	₩ 184,044	₩ 126,675	₩ (184,044)	₩ 126,675	\$ 122,038	
Property	64,579	25,445	(5,326)	84,698	81,597	
Accrued warranties	(68,020)	(39,094)	68,020	(39,094)	(37,663)	
	<u>₩ 180,603</u>	<u>₩ 113,026</u>	<u>₩ (121,350)</u>	<u>₩ 172,279</u>	<u>\$ 165,972</u>	

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

Transaction type	Korean Won				Translation into
	Beginning of period	Increase	Decrease	End of period	U.S. Dollars (Note 2)
		(In millions)			End of period
					(In thousands)
Inventories	₩ 300,989	₩ 126,675	₩ (300,989)	₩ 126,675	\$ 122,038
Property	41,008	54,498	(10,808)	84,698	81,597
Accrued warranties	(67,920)	(39,094)	67,920	(39,094)	(37,663)
	<u>₩ 274,077</u>	<u>₩ 142,079</u>	<u>₩ (243,877)</u>	<u>₩ 172,279</u>	<u>\$ 165,972</u>

(6) The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 20 years, using the straight-line method. Also, the Company assesses any possible recognition of impairment loss on unamortized balance of the difference considered as goodwill. The unamortized (or reversed) balance of goodwill and negative goodwill as of September 30, 2005 are ₩313,839 million (US\$302,350 thousand) and ₩54,506 million (US\$52,511 thousand), respectively. In addition, the unamortized (or reversed) balance of goodwill and negative goodwill as of December 31, 2004 are ₩277,356 million (US\$267,202 thousand) and ₩63,931 million (US\$61,591 thousand), respectively.

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

Affiliated company	Korean Won			Translation into
	Price per share	Number of shares	Market value	U.S. Dollars (Note 2)
			(In millions)	Market value
				(In thousands)
Kia Motors Corporation	₩ 19,500	134,285,491	₩ 2,618,567	\$ 2,522,704
Hyundai HYSCO	17,300	20,954,188	362,507	349,236

7. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Korean Won		Translation into	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Buildings and structures	₩ 3,251,642	₩ 3,103,254	\$ 3,132,603	\$ 2,989,647
Machinery and equipment	4,641,661	4,444,658	4,471,735	4,281,944
Vehicles	71,459	71,242	68,843	68,634
Dies, molds and tools	2,384,729	2,274,805	2,297,427	2,191,527
Other equipment	591,827	568,571	570,161	547,757
	10,941,318	10,462,530	10,540,769	10,079,509
Less: Accumulated depreciation	(4,948,320)	(4,502,803)	(4,767,168)	(4,337,961)
Accumulated impairment loss	-	(7,498)	-	(7,223)
	5,992,998	5,952,229	5,773,601	5,734,325
Land	1,896,233	1,895,016	1,826,814	1,825,642
Construction in progress	1,042,127	886,158	1,003,976	853,716
	<u>₩ 8,931,358</u>	<u>₩ 8,733,403</u>	<u>\$ 8,604,391</u>	<u>\$ 8,413,683</u>

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

	Korean Won							Translation into
	Beginning of period	Acquisition	Transfer	Disposal (In millions)	Depreciation	Other Changes(*)	End of period	U. S. Dollars (Note 2) End of period (In thousands)
Land	₩ 1,896,057	₩ -	₩ 197	₩ (21)	₩ -	₩ -	₩ 1,896,233	\$ 1,826,814
Buildings and structures	2,522,903	-	79,540	(56)	(25,707)	-	2,576,680	2,482,351
Machinery and equipment	2,583,910	-	92,031	(9,574)	(88,080)	-	2,578,287	2,483,899
Vehicles	37,332	-	1,664	(1,540)	(2,234)	-	35,222	33,933
Dies, molds and tools	557,107	-	58,798	(428)	(54,164)	-	561,313	540,764
Other equipment	243,921	-	18,399	(469)	(20,355)	-	241,496	232,654
Construction in progress	919,550	333,518	(250,629)	(11)	-	39,699	1,042,127	1,003,976
End of the period	<u>₩ 8,760,780</u>	<u>₩ 333,518</u>	<u>₩ -</u>	<u>₩ (12,099)</u>	<u>₩ (190,540)</u>	<u>₩ 39,699</u>	<u>₩ 8,931,358</u>	<u>\$ 8,604,391</u>

(*) Other changes consist of decrease in transfer of ₩1,384 million (US\$ 1,333 thousand) from construction in progress to industrial property rights and increase in transfer of ₩41,083 million (US\$39,579 thousand) from inventories to construction in progress.

