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KIA MOTORS
A N N U A L
R E P O R T



231, Yangjae-Dong, Seocho-Gu,
Seoul, 137-938, Korea
TEL: 82-2-3464-1114
[http : //www.kia.co.kr](http://www.kia.co.kr)

www.KIA.co.kr



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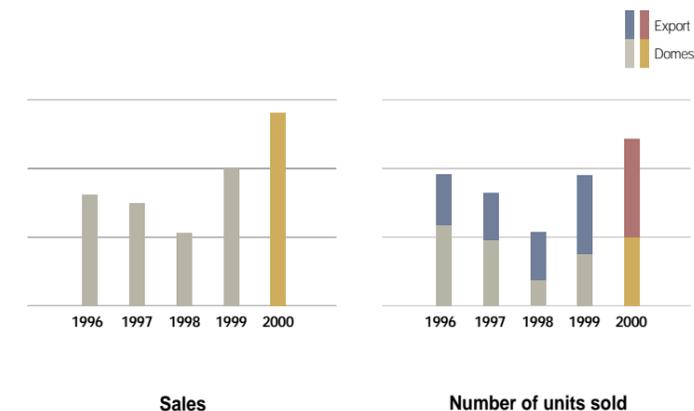
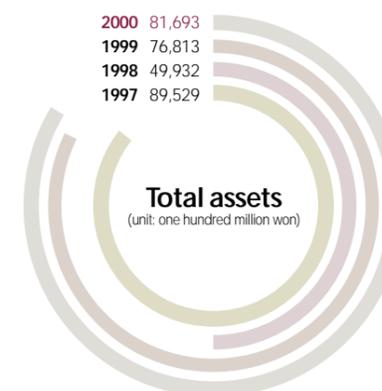
Key statistics

Area	1996	1997	1998	1999	2000
Total assets (unit: one hundred million won)	69,447	89,529	49,932	76,813	81,693
Sales (unit: one hundred million won)	66,071	63,815	45,107	79,306	108,060
Number of units sold	770,147	692,606	438,118	769,641	959,737
Domestic	447,213	353,764	130,913	300,998	410,300
Export	322,934	338,842	307,205	468,643	549,437
(KD)	(69,942)	(61,490)	(71,560)	(89,690)	(101,770)

Overview

At Kia, our new vision is based on the successes of 2000, both at home and abroad.

In 2000, Kia Motors recorded over 10.8 trillion won in sales, the highest in our history, while also realizing 330 billion won in net income. This means that we've been in the black for two consecutive years. In spite of difficult economic conditions around the world, Kia sold 410,300 automobiles on the domestic market for a 36% year-on-year increase. Overseas, we recorded a 17% increase with 549,437 units sold. These outstanding results were based on Kia's aggressive management and ceaseless innovation in the areas of quality and technology.





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Once again, Kia is running strong.

Kia possesses unique character and energy, enabling us to produce true value even when the going gets tough. Based on these attributes, we realized complete normalization of operations after overcoming legal proceedings in an amazingly short period. Now financially sound, Kia is running strong again in the 21st century.



Kia - a tough, true leader.

Kia's establishment in 1944 marked the dawning of Korea's automotive industry. For 57 years, Kia workers have toiled, and their perspiration became the foundation upon which this industry was built. With an indomitable will and a pioneering spirit, Kia has overcome the difficulties of the past. And now, Kia enters the 21st century armed with true quality and tough competitiveness, ready to challenge the 5th spot among the world's elite automakers.



Kia Motor Co., Ltd.
CEO and Chairman **Chung, Mong**



P R E S I D E N T ' S M E S S A G E



Through record-breaking sales and two consecutive years of profit, we now have the necessary foundation to meet all challenges in the 21st century.

Kia Motors normalized operations sooner than anyone expected. However, rather than engage in self-praise, Kia will open up a new future of even greater challenge and accomplishment based on the strengths and confidence we have forged thus far.

For the year ahead, we at Kia have chosen to incorporate "belt-tightening, flexibility and crisis control" into our management policy. Expected problems in the business environment will be dealt with prudently. At the same time, we are forecasting sales of 1.14 million units, with gross sales of 13 trillion won and ordinary income of 500 billion won.

