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2004/06/M

Hyundai Motor Company **Annual Report 2003**

HYUNDAI

Annual Report 2003

HYUNDAI MOTOR COMPANY

A successful quality improvement campaign led to record overseas sales. Further investments and strong global expansion laid a bright foundation for the Future.

HYUNDAI

Hyundai Motor is...


The Future
and the future is...

Looking up

The road to the future is not always clear and certain. Challenges lie behind and before us. But today, more than any other time in Hyundai's history, the way ahead is looking bright.

The year leading up to time of print has proved to be a remarkable period. In the US, Hyundai's brand value rose to unprecedented levels. In the April 2004 J.D. Power and Associates Initial Quality Study (IQS) Hyundai Motor America moved up 8 rankings from 2003 finishing in a tie for second place. Hyundai Motor America was also the most improved in the 2004 IQS Corporate Ranking. In the IQS Nameplate ranking, Hyundai is also the most improved nameplate with again of 29 percent, moving from 23rd position in 2003 up to seventh position in 2004. The company closed the year with record breaking sales, achieving a year-over-year growth rate of 5.3 percent.

In 2004, Hyundai is aiming to break more sales records, boost profits further and increase research spending. Sales are expected to pass the 2 million mark for the first time ever. The marketing of high value added, high margin vehicles such as the Santa Fe, Sonata and XG will be stepped up. Two new models will also be introduced: the Tucson SUV and NF, the successor to the Sonata.

A foundation has been laid for the future. Global growth through investments in manufacturing operations and world-class R&D facilities in overseas areas is expected to build on that foundation even further. Within reach now, not too far along the road to the future, lies Hyundai's ultimate goal: entry into the ranks of the top 5 global automakers of the world.

’03 Hyundai Motor Company Annual Report

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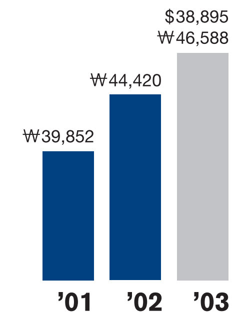
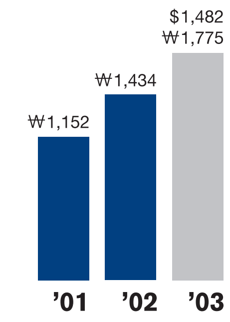
2003 Financial Highlights

For the years ended December 31, 2003, 2002, and 2001

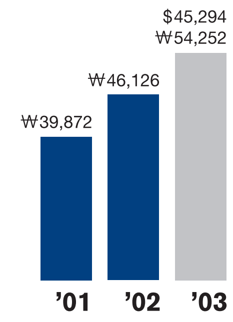
		Korean won in billions		US dollars in millions
	2003	2002	2001	2003
Sales	₩46,588	₩44,420	₩39,852	$38,895
Net Income	1,775	1,434	1,152	1,482
Total Assets	54,252	46,126	39,872	45,294
Shareholders’ Equity	16,255	13,438	11,704	13,570
Earnings Per Share (₩,US $)	7,845	6,313	5,103	6.55
Dividends Per Share (₩,US $)	1,000	850	750	0.835



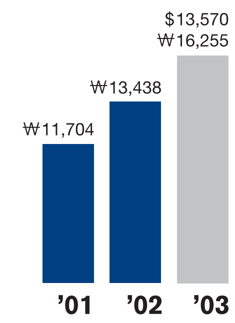
Sales
(Korean Won in billions, US dollars in millions)



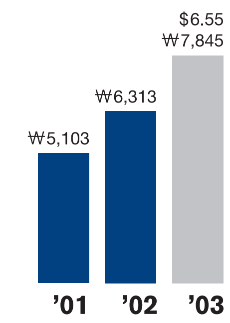
Net Income
(Korean Won in billions, US dollars in millions)



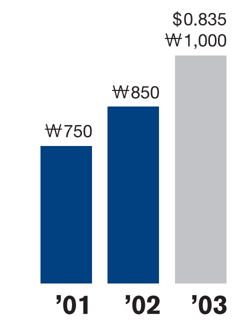
Total Assets
(Korean Won in billions, US dollars in millions)



Shareholders’ Equity
(Korean Won in billions, US dollars in millions)



Earnings Per Share
(Korean Won in billions, US dollars in millions)



Dividends Per Share
(Korean Won in billions, US dollars in millions)

Since its inception in 1967, Hyundai Motor Co. has thrived on challenges. Through diligence, sacrifice and perseverance the company has defied tremendous odds to climb the ladder of success and prominence in the global automotive industry. Despite the numerous hurdles posed in 2003 both on the domestic and overseas fronts, none were so serious as to deviate us from our stated goal of reaching the ranks of the world's top five automakers by the end of this decade. Thanks to the outstanding commitment of our family of employees and dealers around the globe, we managed to overcome difficult market conditions to post the best sales results in the 37-year-long history of our company and for the second consecutive year, the Hyundai Automotive Group was ranked as the world's seventh largest auto manufacturing concern.

While we continued to suffer from sluggish domestic sales due to the weakness of the Korean economy, falling sales at home were offset by gathering momentum in major overseas markets where we continued to make significant strides. In 2003, we made further inroads into the European and U.S. markets and our efforts in the NAFTA zone will soon be bolstered by the start-up in early 2005 of our new manufacturing facility in Montgomery, Alabama. In the same year, we opened two new research centers in Irvine, California and Ruesselsheim, Germany and expanded our manufacturing facilities in two of the world's fastest growing markets--China and India--thereby securing the foundations for Hyundai Motor Co.'s growth in this decade and beyond.

Future success hinges on our ability to continually improve the quality of our vehicles and in this regard, we are greatly encouraged by the excellent results our vehicles have received in recent J.D. Power and Associates studies and in other similar independently conducted surveys. Our Six Sigma quality campaign is yielding solid results and is being expanded to all branches of the organization, as well as to vendors who conduct business with us. The publication in 2003 of the inaugural edition of our Sustainability Report not only signals Hyundai Motor Co.'s commitment to greater transparency in our corporate governance and the establishment of sustainable management practices but will also greatly reinforce the trust and confidence placed by you, our stakeholders, in Hyundai.

We have begun the process of implementing our new brand strategy which will sharpen the focus of our marketing communications and will provide us with a greater competitive edge. The decisions and actions undertaken by the board of directors will continue to safeguard the interests of our stakeholders while at the same time complying with the trend toward greater transparency in corporate governance in keeping with our determination to set the standard for sustainable management in the Korean corporate sector. It is my hope that this report provides you with greater insight and confidence in Hyundai Motor Co.

Yours sincerely,

Chung Mong-Koo
Chairman and CEO

Letter from the Vice Chairman

In December 2003, Hyundai Motor Co. passed a major milestone when its annual vehicle exports passed the one million mark for the first time in Korean automotive history, a landmark achievement that comes just 27 years after clinching our very first overseas sale.

The past year was exceptional in many other respects as Hyundai Motor Co. managed to overcome a climate of economic uncertainty at home and overseas to achieve respectable results.
Sales surged 1.6 percent y-o-y to 2.49 trillion won on the back of record setting performances both in the passenger car and commercial vehicle divisions.
Domestic sales reached 635,269 units while export shipments from our Korean factories reached 1,181,652 units.
The figures are all the more impressive as we recorded substantial improvements in our profitability.
We enjoyed a 21 percent increase in net profits equivalent to 1.70 trillion Korean won while we continued to strengthen our bottom line by improving our debt-to-equity ratio to 94 percent and enlarging our net cash and cash equivalents position to 1.44 trillion won.
Factors contributing to this better performance include increased sales of higher margin vehicles and increased revenues from our overseas manufacturing operations.

To maintain our growth momentum, we took several important steps in 2003 including strengthening our overseas research and development capability with the opening of two new major design and engineering facilities in Irvine, California and Ruesselsheim, Germany. We also broke ground for a $50 million, 4300-acre automotive proving ground in California City, Calif. which will serve as the test site for next-generation vehicles from Hyundai. Our fuel cell electric vehicle development program took another major step forward when we and UTC Fuel Cells, a unit of United Technologies Corp.'s UTC Power unit, signed an agreement to jointly develop a new automotive fuel cell power plant capable of operating in freezing conditions, one of the remaining hurdles in the development of fuel cells for automobiles. The agreement calls for Hyundai and UTC Fuel Cells to work jointly to develop a freeze-capable fuel cell power plant and integrate it into the Tucson sport utility vehicle.
In 2003, our fully-owned subsidiary Hyundai Motor India expanded its global role by shipping its products to new markets in Western Europe, Mexico and Latin America. HMI already serves customers in Algeria, Morocco as well as neighboring Nepal, Sri Lanka and Indonesia. And in the vitally important Chinese market, Beijing Hyundai Automotive Co. added the new Elantra to its product lineup in keeping with our plans to introduce a new model annually in China. We are accelerating our expansion plans and will double manufacturing capacity to 600,000 units per annum by 2007. Initially, the company had planned to reach that level by 2010. Capacity is being expanded to 200,000 units in 2004 and to 300,000 by 2005.

For our employees and dealers alike, it is heartening to see our products are continuing to win accolades. Elantra, our top-selling vehicle worldwide, earned top honors in AutoPacific Inc.'s 2003 Vehicle Satisfaction Score (VSS) study while our Santa Fe earned a VSS score of 668 in a tie for second place in the standard mid-size sport utility segment. And when it comes to American customer loyalty, the Hyundai brand ranks above the industry average, according to J.D. Power's 2003 Customer Retention Study. The study found that 54.3 percent of Hyundai car buyers expressed satisfaction with their car and intended to repurchase a Hyundai. The Hyundai nameplate ranked seventh on the list between Lexus and Cadillac. We're not only winning over new customers but we're keeping more and more of them. This is great news and further proof that our quality improvement efforts are paying off.

Hyundai Motor Co. has drawn up a new mid- and long-term motorsports development program that will see an extensive reorganization of the program and the temporary withdrawal from the World Rally Championship. As part of the reorganization, the company will set up a new World Rally Team Headquarters at the company's Euro$50 million R&D Center in Russelsheim, Germany and will begin aggressive recruitment of top talent to fortify the team's engineering capabilities. We see motorsports as an integral part of our marketing plans to reach our goal of becoming one of the top five automakers in the world by 2010.

At the 2003 Frankfurt Motor Show, we unveiled the CCS, an exciting convertible show car that signals our determination to explore new segments and concepts. At the Tokyo Motor Show the following month, we unveiled the NEOS-II Crossover Utility Vehicle (CUV), an eye-catching four-seater that reawakens the sense of wonder and discovery in motoring. A creation of the company's Japan Design Center, NEOS-II (NEologism Of Style) is the second major concept to be executed by the Chiba-based center and provides a hint of Hyundai's future design direction.

Looking back on 2003, we reinforced our research and development capabilities, promoted innovation at all levels of the organization and improved labor-management relations by striving to attain a harmonious dialogue thus helping to secure a strong foundation for our company that will ensure future growth and greater resiliency to downturns in the marketplace.

Yours sincerely,

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

Where we've been

Since the invention of the automobile in 1886 the world's top five automakers have had just over a century to reach their current market positions. Hyundai Motor Company is a much younger corporation. Founded in 1967 in Korea, Hyundai Motor Company has already earned global recognition for the advanced technology and quality of its automobiles. In just over three decades, driven by boldness and an ethic of determination and hard work, Hyundai Motor Company has grown into the world's seventh largest automaker.

The 1960s:

Hyundai is established

Hyundai Motor Company was established in December 1967. The young automaker turned to Ford of the UK as its first partner to provide the requisite technology for cars and light trucks. This was a fruitful collaboration that led to enduring ties between the Korea and British auto industries.

The 1970s:

The Early Years

In the early 1970s, Hyundai began its first moves towards self autonomy. Rather than relying solely on foreign model licensing agreements the automaker initiated the development of its own proprietary passenger car. With styling input from Giorgio Giugiaro's ItalDesign and manufacturing know-how from Japan and the UK, Hyundai was able to put into production its first model, the Pony. The sub-compact was a big success in the Korean domestic market and elevated Hyundai into first place where it has remained unchallenged for over three decades. In the late 1970s Hyundai began testing export markets; this early experience would prove invaluable in later years.

The 1980s:

Flying the Roost

In the early 1980s, buoyed by a strong economy and an advanced, highly educated workforce, Hyundai significantly upgraded and expanded its Ulsan plant with the aim of massively increasing manufacturing output. It was in the '80s that Hyundai began to search beyond the national border for future growth. While satiating strong local demand Hyundai also set about serving new export markets. By the mid 1980s, Hyundai had landed in Canada and was ready to make a challenge for a slice of the massive American market. Hyundai learnt many invaluable lessons during this period. These lessons helped Hyundai overcome increasing competition and stay abreast of rapidly advancing technologies. By 1990, the company's cumulative exports to the US had surpassed one million units.

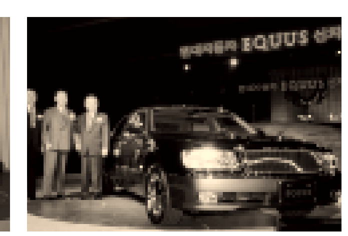
The 1990s:

Rising Star

In the 1990s Hyundai began to invest in R&D to a much greater extent. A decade long commitment to developing its own technology was realized. In 1991, the company unveiled its first in-house designed powerplant, the Alpha engine. Two years later, the Beta engine was unveiled. On the international rally circuit, the Hyundai Elantra claimed the Asia Pacific Rally Championship in its class in the 1994 and 1995 seasons, giving the company an encouraging start in professional motor sports. Hyundai Motor Company endured a difficult year in 1998, as domestic sales sharply declined. However, a succession of new models, starting with the EF Sonata and XG earned Hyundai the highest accolades in the international automotive press and sustained exports combined with favorable export conditions partially offset loss experienced in the domestic market. It was also a period of massive restructuring, both for the company and the industry. The Kia/Asia Motors acquisition combined with the HPI and HMS mergers allowed Hyundai Motor to achieve the economies of scale needed to compete in the global market.

The 21st Century

The years 2000 to 2003 have seen Hyundai increase its market share abroad and vastly improve its brand image. R&D and facility investments have been hiked and sales records have tumbled. The ugly duckling, hatched without recognition and flown without accolade, has grown, implausibly, into a creature of style and substance, reckoned now among the industry giants. Only the future can tell how much further Hyundai will go.



Where we are

Hyundai Motor Company is proud of its history and optimistic about the future. A newfound maturity and confidence has been instilled in the company, coupled with Hyundai's tradition of boldness and creativity. Our latest brands are testament to these qualities. Here is what has defined the new Hyundai, and what will elevate us into the future ranks of the automotive giants:

*For the second year in a row, Hyundai Motor Co.'s **Sonata** was selected by U.S. consumers as the top rated entry mid-size sedan, according to the J.D. Power and Associates 2003 Automotive Performance, Execution and Layout (APEAL) Study. More recently the Sonata was named the 2004 Initial Quality Survey (IQS) Award recipient for having the highest initial quality in the entry midsize car category. San Diego-based research firm Strategic Vision Inc. also honored Sonata with a top score rating in its 2003 Total Value Index™, (TVI).*

Hyundai's advanced Passenger Presence Detection system prevents front passenger airbags from deploying if the seat is empty. The passenger presence system reduces crash damage costs by eliminating unnecessary passenger side airbag deployment.

Well balanced and wonderfully equipped, the Sonata is at the forefront of Hyundai's quality improvement campaign: a flagship in the automaker's challenge to the top five automakers of the world.

The Sonata's price, build quality and glowing reputation, combined with one of the industry's longest basic warranties in the U.S. - 5-years/60,000-mi. bumper-to-bumper, 10/100,000 powertrain - have all contributed to the flagship model's popularity among consumers and observers for the past few years. Engineered to be reliable, appealing to the eye and enjoyable to drive, the Sonata has succeeded in cornering a very important market section. With its elegant exterior design, high level of standard equipment and safety features, the compact sedan is expected to continue to impress the market.

The 2003 Hyundai Sonata is offered in four models: Base, Base V6, GLS and LX. The GLS and LX models come with a V6 engine, and the base models offer a choice of either a 4 or 6 cylinder engine. The 4 cylinder engines come with manual transmission or automatic with a manual shift gate; the V6 comes only with the automatic.

The 2003 Sonata offers a number of advanced safety features including driver and passenger front airbags, front seat-mounted side-impact airbags and automatic front safety belt pretensioners with load limiters. The vehicle also boasts a highly rigid unibody structure designed as a steel safety cell that helps protect occupants from crash forces in front, rear and side impacts.

Hyundai won 1st place in Consumer's satisfaction survey by J.D. Power & Associates for 2nd successive year in the American market (jointly in 2003) The Sonata also placed 1st in the Initial Quality Study, recognised as the worldwide quality index for new cars.

*Another award-winner in an over-achieving fleet, Hyundai's **Santa Fe** was rated the second best entry SUV by J.D. Power and Associates 2003 Automotive Performance, Execution and Layout (APEAL) Study. The study measures owners' satisfaction with the design, content, layout and performance of their new vehicles. The Santa Fe has also consistently been voted best value in its class by independent reviewers. Comfortable on the bitumen and capable in its off-road duties, the Santa Fe combines eye-catching style with solid engineering.*

The Santa Fe Base models are front-wheel drive vehicles, while GLS and LX models can be all-wheel drive as well. This gives the Santa Fe the added control necessary in bad weather situations and for off road duties.

Hyundai Santa Fe is available in three trim levels: base, GLS, and LX. All come standard with four-wheel-disc brakes, gas-charged shock absorbers, air conditioning, power-assisted steering, power door locks and windows, power heated outside mirrors, tilt steering wheel, an AM/FM/CD stereo with six speakers, an illuminated glove box, carpeted passenger and cargo areas, three power outlets (two front, one rear), rear seat heating and air conditioning ducts, an eight-way manually adjustable driver's seat, and reclining rear seatbacks.

Two engines are available with the 2003 Hyundai Santa Fe. The first, standard on the base trim, is a 2.4-liter 4-cylinder model that is capable of generating 138 horsepower and 156 lb-ft. of torque. The rest of the model lineup has more jump out of the gate with a 2.7-liter V6 engine that offers 173 horsepower and 187 lb-ft. of torque. The 4-cylinder engine can be mated to either 4-speed automatic transmission or 5-speed manual, while the V6 only offers automatic.

2004 Hyundai Santa Fe
GLS 3.5L V6 4 Dr Sport Utility Crash Test Data

NHTSA Side Impact Rating - Front (As of 2004 Model Year)	★ ★ ★ ★ ★
NHTSA Frontal Crash Test - Driver (As of 2004 Model Year)	★ ★ ★ ★ ★
NHTSA Frontal Crash Test - Passenger (As of 2004 Model Year)	★ ★ ★ ★

In January 2004 Hyundai introduced the Tucson sport utility vehicle at the Chicago Auto Show. The vehicle is the company's first entry into the small SUV segment. The ***Tucson*** *is smaller than the Santa Fe SUV and will go on sale worldwide in the second half of 2004. Tucson styling provides a masculine, athletic appearance and delivers lots of utility. As Hyundai's newest SUV, the Tucson is designed to be a versatile companion to the buyer's lifestyle and to provide the best value in the market place in equipment, style, image and value.*

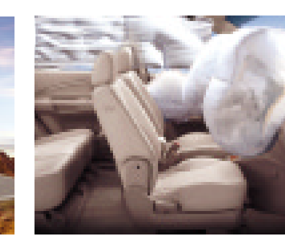
Tucson uses the state-of-the-art Borg-Warner Electronic InterActive Torque Management four-wheel-drive system that routes up to 99 percent of the available power to the front wheels. As road conditions or torque demand changes, the system automatically diverts up to 50 percent of the available power to the rear wheels. The system monitors throttle position, front wheel angle and slippage.