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

	Korean Won							Translation into
	Beginning of period	Acquisition	Transfer	Disposal (In millions)	Depreciation	Other changes(*)	End of period	U. S. Dollars (Note 2) End of period (In thousands)
Land	₩ 1,895,016	₩ -	₩ 2,003	₩ (786)	₩ -	₩ -	₩ 1,896,233	\$ 1,826,814
Buildings and structures	2,539,746	-	150,704	(1,819)	(75,951)	-	2,576,680	2,482,351
Machinery and equipment	2,548,219	-	345,532	(57,653)	(257,811)	-	2,578,287	2,483,899
Vehicles	39,980	-	3,938	(2,033)	(6,663)	-	35,222	33,933
Dies, molds and tools	596,484	-	132,850	(2,870)	(165,151)	-	561,313	540,764
Other equipment	263,800	-	48,659	(10,180)	(60,783)	-	241,496	232,654
Construction in progress	886,158	741,025	(683,686)	(5,410)	-	104,040	1,042,127	1,003,976
End of the period	<u>₩ 8,733,403</u>	<u>₩ 741,025</u>	<u>₩ -</u>	<u>₩ (80,751)</u>	<u>₩ (566,359)</u>	<u>₩ 104,040</u>	<u>₩ 8,931,358</u>	<u>\$ 8,604,391</u>

(*) Other changes consist of decrease due to transfer of ₩5,369 million (US\$ 5,172 thousand) from construction in progress to industrial property rights and increase due to transfer of ₩109,409 million (US\$105,404 thousand) from inventories to construction in progress.

As of September 30, 2005, a substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩895,881 million (US\$ 863,084 thousand) (see Note 15).

As of September 30, 2005, the published value of the Company-owned land (12,924 thousand square meters) totals ₩2,024,824 million (US\$ 1,950,697 thousand) in terms of land prices officially announced by the Korean government.

8. INSURANCE:

As of September 30, 2005, property, plant and equipment are insured for ₩5,347,527 million (US\$5,151,760 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries products and completed operations liability insurance with a maximum coverage of US\$155,000 thousand based on U.S. dollar and ₩1,000 million (US\$963 thousand) general insurance for vehicles and workers' compensation and casualty insurance for employees.

9. LEASED ASSETS:

The Company has entered into financing lease agreements for certain machinery and equipment with book value of ₩7,989 million (US\$7,697 thousand) as of September 30, 2005. The lease obligations are included in current maturity of long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of September 30, 2005 are as follows:

	Korean Won			Translation into
	Lease payments	Interest portion (In millions)	Lease obligations	U. S. Dollars (Note 2) Lease obligations (In thousands)
Oct. 1, 2005 ~ Sep. 30, 2006	₩ 155	₩ 3	₩ 152	\$ 146
	<u>₩ 155</u>	<u>₩ 3</u>	<u>₩ 152</u>	<u>\$ 146</u>

10. INTANGIBLES:

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

Description	Korean won				Translation into	
	2005			2004	U. S. dollars (Note 2)	
	Acquisition cost	Accumulated amortization	Book value	Book value	Book value	Book value
			(In millions)		(In thousands)	
Industrial property rights	₩ 36,758	₩ 21,997	₩ 14,761	₩ 14,485	\$ 14,221	\$ 13,955
Development costs	1,646,979	877,452	769,527	628,640	741,355	605,626
Other	37,532	25,558	11,974	13,363	11,536	12,874
	<u>₩1,721,269</u>	<u>₩ 925,007</u>	<u>₩ 796,262</u>	<u>₩ 656,488</u>	<u>\$ 767,112</u>	<u>\$ 632,455</u>

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

Description	Korean Won				Translation into
	Industrial property rights	Development costs	Other	Total	U. S. Dollars (Note 2)
	(In millions)				Total (In thousands)
Beginning of period	₩ 15,033	₩ 712,742	₩ 12,437	₩ 740,212	\$ 713,114
Addition:					
Expenditures	1,384	241,590	-	242,974	234,079
Deduction:					
Amortization	(1,656)	(46,212)	(463)	(48,331)	(46,562)
Research	-	(116,092)	-	(116,092)	(111,842)
Ordinary development	-	(22,501)	-	(22,501)	(21,677)
End of period	<u>₩ 14,761</u>	<u>₩ 769,527</u>	<u>₩ 11,974</u>	<u>₩ 796,262</u>	<u>\$ 767,112</u>

For the nine months ended September 30, 2005, amortization of ₩48,331 million (US\$ 46,562 thousand) is recorded in selling and administrative expenses of ₩2,115 million (US\$ 2,038 thousand) and manufacturing cost of ₩46,216 million (US\$ 44,524 thousand). In addition, the Company accounts for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively. .