Although a year-on-year drop in domestic demand has been forecast, Kia expects to sell 410,000 units locally for a 30% share of the market. We will accomplish this by focusing marketing efforts on our top-selling models, reinforcing our sales organization and expanding our overall sales activities.

To offset stagnation in the domestic market, Kia has set an export goal of 740,000 units for a 34% year-on-year increase. Exports of Optimas, Carnivals and other new Kia models are expanding, and we are strengthening our regional marketing efforts to gain a greater competitive edge.

Our plants in Hwasung, Sohari and Kwangju have implemented a system of accountability that will ensure we achieve our sales targets without any production setbacks. Our priorities are on quality and delivery dates to further bolster our international competitiveness in productivity.

Kia is also continuing to push forward with the Six Sigma Campaign, introduced last year. Every Kia employee is committed to constant quality improvement, with the aim of winning the "Korean Quality Grand Prize," the most prestigious award of its type in the nation.

We are accelerating efforts to improve profitability. Our approach is to "wring out the dry towel again" so that ways are found to reduce costs in all divisions, starting from product planning.

Over the long term, Kia is pursuing projects in China, Brazil and Indonesia. Of course, these and other such projects are being carried out carefully and with thorough examination.

The corporate tax problem that had long affected Kia's operations has been resolved in our favor. The resulting judgement has had a very positive impact on our liquidity and share price. At the last extraordinary general shareholders' meeting, approval was given to reduce the total number of Kia shares by 80 million. As of the end of January, 43 million shares had been purchased and disposed of. Kia will continue this process until year's end, helping to boost our share price.

Although many economists have predicted difficult business conditions for this year, Kia employees stand united in their determination to turn crisis into opportunity. For Kia and Hyundai Motor to join the ranks of the world's elite automakers by 2010, we will overcome all obstacles while accelerating growth and development.

Once again, we ask you for your continued devotion, support and encouragement in order to make Kia a world-class automobile producer.

In closing, I humbly thank you for attending the 57th annual shareholders' meeting. May you enjoy the best of health and happiness in 2001.

Greetings Shareholders.

On the occasion of our 57th annual shareholders' meeting, I offer my gratitude for your unreserved encouragement and support over the past year. And, as always, I wish you continued health and prosperity.

The year 2000 was one of the most meaningful in Kia Motors' 57-year history as we embarked on a new beginning. We got out from under court receivership in an amazingly short period, recorded our second straight year of profitable operation, and also realized our best year ever with 10.8 trillion won in sales and 330 billion won in net profits. These achievements, in combination with the successful spin-off of our affiliates, mean that we, along with Hyundai Motor, are now set to join the ranks of the world's top automobile producers.

Last year, under a banner of aggressive management, quality innovation and technological innovation, Kia Motors pursued many challenging business objectives and achieved numerous successes. Domestically, we strengthened product competitiveness with the launch of the new Spectra and Optima. We sold 410,300 units domestically, for a 36% increase over the previous year. Meanwhile, we improved profitability by terminating production of non-profitable models and enhanced our sales system.

Overseas, we exported 549,437 units for a year-on-year increase of 17%. The successful launching of the Rio in North America contributed to further elevation of the status of Korean automobiles in that strategic market. The Production Division improved capacity utilization and productivity, establishing a solid foundation for continued profitability. This was accomplished by specializing production at each of our facilities through the reorganization and expansion of production lines.

We continued our company-wide Six Sigma Campaign to enhance the quality of our products and services. Moreover, our real-name maintenance system and round-the-clock Overseas Quality Control Centers have brought customer satisfaction levels to an all-time high.

In addition, our Headquarters was moved to a new building in Yangjae-Dong in southern Seoul; a building we share with Hyundai Motor. We are now achieving maximum synergy effect in all divisions through greater collaboration between the two companies.

17th March 2001
Kim Soo-joong
 CEO & President
 Kia Motor Co., Ltd.