The base model Tucson GL features Hyundai's proven 2.0-liter DOHC 4-cylinder engine fitted with Continuously Variable Valve Timing (CVVT) matched to a 5-speed manual transmission or available Shiftronic automatic transmission. A 2-liter turbocharged diesel with will be supplied as standard in the Korean market and will also be available in the European and other markets. The Tucson is equipped with a total of six airbags; driver and passenger front airbags, driver and passenger side-impact airbags and side curtain airbags for both front and rear seat occupants.

Hyundai's 2.7-liter DOHC V6 is standard on the GLS and LX models and it is matched to the Shiftronic automatic transmission. The 2.7-liter V6 as used in the Tucson is fitted with a variable length, tuned intake system for smoother delivery of power across the entire rev band. Four-wheel-drive is available with either engine.

In parallel with the development of the standard Tucson, Hyundai has been working on the Tucson FCEV as part of the Hyundai's advanced Fuel Cell Program. The FCEV debuted at the 2004 Geneva Auto Show and was presented at the New York International Auto Show.

Code-named FJM by its developers, the Tucson FCEV will have an extended driving range plus cold weather starting capability. It will incorporate numerous technical advances including a higher output fuel cell and a new lithium ion polymer battery. Unlike the Santa Fe FCEV, the Tucson Fuel Cell program has been running on a parallel path with the conventional Tucson providing fully digitized engineering data from the earliest stages.



*In Auto Pacific Inc.'s 2003 Vehicle Satisfaction Score (VSS) study **Elantra** earned top honors. San Diego-based research firm Strategic Vision Inc. also awarded top scores to the Hyundai Elantra in its 2003 Total Value Index™, (TVI). And In April 2004 The Hyundai Elantra sedan received the highest possible safety rating from the National Highway Traffic and Safety Administration (NHTSA).*

Under the New Car Assessment Program (NCAP), the Elantra four and five-door sedans earned the maximum five-star scores for driver safety in front crash tests as well as the five-star safety rating for front seat safety in side crash tests.

The 2003 Elantra is typical of Hyundai's latest generation vehicles: handsome, reliable, safety conscious and very affordable. Following the 2003 VVS study awards, Auto Pacific Inc. made these summary comments about the Elantra: "Within its competitive set, Elantra underscores that continuing investment in keeping a product interesting and up-to-date yields commensurate rewards. Elantra gradually improves with each model year while many direct competitors are allowed to languish, with the result Elantra buyers are surprised and delighted at how good their new cars actually are. Of course, rising fuel prices also play right into Elantra's hand. So does the fantastic Hyundai warranty. Message to the competition: Don't allow the grass to grow under your feet!"

The 2003 Elantra is available in three models: GLS Sedan, GT Hatchback, and the all-new GT Sedan. All models feature a 140-hp 2.0L engine with a five-speed manual transmission or an optional four-speed automatic. Safety features include both front and side impact air bags and a passenger air bag deactivation sensor. Air conditioning, and power windows, mirrors, and door locks are also standard equipment. The GT Hatchback and GT Sedan add sport-tuned suspension, four-wheel disc brakes, fog lamps, and 15-inch alloy wheels.

Introduced in 1995 as the replacement for the Excel, the front drive Hyundai Accent sedan gradually carved itself a place in the very competitive subcompact market. In 2000 the second generation Accent was introduced and immediately made an even stronger impact. The 2003 Accent has been revised further, building on the model's reputation as a capable, durable and inexpensive vehicle. Sporty and comfortable, the Accent continues Hyundai's longstanding tradition of value.

Extensively revised for 2003, the Accent offers 2-dr hatchback and 4-dr sedan body styles. The sedan sports new front and rear bumpers, fenders, headlamps, grille, hood, rear quarter panel, tail lamps and rear deck. The Hyundai Accent sedan is only available in GL trim. Standard power is provided by a 1.6L DOHC 16-valve four-cylinder engine. A smooth-shifting five-speed manual gearbox is standard, with a four-speed electronically controlled automatic transmission optional.

" Sporty and comfortable, the Accent continues Hyundai's longstanding tradition of value."

The super mini with a super mega punch, *Hyundai's* ***Getz*** *was a knockout in Europe and Oceania in 2003. Designed in Frankfurt, Germany, Hyundai's latest little maestro is a compact, stylish hatch that Getz you noticed. Perfect for zipping through crowded streets the Getz is also comfortable cruising long country roads or revving up seriously steep hills.*

Hyundai has sold nearly 143,000 Getz globally, with around 65 percent of exports going to Europe.

The editors of UK's What Car? voted the Getz as Best Budget Car. The monthly cited the Getz's simple but appealing styling, its class-leading amount of interior space, its good road manners and high level of standard trim. Auto Express, another UK monthly, in its review of the Hyundai supermini remarked "At last Hyundai knows what Europeans really want." AutoBild, the prestigious German publication, crowned the Getz as Hyundai's "VW Polo" which can compete on every point with its German competitor. Other awards include the Scottish 'Small Car of the Year' award; the 'Bestseller of the Year' award in Denmark and the 'Utilitário do Ano 2004' (Supermini of 2004) in Portugal. Meanwhile Down Under The Getz was crowned Australia's Best Small Car of 2003, won Lowest Running & Repair Costs and topped the local Warranty pool with Hyundai's industry-best five-year/130,000km assurance.

Hyundai offers Getz customers a choice of three gasoline engines: 1.1, 1.3 and 1.6 liters. A three cylinder turbo diesel will be added to the lineup later this year. Getz's standard equipment includes electric front windows, a CD player, power steering and central locking. The higher level CDX trim brings air-conditioning, alloy wheels and an electric sunroof while the Sport trim brings larger alloys, a spoiler and leather trimmed gearknob.

The Matrix is a pleasantly cosmopolitan blend of Italian styling and Korean value for money. Nippy, easy to park and comfortable, Hyundai's multi-purpose mini combines compact exterior dimensions with a remarkable amount of all-important interior space. A 60:40 sliding/double folding rear seat adds to the versatility. Launched in Europe ahead of its domestic debut and engineered in Germany, the Matrix is a perfect example of Hyundai's bold global vision for the future.

Following the Hyundai tradition, the Matrix is packed with thoughtful features. Essential dials such as the speedometer, rev counter, fuel gauge, temperature gauge are housed in a centrally-located cluster on the dashboard. All models come with plenty of equipment including air conditioning, anti-lock brakes, driver, passenger and side airbags, RDS radio/CD player, electric front and rear windows and alloy wheels. Engine choices include 1.6-liter and 1.8-liter petrol and a 1.5-liter diesel, all delivering ample power.

Rally

In 2003 Hyundai charted a new roadmap for motorsport. A mid- and long-term motorsport development program has been put in place that will see an extensive reorganization and strengthening of its commitment to the World Rally Championship. Hyundai will pull out of the 2004 and 2005 seasons to concentrate on the development of an all-new Theta engine and new 3-door hatchback codenamed RC in preparation for a comeback in the 2006 season.

Hyundai sees the World Rally Championship as an important part of its plan to attain GT-5 status. Motorsport had proved to be an effective marketing, but Hyundai is longer satisfied with simply competing. Winning on the track is vital for the company to expand its product portfolio to include performance cars and to grow the Hyundai brand. As part of the reorganization, the company will establish a new World Rally Team Headquarters at the Design and Technical Center in Russelsheim, Germany and will begin aggressive recruitment of top talent to fortify the team's engineering and racing capabilities.
A new executive will be appointed to oversee the overhaul of the motorsport program.
Hyundai has already begun recruiting new staff with the aim of attracting top development engineers to its new team headquarters in Russelsheim.

Hyundai's rally support team, currently based at the Namyang R&D Center in Korea, will also relocate to Russelsheim as part of the effort to integrate all motorsport development activities in-house. The new team headquarters in Germany will avail itself of Europe's excellent motorsport infrastructure and will provide a solid base to reposition Hyundai as a top competitor.

Since then Hyundai has continued its support of football at all levels of the game.

Football

In 1999, Hyundai Motor took its first step on the road to prominence on the international sports stage by entering into an agreement with UEFA to sponsor EURO 2000™. Since then Hyundai has continued its support of football at all levels of the game.

In 2003 Hyundai renewed its partnership with UEFA and became the official Automotive Partner of UEFA EURO 2004™.
Once again, Hyundai Motor will provide official cars for smooth, efficient ground transportation and logistics. The fleet of official cars and buses will be mainly used by the teams, referees, media representatives, UEFA delegations as well as members of the EURO 2004™ Organizing Committee.

Hyundai will also serve as an Official Partner of the 2006 FIFA World Cup™ Germany and will be involved in 10 FIFA tournaments leading up to the main event. Hyundai will fulfill a similar role by providing ground transportation services with its fleet of vehicles.

Athens 2004

Hyundai Motor, as a Grand National Sponsor, bestowed Santa Fe Electric Vehicle (EV) and all-aluminum body Getz to the representatives of the Athens 2004 Organizing Committee for the Olympic Games (ATHOC) in June 2003. Santa Fe EV will be the torchbearer and lead car at the marathon race in the 2004 Athens Olympic Games. Hyundai Motor believes this opportunity can showcase our determination for environmental protection and sustainable development.

In 2003 Hyundai renewed its partnership with FIFA and became the official Automotive Partner of 2006 FIFA World Cup™ Germany.

*“When you’re hot, you’re hot - and Hyundai is sizzling hot.” This is how the Washington Times described the Coupe’s entry into the sports coupe market in 2002. Since then the temperature has soared even further. The all-new **Coupe** range sets a new benchmark for sports cars. Beautiful, exciting and practical, the Coupe (also known as the ‘Tuscani’ and ‘Tiburon’) is a guileful grand tourer without the raw-boned discomfort many people associate with sports cars.*

The all new Hyundai Coupe really changes everything you’ve ever thought about driving a Hyundai. Equipped with the 2.7-litter DOHC engine and six-speed shifter, it accelerates, handles and brakes like no other sports coupe in its class.

‘Tiburon’ means shark in Spanish, appropriately evocative of the new car’s sleeker, sharper-edged design with its fluted flanks and purposeful profile. Design detail highlights include scalloped upper sides leading to the ‘gills’ in the front fenders, flared lower sides which give an integrated side skirt look, clear blister headlight lens, a seven-hex-bolt fuel filler surround and twin fat sports exhausts. Beautifully appointed and excellent value for money, the ‘Tiburon’ is surely going to stir the waters as it swims among more established fish.

Performance and Economy :

The sporty high-output 2.7 liter V6 engine is complemented by an alternative 2.0 liter engine:

- *The 2.7 liter V6 boasts an engine output of 127kW/6000 and a torque of 245Nm/4000*
- *The 2.0 liter 4 cylinder engine boasts a top output of 102kW/6000 and a maximum torque rating of 181Nm/4500*

Safety :

The Hyundai Tiburon comes with an array of both passive and active safety systems:

- *A rectangular sub-frame and reinforced front and side members*
- *Passengers are protected against injuries by a seven-way energy path from the side sills which disperses collision impacts*
- *Door impact members and bars, plus a reinforced centre pillar*
- *Dual Threshold Airbag System avoids unnecessary inflation in low speed collisions*
- *Pre-tensioned seatbelts with load limiters are standard*
- *A collapsible steering column*

*The 2003 Hyundai **XG** is Hyundai's premium sedan, elevating the entire Hyundai lineup with its style, confidence and impressive road manners. Boasting a comprehensive list of standard features and superb safety details, the XG offers excellent value while maintaining its luxurious poise. In April 2004 the XG sedans received the highest possible safety rating from America's National Highway Traffic and Safety Administration (NHTSA), earning five stars for front seat passenger and driver seat safety.*

A 3.5-liter DOHC 24-valve V-6 engine generates 194 horsepower, making the sedan the second most powerful Hyundai ever sold.

Hyundai's flagship sedan, the XG, has been noticeably restyled and subtly refined for the 2004 model year. Serving as the leader for a pack of Hyundai offerings that offer value for the dollar, the sedan has a new exterior, an updated interior and improved ride and handling. The 2004 XG350 is available in two trim levels: the base XG350 and the up-level XG350L. Both versions come with a 3.5-liter DOHC 24-valve V6 engine and 5-speed automatic transmission with Shiftronic manual shift. Cruise control, ABS and traction control are standard. XG features include halogen headlamps, fog lights, heated body color outside mirrors, 10-spoke alloy wheels, automatic temperature control, AM/FM/CD/cassette stereo, leather seats and power locks, windows and front seats. XG350L adds outside mirrors with tilt reverse and memory functions, power moonroof, 12-spoke alloy wheels, premium Infinity speakers, leather-and-woodgrain trimmed steering wheel and heat and memory functions to seats. Only a couple of options, most notably an 8-disc CD changer, are available on the XG lineup.

The XG350 has a sophisticated 4-channel antilock brake system for quick stops. The system is power-assisted with Electronic Brake Force Distribution (EBD) and a weight distribution sensor, and it features ventilated front discs with brake pad wear warning sensors and solid rear discs. Safety equipment includes front dual front airbags and front-seat side-impact airbags. ISOFIX child seat tethers are standard, as is keyless entry with alarm system.

The XG350 with Side Airbags was awarded 5 stars by the NHTSA for driver and passenger safety in frontal crashes.

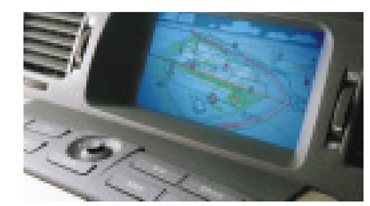
First introduced in the spring of 1999, the ***Centennial*** *has come to represent the pinnacle of Hyundai automotive design and engineering. The re-engineered luxury sedan is more strikingly handsome and competitive than ever and is the poster child of Hyundai's quality improvement campaign.*

" The new Centennial is built at work stations by teams of specialists who function as multi-tasking craftsmen as they piece together the various modules and subassemblies."

Rather than being assembled on a moving conveyor belts like mass produced cars, the new Centennial is built at work stations by teams of specialists who function as multi-tasking craftsmen as they piece together the various modules and subassemblies. Moving from one workstation to the next on a dolly, the car gradually takes shape using a unique mix of hand craftsmanship and highly automated production techniques.

Reengineered from the ground up in the pursuit of occupant comfort, the car now rides on a longer wheelbase with accompanying increases in overall length and width. Front and rear styling have been updated for an even more majestic, powerful look favored by luxury buyers.

Inside, customers can order a revolutionary new seat warming and cooling system whose comfort puts Centennial ahead of much of the European and Japanese luxury car competition. The sound system now features an in-dash six compact disc changer and the standard equipment list now includes an iconic seat adjuster for intuitive control, an electronically controlled suspension, curtain air bags and solar control glass.



The Centennial is at the forefront of Hyundai's renaissance of quality. Lovingly detailed and beautifully refined the luxury sedan is a masterful addition to Hyundai's growing fleet.

Where we are going

The future is looking bright for Hyundai Motor Company. Buoyed by recent successes we are pressing ahead. Investment in research and development is being massively hiked and facility and other investments expanded. The road ahead will present challenges and obstacles, but the mood is one of determination, confidence and optimism.

The acceleration of global management, maximization of brand value, cultivation of skilled manpower and establishment of sustainable management are gradually steering the company towards its penultimate GT-5 goal.

At Hyundai, we believe the best way to predict the future is to invent it. Our latest fleet of concept vehicles is testimony to this belief. No longer content to learn from others, Hyundai is now actively seeking a lead role in creating and defining the cars of the future.

The HCD8 with its supercharged 2.7-liter V6 engine, 6-speed manual transaxle and tuned dual exhaust provides performance to match its styling. For real world driving, the driver can adjust the ride height a total of four inches through the air suspension. The vehicle can sit low for high-speed touring or can be raised to handle inclement weather, avoid parking wheel stops, handle a car wash or any other situation where additional ground clearance is needed.

HCD8

In the HCD8 Hyundai has begun to realize its future potential. It was the car no one expected from Hyundai: an uninhibited sportscar, bold, beautiful and unique. Inspired by facets of Hyundai's flagship vehicles - the Elantra, Sonata and Coupe - the automaker's first true sports tourer is also a result of the automaker's simple and unbridled optimism for the future.

"Hyundai's dramatic growth has been fueled by being bold and different, while offering customers greater value at a lower price point," said Joel Piaskowski, Chief Designer at the Hyundai's new Design and Technical Center, California. "The HCD-8 represents what a next-generation sports car from Hyundai could be. It is bold and different. It crosses boundaries within its intended price point and market segment. It offers the consumer an alternative to the expected."

The HCD8 is a great looking car. Sleek, flowing lines caress the eye. A severely sloped roofline drops away to form a rounded, muscular rear flank, while the front of the HCD8 seems almost to scowl. LED headlights provide state of the art road lighting.

The E-Cubed is equipped with a modified 1.8 petrol engine, delivering 140 hp. The future mass production version of this C-segment car will have as one of its powerplant options, a 2.2 liter common rail Euro IV compliant diesel engine that will be introduced sometime between late 2005 and early 2006.

E-Cubed

The E3 is the third in a series of Hyundai concept cars to be designed in Europe and the first creation of Hyundai's new European Design Center. A fully driveable concept car, it hints at the future design directions of Hyundai's next generation C-segment car. Environmentally friendly, unique, practical and stylish, it encapsulates many of the values Hyundai sees important in the future of motoring.

Externally the E3 presents a sleek and strong profile. Unique door frame construction shows the interior to excellent effect. Front and rear LED lighting significantly reduces the size of the headlights, allowing them to blend unobtrusively into the front and rear styling. Rear view mirrors have been replaced with an Indicam, which also houses the side marker lights.

Internally, the E3 is even more remarkable. Chief designer David Finks said of the new model: 'This is essentially a car designed from the inside out.' Its easy to see why: the E3 has the ability to seat four adults in real comfort. Unique seat mountings offering multiple configurations add a spacious and airy "walk through" dimension to the front. A multi-tiered centre console containing large, unobtrusive and integrated storage spaces is "suspended" between the front seats reaching rearwards. The result is a reassuring, yet futuristic, grand limousine realized in mass market size. Intrusive and largely redundant dials and gauges have been dispensed with, replaced by a multi function speedometer, plus a retractable centre console featuring an LCD information screen developed in conjunction with VDO. A vertically sliding communications centre also shows a clever way ahead for in-car communication device storage.

Extending the stress reduction and user-friendly attention to detail further, all the major climate and sound controls have been incorporated into one sculptured control unit which, also developed in conjunction with VDO and designed to feel good, fall naturally to hand while being immediately and instinctively understandable to any driver. In addition the single spoke steering wheel, holding the airbag, adds another functional aspect of elegance to an already imposing interior concept.

The NEOS-II's two-liter four cylinder mid-mounted engine generates 250bhp and offers excellent weight distribution and balance for true sports car performance. In addition the DOHC 'Beta' engine is mated to a high-tech six-speed sequential semi-automatic gearbox, which is both responsive and convenient in operation.

NEOS-II

Perhaps the most creative and exploratory of Hyundai's next generation prototypes, the NEOS-II (NEologism Of Style) is the second product of the Japan Design Center based in Chiba. Unveiled at the 2003 Tokyo Motor Show, the CUV (Crossover Utility Vehicle) combines retro styling with the latest in modern technology and materials.

The NEOS-II is bold and exciting on the inside and outside. The vehicle's body is constructed from a composite of aluminium and thermoplastic resin, and the front and rear sections incorporate a bio-cell honeycomb structure engineered to crumple safely during heavy impacts. The exterior features a see-round-corners adaptive forward lighting system. The silver-and-blue trimming and racing car-style seats give the vehicle a cockpit-style interior; the dashboard uses both analogue and digital instrumentation to give the driver all the information he or she needs.

The Hyundai CCS boasts a two-liter four cylinder mid-mounted engine generates 250bhp and offers excellent weight distribution and balance for true sports car performance; the semi-automatic gearbox, which is both responsive and convenient.