The changes in intangibles for the nine months ended September 30, 2005 are as follows:

Description	Korean Won				Translation into
	Industrial property rights	Development costs	Other	Total	U. S. dollars (Note 2)
	(In millions)				Total
					(In thousands)
Beginning of period	₩ 14,485	₩ 628,640	₩ 13,363	₩ 656,488	\$ 632,455
Addition:					
Expenditures	5,369	641,466	-	646,835	623,155
Deduction:					
Amortization	(5,093)	(124,419)	(1,389)	(130,901)	(126,109)
Research	-	(302,618)	-	(302,618)	(291,539)
Ordinary development	-	(73,542)	-	(73,542)	(70,850)
End of period	<u>₩ 14,761</u>	<u>₩ 769,527</u>	<u>₩ 11,974</u>	<u>₩ 796,262</u>	<u>\$ 767,112</u>

For the nine months ended September 30, 2005, amortization of ₩130,901 million (US\$ 126,109 thousand) is recorded in selling and administrative expenses of ₩6,466 million (US\$ 6,229 thousand) and in manufacturing cost of ₩124,435 million (US\$ 119,880 thousand). In addition, the Company accounted for ordinary development expenses, research expenses and impairment loss as manufacturing cost, selling and administrative expenses and other expenses, respectively.

In 2004, due to the decline of the recoverable amount of cost in excess of fair value of net identifiable assets acquired, which the Company recognized at the time of merging the Automobile and Machine Tool Divisions of formerly Hyundai Precision and Industry Co., Ltd. (presently Hyundai MOBIS), the carrying amount of cost in excess of fair value of net identifiable assets acquired, amounting to ₩461,107 million (US\$ 444,226 thousand), is accounted for as impairment loss and charged to current operation.

11. OTHER ASSETS:

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

Description	Korean Won		Translation into	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Long-term financial instruments	₩ 40	₩ 540	\$ 39	\$ 520
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,444 million in 2005 and ₩1,693 million in 2004	11,606	15,454	11,181	14,888
Long-term other accounts receivable, less unamortized present value discount of ₩1,366 million in 2005 and ₩2,115 million in 2004	6,514	9,771	6,276	9,413
Long-term loans	45,569	49,221	43,901	47,419
Lease and rental deposits	181,798	203,793	175,143	196,332
Long-term deposits	49,791	47,995	47,968	46,238
Deferred gain on valuation of derivatives	482,103	200,830	464,453	193,479
	<u>₩ 777,421</u>	<u>₩ 527,604</u>	<u>\$ 748,961</u>	<u>\$ 508,289</u>

Long-term notes and accounts receivable included in other assets are stated net of unamortized present value discount of ₩1,444 million (US\$1,391 thousand) and ₩1,693 million (US\$1,631 thousand) as of September 30, 2005 and December 31, 2004, respectively, using an interest rate of 8.25 percent for the nine months ended September 30, 2005 and for the year ended December 31, 2004.

12. SHORT-TERM BORROWINGS

Short-term borrowings as of September 30, 2005 and December 31, 2004 amount to ₩667,016 million (US\$642,597 thousand) and ₩604,604 million (US\$582,470 thousand), respectively, and consist primarily of overdrafts and export financing loans with annual interest rates ranging from Libor + 0.20 percent to 10.50 percent.

13. LONG-TERM DEBT

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

Description	Annual interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
		2005	2004	2005	2004
		(In millions)		(In thousands)	
Debentures	3.75 ~ 7.80	₩ 1,541,117	₩ 1,239,734	\$ 1,484,698	\$ 1,194,349
Local currency loans					
General loans	3.00 ~ 5.42	18,550	22,399	17,871	21,579
Foreign currency loans					
Capital lease	Libor + 0.98	152	1,158	146	1,116
Other	-	-	820	-	790
		152	1,978	146	1,906
		1,559,819	1,264,111	1,502,715	1,217,834
Less: Current maturities		(622,801)	(162,697)	(600,001)	(156,741)
		₩ 937,018	₩ 1,101,414	\$ 902,714	\$ 1,061,093