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**Kia - We' re back again with
unbeatable competitiveness.**

To get ahead in today' s global market, you have to be a tough competitor. Kia has recorded two consecutive years of profitability through world-class quality and aggressive marketing. Today, Kia is growing even stronger both at home and abroad.



Race for the top - the Spectra Wing Road Show

Including last year, Kia has realized continuous sales growth through improved competitiveness of our passenger line and great response to our RV models.

Last year, Kia sold 1.43 million vehicles owing in part to recovered domestic demand and rapid growth of the RV market. This figure represents a 15% increase over 1999. By vehicle type, the numbers were 435,000 RVs, or a 61.3% year-on-year increase, and 625,000 passenger cars, for a 2.5% decrease. Meanwhile, 370,000 commercial vehicles were sold, generating a 2.9% increase over the previous year.

Given the market conditions, Kia focused on strengthening its leadership in the RV market and regaining its position in the passenger car market. These efforts resulted in sales of 410,300 vehicles for a 36% increase, as well as a firm hold on the No.2 ranking in domestic market share.

Since 1999 and despite recent weakening of the passenger car market, Kia introduced the new Rio, Spectra and Optima models. These products helped to account for a 40% year-on-year sales increase or a total of 123,000 vehicles. In the RV market, improvements in the Carnival, Carens and Car Star enabled Kia to sell 181,000 vehicles (a 17% increase) and establish competitive dominance.

This sales increase was accompanied by other excellent results on the qualitative side. Non-profitable models were terminated, better price levels were established, sales conditions were improved and debt was lowered.

Forecasts for 2001 indicate sales of 1.35 million vehicles, a 6% decrease from 2000, brought on by reduced real purchasing power from an overall economic slowdown in Korea. Likewise, competition among producers will become even more heated.

Kia will respond to the worsening market environment with a three-pronged approach. Specifically, this means that we will focus marketing capabilities on our most competitive models, reinforce our sales organization and expand sales activities. This includes optimum utilization of online and offline sales approaches. Through all available means, Kia will match last year's 410,000 units and secure a 30% domestic market share.



- ←← Rio snow festival
- ←← Optima unveiling at the Keumgang Mts.
- ← Unveiling of Korea's minivan - the Carnival II



Kia recorded solid sales growth of 17% over last year with robust operations and sales increases in North America and the Asia-Pacific.

Kia exported a total of 549,437 vehicles, including 447,667 finished automobiles, last year for a 17% year-on-year increase. This marked the second straight year that Kia broke its own sales records. By region, North America and the Asia Pacific region accounted for 62% of the export increase. In particular, the Rio's successful launch in the US helped elevate the status of Korean automobiles and surpassed earlier estimates with 203,000 units shipped.

These export results were achieved by improving local service and by inviting Kia salespeople from around the world to Korea as part of our "New Millennium Tour." We improved services by establishing overseas regional offices staffed by sales specialists. These offices allowed us to get closer to local markets and operate quality control centers.

For 2001, Kia has set an aggressive export goal of 736,000 vehicles, including 613,000 finished vehicles. This target will help in offsetting contraction in the domestic market. To realize this goal, Kia is expanding introduction of the new Spectra, Optima and Carnival under the catchphrase "Action 2001." This plan also calls for strengthened marketing by region, better export strategies and tighter export management. Important indicators such as orders, sales and inventories are now managed under a three-month lead-time.



An overseas sales representative stresses excellent product quality as part of an aggressive sales approach.



Kia's local US after-sales parts center operates 24 hours a day.



North American salespeople who achieved dramatic sales increases visit Kia's Korean operations.
Chairman Chung Mong-gu receives an award for contributions to the automobile industry in North America.
The Kia booth at the Paris Motor Show



One of the customer-friendly, local Kia service centers with state-of-the-art, computerized facilities.

With “Kindness, Speed and Accuracy” as a motto, Kia has instituted a real-name maintenance system and greatly improved service satisfaction.

At Kia, we believe that service quality is no less important than product quality. For this reason, we have always endeavored to provide the customer with the most convenient services possible. Innovation in after-sales service has been achieved under the banner of “Kindness, Speed and Accuracy,” and Kia last year introduced a real-name maintenance system at every service center. The result is vastly improved maintenance accountability and customer satisfaction indexes.