Hyundai CCS

Another example of Hyundai's willingness to challenge the conventional. The CCS (Coupe Cabriolet Study) is the work of Hyundai Ruesselsheim-based Research and Development Centre and renowned convertible specialists Karmann. The CCS features a convertible glass roof that allows three use modes: closed, fully open, and a "slide" setting in between that makes the top seem like a conventional hardtop with wide, open sunroof.

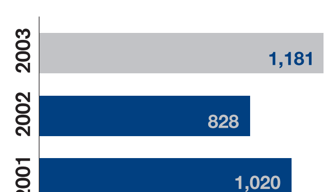
Hyundai OLV

A product of Hyundai's Advanced Design Team at its Namyang R&D Centre in Korea in conjunction with US partners, the OLV (Outdoor Lifestyle Vehicle) aims to put the fun back into sport utility vehicles.

Agile, individualistic, multi-functional and versatile, Hyundai's SUV concept is squarely aimed at the gen-x market.

Flexibility is a main imperative for the low-cost, high-fun OLV. A modular roof and convertible trunk allows people to take their recreational equipment with them to outdoor destinations or to simply carry home the weekly groceries from the supermarket. "With the OLV, we wanted to break free from the SUV (Sport Utility Vehicle) image of huge, truck-based, clunky-looking boxes and do something totally unique," said Kim Young-Il, director of Design Group 1 and the Advanced Design Team.

The OLV is powered by a 2-liter four-cylinder DOHC engine but with the help of a Borg-Warner supercharger and intercooler system, manages to generate up to 150 kW for some adrenalin pumping fun.



R&D Investment
(Korean Won in billions)

The establishment of sustainable management is one of four key management policies essential in Hyundai's effort to realize its goal of becoming one of the top 5 automakers in the world. In executing this goal we at Hyundai are focussing on improving management systems and expanding our role in the global community in two core areas: the environment and society. Meeting these objectives is a responsibility that Hyundai shares with the entire automotive industry, as the industry moves collectively toward a more sustainable and a more productive future. We invite you, our stakeholders, customers and fellow global citizens, to come with us as we strive to meet the challenge of sustainable management for the future, the environment and humankind.

Chairman Mong-koo Chung declaring the ECO GT5 2010 Initiative

Donation of Wing body Trucks to Beautiful Shops

Santa Fe Electric Vehicle in Athens

Environmental Responsibility

The environment is a key issue of sustainable management, and a core corporate value of Hyundai Motor. In 2003 Hyundai launched a corporate-level environment organization and established a company-wide environment management strategy, created through analyzing the entire corporate value chain.

The environmental management strategy designated key tasks as follows: the establishment of an environmentally-friendly product development system to meet regulatory requirements and strengthen environmental performance of its products; the reduction of pollutants and improvement of the clean production system through green purchasing; and the establishment of an environmentally-friendly system for marketing, sales and aftermarket. In addition, Hyundai Motor will accelerate development and commercialization of next-generation environmentally-friendly vehicles such as hybrid electric vehicles and fuel cell electric vehicles. Moreover, Hyundai Motor will strive to develop more recyclable and easily dismantlable components to contribute to the conservation of natural resources and the environment.

2002/2003 Sustainability Report

New Generation Vehicles

Nowadays, hybrid electric vehicles and fuel cell electric vehicles are two of the most highlighted trends worldwide. They are truly environmentally-friendly vehicles in terms of fuel efficiency and CO2 emission reduction (a major source of global warming). Hybrid, which means mixture or complex, is the intermediate stage for developing fuel cell electric vehicles. The hybrid electric vehicle combines merits of internal combustion engine and electric vehicle to achieve high fuel-efficiency and emission reduction. The fossil fuel depletion issue and environmental problems led to the development of the hybrid electric vehicle. Meanwhile, the fuel cell, which is an electro-chemical device, directly produces electricity by reacting hydrogen with oxygen in the air, without the combustion process. The fuel cell electric vehicle achieves the same level of emission performance and silence as the electric vehicle and better fuel efficiency than the hybrid electric vehicle. In comparison to the internal combustion vehicle, it achieves the same level of fuel supply convenience and drive performance. With hydrogen as fuel, it emits nothing but water. The fuel cell electric vehicle is expected to reduce environmental pollution and fossil fuel consumption when it is commercialized.

Tucson Fuel Cell Electric Vehicle

Social Responsibility

Social Responsibility is a high priority of Hyundai in realizing its Sustainable Management goals. As a massive provider of mobility and employment around the world, Hyundai recognizes its influence on social harmony and is pro actively endeavoring to make a positive contribution to society. Social contribution, Employee Value and Customer Safety are three key areas of importance to Hyundai in its effort to become a better corporate citizen.

Hyundai Motor's employees are its most important asset, and looking after them is one of the automaker's highest priorities. Hyundai Motor provides an employee benefits package including medical examinations and various welfare programs to contribute to our employees' quality of life, and have them be confident to be a member of the Hyundai Motor family. In addition, employee training programs are provided to enhance the capabilities of employees within the organization and to improve individual aptitude in performing their assignments. Our effort on educating people extends beyond our own employees to include their families. Hyundai organizes a number of events for employees and their families, including 'Love and Respect Your Parents' event, the 'Cherry Blossom Festival' at the Ulsan plant and annual sports competitions. Such events help bring the company's employees together and helps create bonds between labor and management.

Matrix Modified for The Physically Challenged

A Social Contribution Committee has been established to plan, perform and evaluate all activities related to social contribution. The SCC is expanding its scope of work and conducts various environmental activities including migratory bird protection, local streams clean up and sponsoring various NGO activities.

Hyundai Motor also recognizes the assurance of driver, passenger and pedestrian safety as a key element of social responsibility. Hyundai is developing the Advanced Safety Vehicle (ASV) system, which can be characterized by the use of artificial intelligence. Getz, a small-sized passenger vehicle equipped with Frontal Crash ASV system, scored top rating in the Euro New Car Assessment Program (NCAP). In line with such technical advancements, Hyundai Motor is engaged in safety promotion programs such as Junior Traffic Safety Campaign.

Activities for the physically challenged

Hyundai recently purchased 3000 wheelchairs from the American Wheelchair Foundation and donated them to the South Korean Red Cross. The Wheelchairs were donated to the elderly, the physically challenged with low income, and small scale infirmaries in remote areas.

Hyundai Motor produces vehicles including Getz, Accent, Elantra, Sonata, XG, Matrix and H-1 for physically challenged drivers.

From the war-torn capital of Iraq to the heartland of America; from the booming markets of Asia to the proud motoring capitals of Europe, Hyundai is reaching out to the world. A new-found reputation for quality and burgeoning brand value have preceded Hyundai into rich overseas markets, while strong customer loyalty has provided important ballast for further ventures. Export sales records have tumbled. R&D centers and production plants have opened across the globe. The future of Hyundai in the global marketplace has never looked brighter.

North America

North America remains the most important overseas market for Hyundai motor vehicles, and 2003 proved a watershed year for the company. Vehicle sales in the U.S. set new records and R&D and production investments were increased. The growing strength of the Hyundai brand value was prominent in all aspects of Hyundai's most important foreign success story to date. And its just the beginning.

J.D. Power and Associates announced in April 2004 that Hyundai Motor America moved up 8 rankings from last year in their Initial Quality Study (IQS) and finished in a tie for second place. Hyundai Motor America also won most improved in the 2004 IQS Corporate Ranking. In the IQS Nameplate ranking, Hyundai is also the most improved nameplate with an improvement of 29 percent, moving from 23rd position in 2003 up to seventh position in 2004.

In addition, the Hyundai Sonata midsize sedan was named the 2004 Award recipient in the J.D. Power and Associates IQS for having the highest initial quality in the Entry Midsize Car category. In the Entry Level Sport Utility Vehicle segment, the Hyundai Santa Fe finish in second place and in the Compact Car segment, the Hyundai Accent also finished in second place. Every model in Hyundai's U.S. model lineup is now ranked above industry average in IQS.

This marks the first time that Korean-branded vehicles have outpaced both European-and domestic-branded vehicles in initial quality.

In December of 2003 Hyundai announced that vehicle sales in the U.S. set an all-time record for the company. The previous record was 375,119 which was established in 2002. Sales were largely contributed to the success of the Santa Fe, improving brand image and America's Best Warranty, the Hyundai Advantage, which includes an outstanding 10-year/100,000 Powertrain subcategory.

In January 2003 a new $30 million state-of-the-art design and technical facility was opened in Irvine, housing 100 auto designers, engineers, model makers and technicians, many of whom were responsible for design successes such as Hyundai Motor's Santa Fe sport-utility vehicle and its HCD 6 and HCD 7 concept vehicles. And in April of 2004 Hyundai significantly boosted its investment in the US by ground breaking for a large new technical center just east of Ann Arbor. When finished in mid-2005, the 190,000 square foot technical center will allow Hyundai to develop vehicles targeted specifically at American consumers.

The announcements of these new investments follow the approved construction of a $1 billion automotive assembly and manufacturing plant in Montgomery, Alabama.

The facility - the company's first assembly and manufacturing plant in the U.S. - will begin production in 2005, creating approximately 2,000 plant jobs in Montgomery and the surrounding area.

Global Automotive Shareholder Value Award

Hyundai Motor Company won the Automotive News 2003 Global Automotive Shareholder Value Award in recognition of the company's outstanding financial performance over a three-year period. Presented in mid-January 2004 at the Automotive News World Congress in Detroit, Michigan, the award recognizes companies with the top shareholder value performance. The total value increase in shareholder return was 324.6 percent, according to the Automotive News PricewaterhouseCoopers Shareholder Value Index.

Asia

Asia was a region of massive sales growth for Hyundai in 2003 and is expected to continue to garner sales at unprecedented levels. Hyundai Motor India was the most improved region, posting a massive 53% sales increase in the fiscal year to March 2004. China also maintained strong sales momentum through 2003 and into 2004, and is expected to improve further.

Since its start-up Sept. 1998, Hyundai's Chennai plant has been posting impressive gains as HMI vaulted into the number two sales spot in India. A fully-owned subsidiary of HMC, HMI is becoming a strategically important base for small car manufacturing. As a result of booming Indian sales and export demand, HMI is expanding production capacity to 250,000 per annum and is raising its 2004 sales goal from 190,000 to 215,000 units. To give its Indian customers even greater choice, HMI's product lineup is being expanded in 2004 to include the Elantra and Getz.

Beijing Hyundai Motor Co.'s growth momentum also continued. In December 2003, the company added the Elantra to the lineup and just three months after its introduction, the new model nudged past the Sonata in monthly sales. Beijing Hyundai's first quarter sales for 2004 have reached 21,910 units, up 203 percent over the same quarter last year. Given the bright prospects for the Chinese economy, Beijing Hyundai will increase its production capacity from the current 150,000 units per annum to 300,000 units by 2005 and to 600,000 by 2007.

Europe

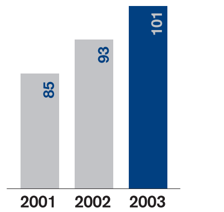
Europe has proved another popular hunting ground for Hyundai Motor as it actively seeks a larger share of the global auto market. The popularity of Hyndai's smart new compact duo, the Getz and Matrix, sparked a sales increase in the region. Exports are forecast to increase 22% in 2004.

The Getz, Hyundai's best selling super-mini, is largely behind the European success story.

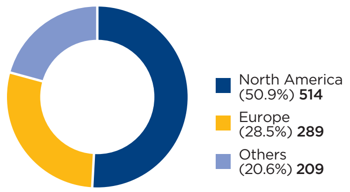
Numerous awards in the proud motoring region attest to its competitiveness in an unforgiving market. The Getz was officially awarded the "Car of Athens Olympic Games 2004", of which Hyundai Motor in Greece is a proud sponsor. For the 2004 year Hyundai is projecting total sales for the supermini of 110,000 units.

It previously sold 100,000 units in 14 months.

Hyundai is also excited about sponsoring the upcoming UEFA EURO 2004 tournament. It is expected the event will further strengthen the motor company's brand image and visibility, as well as have a lasting impact on sales.



Annual export sales
(Based on finished goods)
(Unit : ten thousand units)



Export sales by region in 2003
(Unit : thousand units)

Financial Statements:

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying consolidated balance sheets of Hyundai Motor Company and its subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. In 2003 and 2002, we did not audit the financial statements of certain subsidiaries, which statements reflect total assets of ₩11,732,826 million ($9,795,313 thousand) and ₩10,105,983 million ($8,437,121 thousand), respectively, and total revenues of ₩15,172,943 million ($12,667,343 thousand) and ₩19,235,200 million ($16,058,774 thousand), respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company and its subsidiaries as of December 31, 2003 and 2002, and the results of their operations and changes in the shareholders' equity and their cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

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

As discussed in Note 1, in 2003, the Company added two domestic companies including Aju Metal Co., Ltd. and four overseas companies including Hyundai Motor Company Australia (HMCA) to its consolidated subsidiaries. These changes in the scope of consolidation increased the Company's consolidated assets and revenues by ₩2,795,891 million ($2,334,189 thousand) and ₩528,692 million ($441,386 thousand), respectively, and decreased consolidated shareholders' equity and consolidated net income by ₩299,582 million ($250,110 thousand) and ₩368,162 million ($307,365 thousand), respectively, as compared to the results using the previous scope of consolidation.

As explained in Note 2, the Company prepared its 2003 financial statements in accordance with the Statements of Korea Accounting Standards ("SKAS") No. 2 – "Interim Financial Reporting", No. 4 – "Revenue Recognition", No. 5 – "Tangible Assets", No. 8 – "Investments in Securities" and No. 9 – "Convertible Securities", which are effective from January 1, 2003. For comparative purposes, certain accounts in the 2002 financial statements were reclassified. Also, the statement of income for the year ended December 31, 2002 was revised in conformity with SKAS No. 4. These reclassification and revision do not affect the net assets and net income but resulted in the decrease of sales and cost of sales in 2002 by ₩3,703,293 million (US$3,091,746 thousand) compared with the results based on the previous method.

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

Anjin Deloitte LLC

Anjin Deloitte LLC
Seoul, Korea, April 4, 2004

Notice to Readers

This report is effective as of April 4, 2004, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		*Translation into U. S. dollars (Note 2) (in thousands)*	
ASSETS	**2003**	**2002**	**2003**	**2002**
Current assets:				
Cash and cash equivalents (Note 17)	₩4,763,452	₩2,765,872	$3,976,834	$2,309,127
Short-term financial instruments (Note 17)	4,054,421	3,610,223	3,384,890	3,014,045
Short-term investment securities (Note 4)	393,798	-	328,768	-
Marketable securities (Note 6)	-	710,474	-	593,149
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩284,470 million in 2003 and ₩289,549 million in 2002, and unamortized discount of ₩1,201 million in 2003 and ₩2,820 million in 2002	2,703,821	2,198,905	2,257,323	1,835,786
Inventories (Note 3)	5,498,529	3,819,999	4,590,523	3,189,179
Advances and other, net of allowance for doubtful accounts of ₩177,355 million in 2003 and ₩165,122 million in 2002, and unamortized discount of ₩5,735 million in 2003 and ₩9,639 million in 2002	1,918,753	2,005,079	1,601,898	1,673,968
Total current assets	19,332,774	15,110,552	16,140,236	12,615,254
Non-current assets:				
Long-term financial instruments (Note 17)	208,300	102,195	173,902	85,319
Long-term investment securities (Notes 4 and 17)	3,591,502	-	2,998,415	-
Investment securities accounted for using the equity method (Notes 5 and 17)	520,171	402,465	434,272	336,004
Investment securities (Note 6)	-	1,658,808	-	1,384,879
Property, plant and equipment, net of accumulated depreciation of ₩7,445,356 million in 2003 and ₩6,415,241 million in 2002 (Notes 7, 8, 9 and 17)	17,842,898	16,745,238	14,896,392	13,979,995
Intangibles (Note 10)	1,862,057	1,678,110	1,554,564	1,400,993
Other assets (Note 11)	1,083,349	693,842	904,449	579,264
Deferred income tax assets (Note 19)	2,524,618	1,366,637	2,107,712	1,140,956
Total non-current assets	27,632,895	22,647,295	23,069,706	18,907,410
Other financial business assets (Note 12)	7,287,008	8,367,841	6,083,660	6,986,009
Total assets	**₩54,252,677**	**₩46,125,688**	**$45,293,602**	**$38,508,673**

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED) AS OF DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		*Translation into U. S. dollars (Note 2) (in thousands)*	
LIABILITIES AND SHAREHOLDERS' EQUITY	**2003**	**2002**	**2003**	**2002**
Current liabilities:				
Short-term borrowings (Note 13)	₩9,457,854	₩7,526,948	$7,896,021	$6,283,977
Current maturities of long-term debt, net of unamortized discount of ₩5,163 million in 2003 and ₩657 million in 2002 (Note 14)	5,653,180	3,049,849	4,719,637	2,546,209
Trade notes and accounts payable	4,230,095	4,695,480	3,531,553	3,920,087
Accrued warranties and product liabilities	1,220,380	901,254	1,018,851	752,424
Accounts payable-other	2,356,840	2,741,462	1,967,641	2,288,748
Accrued expenses	858,883	314,674	717,050	262,710
Income tax payable	725,739	585,447	605,893	488,769
Other current liabilities	815,259	1,016,682	680,630	848,791
Total current liabilities	25,318,230	20,831,796	21,137,276	17,391,715
Long-term liabilities:				
Long-term debt, net of current maturities (Note 14)	6,432,270	8,010,263	5,370,070	6,687,480
Accrued severance benefits, net of National Pension payments for employees of ₩104,223 million in 2003 and ₩123,960 million in 2002, and individual severance insurance deposits of ₩1,641,600 million in 2003 and ₩1,513,268 million in 2002 (Note 2)	1,031,582	955,281	861,231	797,530
Accrued loss on valuation of derivatives (Note 2)	209,285	17,053	174,724	14,237
Accrued warranties and product liabilities	3,391,690	2,401,220	2,831,600	2,004,692
Deferred income tax liabilities (Note 19)	911,537	124,295	761,009	103,769
Other long-term liabilities	703,381	334,966	587,228	279,651
Total long-term liabilities	12,679,745	11,843,078	10,585,862	9,887,359
Other financial business liabilities	-	12,732	-	10,629
Total liabilities	**₩37,997,975**	**₩32,687,606**	**$31,723,138**	**$27,289,703**

Commitments and contingencies (Note 24)

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED) AS OF DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		*Translation into U. S. dollars (Note 2) (in thousands)*	
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	2003	2002
Shareholders' equity:				
Capital stock (Note 15)	₩1,478,603	₩1,476,454	$1,234,432	$1,232,638
Capital surplus	5,328,775	5,286,061	4,448,802	4,413,142
Retained earnings				
(Net income of ₩1,775,481 million in 2003				
and ₩1,434,395 million in 2002)	5,147,775	3,677,983	4,297,692	3,070,615
Capital adjustments (Note 16)	380,692	(106,417)	317,826	(88,843)
Minority interests	3,918,857	3,104,001	3,271,712	2,591,418
Total shareholders' equity	16,254,702	13,438,082	13,570,464	11,218,970
Total liabilities and shareholders' equity	₩54,252,677	₩46,125,688	$45,293,602	$38,508,673