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

Description	Maturity	Interest rate (%)	Korean Won		Translation into U.S. Dollars (Note 2)	
			2005	2004	2005	2004
			(In thousands)		(In thousands)	
Non-guaranteed debentures	May 24, 2006 ~ Oct. 8, 2010	3.75 ~ 7.00	₩ 1,150,000	₩ 850,000	\$ 1,107,900	\$ 818,882
Overseas debentures	Dec. 12, 2005 ~ Jul. 15, 2007	7.33 ~ 7.80	397,320	399,541	382,775	384,914
			1,547,320	1,249,541	1,490,675	1,203,796
Less : Discount on debentures			(6,203)	(9,807)	(5,976)	(9,448)
			₩ 1,541,117	₩ 1,239,734	₩ 1,484,698	\$ 1,194,349

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

Description	Debentures	Korean Won		Total	Translation into
		Local currency loans	Foreign currency loans		U.S Dollars (Note 2)
		(In millions)			Total
					(In thousands)
Oct. 1, 2005~Sep. 30, 2006	₩ 619,880	₩ 2,769	₩ 152	₩ 622,801	\$ 600,001
Oct. 1, 2006~Sep. 30, 2007	127,440	1,970	-	129,410	124,672
Oct. 1, 2007~Sep. 30, 2008	-	1,684	-	1,684	1,622
Oct. 1, 2008~Sep. 30, 2009	200,000	705	-	200,705	193,357
Thereafter	600,000	11,422	-	611,422	589,039
	1,547,320	18,550	152	1,566,022	1,508,691
Less: Discount on debentures	(6,203)	-	-	(6,203)	(5,976)
	₩ 1,541,117	₩ 18,550	₩ 152	₩ 1,559,819	\$ 1,502,715

14. ACCRUED WARRANTIES:

Description	Korean Won				Translation into U. S. Dollars (Note 2)	
	Beginning of period	Accrual	Use	Other changes (*)	End of period	End of period
	(In millions)				(In thousands)	
Accrued warranties in current liabilities	₩ 800,331	₩226,793	₩(214,588)	₩ (134,401)	₩ 678,135	\$ 653,309
Accrued warranties in long-term liabilities	<u>3,051,141</u>	<u>33,998</u>	<u>(79,603)</u>	<u>(542,068)</u>	<u>2,463,468</u>	<u>2,373,283</u>
	<u>₩3,851,472</u>	<u>₩260,791</u>	<u>₩(294,191)</u>	<u>₩ (676,469)</u>	<u>₩3,141,603</u>	<u>\$ 3,026,592</u>

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

15. COMMITMENTS AND CONTINGENCIES:

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

Description	Korean Won	Translation into U.S. Dollars (Note 2)
	(In millions)	(In thousands)
Hyundai Merchant Marine	₩ 271,752	\$ 261,803
Hyundai Card Co., Ltd.	4,152	4,000
Hyundai Motor America	222,346	214,207
Hyundai Motor Manufacturing Alabama LLC	700,650	675,000
Hyundai Motor Finance Company	394,440	380,000
Smart Alabama LLC	58,128	56,000
Hyundai Motor Europe GmbH	14,969	14,421
Hyundai Motor Europe Technical Center GmbH	49,897	48,070
Hyundai Translead	123,522	119,000
Hyundai America Technical Center Inc.	20,760	20,000
Hyundai Motor Poland Sp.zo.o.	6,237	6,009
Hyundai Motor Japan Co.	36,635	35,293
HMJ R&D Center Inc.	5,037	4,853
Beijing Jingxian Motor Safeguard Service Co., Ltd.	2,595	2,500
Beijing Hines Millennium Real Estate Development Co., Ltd.	15,570	15,000
Equus Cayman Finance Ltd.	415,200	400,000
	<u>₩ 2,341,890</u>	<u>\$ 2,256,156</u>

- (2) As of September 30, 2005, investment securities of ₩89,936 million (US\$ 86,644 thousand) at book value in long-term investment securities and investment securities accounted for using the equity method, 11 blank promissory notes, 1 check amounting to ₩2,624 million (US\$ 2,528 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, long-term debt and other payables (see Note 7). Certain bank deposits of ₩14,149 million (US\$ 13,631 thousand) in short-term and long-term financial instruments are restricted for use due to guarantees for customer financing transactions, research and development and other obligations.
- (3) As of September 30, 2005, the outstanding balance of accounts receivable discounted with recourse amounts to ₩821,530 million (US\$ 791,455 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate at September 30, 2005.
- (4) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩137,484 million (US\$ 132,451 thousand) to the banks concerned as of September 30, 2005. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.
- (5) The Company accrues estimated product liabilities expenses (see Note 14) and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the law suits related to its operation such as product liabilities. The Company expects that the resolution of pending cases against the Company as of September 30, 2005 will not have any material effect on its financial position.