Also last year, Kia carried out a variety of activities under a two-part policy calling for expanded service opportunities and improved service quality. The policy objective is to establish world-class competitiveness in this crucial area. In February, Kia was released from court receivership, and maintenance networks were implemented in March, as Kia launched the “New Departure, Customer Satisfaction Realization Campaign.” In August, we started broadcasting educational programming via satellite in real time at all Kia maintenance centers to further improve after-sales services.

Furthermore, Kia conducted special servicing visits to isolated areas where the availability of maintenance manuals is limited. These visits helped to give local customers a warmer, friendlier corporate image.

Kia has expanded the number of nationwide car clinics to 450 to provide even better customer services and support in Korea. Customer response has been very enthusiastic, as waiting times have been reduced. Kia has also established an “emergency network” that can deliver needed parts anywhere in the country within 24 hours.

Kia will never cease to improve after-sales services for customers. Overseas, we are constantly building trust with local customers through quality control centers, 365 day-a-year, round-the-clock free service consultation and other support activities.

In 2001, Kia will continue to build the highest quality vehicles while providing even better services through real-name maintenance based on “Kindness, Speed, Accuracy and Trust.” At Kia, we never stop trying to satisfy the customer.



Satellite-directed mobile service



- ←← On-site inspection of services by Kia’s top executives
- ←← A 365 day-a-year, 24-hour-a-day service center
- ← Hands-on training in Latin America under the real-name maintenance system





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2000 Paris-Dhaka Rally

**Kia builds customer trust around
the globe with world-class quality.**

Quality is the ultimate strategy when it comes to winning customers. Kia's belief that a company has to be the best in product and service quality is winning the hearts and minds of customers around the world.



21st century, state-of-the-art engine R&D

Kia has taken productivity and profitability to a higher level by reorganizing production lines, implementing Six Sigma and reducing production costs.

Recently, Kia has been carrying out radical reforms in all production facilities. We have maximized efficiency by conducting large-scale reorganization and expansion of production lines according to their individual characteristics. As a result, our finished automobile division produced 803,000 units for a 14.7% increase over the previous year.

In 2001, we plan to increase productivity a further 10% by aggressively strengthening four key areas: reducing standard production processes, increasing the straight line ratio, reducing time between new model launches and improving logistics. Greater efficiency at production sites will allow us to produce 968,000 vehicles this year in the finished car division, a 20.5% increase year on year.

The full-scale implementation of Six Sigma coupled with continuous improvement activities have improved finished car quality while helping to raise productivity and lower costs. We have designated 2001 as the "First Year of Quality Management for the Achievement of World-class Quality by 2005." Kia employees are united in their determination to win the "Korean Quality Grand Prize," the most prestigious quality-related award in the nation.

In 1999, the Kia/Hyundai Integrated R&D Center first achieved a maximum synergy effect through the joint use of platforms and parts. For new product development, we began by rolling out the Spectra in April. The Optima was unveiled in July, injecting new life into the depressed mid-sized car market and also demonstrating joint platform usage for the first time.

Kia launched the Spectra Wing in October, showing firm resolve in the near-mid-sized market. By focusing on export model development, Kia was able to roll out the Rio in May and the Optima in October in North America. For the year, Kia completed the development of 41 different models, including those for export.

Kia has conducted various seminars and other educational programs to hone researcher skills. As a result, Kia researchers developed 2.5-mile gain bumper technology for which Kia was awarded the KT Mark. The academic activities of our researchers have resulted in the publication of 11 theses, as well as the registration of 467 claims for industrial property rights.

In preparation for greater market competition in 2001, Kia is now engaged in the final development efforts for 35 new vehicle models. Moreover, profitability remains our top priority. Every Kia researcher is also working to ensure basic cost planning is reflected in each new model that comes out.



- ←←←← System of frequent inspections in action on the Carnival production line
- ←←← Finished cars undergoing high-speed performance tests
- ←← Quality control center
- ← Prototype of new model manufactured with state-of-the-art computers



2000 KIA MOTORS ANNUAL REPORT

Kia employees are working hard across the globe to establish a new corporate position and meet the challenges of the 21st century.