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions, except per share amounts)		*Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)*	
	2003	2002	2003	2002
Sales (Note 25)	₩46,588,410	₩44,419,626	$38,894,982	$37,084,343
Cost of sales	32,801,126	31,759,528	27,384,476	26,514,884
Gross profit	13,787,284	12,660,098	11,510,506	10,569,459
Selling and administrative expenses (Note 18)	11,092,841	9,529,256	9,261,013	7,955,632
Operating income	2,694,443	3,130,842	2,249,493	2,613,827
Other expenses (income), net:				
Interest expense, net	47,804	210,619	39,910	175,838
Loss (gain) on foreign currency translation, net	65,155	(132,258)	54,396	(110,417)
Gain on foreign currency transactions, net	(26,877)	(209,587)	(22,439)	(174,977)
Loss (gain) on valuation of investments accounted				
for using the equity method, net	(169,161)	70,065	(141,226)	58,495
Loss (gain) on disposal of investments				
and other assets, net	(127,567)	63,971	(106,501)	53,407
Loss on disposal of property, plant and				
equipment, net	269,723	206,424	225,182	172,336
Loss on valuation of inventories	15,002	5,331	12,525	4,451
Provision for accrued warranties and product				
liabilities, net	-	291,708	-	243,536
Gain on redemption of debentures, net	(115)	(37,022)	(96)	(30,908)
Other, net	(48,569)	(81,206)	(40,549)	(67,796)
	25,395	388,045	21,202	323,965
Ordinary income	2,669,048	2,742,797	2,228,291	2,289,862
Extraordinary item	-	-	-	-

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions, except per share amounts)		*Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)*	
	2003	**2002**	**2003**	**2002**
Income before income tax	₩2,669,048	₩2,742,797	$2,228,291	$2,289,862
Income tax expense (Note 19)	652,439	844,344	544,698	704,912
Income before minority interests	2,016,609	1,898,453	1,683,593	1,584,950
Minority interests	(241,128)	(464,058)	(201,308)	(387,425)
Net income	₩1,775,481	₩1,434,395	$1,482,285	$1,197,525
Ordinary income per ordinary common share	₩7,845	₩6,313	$6.55	$5.27
Earnings per ordinary common share	₩7,845	₩6,313	$6.55	$5.27
Ordinary income per fully diluted common share	₩7,820	₩6,290	$6.53	$5.25
Earnings per fully diluted common share	₩7,820	₩6,290	$6.53	$5.25

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)						*Translation into U.S. dollars (Note 2) (in thousands)*
	Capital stock	**Capital surplus**	**Retained earnings**	**Capital adjustments**	**Minority interests**	**Total amount**	**Total amount**
January 1, 2002	₩1,476,454	₩5,306,332	₩2,473,940	₩(65,435)	₩2,512,837	₩11,704,128	$9,771,354
Additional investment in subsidiaries	-	(24,222)	-	-	-	(24,222)	(20,222)
Disposal of treasury stock	-	(18)	-	-	-	(18)	(15)
Merger between subsidiaries	-	-	1,785	-	-	1,785	1,490
Application of the equity method	-	-	(1,219)	-	-	(1,219)	(1,018)
Effect of change in the scope of consolidation	-	(588)	590	1,906	52,300	54,208	45,256
Effect of change in the scope of equity method	-	-	-	(3,182)	-	(3,182)	(2,657)
Payment of cash dividends (Note 19)	-	-	(215,145)	-	(5,002)	(220,147)	(183,793)
Net income	-	-	1,434,395	-	-	1,434,395	1,197,525
Treasury stock	-	-	-	(6,867)	-	(6,867)	(5,733)
Discount on stock issuance	-	1	-	248	-	249	208
Loss on valuation of investment equity securities	-	-	-	(4,704)	-	(4,704)	(3,927)
Stock options	-	-	-	(82)	-	(82)	(68)
Cumulative translation debits	-	-	-	(67,578)	-	(67,578)	(56,418)
Loss on transaction of derivatives	-	-	-	39,277	-	39,277	32,791
Effect of change in the minority interests	-	-	-	-	543,866	543,866	454,054
Others	-	4,556	(16,363)	-	-	(11,807)	(9,857)
December 31, 2002	₩1,476,454	₩5,286,061	₩3,677,983	₩(106,417)	₩3,104,001	₩13,438,082	$11,218,970

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)						Translation into U.S. dollars (Note 2) (in thousands)
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total amount	Total amount
January 1, 2003	₩1,476,454	₩5,286,061	₩3,677,983	₩(106,417)	₩3,104,001	₩13,438,082	$11,218,970
Additional investment in subsidiaries	-	(124,104)	-	-	46,168	(77,936)	(65,066)
Disposal of subsidiaries' stock	-	138,579	(1)	-	-	138,578	115,694
Extinguishment of treasury stock by surplus	-	-	(58,367)	9,172	(49,878)	(99,073)	(82,712)
Application of the equity method	-	-	20,741	-	-	20,741	17,316
Effect of change in the scope of consolidation	-	(17,159)	(45,326)	-	131,065	68,580	57,255
Effect of change in the scope of equity method	-	-	(44,149)	-	-	(44,149)	(36,858)
Payment of cash dividends (Note 19)	-	-	(243,079)	-	(48,096)	(291,175)	(243,092)
Net income	-	-	1,775,481	-	-	1,775,481	1,482,285
Treasury stock	-	15,220	-	(15,848)	-	(628)	(524)
Discount on stock issuance	-	-	(171)	(2,641)	-	(2,812)	(2,348)
Gain on valuation of available-for-sale securities	-	-	-	550,328	-	550,328	459,449
Gain on valuation of investment equity securities	-	-	-	11,380	-	11,380	9,501
Stock options	2,149	-	-	3,061	-	5,210	4,350
Cumulative effect of foreign currency translation	-	-	-	38,420	-	38,420	32,075
Loss on transaction of derivatives	-	-	-	(106,763)	-	(106,763)	(89,133)
Effect of change in the minority interests	-	-	-	-	241,128	241,128	201,309
Others	-	30,178	64,663	-	494,469	589,310	491,993
December 31, 2003	₩1,478,603	₩5,328,775	₩5,147,775	₩380,692	₩3,918,857	₩16,254,702	$13,570,464

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Cash flows from operating activities:				
Net income	₩1,775,481	₩1,434,395	$1,482,285	$1,197,525
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,437,823	1,537,250	1,200,387	1,283,395
Loss (gain) on foreign currency translation, net	65,305	(131,965)	54,521	(110,173)
Loss (gain) on disposal of investments, net	(127,567)	63,971	(106,501)	53,407
Loss (gain) on valuation of investments accounted for using the equity method, net	(169,161)	70,065	(141,226)	58,495
Loss on disposal of property, plant and equipment, net	273,696	206,424	228,498	172,336
Loss on valuation of inventories	15,001	5,331	12,524	4,451
Loss (gain) on redemption of debentures, net	115	(37,022)	96	(30,908)
Loss on impairment of investments	45,590	40,850	38,061	34,104
Loss on disposal of trade receivables	77,926	88,006	65,058	73,473
Amortization of discount on debentures	41,193	68,157	34,391	56,902
Amortization of intangibles, net	488,954	830,727	408,210	693,544
Provision for severance benefits	591,737	753,464	494,020	629,040
Provision for warranties and product liability	1,463,308	1,765,807	1,221,662	1,474,209
Provision for doubtful accounts	1,533,664	592,345	1,280,401	494,527
Amortization of present value discount accounts	(107,948)	(13,245)	(90,122)	(11,059)
Net income (loss) on minority interests	(4,793)	464,058	(4,002)	387,425
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(1,631,248)	(1,076,727)	(1,361,870)	(898,921)
Decrease in advances	136,828	158,826	114,233	132,598
Increase in inventories	(1,412,848)	(310,670)	(1,179,536)	(259,367)
Decrease (increase) in other current assets	(94,041)	63,411	(78,512)	52,940
Decrease in long-term notes and accounts receivables	4,346	10,906	3,628	9,105
Increase in deferred income tax assets	(1,158,341)	(32,119)	(967,057)	(26,815)
Increase in other financial business assets	(1,666,097)	(4,114,688)	(1,390,964)	(3,435,205)
Increase (decrease) in trade notes and accounts payable	(464,741)	1,630,804	(387,995)	1,361,500
Increase (decrease) in accounts payable-other	(385,383)	846,440	(321,742)	706,662
Increase (decrease) in other current liabilities	487,079	(239,565)	406,645	(200,004)
Increase in individual severance insurance deposits	(19,526)	(266,017)	(16,302)	(222,088)
Decrease in accrued warranties and accrued product liabilities	(129,315)	(143,349)	(107,960)	(119,677)
Decrease in accrued loss on valuation of derivatives	(961)	(38,318)	(802)	(31,990)
Increase in cumulative translation debits, net	(70,830)	(1,282)	(59,134)	(1,070)
Increase (decrease) in deferred income tax liabilities	786,795	(103,728)	656,867	(86,599)
Payment of severance benefits	(406,840)	(308,575)	(339,656)	(257,618)
Others	(96,439)	(86,229)	(80,514)	(71,990)
	1,278,762	3,727,738	1,067,592	3,112,154

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions) 2003	2002	Translation into U. S. dollars (Note 2) (in thousands) 2003	2002
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of short-term investment securities	₩4,483,700	₩ -	$3,743,279	$ -
Proceeds from disposal of marketable securities	-	6,487,542	-	5,416,214
Reduction in short-term financial instruments and other current assets	7,854,036	4,442,551	6,557,051	3,708,926
Proceeds from disposal of long-term investment securities	5,245,529	-	4,379,303	-
Proceeds from disposal of investments	-	307,792	-	256,964
Reduction in other assets	670,947	280,860	560,150	234,481
Proceeds from disposal of property, plant and equipment	196,153	183,709	163,761	153,372
	18,450,365	11,702,454	15,403,544	9,769,957
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(7,728,526)	(6,318,491)	(6,452,267)	(5,275,080)
Acquisition of short-term investment securities	(4,084,863)	-	(3,410,305)	-
Acquisition of marketable securities	-	(6,271,525)	-	(5,235,870)
Additions to other current assets	(135,126)	(42,308)	(112,812)	(35,321)
Acquisition of long-term investment securities	(2,699,658)	-	(2,253,847)	-
Acquisition of investments	-	(821,821)	-	(686,109)
Additions to other assets	(1,245,987)	(222,059)	(1,040,231)	(185,390)
Acquisition of property, plant and equipment	(2,830,903)	(1,686,611)	(2,363,418)	(1,408,091)
Expenditures for development costs	(391,349)	(291,690)	(326,723)	(243,521)
	(19,116,412)	(15,654,505)	(15,959,603)	(13,069,382)
	(666,047)	(3,952,051)	(556,059)	(3,299,425)
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	6,990,449	21,315,448	5,836,074	17,795,499
Proceeds from long-term debt	4,246,163	4,993,859	3,544,968	4,169,193
Proceeds from issuance of stock	236,816	58,761	197,709	49,057
Proceeds from disposal of treasury stock	86,502	4,931	72,217	4,117
Others	194,262	20,647	162,183	17,237
	11,754,192	26,393,646	9,813,151	22,035,103
Cash outflows from financing activities:				
Repayment of short-term borrowings	(5,972,761)	(20,629,745)	(4,986,443)	(17,223,030)
Payment of current maturities of long-term debt	(3,152,809)	(2,768,331)	(2,632,166)	(2,311,180)
Payment of cash dividends	(395,989)	(276,089)	(330,597)	(230,497)
Repayment of long-term debt	(856,872)	(1,916,307)	(715,372)	(1,599,856)
Purchase of treasury stock	(192,957)	(20,215)	(161,093)	(16,877)
Others	(120,746)	(125,460)	(100,806)	(104,741)
	(10,692,134)	(25,736,147)	(8,926,477)	(21,486,181)
	1,062,058	657,499	886,674	548,922

(continued)

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won (in millions) 2003	2002	Translation into U. S. dollars (Note 2) (in thousands) 2003	2002
Effect of cash due to the merger	₩ -	₩ (63)	$ -	$ (52)
Effect of exchange rate on cash	55,623	(27,028)	46,438	(22,564)
Effect of change in consolidated subsidiaries	267,184	55,353	223,062	46,212
Net increase in cash and cash equivalents	1,997,580	461,448	1,667,707	385,247
Cash and cash equivalents, beginning of year	2,765,872	2,304,424	2,309,127	1,923,880
Cash and cash equivalents, end of year	₩4,763,452	₩2,765,872	$3,976,834	$2,309,127

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION:

The Company

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

The Company acquired 214,200 thousand shares (51 percent) of the outstanding shares of Kia Motors Corp. (Kia) and Asia Motors Co., Inc. (Asia Motors) through a consortium with its affiliates, for ₩1,178,100 million paid on March 29, 1999 based on a stock acquisition agreement dated December 1, 1998, enabling the Company to exercise substantial control on Kia (Asia Motors merged into Kia on June 30, 1999) and its subsidiaries. In addition, as of July 31, 1999, the Company merged the Automobile and Machine Tool divisions of Hyundai Precision and Industry Co., Ltd. Due to such merger and acquisition, the Company's production and sales in domestic and foreign market have expanded significantly.

The Company has three domestic production plants as follows:

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

As of December 31, 2003, 48.75 percent of the Company's stock (excluding preferred stock) is owned by Korean investors, including Hyundai MOBIS (13.18 percent) and INI Steel (4.86 percent), and the remaining 51.25 percent is owned by foreign investors, including Daimler Chrysler (10.44 percent) and Mitsubishi of Japan (2.52 percent), under foreign investment agreements.

The Company determined to discontinue Hyundai Truck America, which was a branch for the distribution of commercial vehicles' sales operations, effective on January 1, 2004 and established a representative office to continue supporting certain branch's services.

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and its consolidated domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than thirty percent of the voting shares. The consolidated subsidiaries as of December 31, 2003 are as follows:

		Shareholders' equity As of December 31, 2003				
Subsidiaries	Business	Korean won (in millions)(*)	U.S. dollars (in thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Domestic subsidiaries:						
Kia Motors Corporation (Kia)	Manufacturing	5,342,179	4,459,992	170,465,491	47.39	HCS 10.06%
Hyundai HYSCO	〃	893,662	746,086	40,248,868	50.19	Kia 24.06%

		Shareholders' equity As of December 31, 2003				
Subsidiaries	Business	Korean won (in millions)(*)	U.S. dollars (in thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Hyundai Capital Service Inc. (HCS)	Financing service	625,547	522,247	59,813,430	84.24	
Hyundai Card Co., Ltd.	〃	110,474	92,231	109,861,085	77.61	Kia 20.72%
KEFICO Corporation	Manufacturing	164,178	137,066	1,670,000	50.00	
Hyundai Powertech	〃	256,610	214,234	48,000,000	100.00	Kia 50.00%
WIA Corporation (WIA)	〃	192,389	160,619	6,949,476	90.60	Kia 45.30%
Dymos Inc.	〃	178,676	149,170	23,911,245	79.68	Kia 27.29%, WIA 5.12%
e-HD.com	Information service	7,349	6,135	2,724,770	68.04	Kia 22.76%, HCS 3.72%
ROTEM	Manufacturing	328,476	274,233	40,306,304	78.36	
Haevichi Resort (formerly Cheju Dynasty Co., Ltd.)	Real estate development	10,553	8,810	2,015,000	65.00	Kia 40.00%, WIA 25.00%
Bontek Co., Ltd.	Manufacturing	46,354	38,699	390,000	39.00	Kia 39.00%
Aju Metal Co., Ltd.	〃	(5,150)	(4,300)	72,680	72.68	WIA 50.00%, DYMOS 22.68%
Daimler Hyundai Truck Co., Ltd.	〃	54,605	45,588	10,000,000	50.00	
Autoever Systems Corp. (formerly Autoever Co., Ltd.)	Information technology	16,445	13,729	499,000	49.90	Kia 20.00%, HCS 4.90%
Foreign subsidiaries:						
Hyundai Motor India (HMI)	Manufacturing	337,299	281,599	8,127,785	100.00	
Hyundai Motor America (HMA)	Sales	697,516	582,331	1,150	100.00	
Hyundai Motor Japan Co. (HMJ)	〃	(54,754)	(45,712)	40,000	100.00	
Hyundai Motor Poland Sp. Zo.O (HMP)	〃	(446)	(372)	-	100.00	
Hyundai Motor Europe GmbH (HME)	〃	15,653	13,068	-	100.00	
Hyundai Motor Company Australia (HMCA)	〃	13,696	11,434	-	100.00	
Hyundai Translead (HT)	〃	12,830	10,711	1,160,000	100.00	
Hyundai Machine Tool Europe GmbH (HYME)	〃	12,496	10,432	-	100.00	
Hyundai America Technical Center Inc. (HATCI)	R & D	16,057	13,405	1,000	100.00	

Shareholders' equity As of December 31, 2003

Subsidiaries	Business	Korean won (in millions)(*)	U.S. dollars (in thousands)	Shares (**)	Percentage ownership (**)	Indirect ownership (**)
Beijing Mobis Transmission Co., Ltd.	Manufacturing	44,214	36,913	-	60.00	Kia 30.00%
World Marketing Group LLC (WMG)	Sales	10,624	8,870	-	100.00	HMA 50.00%, KMA 50.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	277,561	231,726	-	100.00	HMA 100.00%
Hyundai Motor Finance Company (HMFC)	Financing service	235,738	196,809	750	100.00	HMA 100.00%
Hyundai Auto Canada Captive Insurance Incorporation (HACCII)	Insurance	2,206	1,842	100	100.00	HMA 100.00%
Sevenwood Property Inc.	Real estate rent	(421)	(351)	4,088,071	100.00	HMA 100.00%
Hyundai de Mexico, S.A. de C.V. (HYMEX)	Manufacturing	4,437	3,704	9,996	99.96	HT 99.96%
Kia Japan Co., Ltd. (KJC)	Sales	25,821	21,557	85,800	100.00	Kia 100.00%
Kia Motors America Inc. (KMA)	〃	17,745	14,815	1,000,000	100.00	Kia 100.00%
Kia Motors Deutschland GmbH (KMD)	〃	6,326	5,281	-	100.00	Kia 100.00%
Kia Canada, Inc. (KCI)	〃	(373)	(311)	6,298	100.00	Kia 82.5%, KMA 17.5%
Kia Motors Polska Sp.z.o.o. (KMP)	〃	(6,532)	(5,453)	15,637	99.60	KMD 99.60%
Kia Motors Europe GmbH (KME)	Managing subsidiaries	55,316	46,181	25,000	100.00	Kia 100.00%
Kia Motors Belgium (KMB)	Sales	937	782	1,000,000	100.00	KME 100.00%
Kia Motors Czech s.r.o. (KMCZ)	〃	1,493	1,246	106,870,000	100.00	KME 100.00%
Kia Motors (UK) Ltd. (KMUK)	〃	35,242	29,422	17,000,000	100.00	KME 100.00%
Kia Motors Austria GmbH (KMAS)	〃	3,985	3,327	2,107,512	100.00	KME 100.00%
Kia Motors Hungary Kft (KMH)	〃	4,074	3,401	30,000,000	100.00	KME 100.00%
Dong Feng Yueda Kia Motor Co., Ltd.	Manufacturing	122,037	101,884	-	50.00	Kia 100.00%
Hyundai Pipe of America, Inc.	Sales	4,786	3,996	250,000	100.00	HYSCO 100%
Hyundai Hysco Vietnam Co., Ltd.	Manufacturing	(10,003)	(8,351)	-	100.00	HYSCO 100%
Bejing Hyundai Hysco Steel Process Co., Ltd.	Manufacturing	6,396	5,340	-	100.00	HYSCO 100%
Kia Heavy Industries U.S.A., Corp.	Sales	(1,898)	(1,585)	1,200	100.00	WIA 100.00%

(*) Local currency is translated into Korean won using the Bank of Korea basic rate at December 31, 2003.
(**) Shares and ownership are calculated by combining the shares and ownership, which the Company and its subsidiaries hold as of December 31, 2003. Indirect ownership represents subsidiaries' holding ownership.

Among the consolidated domestic subsidiaries, Kia and Hyundai HYSCO have been listed on the Korea Stock Exchange, and Bontek Co., Ltd. and AJU Metal Co., Ltd. are under composition with creditors according to the Composition Act.

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

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

(2) World Marketing Group LLC are included in 2003 consolidation since its individual total assets at the end of the preceding year exceeded the required level of ₩7,000 million ($5,844 thousand).