16. CAPITAL STOCK:

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

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean Won</u> (In millions)	<u>Translation into</u> <u>U.S. Dollars (Note 2)</u> (In thousands)
Common stock	450,000,000 shares	218,628,302 shares	₩ 5,000	₩ 1,149,741	\$ 1,107,650
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	<u>331,011</u>	<u>318,893</u>
				<u>₩ 1,480,752</u>	<u>\$ 1,426,543</u>

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

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of September 30, 2005, total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

17. CAPITAL SURPLUS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Paid-in capital in excess of par value	₩ 3,272,630	₩ 3,272,630	\$ 3,152,823	\$ 3,152,823
Asset revaluation surplus	1,852,871	1,852,871	1,785,039	1,785,039
Other	257,912	234,052	248,470	225,484
	<u>₩ 5,383,413</u>	<u>₩ 5,359,553</u>	<u>\$ 5,186,332</u>	<u>\$ 5,163,346</u>

On January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$2,454,159 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$15,435 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$572,519 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$65,074 thousand) and adjustment of ₩16,702 million (US\$16,091 thousand) due to the disposal of revalued assets within 1 year after revaluation.

18. RETAINED EARNINGS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Appropriated:				
Legal reserve	₩ 188,870	₩ 155,870	\$ 181,956	\$ 150,164
Reserve for business rationalization	545,800	545,800	525,819	525,819
Reserve for improvement of financial structure	98,947	98,947	95,325	95,325
Reserve for overseas market development	48,800	48,800	47,013	47,013
Reserve for technology development	<u>5,358,100</u>	<u>4,034,100</u>	<u>5,161,946</u>	<u>3,886,416</u>
	6,240,517	4,883,517	6,012,059	4,704,737
Before appropriation	<u>1,994,110</u>	<u>1,499,691</u>	<u>1,921,108</u>	<u>1,444,789</u>
	<u>₩ 8,234,627</u>	<u>₩ 6,383,208</u>	<u>\$ 7,933,167</u>	<u>\$ 6,149,526</u>

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

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

Appropriations of retained earnings for the year ended December 31, 2004 was approved at the shareholders' meeting on March 4, 2005 and the appropriations including the cash dividends of ₩326,833 million (US\$314,868 thousand) are reflected in retained earnings on that date.

19. CAPITAL ADJUSTMENTS:

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Treasury stock	₩ (730,210)	₩ (90,348)	\$ (703,478)	\$ (87,040)
Gain on valuation of available-for-sale securities, net	206,722	54,819	199,154	52,812
Gain on valuation of investment securities accounted for using the equity method	79,633	-	76,718	-
Loss on valuation of investment securities accounted for using the equity method	(393,223)	(147,703)	(378,828)	(142,296)
Stock option cost	18,237	18,178	17,569	17,513
Cumulative translation adjustments	-	(4,261)	-	(4,105)
Gain on valuation of derivatives, net	17,443	30,581	16,804	29,461
	<u>₩ (801,398)</u>	<u>₩ (138,734)</u>	<u>\$ (772,060)</u>	<u>\$ (133,655)</u>

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 11,443,930 common shares and 2,950,960 preferred shares with a carrying value of ₩730,210 million (US\$703,478 thousand) as of September 30, 2005 and 820,910 common shares and 3,138,600 preferred shares with a carrying value of ₩90,348 million (US\$87,040 thousand) as of December 31, 2004, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund.

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

Net gain on valuation of available-for-sale securities amounting to ₩206,722 million (US\$199,154 thousand) as of September 30, 2005 consists of gain on valuation of short-term investment securities of ₩146,129 million (US\$140,779 thousand), gain on valuation of long-term investment securities of ₩139,005 million (US\$133,916 thousand) and the deduction of the deferred income tax of ₩78,412 million (US\$75,541 thousand). Net gain on valuation of available-for-sale securities amounting to ₩54,819 million (US\$52,812 thousand) as of December 31, 2004 consists of gain on valuation of short-term investment securities of ₩58,029 million (US\$55,905 thousand), gain on valuation of long-term investment securities of ₩17,584 million (US\$16,940 thousand) and the deduction of the deferred income tax of ₩20,794 million (US\$20,033 thousand) (Notes 4 and 5).