After becoming profitable in 1999, Kia Motors continued to grow in 2000. An aggressive management approach includes a marketing blitz to conquer markets both at home and abroad. Meanwhile, the successive launch of the highly competitive Spectra and Optima has enabled us to grab second place in the Korean passenger car market.

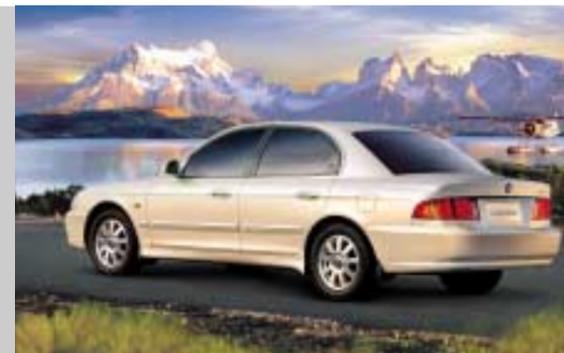
Kia has focused exports on North America and the Asia-Pacific, boosting exports 17% over 1999. Bolstered by renewed confidence from our operation normalization, we invited Kia dealers from around the world to Korea as part of our New Millennium Tour, and accelerated service activities overseas. On the production side, we worked hard at improving quality and productivity at every facility. At the same time, we vastly bolstered efficiency through large-scale reorganization and expansion of our production lines.

Kia put the Six Sigma quality innovation program into full gear last year and pushed for systematic improvement in everything from new model development and manufacturing to parts quality. The real-name maintenance system was also incorporated into our after-sales services, and Kia service has come to be recognized for its "Kindness, Speed and Accuracy."

1. Creation of the nation's first automotive group

On September 1, 2000, ten companies, including Kia Motors, received permission from the Fair Trade Commission to spin off from the Hyundai Group. This decision allowed Kia Motors, Hyundai Motor, Hyundai Mobis, Hyundai Capital, Inchon Steel and Hyundai Hysco to work together to challenge the 5th spot among the world's leading automobile producers. The formation of this automotive group has created a new automotive specialist with a unique corporate image and has laid the foundation for stable operations.

As of the end of 1999, this automotive group had 90,000 employees and the nation's 5th largest amount of total assets, valued at 31.723 trillion won.



4. Introduction of the Spectra and Optima, No.2 ranking in passenger cars in Korea

Kia Motors unveiled the Spectra, a near-mid-sized passenger car in May 2000. The mid-sized Optima was then unveiled in July. These two models rapidly put Kia in the No.2 ranking in domestic passenger vehicle market share. As soon as the Optima came out, it generated a flurry of sales and steadily increased market share until finally grabbing the top spot for mid-sized passenger vehicles. The Optima was later distinguished with the honor of selection as a "Hit Product" by various local media.

This success in the domestic market has served as a springboard for boosting sales of the value-added Optima in the US and European markets. The Optima is now being cultivated as a main export model. In addition, Kia improved its product competitiveness last year with the introduction of numerous models including the Letona Cruiser SUV, one-ton Bongo Frontier truck and the 2.5/3.5-ton Pmax trucks and the Spectra Wing, a follow-up model to the Shuma.



2. Relocating the main office to Yangjae-dong

After being re-launched, Kia moved from its former location on Yoido to work with Hyundai Motor in a brand new, 21-story building in Yangjae-dong. The new Headquarters now serves as the center of Korea's auto industry and has attracted the attention of the world's leading carmakers.

With their joint relocation to the Yangjae-dong Headquarters, Kia and Hyundai will be able to achieve a greater synergy effect. Also, the building is located at the entrance of the Kyongbu Expressway, the gateway to Seoul, so both companies are closer to their respective plants, research centers and related facilities.

3. Surmounting legal obstacles to become an industry leader

On February 16, 2000, Kia Motors finally graduated from the court receivership it had been under for 15 months. The Kia case is considered to be a representative example of rapid normalization by an insolvent company.