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

(4) Hyundai-Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi (HAOSVT) and WISCO, which had been included in the 2002 consolidation, are excluded in 2003 consolidation due to the disposal of ownership.

The inclusion of the individual accounts of the subsidiaries mentioned above in the Company's 2003 consolidated financial statements increased the Company's consolidated assets and revenues by ₩ 2,795,891 million ($2,334,189 thousand) and ₩ 528,692 million ($441,386 thousand), respectively, and decreased consolidated shareholders' equity and consolidated net income by ₩299,582 million ($250.110 thousand) and ₩368,162 million ($307,365 thousand), respectively, as compared to the results using the previous scope of consolidation.

In 2002, the Company added two domestic companies including Daimler Hyundai Truck Co., Ltd. and ten overseas companies including Hyundai Motor Europe GmbH (HME) to its consolidated subsidiaries. The details of these changes in the scope of consolidation are as follows:

(1) DongFeng Yueda Kia Motor Co., Ltd. (formerly Hyundai-Kia-Yueda Motor Company) and Daimler Hyundai Truck Co., Ltd. whose equity securities had been accounted for using the equity method in 2001 are included in the consolidation mainly due to the holding and acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.

(2) Hyundai Motor Europe GmbH (HME) and Autoever, which had not been included in the consolidation nor accounted for using the equity method in 2001, are included in 2002 consolidation since its individual total assets at the end of the preceding year exceeded the required level of ₩7,000 million ($5,844 thousand).

(3) Hyundai Motor Manufacturing Alabama, LLC (HMMA), Kia Motors Europe GmbH (KME), Kia Motors Belgium (KMB), Kia Motors Czech s.r.o. (KMCZ), Kia Motors (UK) Ltd. (KMUK), Kia Motors Austria GmbH (KMAS), Kia Motors Hungary Kft (KMH) and Hyundai Auto Canada Captive Insurance Incorporation (HACCII) are included in the consolidation due to the new acquisition of ownership enabling the Company and its subsidiaries to exercise substantial control.

The inclusion of the individual accounts of the subsidiaries mentioned above in the Company's 2002 consolidated financial statements increased the Company's consolidated assets, shareholders' equity and revenues by ₩698,043 million ($582,771 thousand), ₩ 29,926 million ($24,984 thousand) and ₩ 1,094,755 million ($913,971 thousand), respectively and decreased consolidated net income by ₩ 22,069 million ($18,425 thousand) as compared to the results using the previous scope of consolidation.

In 2002, Korea Precision Co., Ltd, which was an indirect consolidated subsidiary through investment of WIA, one of the Company's domestic subsidiaries, was merged into Dymos Inc, another subsidiary. In accordance with financial accounting standards for consolidated financial statements in the Republic of Korea, which state that when consolidated companies are merged together during a fiscal year, consolidated financial statements would reflect this transaction as if the controlling company acquired additional interest rather than a merger took place; therefore, net loss for Korea Precision Co., Ltd. as of the merger date, amounting to ₩4,864 million ($4,061 thousand), is reflected in the consolidated income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

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

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars based on the Bank of Korea basic rate of ₩1,197.80 to US$1.00 at December 31, 2003, solely for the convenience of the reader. This convenience translation into U.S. dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The Company prepared its 2003 financial statements in accordance with the Statements of Korea Accounting Standards ("SKAS") No. 2, 4, 5, 8 and 9, effective from January 1, 2003. Major changes compared with the standards applied in preparing the 2002 financial statements are as follows:

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Statements of Korea Accounting Standards (SKAS)	Major changes	Before application	After application
No. 2 Interim Financial Reporting	• Presentation of comparative balance sheet	• Balance sheet as of the end of the current interim period is compared with the end of the comparable interim period of immediately preceding fiscal year	• Balance sheet of the end of the current interim period is compared with he end of the immediately preceding fiscal year
	• Statement of cash flows	• Not included in interim financial statements	• Included in interim financial statements • 4th quarter financial statements can be replaced with the disclosure of key items of current operations in annual financial statements
No. 4 Revenue Recognition	• Recognition of sales to vendor to be repurchased under the outsourcing contract	• Revenue recognition on a gross basis	• Revenue recognition on a net basis
No. 5 Tangible Assets	• Explanatory notes	-	• Clarification of definition, scope, recognition and disclosures
No. 8 Investments in Securities	• Classification	• Investments are classified into marketable securities (current assets) and investment securities (non-current assets) at the time of purchase.	• Investments are classified into short-term investment securities (current assets) and long-term investment securities (non-current assets) based on the maturities and disposal plan within one year • SKAS No. 8 is not applied to the investments accounted for using the equity method.
	• Accounting for gain or loss on valuation of marketable securities	• Gain or loss on valuation of marketable securities is recorded in current operations	• Accounting for valuation depends on whether the investments are securities held for trading, available-for-sale securities or held-to-maturity securities (see Note 2 - Investments in Securities).

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The Company's accounting policies have not been changed since the preparation of the 2002 financial statements, except for changes due to the application of the above SKAS. The significant accounting policies followed by the Company in the preparation of its consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, is the largest shareholder and owns more than 30 percent of the voting shares, except for companies with total assets of less than ₩7,000 million ($5,844 thousand) at the end of the preceding fiscal year. Investments in affiliates in which a consolidated entity is able to exercise significant influence over the operating and financial policies of a non-consolidated company are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than twenty percent of the investee's voting shares unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩7,000 million ($5,844 thousand), are not material, investments in affiliates can be excluded from using the equity method.

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

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

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

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

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

Revenue Recognition

Sales of goods is recognized at the time of shipment only if it meet the conditions that significant risks and rewards of ownership of the goods have been transferred to the customer, and neither continuing managerial involvement nor effective control over the goods sold is retained.

Interest income arising from long-term installment sales is recognized using the level yield method. In the case of subsidiaries in financial business, interest revenues earned on financial assets are recognized as time passes and fees and commissions in return for services rendered are recognized as services are provided.

In conformity with SKAS No. 4 - "Revenue Recognition", as initially applied in 2003, the Company changed the accounting method for revenue recognition of sales to vendors to be repurchased under the outsourcing contracts from a gross basis to a net basis. For comparative purposes, the 2002 statement of income was revised in conformity with SKAS No. 4 and this revision resulted in the decrease of sales and cost of sales by ₩3,703,293 million (US$3,091,746 thousand) as compared with the results based on the previous method.

Allowance for Doubtful Accounts

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

Inventories

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

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

Classification of Securities

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

Valuation of Securities

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

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-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.

Equity Securities Accounted for Using the Equity Method

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

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Property, Plant and Equipment and Related Depreciation

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

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

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

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

Intangibles

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

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

	Useful lives (years)
Goodwill (Negative goodwill)	Within 20 years
Development costs	3 – 10
Other	3 – 40

If the recoverable value of intangible assets is lower than book value, book value is adjusted to the recoverable value with impairment loss charged to current operations.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method. Effective interest rate for long - term accounts receivable in 2003 and 2002 is from 8.25 percent to 10.00 percent.

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Restructuring of Receivables and Payables

If principal, interest rate or repayment period of receivables is changed unfavourably for the Company by the court imposition such as commencement of reorganization or by mutual agreements and the difference between nominal value and present value is material, such difference is recorded in other expense as provision for doubtful accounts. The difference is amortized using the effective interest method, with the amortization included in interest income or interest expense.

Discount on Debentures

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

Accrued Severance Benefits

Employees and directors of the Company and its subsidiaries are entitled to receive a lump-sum payment upon termination of their service based on the applicable severance plan of each company. The accrued severance benefits that would be payable assuming all eligible employees of the Company and its domestic subsidiaries terminated their employment amount to ₩2,777,405 million ($2,318,755 thousand) and ₩2,592,509 million ($2,164,392 thousand) as of December 31, 2003 and 2002, respectively.

Accrued severance benefits are funded through an individual severance insurance plan. Individual severance insurance deposits, of which a beneficiary is a respective employee, are presented as deduction from accrued severance benefits. Actual payments of severance benefits amounted to ₩ 406,840 million ($339,656 thousand) and ₩ 308,575 million ($257,618 thousand) in 2003 and 2002, respectively.

Accrued Warranties and Product Liabilities

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

Stock Options

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

Derivative Instruments

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

The Company and its domestic subsidiaries entered into derivative instrument contracts including forwards, options and swaps to hedge the exposure to changes in foreign exchange rate. As of December 31, 2003 and 2002, the Company and its domestic subsidiaries deferred the loss of ₩83,863 million (US$70,014 thousand) and gain of ₩22,900 million (US$19,118 thousand), respectively, on valuation of the effective portion of derivative instruments for cash flow hedging purposes from forecasted exports as capital adjustments. The Company and its subsidiaries recognized loss on valuation of the ineffective portion of such derivative instruments and the other derivative instruments in current operations.

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

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

(*) The Company has the position of seller.

The gain or loss on valuation of these derivatives related to the fair value of Kia shares is recognized in current operations. As of December 31, 2003, all premiums to be paid by the Company are recorded as long-term other accounts payable in long-term liabilities of ₩89,864 million (US$75,024 thousand) and accounts payable – other of ₩27,706 million (US$ 23,131 thousand), after deducting the present value discount of ₩20,959 million (US$17,498 thousand). Also, as of December 31, 2003, all premiums to be received by the Company are recorded as long-term other accounts receivable of ₩14,745 million (US$12,310 thousand) and accounts receivable-other of ₩4,547 million (US$3,796 thousand), after deducting the present value discount of ₩3,441 million (US$2,873 thousand). The present value discount will be amortized using the effective interest method.

In 2003 and 2002, the Company and its subsidiaries recognized the net loss of ₩39,548 million (US$33,017 thousand) and the net gain of ₩30,653million (US$25,591 thousand), respectively, on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations.

The Company and its domestic subsidiaries recorded total gain on valuation of outstanding derivatives and present value of premiums of ₩ 162,722 million (US$135,851 thousand) and ₩ 51,622 million (US$43,097 thousand) in other assets as of

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December 31, 2003 and 2002, respectively. Also, total loss on valuation of outstanding derivatives and present value of premiums of ₩209,285 million (US$174,724 thousand) and ₩17,053 million (US$14,237 thousand) is recorded in liabilities as of December 31, 2003 and 2002, respectively.

Financing Costs

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

Accounting for Foreign Currency Transaction and Translation

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

Assets and liabilities of subsidiaries outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet dates; income and expenses of subsidiaries are translated at the average rates of exchange prevailing during the year, which was ₩1,191.60 and ₩1,251.18 to US$1.00 in 2003 and 2002, respectively. Cumulative translation debits or credits, which occurred in the translations of financial statements of foreign subsidiaries and branch, are recorded as capital adjustments.

Income Tax Expense

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

Earnings Per Common Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends on preferred stock, by the weighted average number of common shares. The number of shares used in computing earnings per common share is 218,173,808 and 218,084,933 in 2003 and 2002, respectively. Earnings per diluted common share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to dilutive securities on net income, by the number of the weighted average number of common shares plus the dilutive potential common shares. The number of shares used in computing diluted earnings per diluted share is 218,859,929 and 218,863,816 in 2003 and 2002, respectively. There is no dilution effect in 2001.

Reclassifications

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

3. INVENTORIES:

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Accounts	2003	2002	2003	2002
Finished goods and merchandise	₩2,844,499	₩2,660,531	$2,374,769	$2,221,181
Semi finished goods and work in process	829,780	459,998	692,753	384,036
Raw materials and supplies	650,427	499,787	543,018	417,254
Materials in transit	1,155,321	176,346	964,536	147,225
Other	18,502	23,337	15,447	19,483
	₩5,498,529	₩3,819,999	$4,590,523	$3,189,179

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

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)
Description	Acquisition cost	Book value	Book value
Trading securities			
Beneficiary certificates	₩54,505	₩26,634	$22,236
Available-for-sale securities			
Government bonds	58	58	48
Asset backed securities	11,993	11,993	10,013
Beneficiary certificates	710,665	212,147	177,114
Other	136,521	136,521	113,976
Held-to-maturity securities			
Government bonds	6,445	6,445	5,381
	₩920,187	₩393,798	$328,768

Trading securities and available-for-sale securities in short-term investment securities are stated at fair value with the resulting net loss on valuation of trading securities amounting to ₩27,871million (US$23,268 thousand) in current operations, and loss on valuation of available-for-sale securities amounting to ₩498,518 million (US$416,195 thousand) in capital adjustments as of December 31, 2003.

(2) Long-term investment securities as of December 31, 2003 consist of available-for-sale securities of ₩3,510,232 million (US$2,930,566 thousand) and held-to-maturity of ₩81,270 million (US$67,849 thousand).

(3)Available-for-sale securities of long-term investment securities consist of the following:

Description	Korean won (in millions)	U. S. dollars (Note 2) (in thousands)
Equity securities stated at fair value	₩1,632,936	$1,363,279
Equity securities stated at acquisition cost	173,243	144,634
Debt securities	1,704,053	1,422,653
	₩3,510,232	$2,930,566

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

		Korean won (in millions)	U. S. dollars (Note 2) (in thousands)	(%)
Companies	Acquisition cost	Book value	Book value	Ownership percentage (*2)
INI Steel (*1)	₩137,175	₩247,264	$206,432	23.81
Hyundai MOBIS (*1)	132,056	1,120,347	935,337	20.61
Jin Heung Mutual Savings Bank	2,166	1,990	1,661	8.66
Korea Mutual Savings Bank	2,846	3,501	2,923	8.13
Saehan Media	4,933	3,284	2,742	6.52
Korea Information Service, Inc.	5,252	8,301	6,930	4.41
Daewoo Engineering & Construction Co., Ltd	42,483	56,945	47,541	3.06
Hyundai Heavy Industries Co., Ltd.	56,924	82,125	68,563	2.88
Daewoo International Corporation	9,822	17,301	14,444	2.51
Hyundai Information Technology Co., Ltd.	10,000	1,260	1,052	2.21
Korea Industrial Development Co., Ltd.	5,058	3,279	2,738	2.20
ICOLS Inc.	160	272	227	1.78
LG Telecom, Ltd.	19,851	13,536	11,301	1.34
Hyundai Corporation	13,626	747	624	1.08
Chohung Bank	73,545	26,705	22,295	0.95
Hyundai Merchant Marine Co., Ltd.	7,329	5,565	4,646	0.55
Hyundai Engineering & Construction Co., Ltd	13,332	3,053	2,549	0.53
Kanglim Co., Ltd	347	48	40	0.38
KT Freetel	18,000	10,627	8,872	0.29
Prochips Technology Inc.	904	33	28	0.22
Kia Steel Co., Ltd.	955	779	650	0.19
Hynix Semiconductor Inc.	2,047	4,043	3,375	0.16
Treasury Stock Fund	4,067	1,498	1,251	-
Stock Market Stabilization Fund	6,010	20,414	17,043	-
Other	313	19	15	-
	₩569,201	₩1,632,936	$1,363,279	

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

The difference of ₩1,063,735 million (US$888,074 thousand) as of December 31, 2003, between the book value and the acquisition cost of equity securities stated at fair value in long-term investment securities is recorded as gain on valuation of available-for-sale securities in capital adjustments. The net gain on valuation of available-for-sale securities amounting to ₩565,217 million (US$471,879 thousand) in capital adjustments as of December 31, 2003 consists of loss on valuation of short-term investment securities amounting to ₩498,518 million (US$416,195 thousand) and gain on valuation of long-term investment securities amounting to ₩1,063,735 million (US$888,074 thousand).

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

		Korean won (in millions)	U. S. dollars (Note 2) (in thousands)	
Companies	Acquisition cost	Book value	Book value	Ownership percentage (*2)
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	₩2,019	₩2,019	$1,686	84.87
NGVTEK.com (*1)	571	571	477	53.66
Mco	950	950	793	19.99
Dongyong Industries Co., Ltd	241	241	201	19.35
Jinil MVC Co., Ltd.	180	180	150	18.00
Mobil.Com Co., Ltd.	1,800	1,800	1,503	17.39
Industri Otomotif Komersial	4,439	4,439	3,706	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,749	14.97
Hyundai Unicorns Co., Ltd.	5,795	137	114	14.90
Hyundai Research Institute	1,359	1,271	1,061	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,087	13.66
Kihyup Finance, Inc.	3,700	3,700	3,089	12.75
3Gcore, Inc	225	225	188	10.43
Hyundai Motor Deutschland GmbH	863	863	720	10.00
Wisco Co., Ltd	348	280	234	9.68
Hyundai Finance Corporation	9,888	9,888	8,255	9.29
Namyang Industrial Co., Ltd.	200	200	167	8.00
KOENTECH	1,550	1,550	1,294	7.50
Hankyoreh Plus Inc.	4,800	284	237	7.41
Hyundai Oil refinery Co., ltd.	88,857	88,857	74,184	7.24
Korea Credit-card Electronic-settlement Service Co., Ltd	484	255	213	6.72
Hyundai Asan Corporation	22,500	8,861	7,398	5.00
Dongwon Capital Co., Ltd.	3,000	3,000	2,505	4.62
U.S Electrical Inc.	2,204	2,204	1,840	3.80
ROTIS	1,000	-	-	3.76
KIS Information & Communication, Inc.	220	220	184	1.67
Yonhap Capital Co., Ltd.	10,500	10,500	8,766	1.49

Companies	Acquisition cost	Korean won (in millions) Book value	U. S. dollars (Note 2) (in thousands) Book value	Ownership percentage(*2)
Koryo Co., Ltd	₩6,625	₩727	$607	1.02
Korea Software Financial Cooperative	500	500	417	0.60
Cheju International Convention Center	500	500	417	0.59
Daewoo Motor Co., Ltd.	2,213	-	-	0.02
Machinery Insurance Cooperative	8,188	8,188	6,836	-
Space Imaging LLC	5,319	5,319	4,441	-
Korea Defense Industry Association	4,690	4,690	3,916	-
Daejoo Heavy Industry Co. Ltd.	650	650	543	-
Hyundai RB Co.	550	550	459	-
Yonhi Information & Communication Co., Ltd.	500	-	-	-
Toba Telecom	405	-	-	-
Other	5,332	2,634	2,197	-
	₩210,155	₩173,243	$144,634	

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

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

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

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

Description	Acquisition cost	Korean won (in millions) Book value	U. S. dollars (Note 2) (in thousands) Book value
Government bonds	₩6,683	₩6,683	$5,579
Corporate bonds	8,584	6,204	5,179
Asset backed securities	1,735,478	1,690,816	1,411,601
Other	1,153	350	294
	₩1,751,898	₩1,704,053	$1,422,653

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

Description	Acquisition cost	Korean won (in millions) Book value	U. S. dollars (Note 2) (in thousands) Book value
Government bonds	₩21,015	₩21,015	$17,545
Corporate bonds	789	789	659
Other	64,700	59,466	49,645
	₩86,504	₩81,270	$67,849

(5) Maturity of debt securities as of December 31, 2003 consist of the following:

Maturity	Korean won (in millions) Book value	U. S. dollars (Note 2) (in thousands) Book value
1 year ~ 5 years	₩1,648,494	$1,376,268
6 years ~ 10 years	136,829	114,234
	₩1,785,323	$1,490,502

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

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

			Book value			
	2003		Korean won (in millions)		U.S. dollars (in thousands)	
Description	Ownership percentage (*2)	Historical cost	2003	2002	2003	2002
Kia Tigers Co., Ltd. (*1)	100.00	₩20,300	₩10,090	₩14,083	$8,424	$11,757
Hysco America Co., Ltd (*1)	100.00	5,955	5,690	-	4,750	-
HMJ R&D (*1)	100.00	1,510	2,391	2,090	1,996	1,745
Yan Ji Kia Motors A/S (*1)	100.00	1,792	1,792	-	1,496	-
Beijing-Hyundai Motor	50.00	133,691	281,997	129,468	235,429	108,088
HAOSVT	50.00	48,013	25,859	-	21,589	-
Donghui Auto Co., Ltd.	35.12	10,530	5,608	10,530	4,682	8,791
Korea Space & Aircraft Co., Ltd.	33.33	129,800	79,312	84,690	66,215	70,705
PT. Kia Timor Motors	30.00	10,908	12,865	10,996	10,741	9,180
Korea Economy Daily	29.57	19,973	14,129	17,568	11,796	14,667
TRW Steering Co., Ltd.	29.00	8,952	8,254	8,692	6,891	7,257
NGVTEK.com	24.39	250	250	-	209	-
EUKOR Car Carriers, Inc.	20.00	48,912	53,323	-	44,517	-
Iljin Bearing Co., Ltd. (formerly Iljin Automotive Co., Ltd.)	20.00	826	12,794	11,890	10,681	9,927
Daesung Automotive Co., Ltd.	20.00	400	5,619	5,200	4,691	4,341
Kia Service Philippines Co.	20.00	185	185	-	154	-
Eukor Car Carriers Singapore Pte.	20.00	13	13	-	11	-
First CRV	50.00	-	-	99,240	-	82,852
Wuhan Grand Motor Co., Ltd.	21.40	-	-	8,018	-	6,694
		₩442,010	₩520,171	₩402,465	$434,272	$336,004

(*1) These companies are excluded in the consolidation since individual beginning balance of total assets is less than ₩7,000 million (US $5,844 thousand).