(3) Stock option cost

The Company granted directors stock options at an exercise price of ₩26,800 (grant date: February 14, 2003, beginning date for exercise: February 14, 2006, expiry date for exercise: February 13, 2011) and of ₩14,900 (grant date: March 10, 2000, beginning date for exercise: March 10, 2003, expiry date for exercise: March 9, 2008). These stock options all require at least two-year continued service starting from the grant date. If all of the stock options as of September 30, 2005 are exercised, 1,678,088 shares (1,247,688 shares and 430,400 shares for the options granted as of February 14, 2003 and March 10, 2000, respectively) will be issued as new shares or using treasury stock or will be compensated by cash, according to the decision of the Board of Directors.

The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 4.94% and 9.04%, an expected exercise period of 5.5 years and an expected variation rate of stock price of 63.29 percent and 71.1 percent are used for the options granted on February 14, 2003 and March 10, 2000, respectively. Total compensation expenses amounting to ₩14,290 million (US\$13,767 thousand) and ₩11,832 million (US\$ 11,399 thousand) for the options granted on February 14, 2003 and March 10, 2000, respectively, have been accounted for as a charge to current operations and a credit to stock option cost in capital adjustments over the required period of service (two years) from the grant date using the straight-line method.

(4) Gain on valuation of derivatives

As of September 30, 2005 and December 31, 2004, net gain of ₩17,443 million (US\$16,804 thousand) and ₩30,581 million (US\$29,461 thousand), after deducting the deferred income tax of ₩6,616 million (US\$6,374 thousand) and ₩11,600 million (US\$11,175 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports is included in capital adjustments on the basis set forth in Note 2.

20. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

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

Description	Korean Won				Translation into U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Income tax currently payable	₩ 44,576	₩ 207,610	₩ 338,667	₩ 542,701	\$ 326,269	\$ 522,833
Changes in deferred income taxes due to temporary differences	113,672	(34,170)	330,602	45,176	318,499	43,522
Deferred income taxes directly reflected to equity	(27,312)	(5,153)	(214,108)	30,436	(206,270)	29,322
Income tax expense	<u>₩ 130,936</u>	<u>₩ 168,287</u>	<u>₩ 455,161</u>	<u>₩ 618,313</u>	<u>\$ 438,498</u>	<u>\$ 595,677</u>

For the nine months ended September 30, 2005 and 2004, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Income before tax	₩ 2,113,021	₩ 1,979,124	\$ 2,035,666	\$ 1,906,670
Addition	2,498,928	2,027,023	2,407,445	1,952,816
Deduction	<u>(3,087,632)</u>	<u>(1,695,406)</u>	<u>(2,974,597)</u>	<u>(1,633,339)</u>
Taxable income	<u>₩ 1,524,317</u>	<u>₩ 2,310,741</u>	<u>\$ 1,468,514</u>	<u>\$ 2,226,147</u>

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

Description	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Beginning of period, net	₩ 1,930,809	₩ 1,513,799	\$ 1,860,124	\$ 1,458,381
Changes for period, net	<u>(1,314,069)</u>	<u>65,183</u>	<u>(1,265,962)</u>	<u>62,797</u>
End of period, net	<u>₩ 616,740</u>	<u>₩ 1,578,982</u>	<u>\$ 594,162</u>	<u>\$ 1,521,178</u>

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

Particulars	Korean Won		Translation into U.S. Dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
Accumulated temporary differences, net	₩ 616,740	₩ 1,930,809	\$ 594,162	\$ 1,860,124
Adjustments (*):	<u>(484,610)</u>	<u>(579,336)</u>	<u>(466,869)</u>	<u>(558,127)</u>
	132,130	1,351,473	127,293	1,301,997
Statutory tax rate	x 27.5%	x 27.5%	x 27.5%	x 27.5%
Deferred income tax assets, net	<u>₩ 36,336</u>	<u>₩ 371,655</u>	<u>\$ 35,006</u>	<u>\$ 358,049</u>
Current assets	<u>₩ 125,795</u>	<u>₩ 185,283</u>	<u>\$ 121,190</u>	<u>\$ 178,500</u>
Non-current assets (liabilities)	<u>₩ (89,459)</u>	<u>₩ 186,372</u>	<u>\$ (86,184)</u>	<u>\$ 179,549</u>

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

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future and calculated using the expected corporate tax rate in the period when the tax benefits will be realized. As of September 30, 2005, the Company believes the total current and non-current deferred income tax assets of ₩205,606 million (US\$198,079 thousand) and ₩939,153 million (US\$904,772 thousand), respectively, before deduction of the total current and non-current deferred income tax liabilities of ₩79,811 million (US\$76,889 thousand) and ₩1,028,612 million (US\$990,956 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 21.54 percent and 31.24 percent for the nine months ended September 30, 2005 and 2004, respectively.

21. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies for the three months and nine months ended September 30, 2005 and outstanding balances as of September 30, 2005 are summarized below.

Affiliated Company	Sales/proceeds (Purchases/expenses)		
	Korean Won		Translation into
	Three months	Nine months	U.S. Dollars (Note 2)
	(In millions)		Nine months
			(In thousands)
Hyundai Motor America	₩ 899,071	₩ 3,474,909	\$ 3,347,697
Hyundai Motor India	96,858	297,830	286,927
	(4,105)	(13,518)	(13,023)
Hyundai Motor Poland Sp.zo.o.	17,030	78,380	75,511
Hyundai Motor Japan	8,646	16,595	15,987
Hyundai Motor Europe GmbH	363,737	1,534,871	1,478,681
HAOSVT	150,295	439,548	423,457
Hyundai Motor Europe Technical Center GmbH	(4,777)	14,422	13,894
Beijing-Hyundai Motor Company	183,312	520,857	501,789
Hyundai America Technical Center Inc.	12,390	32,606	31,412
Hyundai Motor Manufacturing Alabama, LLC	38,487	38,487	37,078
	(87)	(87)	(84)
Hyundai Motor UK Ltd.	159,273	159,273	153,442
Kia Motors Corporation	221,400	481,093	463,481
	(87,686)	(272,549)	(262,571)
Hyundai MOBIS	144,273	434,687	418,774
	(493,893)	(1,564,574)	(1,507,297)
Hyundai Powertech	7,065	10,903	10,504
	(59,951)	(165,018)	(158,977)
Hyundai Capital Service Inc.	99,593	215,890	207,987
	(8,653)	(26,725)	(25,747)
Hyundai HYSCO	517	1,526	1,470
	(33,595)	(120,943)	(116,515)
Dymos Inc.	912	4,614	4,445
	(97,444)	(357,054)	(343,983)
WIA Corporation	29,532	129,351	124,616
	(50,632)	(177,896)	(171,383)
Glovis Co., Ltd.	(69,615)	(239,778)	(231,000)
Autoever Systems Corp.	(63,377)	(88,514)	(85,274)
Amco Corp.	(65,029)	(202,673)	(195,253)
KEFICO	(58,887)	(212,304)	(204,532)
INI Steel	(8,880)	(36,462)	(35,127)
Hyundai Card Co., Ltd.	(33,320)	(34,263)	(33,009)
Hyundai Autonet	(39,453)	(133,857)	(128,957)

Affiliated Company	Receivables (Payables)	
	Korean Won (In millions)	Translation into U.S. Dollars (Note 2) (In thousands)
Hyundai Motor America	₩ 116,373	\$ 112,113
	(23,204)	(22,355)
Hyundai Motor India	27,221	26,224
Hyundai Motor Poland Sp.zo.o.	2,097	2,020
	(7,627)	(7,348)
Hyundai Motor Japan Co.	994	958
Hyundai Motor Europe GmbH	50,252	48,412
HAOSVT	9,778	9,420
Hyundai Motor Company Australia	29,881	28,787
Hyundai America Technical Center Inc.	(4,003)	(3,856)
Hyundai Motor Europe Technical Center GmbH	(1,887)	(1,818)
Beijing-Hyundai Motor Company	24,925	24,013
	(45)	(43)
Hyundai Motor Manufacturing Alabama, LLC	26,496	25,526
Hyundai Motor UK Ltd.	48,183	46,419
Kia Motors Corporation	133,955	129,051
	(154,843)	(149,174)
Hyundai MOBIS	105,682	101,813
	(451,606)	(435,073)
Hyundai Powertech	3,666	3,532
	(74,954)	(72,210)
Hyundai Capital Service Inc.	48,500	46,724
	(6,866)	(6,615)
Hyundai Card Co., Ltd.	21,667	20,874
	(31,175)	(30,034)
Hyundai HYSKO	1,303	1,255
	(26,238)	(25,277)
Dymos Inc.	7,236	6,971
	(76,369)	(73,573)
WIA Corporation	14,375	13,849
	(42,828)	(41,260)
Glovis Co., Ltd.	(40,591)	(39,105)
Autoever Systems Corp.	(35,777)	(34,467)
Amco Corp.	(114,362)	(110,175)
KEFICO	(35,317)	(35,317)
INI Steel Corp.	(5,167)	(5,167)

22. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

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

	Foreign currencies				Korean Won			
	2005		2004		2005		2004	
					(In millions)			
Assets	US\$	360,144,229	US\$	449,158,464	₩	373,830	₩	468,832
	JP ¥	110,968,553	JP ¥	147,691,780		1,016		1,495
	GBP	8,049,793	GBP	8,812,559		14,688		17,704
	CAD	22,598,265	CAD	-		20,026		-
	EUR	123,596,985	EUR	116,306,857		154,177		165,500
	AUD	29,833,527	AUD	27,339,092		23,493		22,226
					₩	587,230	₩	675,757
Liabilities	US\$	732,522,244	US\$	788,889,467	₩	760,358	₩	823,443
	JP ¥	22,542,965,767	JP ¥	23,441,405,926		206,465		237,243
	GBP	6,027,175	GBP	13,066,196		10,997		26,250
	CAD	2,887,119	CAD	6,004,700		2,559		5,205
	AUD	14,751,268	AUD	24,258,827		11,616		19,721
	EUR	165,473,650	EUR	176,035,242		206,415		250,491
	SGD	126,995	SGD	-		78		-
	CHF	593,755	CHF	-		476		-
					₩	1,198,964	₩	1,362,353

23. REGIONAL SALES INFORMATION:

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

	Korean Won				U.S. Dollars (Note 2)	
	Three months		Nine months		Nine months	
	2005	2004	2005	2004	2005	2004
	(In millions)				(In thousands)	
Domestic sales	₩ 2,705,199	₩ 2,380,953	₩ 7,577,945	₩ 7,588,796	\$ 7,300,525	\$ 7,310,979
Export sales - Vehicle products						
North America	899,015	1,753,546	3,474,827	4,785,664	3,347,618	4,610,466
Europe	855,795	928,043	2,956,148	2,956,341	2,847,927	2,848,113
South America	190,356	176,094	565,837	414,799	545,122	399,614
Asia & Pacific	275,382	256,318	922,680	708,313	888,902	682,382
Middle Asia & Africa	432,399	335,438	1,277,498	1,029,169	1,230,730	991,492
	2,652,947	3,449,439	9,196,990	9,894,286	8,860,299	9,532,067
Export sales - Other	791,601	709,718	2,491,517	2,447,640	2,400,305	2,358,035
Export sales	3,444,548	4,159,157	11,688,507	12,341,926	11,260,604	11,890,102
Total sales	₩ 6,149,747	₩ 6,540,110	₩19,266,452	₩19,930,722	\$ 18,561,129	\$ 19,201,081

24. SELLING AND ADMINISTRATIVE EXPENSES:

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

	Korean won (In millions)				Translation into U.S. dollars (Note 2) (In thousands)	
	Three month		Nine month		Nine month	
	2005	2004	2005	2004	2005	2004
Salary-related costs	₩ 251,704	₩ 217,785	₩ 677,703	₩ 699,818	\$ 652,893	\$ 674,198
Export costs	152,840	180,117	511,091	518,897	492,381	499,901
Sales promotion and advertisements	112,939	44,457	277,075	313,000	266,932	301,541
Sales commissions	89,835	77,408	240,842	221,084	232,025	212,990
Sales warranties	27,529	314,902	293,705	981,777	282,953	945,835
Taxes and dues	10,186	9,390	24,969	15,574	24,055	15,004
Communications	5,099	5,617	15,588	16,864	15,017	16,247
Utilities	5,059	5,864	16,153	17,665	15,562	17,018
Freight and warehousing	16,685	16,749	50,699	52,253	48,843	50,340
Rent	4,970	4,204	14,427	13,308	13,899	12,821
Travel	11,274	10,369	33,473	34,120	32,248	32,871
Service charges	38,925	40,957	102,009	122,863	98,275	118,365
Maintenance	4,311	7,008	13,485	17,422	12,991	16,784
Supplies	4,161	4,956	13,669	14,894	13,169	14,349
Research	116,092	103,266	302,618	264,136	291,539	254,466
Depreciation	16,267	16,740	49,092	49,860	47,295	48,035
Amortization	2,115	2,192	6,466	21,896	6,229	21,094
Stock option cost	-	1,934	60	5,603	58	5,398
Other	6,621	7,588	19,185	22,781	18,481	21,948
	<u>₩ 876,612</u>	<u>₩ 1,071,503</u>	<u>₩ 2,662,309</u>	<u>₩ 3,403,815</u>	<u>\$ 2,564,845</u>	<u>\$ 3,279,205</u>

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

Effective January 1, 2005, the Company sold the assets and liabilities of the Machine Tool Division and investment securities of Hyundai Machine Tool Europe GmbH to WIA Corporation for ₩46,124 million (\$44,435 thousand).