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

6. MARKETABLE SECURITIES AND INVESTMENT SECURITIES:

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

	Korean won (in millions)	*U. S. dollars (Note 2) (in thousands)*
Description	Book value	Book value
Beneficiary certificates	₩690,209	$576,231
Debt securities	20,265	16,918
	₩710,474	$593,149

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

	Korean won (in millions)	*U. S. dollars (Note 2) (in thousands)*
Description	Book value	Book value
Marketable equity securities	₩936,108	$781,523
Unlisted equity securities	262,543	219,188
Debt securities	460,157	384,168
	₩1,658,808	$1,384,879

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

(3) Marketable investments that are excluded from the consolidation and the application of the equity method as of December 31, 2002 consist of the following:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Historical cost	Book value	Book value	Ownership percentage(*2)
Hyundai MOBIS	₩83,102	₩343,963	$287,162	18.51
Korea Industrial Development Co., Ltd.	5,091	2,614	2,182	10.54
INI Steel (*1)	137,175	136,584	114,029	20.03
Saehan Media	1,607	2,418	2,019	4.93
Jin Heung Mutual Savings & Finance Co., Ltd.	2,181	2,045	1,707	8.66
Korea Mutual Savings Bank	2,846	2,983	2,490	8.13
Hyundai Heavy Industries Co., Ltd.	56,924	41,720	34,831	2.88
Hyundai Corporation	13,626	2,079	1,736	2.99
Hyundai Information Technology Co., Ltd.	10,000	1,267	1,058	2.21
LG Telecom Co., Ltd.	19,851	16,198	13,523	1.28
Chohung Bank	73,545	28,003	23,379	1.10
Hyundai Merchant Marine Co., Ltd.	7,329	1,040	868	0.55
Kia Steel Co., Ltd.	96	169	141	0.52
Hyundai Engineering & Construction Co., Ltd.	13,332	4,280	3,573	0.55
Kanglim Specific Equipment Automotive Co., Ltd.	347	68	57	0.38
Prochips Technology Inc.	905	80	67	0.27
DongYang Investment Bank	283	22	18	0.02
Korea Information Service. Inc.	1,098	1,497	1,250	2.21
SK Telecom	837	5,716	4,772	0.03
Nonhyup Trust Cash Fund	199,839	315,625	263,504	-
Samho Company Ltd.	16	1	1	-
Samlip General Food	14	-	-	-
Treasury Stock Funds	20,737	4,489	3,748	-
Stock Market Stabilization Fund	14,754	23,247	19,408	-
	₩665,535	₩936,108	$781,523	

(*1) Excluded in applying the equity method since the increase in ownership was caused mainly by investee's stock retirement and the Company believes the increase of ownership is temporary.
(*2) Percentage ownership is calculated by combining the ownership of the Company and its subsidiaries.

(4) Non-listed investments that are excluded from the consolidation and the application of the equity method as of December 31, 2002 consist of the following:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Acquisition cost	Book value	Book value	Ownership percentage(*2)
Yan Ji Kia Motors A/S (*1)	₩1,792	₩1,792	$1,496	100.00
Hyundai Capital Asset Management Co., Ltd. (*1)	2,000	2,000	1,670	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*1)	2,019	2,019	1,686	84.88
NGVTEK.com (*1)	700	700	584	68.29
Kia Service Philippines Co. (*1)	185	185	154	20.00
Eukor Car Carriers, Inc.	48,912	48,912	40,835	19.99
Mco	950	950	793	19.99
Dongyong Industries Co., Ltd.	241	241	201	19.23
Hyundai RB Co.	550	550	459	18.64
Mobil.Com Co., Ltd.	1,800	1,800	1,503	17.61
Jinil MVC Co., Ltd.	180	180	150	18.00
Industri Otomotif Komersial	4,439	4,439	3,706	15.00
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,749	14.97
Hyundai Unicorns Co., Ltd.	5,795	5,795	4,838	14.90
Hyundai Research Institute	1,271	1,271	1,061	14.90
Gyeongnam Credit Guarantee Foundation	2,500	2,500	2,087	13.66
Kihyup Finance, Inc.	3,700	3,700	3,089	12.75
SoltechIM Co., Ltd.	157	157	131	10.47
Toba Telecom	405	405	338	10.02
3Gcore, Inc	225	225	188	10.90
Yonhap Capital Co., Ltd.	10,500	10,500	8,766	10.49
Hyundai Motor Deutschland GmbH	802	802	670	10.00
Hyundai Finance Corporation	9,888	9,888	8,255	9.29
Daejoo Heavy Industry Co. Ltd.	650	650	543	9.29
A.P. Co., Ltd.	550	-	-	9.20
Namyang Industrial Co., Ltd.	200	200	167	8.00
KOENTECH (formerly Ulsan Environmental Development)	1,550	1,550	1,294	7.75
Internet Hankyoreh Inc.	4,800	4,800	4,007	7.41
Hyundai Oil refinery Co., ltd.	88,857	88,857	74,184	6.33
Hyundai Asan Corporation	22,500	8,861	7,398	5.00
Yonhi Information & Communication Co., Ltd.	500	500	417	4.90
Dongwon Capital Co., Ltd.	3,000	3,000	2,505	4.62
U.S Electrical Inc.	2,204	2,204	1,840	3.80
ROTIS	1,000	1,000	835	3.76
Q&V Korea	400	400	334	3.70
Daishin Factoring Co., Ltd	2,000	-	-	3.33
Korea Auto Industries Coop Association	16	16	13	2.06
ICOLS Inc.	160	160	134	2.50

Companies	Acquisition cost (Korean won in millions)	Book value (Korean won in millions)	Book value (U. S. dollars (Note 2) (in thousands))	Ownership percentage(*2)
KT ICOM Co., Ltd. (formerly I-COM)	18,000	18,000	15,028	1.00
Cheju International Convention Center	500	500	417	0.59
Kyongnam Shinmun Co., Ltd.	20	3	3	0.28
Daewoo Commercial Vehicle	40	2	2	0.05
Daewoo Motor Co., Ltd.	2,213	-	-	0.02
Space Imaging LLC	5,319	5,319	4,441	-
Machinery Insurance Cooperative	8,188	8,188	6,836	-
Other	15,544	14,832	12,381	-
	₩281,712	₩262,543	$219,188	

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

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

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

Description	Acquisition cost (Korean won in millions)	Book value (Korean won in millions)	Book value (U. S. dollars (Note 2) (in thousands))
Foreign currency bonds	₩167,293	₩163,962	$136,886
Subordinated bonds	237,450	210,371	175,631
Private placed bonds	68,110	49,950	41,701
Other	38,845	35,874	29,950
	₩511,698	₩460,157	$384,168

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7. LEASED ASSETS:

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

	Financing leases			Operating leases
	Lease payments	Interest portion	Lease obligation	Lease payments
2004	₩75,573	₩10,049	₩65,524	₩42,953
2005	62,479	5,240	57,239	22,385
2006	61,937	4,640	57,297	8,950
2007	38,376	2,512	35,864	6,325
Thereafter	105	10	95	23,651
	₩238,470	₩22,451	₩216,019	₩104,264

8. INSURED ASSETS:

As of December 31, 2003, certain property, plant and equipment are insured for ₩10,929,715 million (US $9,124,825 thousand) and the Company and its certain subsidiaries carry general insurance for vehicles and workers' compensation and casualty insurance for employees. In addition, the Company and Kia carry products and completed operations liability insurance with a maximum coverage of ₩234,211 million (US $195,534 thousand) with Hyundai Marine & Fire Insurance Co., Ltd.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

9. PROPERTY, PLANT AND EQUIPMENT:

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

Description	Korean won (in millions) 2003	2002	U. S. dollars (Note 2) (in thousands) 2003	2002
Buildings and structures	₩5,759,631	₩5,266,364	$4,808,508	$4,396,697
Machinery and equipment	8,633,803	8,270,212	7,208,051	6,904,502
Vehicles	168,568	142,681	140,731	119,119
Tools, dies and molds	3,603,200	3,486,128	3,008,182	2,910,442
Other equipment	1,048,891	948,627	875,681	791,975
	19,214,093	18,114,012	16,041,153	15,122,735
Less: Accumulated depreciation	(7,445,356)	(6,415,241)	(6,215,859)	(5,355,853)
	11,768,737	11,698,771	9,825,294	9,766,882
Land	3,983,127	3,942,288	3,325,369	3,291,274
Construction in progress	2,091,034	1,104,179	1,745,729	921,839
	₩17,842,898	₩16,745,238	$14,896,392	$13,979,995

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

	Korean won (in millions) Beginning of year	Acquisition	Transfer	Disposal	Depreciation	Other changes	End of year	U. S. dollars (Note 2) (in thousands) End of year
Land	₩3,942,288	₩23,133	₩55,963	₩(38,606)	₩ -	₩349	₩3,983,127	$3,325,369
Buildings and structures	4,496,765	166,648	407,721	(74,198)	(169,403)	2,247	4,829,780	4,032,209
Machinery and equipment	5,493,823	71,515	747,144	(288,234)	(673,746)	8,825	5,359,327	4,474,309
Vehicles	85,991	8,706	38,765	(5,294)	(19,043)	171	109,296	91,247
Tools, dies and molds	1,154,080	46,574	299,679	(68,952)	(424,050)	(106)	1,007,225	840,896
Other equipment	468,112	62,944	113,184	(31,506)	(149,581)	(44)	463,109	386,633
Construction in progress	1,104,179	2,634,107	(1,662,514)	(137,733)	-	152,995	2,091,034	1,745,729
	₩16,745,238	₩3,013,627	₩(58)	₩(644,523)	₩(1,435,823)	₩164,437	₩17,842,898	$14,896,392

As of December 31, 2003 and 2002, the value of the land, which the Company and its subsidiaries own domestically, totals ₩3,340,181 million (US $2,788,597 thousand) and ₩3,097,198 million (US $2,585,739 thousand), respectively, in terms of land prices officially announced by the Korean government.

10. INTANGIBLES

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

Description	Korean won (in millions) 2003 Acquisition cost	2003 Accumulated amortization	2003 Accumulated Impairment loss	2003 Book value	2002 Book value	U. S. dollars (Note 2) (in thousands) 2003 Book value	2002 Book value
Goodwill	₩981,855	₩176,104	₩ -	₩805,751	₩859,857	$672,692	$717,863
Negative goodwill	(88,216)	(4,620)	-	(83,596)	(112,669)	(67,791)	(94,063)
Industrial property rights	40,862	19,658	-	21,204	19,397	17,703	16,194
Development costs	1,858,815	825,467	353	1,032,995	829,843	862,410	692,806
Other	119,682	33,979	-	85,703	81,682	71,550	68,193
	₩2,192,998	₩1,050,588	₩353	₩1,862,057	₩1,678,110	$1,554,564	$1,400,993

The changes in intangibles in 2003 are as follows:

Description	Korean won (in millions) Goodwill	Negative goodwill	Industrial property rights	Development costs	Other	Total	U. S. dollars (Note 2) (in thousands) Total
Beginning of the year	₩859,857	₩(112,669)	₩19,397	₩829,843	₩81,682	₩1,678,110	$1,400,993
Addition:							
Expenditures	9,770	-	9,170	974,994	12,860	1,006,794	840,536
Deduction:							
Disposal	(460)	443	(41)	(5,970)	(111)	(6,139)	(5,125)
Amortization	(63,416)	28,630	(7,322)	(269,012)	(8,728)	(319,848)	(267,030)
Research	-	-	-	(298,420)	-	(298,420)	(249,140)
Ordinary development	-	-	-	(195,330)	-	(195,330)	(163,074)
Impairment loss	-	-	-	(3,110)	-	(3,110)	(2,596)
End of the year	₩805,751	₩(83,596)	₩21,204	₩1,032,995	₩85,703	₩1,862,057	$1,554,564

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

As of December 31, 2003, goodwill consists of ₩305,419 million ($254,983 thousand) related to investments in subsidiaries and ₩500,332 million ($417,709 thousand) related to mergers with non-subsidiary companies or business divisions. As of December 31, 2002, goodwill consists of ₩340,288 million ($284,094 thousand) related to investments in subsidiaries and ₩519,569 million ($433,769 thousand) related to mergers with non-subsidiary companies or business divisions.

As of December 31, 2003, negative goodwill consists of ₩ 79,596 million ($66,452 thousand) related to investments in subsidiaries and ₩4,000 million ($3,339 thousand) related to mergers with non-subsidiary companies or business divisions. As of December 31, 2002, negative goodwill is ₩108,169 million ($90,306 thousand) related to investments in subsidiaries and ₩4,500 million ($3,757 thousand) related to mergers with non-subsidiary companies or business divisions.

11. OTHER ASSETS:

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Description	2003	2002	2003	2002
Long-term notes and accounts receivable, net of allowance for doubtful accounts of ₩314 million in 2003 and ₩1,630 million in 2002, and unamortized discount of ₩3,853 million in 2003 and ₩6,332 million in 2002	₩25,974	₩31,203	$21,685	$26,050
Lease and rental deposits	391,939	322,505	327,216	269,248
Long-term deposits	18,659	36,186	15,578	30,210
Deferred gain on valuation of derivatives (see Note 2)	162,722	51,622	135,851	43,097
Long-term loan, net of allowance for doubtful accounts of ₩133 million in 2003 and ₩45 million in 2002, and unamortized discount of nil in 2003 and ₩4,397 million in 2002	168,182	168,008	140,409	140,264
Other	315,873	84,318	263,710	70,395
	₩1,083,349	₩693,842	$904,449	$579,264

12. OTHER FINANCIAL BUSINESS ASSETS

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Finance receivables	₩6,597,890	₩8,059,742	$5,508,339	$6,728,788
Lease receivables	680,011	290,169	567,718	242,252
Other	9,107	17,930	7,603	14,969
	₩7,287,008	₩8,367,841	$6,083,660	$6,986,009

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

13. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2003 and 2002 amount to ₩ 9,457,854 million ($7,896,021 thousand) and ₩7,526,948 million ($6,283,977 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 0.34 percent to 10.10 percent.

14. LONG-TERM DEBT

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

	Interest rate (%)	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Description	2003	2003	2002	2003	2002
Debentures	2.60 ~ 9.40	₩10,543,894	₩9,250,885	$8,802,717	$7,723,230
Won currency loans					
Capital lease	6.30 ~ 14.25	46,214	62,490	38,582	52,171
Reorganization claims	(*)	434,895	524,855	363,078	438,183
Composition obligation	4.25 ~ 6.75	25,968	5,812	21,680	4,852
General loans	1.00 ~ 9.30	369,778	475,597	308,715	397,058
		876,855	1,068,754	732,055	892,264
Foreign currency loans					
Capital lease	L+0.88 ~ 4.85	156,654	219,621	130,785	183,354
Reorganization claims	(*)	121,596	148,611	101,516	124,070
Other	3.24 ~ 7.73	386,451	372,241	322,634	310,771
		664,701	740,473	554,935	618,195
		12,085,450	11,060,112	10,089,707	9,233,689
Less: Current maturities		(5,653,180)	(3,049,849)	(4,719,637)	(2,546,209)
		₩6,432,270	₩8,010,263	$5,370,070	$6,687,480

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

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

			Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Description	Maturity	Annual interest rate (%)	2003	2002	2003	2002
Domestic debentures						
Guaranteed debentures	27 Mar, 2004	6.6	₩10,000	₩10,500	$8,349	$8,766
Non-guaranteed debentures	14 Feb, 2004 ~ 14 Jan, 2009	5.45 ~ 8.54	8,568,260	8,218,132	7,153,330	6,861,022
Convertible bonds	31 Jan, 2009	4.0	299,946	69,972	250,414	58,417
Overseas debentures	18 Oct, 2004 ~ 19 Dec, 2008	2.60 ~ 9.40	1,741,601	1,025,586	1,454,000	856,225
			10,619,807	9,324,190	8,866,093	7,784,430
Discount on debentures			(75,913)	(73,305)	(63,376)	(61,200)
			₩10,543,894	₩9,250,885	$8,802,717	$7,723,230

Convertible bonds with the carrying value of ₩300,000 million ($250,459 thousand) as of December 31, 2003 were issued by Hyundai Card Co., Ltd, a subsidiary. In, 2003, convertible bonds with the face value of ₩54 million ($45 thousand) were converted to 10,820 shares of common stock.

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

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)
	Debentures	Local currency loans	Foreign currency loans	Total	Total
2004	₩5,151,950	₩237,454	₩268,939	₩5,658,343	$4,723,946
2005	2,434,452	202,499	219,373	2,856,324	2,384,642
2006	1,631,585	142,105	75,922	1,849,612	1,544,174
2007	181,860	137,911	52,421	372,192	310,730
Thereafter	1,219,960	156,886	48,046	1,424,892	1,189,591
	10,619,807	876,855	664,701	12,161,363	10,153,083
Less: Discount on debentures	(75,913)	-	-	(75,913)	(63,376)
	₩10,543,894	₩876,855	₩664,701	₩12,085,450	$10,089,707

15. CAPITAL STOCK

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

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

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

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

In 2003, a part of the stock options granted to the directors were exercised at an exercise price of ₩14,900 and the new common stock of 429,800 shares were issued. This issue of new common stock resulted in the increase in paid-in capital in excess of par value by ₩8,197 million (US $6,843 thousand).

The preferred shares are non-cumulative, participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as of December 31, 2003, a total of 27,588,281 preferred shares (First and Third preferred shares) are eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1 percent minimum increase while the dividend rate for the remaining 37,613,865 preferred shares (Second preferred shares) is 2 percent higher than that declared for common shares.

The Company acquired treasury stock after cancellation of Trust Cash Fund on March 2, 2001. In accordance with the decision of the Board of Directors, on March 5, 2001, the Company retired 10,000,000 common shares in treasury and 1,000,000 second preferred shares in treasury, which had additional dividend rate of 2 percent to the rate of common stock, using the retained earnings.

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

In the second half of 1999, the Company issued 45,788,000 Global Depositary Shares representing 22,894,000 common shares for ₩601,356 million (US$502,050 thousand), which include paid-in capital in excess of par value of ₩486,886 million ($406,484 thousand).

16. CAPITAL ADJUSTMENTS

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Description	2003	2002	2003	2002
Treasury stock	₩(93,191)	₩(86,514)	$(77,802)	$(72,227)
Discounts on stock issuance	(3,015)	(374)	(2,517)	(312)
Gain on valuation of available-for- sale securities(see Note 4)	565,217	-	471,879	-
Gain (Loss) on valuation of investment securities accounted for using the equity method	11,380	(104,232)	9,501	(87,020)
Gain on valuation of investment securities	-	119,121	-	99,450
Stock option cost	16,667	13,605	13,915	11,358
Cumulative translation adjustments	(32,503)	(70,923)	(27,136)	(59,211)
Gain (Loss) on valuation of derivatives (see Note 2)	(83,863)	22,900	(70,014)	19,119
	₩380,692	₩(106,417)	$317,826	$(88,843)

(1) Treasury stock

For the stabilization of stock price, the Company has treasury stock consisting of 889,470 common shares and 3,138,600 preferred shares with a carrying value of ₩89,706 million (US$74,892 thousand) as of December 31, 2003 and 1,005,570 common shares and 3,167,300 preferred shares with a carrying value of ₩73,036 million (US$60,975 thousand) as of December 31, 2002, acquired directly or indirectly through the Treasury Stock Fund and Trust Cash Fund. In addition, the Company's ownership portion of subsidiaries' treasury stock held by themselves, amounting to ₩3,485 million (US$2,910 thousand) and ₩13,478 million (US$11,252 thousand) as of December 31, 2003 and 2002, respectively, are included in the treasury stock.

(2) Discounts on stock issuance

Certain subsidiaries accounted for expense on issuance of new stock as discounts on stock issuance. The Company's ownership portion of these discounts amounting to ₩3,015 million (US$2,517 thousand) and ₩374 million (US$312 thousand) is accounted for as a debit to capital adjustments as of December 31, 2003 and 2002, respectively.

(3) Stock option cost

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

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

(4) Cumulative translation adjustments

Cumulative translation debits of ₩32,503 million (US$27,136 thousand) and ₩70,923 million (US$59,211 thousand) as of December 31, 2003 and 2002, respectively, which result from the translation of financial statements of overseas subsidiaries and the two branches located in the United States, are included in capital adjustments on the basis set forth in Note 2.

(5) Gain (loss) on valuation of derivatives

The gain (loss) on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports is included in capital adjustments on the basis set forth in Note 2. The Company recorded a loss of ₩83,863 million (US$70,014 thousand) and a gain of ₩22,900 million (US$19,118 thousand) as of December 31, 2003 and 2002, respectively.

17. PLEDGED ASSETS, CHECKS AND NOTES

As of December 31, 2003, the following assets, checks and notes are pledged as collateral:

(1) The Company's and its domestic subsidiaries' property, plant and equipment are pledged as collateral for various loans to a maximum of ₩3,265 billion ($2,726 million).

(2)The Company's and its domestic subsidiaries' cash and cash equivalents of ₩13,115 million ($10,949 thousand),financial instruments of ₩196,346 million ($163,922 thousand), some investment securities including 4,183,466 shares for Kia, 4,400,000 shares for Eukor Car Carriers Inc. and others are pledged as collateral for various borrowings, debentures, payables, lease agreements, guarantees of a customer financing system and others.

(3)Certain overseas subsidiaries' receivables, inventories and other financial business assets are pledged as collateral for their borrowings.

(4)132 blank checks, 246 blank promissory notes, 2 checks amounting to ₩6,624 million ($5,530 thousand) and 4 promissory notes amounting to ₩10,320 million ($8,616 thousand) are pledged as collateral to financial institutions and others.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

18. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses are as follows:

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	2003	2002	2003	2002
Salaries	₩1,728,168	₩1,636,321	$1,442,785	$1,366,105
Export related expenses	925,061	839,878	772,300	701,184
Sales promotion	2,320,814	2,159,849	1,937,564	1,803,180
Sales commission	403,840	405,419	337,151	338,470
Sales warranties	2,028,818	2,211,522	1,693,787	1,846,320
Taxes and dues	55,574	47,906	46,397	39,995
Communications	79,475	57,040	66,351	47,621
Utilities	46,065	41,350	38,458	34,522
Freight and warehousing	145,941	159,823	121,841	133,430
Rent	73,693	48,136	61,524	40,187
Travel	114,055	107,469	95,220	89,722
Service charges	539,698	345,069	450,574	288,086
Supplies	84,031	76,684	70,154	64,021
Research	478,197	313,865	399,229	262,035
Depreciation	219,658	180,301	183,385	150,527
Amortization	233,051	78,139	194,566	65,235
Provision for bad debt	1,532,102	598,448	1,279,097	499,623
Other	84,600	222,037	70,630	185,369
	₩11,092,841	₩9,529,256	$9,261,013	$7,955,632

9. INCOME TAX EXPENSE AND DEFERRED INCOME TAX DEBITS (CREDITS)

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Description	2003	2002	2003	2002
Income tax currently payable	₩1,145,758	₩1,023,118	$956,552	$854,164
Changes in deferred income taxes due to:				
Temporary differences	(411,850)	(247,882)	(343,839)	(206,948)
Tax loss carried forward	(61,446)	95,899	(51,299)	80,063
Tax credit carried over	(20,023)	(6,159)	(16,716)	(5,142)
Deduction of capital surplus and retained earnings	-	(480)	-	(401)
Excess of limitation on donation to designated organization, others	-	607	-	507
Changes in retained earnings due to consolidation adjustments	-	(20,759)	-	(17,331)
	(493,319)	(178,774)	(411,854)	(149,252)
Income tax expense	₩652,439	₩844,344	$544,698	$704,912

As of December 31, 2003, accumulated temporary differences of the Company and its subsidiaries amount to ₩4,287,892 million ($3,579,806 thousand) and net operating loss carry-forwards and tax exemption carry-forwards of subsidiaries amount to ₩700,472 million ($584,799 thousand) and ₩135,998 million ($113,540 thousand), respectively. Some portion of the temporary difference, net operating loss carry-forwards and tax exemption carry-forwards, which are more likely than not, were not realized as deferred tax assets. Deferred tax assets was calculated using the expected tax rate (for 2004: 29.7%, from 2005 forward: 27.5%) with residual temporary differences. As of December 31, 2003 and 2002, deferred tax assets amount to ₩2,524,618 million ($2,107,712 thousand) and ₩1,366,637 million ($1,140,956 thousand), respectively and deferred tax liabilities amount to ₩911,537 million ($761,009 thousand) and ₩124,295 million ($103,769 thousand), respectively.

20. DIVIDENDS

The proposed dividends for 2003 are computed as follows:

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

The proposed dividends for 2002 were computed as follows:

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

The proposed dividends for 2003 and 2002 were approved at the shareholders' meeting being held on March 12, 2004 and March 14, 2003, respectively.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

21. ELIMINATION OF UNREALIZED PROFITS AND LOSSES

Unrealized profits and losses resulting from intercompany sales are calculated based on the average gross margin rate of selling companies and are eliminated in the consolidated financial statements. Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2003 are as follows:

	Korean won (in millions)			*U. S. dollars (Note 2) (in thousands)*		
	Inventories	Property, plant and equipment	Others	Inventories	Property, plant and equipment	Others
Upstream sales	₩3,442	₩11,616	₩ -	$2,874	$9,698	$ -
Downstream sales	338,234	24,269	(151,712)	282,379	20,261	(126,659)
Downstream sales between consolidated subsidiaries	315,921	1,067	-	263,751	891	-

Unrealized profits related to sales of inventories and property, plant and equipment as of December 31, 2002 are as follows:

	Korean won (in millions)		*Translation into U. S. dollars (Note 2) (in thousands)*	
	Inventories	Property, plant and equipment	Inventories	Property, plant and equipment
Upstream sales	₩3,152	₩1,042	$2,631	$870
Downstream sales	280,045	-	233,799	-
Downstream sales between consolidated subsidiaries	230,651	-	192,652	-

22. INTERCOMPANY TRANSACTIONS

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

	Korean won (in millions)				*U. S. dollars (Note 2) (in thousands)*			
	2003		2002		2003		2002	
	Company's income	Company's expenses	Company's income	Company's expenses	Company's income	Company's expenses	Company's Income	Company's expenses
Hyundai Capital Service Inc.	₩13,476	₩1,949	₩18,167	₩ -	$11,251	$1,627	$15,167	$ -
KEFICO Corporation	65	310,959	19,058	297,864	54	259,608	15,911	248,676
Hyundai Powertech	28,489	151,647	15,198	86,734	23,784	126,605	12,688	72,411
Dymos Inc.	7,092	296,523	101,271	297,940	5,921	247,556	84,548	248,739
Kia Motors Corporation	979,937	415,209	870,662	443,576	818,114	346,643	726,884	370,326
Hyundai HYSCO	3,294	196,561	4,636	189,809	2,750	164,102	3,870	158,465
Wia Corporation	2,982	161,650	-	115,608	2,490	134,956	-	96,517
Autoever Systems Corp.	1,230	50,396	-	29,717	1,027	42,074	-	24,810
Hyundai Motor America	6,424,304	-	6,652,505	-	5,363,420	-	5,553,936	-
Hyundai America Technical Center Inc.	-	26,476	-	13,937	-	22,104	-	11,635
Hyundai Motor India	267,171	75	173,748	-	223,051	63	145,056	-
Hyundai Motor Japan Co.	23,031	-	33,182	-	19,228	-	27,702	-
Hyundai Motor Poland Sp. Zo. O	87,350	-	65,652	-	72,925	-	54,810	-
Hyundai Motor Europe GmbH	972,411	-	-	-	811,831	-	-	-
HAC	742,206	-	759,513	-	619,641	-	634,090	-
Hyundai Motor Company Australia	181,678	-	-	-	151,676	-	-	-
Hyundai Machine Tool Europe GmbH	13,192	-	15,053	-	11,014	-	12,567	-
HAOSVT	-	-	124,339	-	-	-	103,806	-

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

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Subsidiaries	Counterpart subsidiaries	2003	2002	2003	2002
Hyundai Capital Service Inc.	Kia Motors Corporation	₩2,786	₩6,485	$2,326	$5,414
Autoever Systems Corp.	Kia Motors Corporation	4,304	19,442	3,593	16,231
KEFICO Corporation	Kia Motors Corporation	60,376	49,113	50,406	41,003
Dymos Inc.	Kia Motors Corporation	22,851	9,918	19,077	8,280
Kia Motors Corporation	Wia Corporation	281	99,123	235	82,754
Kia Motors Corporation	KIA Motors Deutschland GmbH	443,686	357,430	370,417	298,405
Kia Motors Corporation	KIA Canada, Inc	389,781	283,940	325,414	237,051
Kia Motors Corporation	Hyundai Powertech	1,179	10,018	984	8,364
Kia Motors Corporation	KIA Motors America Inc. and etc.	3,341,616	3,060,285	2,789,795	2,554,922
Wia Corporation	Kia Motors Corporation	530,520	403,914	442,912	337,213
Hyundai Powertech	Kia Motors Corporation	199,208	150,031	166,312	125,255
Hyundai HYSCO	Hyundai Motor India	1,605	-	1,340	-
Hyundai HYSCO	Kia Motors Corporation	76,872	83,417	64,178	69,642
Hyundai Motor India	Kia Motors Corporation	3,074	22,895	2,566	19,114

As of December 31, 2003 and 2002, significant balances related to the transactions between the Company and consolidated subsidiaries are as follows:

	Korean won (in millions)				U. S. dollars (Note 2) (in thousands)			
	2003		2002		2003		2002	
	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable	Company's receivable	Company's payable
Hyundai Capital Service Inc.	₩34,852	₩7,931	₩572	₩7,023	$29,097	$6,621	$478	$5,863
ROTEM	902	11,842	251	14,784	753	9,886	209	12,343
Hyundai Card	38,334	57,371	-	-	32,004	47,897	-	-
KEFICO Corporation	2,365	54,579	471	41,196	1,974	45,566	393	34,393
Hyundai Dymos	7,666	73,276	2,080	57,828	6,400	61,175	1,737	48,279
Hyundai Powertech	17,927	30,669	6,907	30,242	14,967	25,604	5,766	25,248
WIA Corporation	3,327	36,175	51,135	13,858	2,778	30,201	42,691	11,570
Kia Motors Corporation	264,780	13,211	124,266	106,006	221,055	11,029	103,745	88,501
Autoever Systems Corp.	5,114	53,034	31	26,001	4,269	44,276	26	21,707
Hyundai HYSCO	100	30,786	129	40,466	83	25,702	108	33,784
Hyundai Motor America	1,276,476	48,700	1,413,608	23,253	1,065,684	40,658	1,180,170	19,413
Hyundai Motor India	33,039	68	6,586	-	27,583	57	5,498	-
Hyundai Motor Japan Co.	38,959	-	32,292	-	32,525	-	26,959	-
Hyundai Motor Poland Sp. Zo. O	13,233	76	10,037	168	11,048	63	8,380	140
HAOSVT	-	-	66,460	10	-	-	55,485	8

As of December 31, 2003 and 2002, significant balances related to the transactions between the consolidated subsidiaries are as follows:

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Subsidiaries	Counterpart subsidiaries	2003	2002	2003	2002
Kia Motors Corporation	WIA Corporation	₩610	₩ 11,593	$509	$9,679
Kia Motors Corporation	Hyundai Capital Service Inc.	7,609	-	6,352	-
Kia Motors Corporation	Kia Motors America Inc. and others	683,481	636,022	570,614	530,992
Kia Motors Corporation	KIA Canada, Inc	113,620	100,956	94,857	84,285
Kia Motors Corporation	Kia Motors Deutschland GmbH.	39,065	211,704	32,614	176,744
Kia Motors Corporation	Kia Motors Europe	349,486	-	291,773	-
Kia Motors Europe	KIA Motors Deutschland GmbH	166,831	-	139,281	-
Kia Motors Europe	KIA Motors UK	110,851	-	92,546	-
Autoever Co., Ltd.	Kia Motors Corporation	12,340	8,706	10,302	7,268
KEFICO Corporation	Kia Motors Corporation	10,136	7,606	8,462	6,350
Hyundai Dymos	Kia Motors Corporation	5,927	2,413	4,948	2,015
Hyundai Capital Service Inc.	Hyundai Powertech	13,151	16,047	10,979	13,397
Wia Corporation	Kia Motors Corporation	83,813	93,340	69,972	77,926
Hyundai Powertech	Kia Motors Corporation	46,845	26,902	39,109	22,460
Hyundai HYSCO	Kia Motors Corporation	7,918	16,788	6,610	14,016
Hyundai Translead	HAOSVT	-	30,245	-	25,250

23. RELATED PARTY TRANSACTIONS

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

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Related party	Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩133,565	₩953,080	$111,509	$795,692
Kia Motors Corporation	Hyundai Mobis	46,798	488,651	39,070	407,957

In 2002, significant transactions with related parties other than the consolidated subsidiaries are as follows:

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Related party	Sales/ revenues	Purchases/ expenses	Sales/ revenues	Purchases/ expenses
Hyundai Motor Company	Hyundai Mobis	₩95,288	₩656,140	$79,553	$547,788
Kia Motors Corporation	Hyundai Mobis	38,038	277,375	31,757	231,570

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

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Related party	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩56,098	₩178,071	$46,834	$148,665
Kia Motors Corporation	Hyundai Mobis	33,031	150,626	27,576	125,752

As of December 31, 2002, significant balances related to the transactions other than the consolidated subsidiaries are as follows:

		Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
Companies	Related party	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	Hyundai Mobis	₩6,497	₩96,838	$5,424	$80,847
Kia Motors Corporation	Hyundai Mobis	111,345	137,978	92,958	115,193

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

24. COMMITMENTS AND CONTINGENCIES

(1)The Company and its consolidated subsidiaries are contingently liable for guarantees of indebtedness of other companies including subsidiaries as of December 31, 2003 as follows:

Company providing guarantee of indebtedness	Beneficiary Companies	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Motor Company	Hyundai Merchant Marine	₩375,209	$313,248
	Hyundai Motor Finance Company	215,604	180,000
	Hyundai Translead	142,538	119,000
	Hyundai Motor India	117,580	98,163
	Hyundia Assan Otomotiv Sanayi Ve Ticaret Anonim Sirketi	116,499	97,261
	Hyundai Motor Japan Co.	30,229	25,237
	Hyundai Motor America	135,191	112,866
	Hyundai Motor Poland Sp.Zo.O	12,771	10,662
	Hyundai Motor Europe GmbH	82,639	68,992
	Hyundai Motor Manufacturing Alabama LLC	479,120	400,000
	Hyundai Machine Tool Europe Gmbh	1,198	1,000
	HMJR&D	1,120	935
	Equus Cayman Finance Ltd.	479,120	400,000
	Other domestic	987	824
		₩2,189,805	$1,828,189
Dymos Inc.	Wia Corporation	121,020	101,035
WIA Corporation	Dymos Inc.	8,868	7,404
Hyundai HYSCO	Hyundai Pipe of America, Inc.	11,978	10,000
	Bejing Hyundai Hysco Steel Process Co., Ltd.	24,009	20,444
	Hyundai-Huy Hoang Pipe Company Limited	1,021	852
		₩166,896	$139,335

(2) As of December 31, 2003, the outstanding balance of accounts receivable discounted with recourse and transferred by the Company and its subsidiaries amounts to ₩254,829 million ($212,748 thousand) except for short-term borrowings of ₩2,664,964 million ($2,224,882 thousand) resulting from elimination of significant balances related to the transactions between the subsidiaries.

(3) The Company and its subsidiaries have used a customer financing system related to a long-term installment sales system and have provided guarantees to related banks amounting to ₩233,893 million ($195,269 thousand) as of December 31, 2003. These guarantees are all covered by insurance contracts, which specify the customer and the Company and its subsidiaries as contractor and beneficiary, respectively.

(4) The Company accrues estimated product liabilities expenses and carries the products and completed operations liability insurance (see Note 8) in order to cover the potential loss, which may occur due to the lawsuits related to its operation such as product liabilities. The Company expects that the resolution of cases pending against the Company as of December 31, 2003 will not have any material effect on its financial position.

Kia, a domestic subsidiary, is a defendant pertaining to its claim in the in-court reorganization proceeding, the lawsuits related to its operation such as product liabilities, lawsuits for compensation of losses or damages. Kia also has a pending lawsuit in a Brazilian court pertaining to the disputes with the Brazilian Government and the Brazilian shareholders of Asia Motors Do Brasil S.A. (AMB), which was established as a joint venture by Asia Motors with a Brazilian investor. Also, in 2002, Kia brought the case to the International Court of Arbitration to settle the disputes. Kia, a stockholder of AMB, had already written off its investment of ₩14,057 million ($11,736 thousand) and estimates that the above matter does not and will not affect its financial statements at this time. The outcome of the creditors' claims in relation to Kia's denial of their claims in the in-court reorganization proceedings is not currently determinable.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

25. SEGMENT INFORMATION

(1) Consolidated financial statements by industry

The consolidated balance sheets as of December 31, 2003 and 2002, and consolidated statements of income for the years then ended, by industry under which the Company and its subsidiaries' business are classified, are as follows:

Consolidated Balance Sheet as of December 31, 2003

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
ASSETS	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩19,143,071	₩1,454,071	$15,981,860	$1,213,951
Non-current assets:				
Investments, net of				
unamortized present value discount	9,476,086	514,252	7,911,242	429,330
Property, plant and equipment, net of				
accumulated depreciation	17,729,546	133,755	14,801,758	111,667
Intangibles, net of amortization	1,643,366	9,486	1,371,987	7,920
Other financial business assets	-	9,681,586	-	8,082,807
Total non-current assets	28,848,998	10,339,079	24,084,987	8,631,724
Total assets	₩47,992,069	₩11,793,150	$40,066,847	$9,845,675
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩18,889,131	₩7,469,636	$15,769,854	$6,236,129
Non-current liabilities	8,833,298	3,350,055	7,374,602	2,796,840
Other financial business liabilities	-	-	-	-
Total liabilities	27,722,429	10,819,691	23,144,456	9,032,969
Shareholders' equity:				
Capital stock	4,670,695	1,153,978	3,899,395	963,414
Capital surplus	7,024,204	287,897	5,864,254	240,355
Retained earnings	6,266,457	(675,422)	5,231,639	(563,885)
Capital adjustments	1,417,994	207,006	1,183,832	172,822
Minority interests	890,290	-	743,271	-
Total shareholders' equity	20,269,640	973,459	16,922,391	812,706
Total liabilities and shareholders' equity	₩47,992,069	₩11,793,150	$40,066,847	$9,845,675

Consolidated Balance Sheet as of December 31, 2002

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
ASSETS	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Current assets:	₩14,445,860	₩665,305	$12,060,327	$555,439
Non-current assets:				
Investments, net of				
unamortized present value discount	3,439,440	1,352,270	2,871,465	1,128,961
Property, plant and equipment, net of				
accumulated depreciation	16,636,969	108,269	13,889,605	90,390
Intangibles, net of amortization	1,670,883	5,849	1,394,960	4,883
Other financial business assets	-	8,386,928	-	7,001,944
Total non-current assets	21,747,292	9,853,316	18,156,030	8,226,178
Total assets	₩36,193,152	₩10,518,621	$30,216,357	$8,781,617
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	₩14,719,420	₩6,140,458	$12,288,713	$5,126,447
Non-current liabilities	8,211,003	3,566,741	6,855,070	2,977,743
Other financial business liabilities	-	12,732	-	10,630
Total liabilities	22,930,423	9,719,931	19,143,783	8,114,820
Shareholders' equity:				
Capital stock	1,475,312	476,182	1,231,685	397,547
Capital surplus	5,287,270	43,721	4,414,151	36,501
Retained earnings	3,561,797	286,405	2,973,616	239,109
Capital adjustments	(81,940)	(7,618)	(68,409)	(6,360)
Minority interests	3,020,290	-	2,521,531	-
Total shareholders' equity	13,262,729	798,690	11,072,574	666,797
Total liabilities and shareholders' equity	₩36,193,152	₩10,518,621	$30,216,357	$8,781,617

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

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩54,999,044	₩2,264,339	$45,916,717	$1,890,415
Cost of sales	42,495,126	878,383	35,477,647	733,330
Selling and administrative expenses	8,948,206	2,173,053	7,470,534	1,814,204
Operating income	3,555,712	(787,097)	2,968,536	(657,119)
Other expenses, net	(16,098)	(69,257)	(13,440)	(57,820)
Ordinary income	3,539,614	(856,354)	2,955,096	(714,939)
Extraordinary items, net	-	-	-	-
Income before income tax	3,539,614	(856,354)	2,955,096	(714,939)
Income tax expense	531,052	(66,316)	443,356	(55,365)
Income before minority interests	3,008,562	(790,038)	2,511,740	(659,574)
Minority interests	476,462	-	397,781	-
Net income	₩2,532,100	₩(790,038)	$2,113,959	$(659,574)

Consolidated Statement of Income for the year ended December 31, 2002

	Korean won (in millions)		U. S. dollars (Note 2) (in thousands)	
	Non-financial industry	Financial industry	Non-financial industry	Financial industry
Sales	₩ 46,461,645	₩ 1,678,629	$38,789,151	$1,401,427
Cost of sales	34,937,000	1,089,731	29,167,641	909,777
Selling and administrative expenses	8,605,494	380,996	7,184,416	318,080
Operating income	2,919,151	207,902	2,437,094	173,570
Other expenses, net	284,157	20,784	237,232	17,352
Ordinary income	2,634,994	187,118	2,199,862	156,218
Extraordinary items, net	-	-	-	-
Income before income tax	2,634,994	187,118	2,199,862	156,218
Income tax expense	796,065	57,413	664,606	47,932
Income before minority interests	1,838,929	129,705	1,535,256	108,286
Minority interests	456,792	-	381,359	-
Net income	₩1,382,137	₩129,705	$1,153,897	$108,286

The above figures are not tally with the consolidated balance sheets and statements of income because the transactions between non-financial and financial companies were not eliminated.

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

(2) Regional Results of Operations

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

Korean won (in millions)

	Domestic	North America	Asia	Europe	Consolidation adjustments	Consolidated amounts
Total sales	₩45,546,451	₩13,376,443	₩1,714,070	₩4,398,121	₩(18,446,675)	₩46,588,410
Intercompany sales	(17,954,166)	(54,932)	(3,148)	(434,429)	18,446,675	-
Net sales	₩27,592,285	₩13,321,511	₩1,710,922	₩3,963,692	₩ -	₩46,588,410
Operating income	₩2,654,952	₩25,069	₩148,442	₩(13,293)	₩(120,727)	₩2,694,443
Total assets	₩52,722,751	₩6,301,869	₩1,184,506	₩1,209,251	₩(7,165,700)	₩54,252,677

Results of operations, by region where the Company and its subsidiaries in 2002 are located, are as follows:

Korean won (in millions)

	Domestic	North America	Asia	Europe	Consolidation adjustments	Consolidated amounts
Total sales	₩44,953,294	₩8,786,610	₩846,618	₩888,230	₩(11,055,126)	₩44,419,626
Intercompany sales	(10,367,452)	(663,818)	(23,856)	-	11,056,126	-
Net sales	₩34,585,842	₩8,122,792	₩822,762	₩888,230	₩ -	₩44,419,626
Operating income	₩2,789,221	₩261,068	₩34,612	₩7,647	₩38,294	₩3,130,842
Total assets	₩46,663,159	₩3,556,458	₩609,081	₩366,032	₩(5,069,042)	₩46,125,688

HYUNDAI MOTOR COMPANY AND SUBSIDIARIES

26. MERGER AND SALES OF BUSINESS DIVISION BETWEEN SUBSIDIARIES

(1) As of December 1, 2002, Dymos merged with Korea Precision Co., Ltd. with assets of ₩91,844 million ($76,677 thousand) and liabilities of ₩82,063 million ($68,511 thousand) by issuing new common stock.

(2) Effective January 1, 2002, ROTEM acquired Heavy Equipment and Plant division with assets and liabilities of ₩294,478 million ($245,849 thousand) and ₩187,138 million ($156,235 thousand), respectively, from Hyundai MOBIS. This acquisition resulted in negative goodwill of ₩5,000 million ($4,174 thousand).

(3) Effective December 31, 2002, KIA Motors Deutschland GmbH (KMD) sold its Euro Part division, which had been engaged in selling and distribution of motor parts to agents in Europe excluding Germany, to Hyundai Motor Europe Parts N.V.-Deutschland (HMEP-D). As part of the consideration for the disposal of the division, KMD will purchase parts from HMEP-D at 12 percent discounted price of ordinary price during a ten-year period starting in 2003, which is payable every year during the said period.

(4) Effective June 4, 2003, Hyundai Card Co., Ltd. merged First CRV, which had been a 100% owner of Hyundai Card Co., Ltd., by issuing new common stock for its shareholders (the exchange rate for merger – Hyundai Card Co. Ltd. : First CRV = 1.41 : 1, the number of stock issued : 79,540,897shares). Applying the pooling of interest method, Hyundai Card Co., Ltd. recorded acquired assets and liabilities on a basis of the carrying amount as of the merger date. Through this issuance of new common stock, the treasury stock of ₩118,295 million ($98,760 thousand) held by Hyundai Card Co., Ltd. was extinguished by approval at the shareholders' meeting on September 3, 2003.

(5) Effective July 1, 2003, Autoever Systems Corp. entered into a sales contract of Used Cars Auction Business division with Glovis Co., Ltd. under the decision of the Board of Directors on June 10, 2003. In accordance with the contract, Autoever Systems Corp. transferred the assets and liabilities of ₩1,141 million ($953 thousand) and ₩1,350 million ($1,127 thousand), respectively, and paid cash of ₩209 million ($174 thousand) for the excess of transferred liabilities over transferred assets.

27. DISPOSAL OF RECEIVABLES IN FINANCIAL SUBSIDIARIES

Hyundai Capital Service Inc., Hyundai Card Co., Ltd. and Hyundai Motor Finance Company dispose their finance receivable assets to special purpose companies or financial intermediaries for the purpose of funding its operating capital. Hyundai Capital Service Inc. disposed such assets of ₩6,794,631 million ($5,672,592 thousand) and ₩5,358,818 million ($4,473,884 thousand) in 2003 and 2002, respectively, with a resultant gain of ₩62,046 million ($51,800 thousand) and ₩4,927 million ($4,113 thousand) in 2003 and 2002, respectively. Also, Hyundai Card Co., Ltd. disposed its finance receivable assets of ₩549,555 million ($458,804 thousand) and ₩496,511 million ($414,519 thousand) in 2003 and 2002, respectively, with a resultant gain of ₩30,247 million ($25,252 thousand) and loss of ₩46,973 million ($39,216 thousand) in 2003 and 2002, respectively. The gain on disposal of finance receivables assets were accounted for as operating income and included in sales in the consolidated financial statements.

28. CHANGE OF SUBSIDIARIES' COMPANY NAME

In 2002, ROTEM changed its company name from Korea Rolling Stock Co. effective January 1, 2002. Also, in 2003, Haevichi Resort, Dymos Inc. and Autoever Systems Co., Ltd. changed their company name from Cheju Dynasty Co., Ltd., Hyundai Dymos Inc. and Autoever Co., Ltd. to the present company names, effective February 24, March 15 and December 1, 2003, respectively.

29. TERMINATION OF THE COMPOSITIONS FOR SUBSIDIARIES

In 2002, the composition for WIA Corporation was terminated by approval of the managerial committee of the court and the favourable decision of creditors' conferences. In relation to the termination, WIA made an early redemption of composition obligation amounting to ₩9,257 million ($7,728 thousand) and ₩287,596 million ($240,104 thousand) in 2003 and 2002, respectively, with a resultant loss on redemption of ₩166 million ($139 thousand) and ₩630 million ($526 thousand) in 2003 and 2002, respectively, and gain on redemption of ₩44,027 million ($36,757 thousand) in 2002.

30. THE STOCK RETIREMENT OF SUBSIDIARIES

Kia Motors Corporation completed stock retirement of 10,000,000 treasury stock, which was acquired at ₩88,742 million ($74,087 thousand) for such retirement purposes under the decision of the Board of Directors on May 9, 2003. Also, Hyundai Hysco made a stock retirement of 4,715,660 and 4,530,000 treasury stock, which were acquired at ₩22,190 million ($18,526 thousand) and ₩ 25,515 million ($21,302 thousand), respectively, for such retirement purposes by the approval at the shareholders' meeting on March 14, 2003 and under the decision of the Board of Directors on October 17, 2003, respectively.

31. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

(1) The Board of Directors of the Company decided to retire the common stock of 1,320,000 shares using the retained earnings on March 12, 2004.

(2) The Board of Directors of Kia Motors Corporation decided to retire the common stock of 12,500,000 shares using the retained earnings on March 19, 2004.

(3) Effective February 1, 2004, Autoever Systems Corp. made an acquisition contract of the On-line Education Business division with E-HD.com. Autoever Systems Corp. paid cash of ₩941 million ($786 thousand) for consideration related to the transferred assets of ₩447 million ($373 thousand).

(4) Hyundai Capital Service Inc. disposed all finance receivable assets of ₩226,994 million ($189,509 thousand) to financial intermediaries including Citibank for the purpose of funding its operating capital on January 12, 19 and February 2, 2004, respectively.

(5) Effective April 1, 2004, E-HD.com is scheduled to be merged with WIA under the decision of Board of Directors on February 11, 2004. The exchange rate of stock for this merger will be 1:0.0162 (WIA:E-HD.com).

(6) Effective February 1, 2004, ROTEM is in progress for business acquisition contract of its Aircraft Business division with Hyundai Mobis Co., Ltd. The consideration amounts to ₩14,700 million ($12,272 thousand), but it could be changed according to the assets revaluation.

32. UNCERTAINTY RELATED TO GOING CONCERN ASSUMTION OF SUBSIDIARIES:

The accompanying 2003 consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the below, some subsidiaries are in the situation which may indicate that the subsidiaries will be unable to continue as a going concern for a reasonable period of time unless their restructuring plans are not achieved. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the subsidiaries be unable to continue as a going concern.

(1) Aju Metal Co., Ltd.'s total liabilities exceeded its total assets by ₩5,150 million ($4,300 thousand) due to accumulated deficit as of December 31, 2003. In order to resolve this uncertainty, AJU Metal Co., Ltd. has plans to issue additional stock, improve the profit by increasing sales price, expanding the export and reducing the cost and expenditures.

(2) Hyundai Card Co., Ltd. had net loss of ₩627,338 million ($523,742 thousand) on a non-consolidated basis in 2003. For financial improvement, Hyundai Card Co., Ltd. issued subordinated bonds of ₩65,000 million ($54,266 thousand), subordinated convertible bonds of ₩300,000 million ($250,459 thousand) and new stock of ₩490,000 million ($409,083 thousand) in 2003.

(3) Hyundai Hysco Vietnam Co., Ltd. had operating loss and net loss of ₩1,051 million ($877 thousand) and ₩2,026 million ($1,691 thousand), respectively, on a non-consolidated basis in 2003. Also, Hyundai Hysco Vietnam Co., Ltd.'s current liabilities exceeded its current assets by ₩15,272 million ($12,750 thousand) and total liabilities exceeded its total assets by ₩10,003 million ($8,351 thousand) as of December 31, 2003. The independent auditor of Hyundai Hysco Vietnam Co., Ltd. has expressed a qualified opinion due to this situation.

(4) Daimler Hyundai Truck Co., Ltd.'s current liabilities exceeded its current assets by ₩83,212 million ($69,471 thousand) due to accumulated deficit as of December 31, 2003. Daimler Hyundai Truck Co., Ltd. has plans to make an additional loan and issue additional stock.

Full Line up

Centennial (EQUUS)

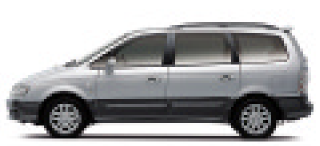
XG (New Grandeur XG)

Accent (New Verna)

Matrix (Lavita)

Getz (Click)

Atos Prime



Trajet (Trajet XG)

H-1 (Starex)

H-100 Truck (Porter)

Tractor

Dump Truck

County

Sonata (New EF Sonata)

Elantra (New Avante XD)

Hyundai Coupe (Tuscani)

Terracan

Santa Fe

TUCSON

H-1 Truck (Libero)

Mighty II

5 Ton Cargo

Aero Town

Aero Queen

Domestic Facilities

Head Office
231,Yangjae-dong, Seocho-gu, Seoul, Korea
Tel: 82-2-3464-1114

Ulsan Plant
700 Yangjong-dong, Buk-gu, Ulsan, Korea
Tel: 82-52-280-2114

Ulsan Plant Data
A total plant site of 6,017,220㎡, building site of 2,310,000㎡
No.1 Plant : Verna(Accent), Click(Getz)
No.2 Plant : Equus(Centennial), Dynasty, Santa Fe, Tucson
No.3 Plant : Avante XD(Elantra), Tuscani(Coupe), Lavita(Matrix)
No.4 Plant : Trajet XG(Trajet), Starex(H-1), Libero(H-1 Truck), Porter(H-100 Truck)
No.5 Plant : Terracan, Sonata(for Taxi), Tucson

Cheonju Plant
800 Yongam-ri, Bongdong-eup, Wanju-gun, Junrabuk-do, Korea
Tel: 82-63-260-5114

Cheonju Plant Data
A total plant site of 990,000㎡, building site of 323,400㎡
Medium and large size buses, medium and large size trucks, special duty cars

Asan Plant
123 Kumsong-ri, inju-myun, Asan-si, Chungchungnam-do, Korea
Tel: 82-41-530-5114

Asan Plant Data
A total plant site of 1,815,000㎡, building site of 429,000㎡
New EF sonata(Sonata), New Grandeur XG(XG)

Namyang R&D Center
772-1, Changduk-dong, Hwasung-si, Kyunggi-do, Korea
Tel: 82-31-368-5114

Registered Capital
1.4786 trillion(Korean Won)

Number of Employees
51,471 Persons

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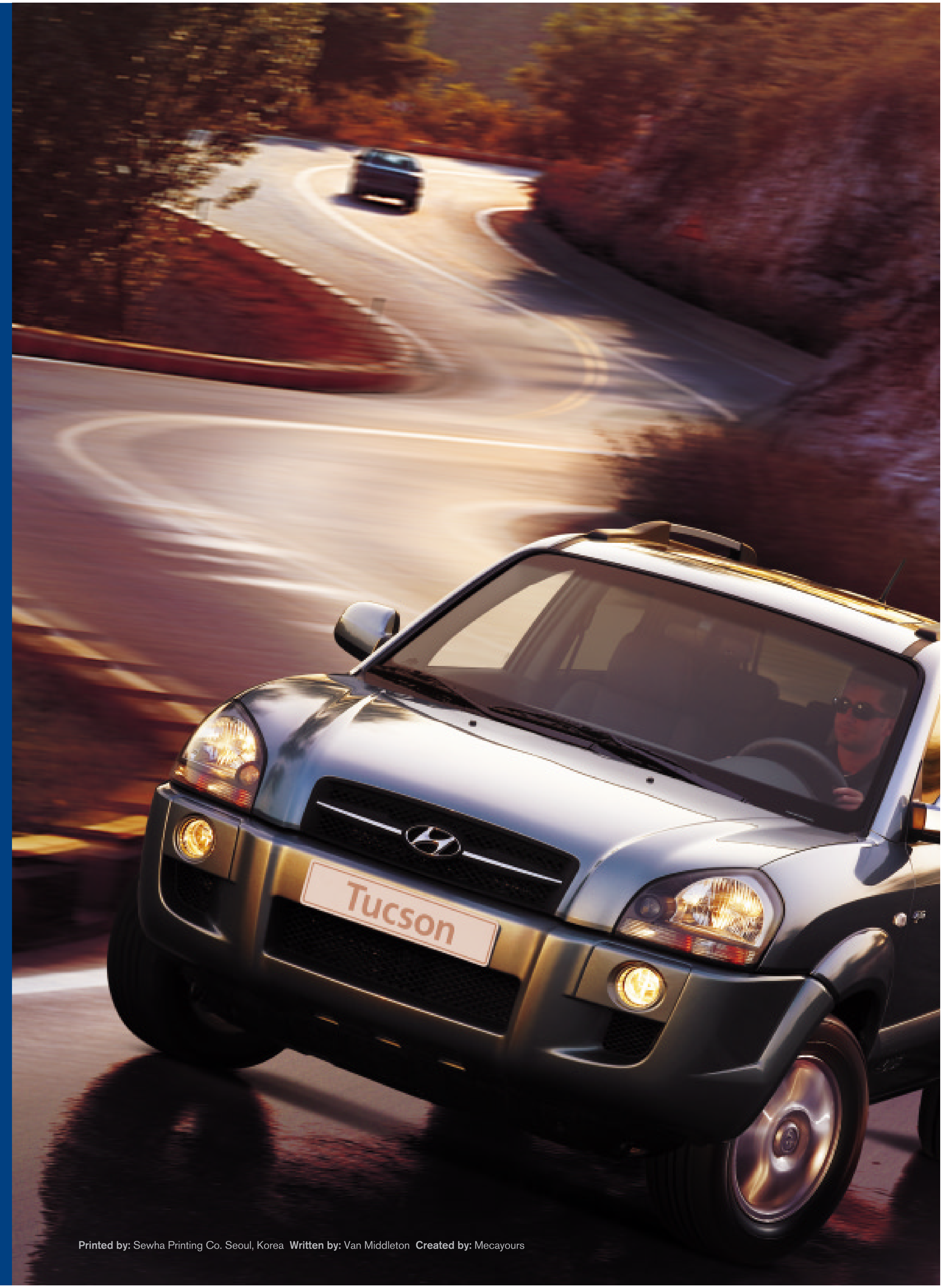

Printed by: Sewha Printing Co. Seoul, Korea **Written by:** Van Middleton **Created by:** Mecayours