Last year, Kia recorded the highest profits since its founding. In late 1997, Kia managed to lower its liability-to-equity ratio, which had hovered around to 810%, to within the government-established guidelines. This set Kia's transformation into action.

On February 23rd of last year, Kia celebrated its "New Departure, New Take-off Declaration Ceremony." At the ceremony, Kia reaffirmed its commitment to quality and service innovation and pledged to contribute to national economic development as a world-class automotive specialist.



5. Full-scale deployment of the Six Sigma management innovation program

Last year, Kia conducted a special program to educate all employees about the Six Sigma initiative. Black or green belts were awarded to 187 people, qualifying them as Six Sigma specialists. A total of 168 projects were completed, saving 8.9 billion won in improved efficiency. These results raised the international quality survey (IQS) score by 83 points over the performance in the first half of last year. This was the largest improvement among all the companies that were tested.

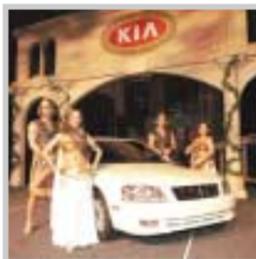
In February 2000, Kia established a set of standards for new model quality and worked to acquire ISIR certification so the quality of parts for new models can be secured quickly. Kia also carried out activities to cultivate quality in all production processes. Through these and other continuous quality improvement efforts, Kia is striving to join the world's top five auto producers in terms of quality.



6. Production line reorganization and remarkable productivity gains

Last year, Kia specialized production through large-scale reorganization and expansion of all production lines. The one-ton Frontier production line was moved from Sohari to the Kwangju plant. Also, the lines were specialized to suit the individual characteristics of each facility. This move helps to maximize the synergy effect.

Kia is increasing new facility investments, including the construction of a new painting plant, to boost annual Carnival production to 200,000 units. Hourly productivity has also been greatly increased at each facility. Sohari Carnival line output has been raised from 18.7 UPH (units per hour) to 30 UPH. Moreover, the Rio line has been improved to 29.3 UPH from a previous 24 UPH. The Hwasung 3rd plant productivity went from 33.3 to 40 UPH, and the Kwangju plant van line was vastly improved from 7.5 to 18.7 UPH.



7. The New Millennium Tour and increased benefits for overseas dealers

Now free of legal difficulties, Kia has been steadily bolstering its corporate image by attending motor shows around the world. Starting with the Chicago and Geneva motor shows in February, and the Paris Motor Show in September, we have continued to introduce new models and enhance our corporate image.

The annual New Millennium Tour and related events have also provided an opportunity to strengthen unity among the overseas dealers who sell Kia products. Over 1,520 overseas dealers and journalists from 75 countries have visited Korea a total of 39 times. The visits included direct observation of Kia's production and research facilities, instilling in those who sell Kia products with a sense of belonging, pride and vision.

8. Improving affiliate parts quality through aggressive benchmarking

Kia believes that coordinating with part suppliers to ensure quality is the most important factor in competing with the world's leading auto producers. For this reason, Kia last year conducted direct comparisons of parts quality with the cooperation of leading producers, Mercedes Benz and Honda. Kia also carried out on-site inspections of local quality-related problems concerning exports to the North American market with officials from over 100 subcontractors. After inspecting Japanese parts manufacturers' facilities in April, Kia toured North American facilities in October. The Kia inspection team discussed policy related to collection of faulty parts originating in the North American market and later investigated local after-sales service problems and customer feedback through dealer visits. Kia continues to explore various quality improvement measures.



9. Improving customer satisfaction with the real-name maintenance system

Under the motto "Kindness, Speed and Accuracy," Kia completely revamped the after-sales system. The new real-name maintenance system at all service centers has greatly improved the monitoring function and customer satisfaction indexes. The Kia After-sales Service Division, which established an operational policy based on the two main directives of expanded service opportunity and improvement of service quality, deployed a campaign of "New Departures, New Challenges and Realization of Customer Satisfaction." In August, Kia utilized satellite broadcasting to strengthen the training of maintenance people. In addition, Kia employees provided direct services and established clinics in areas that are lacking in maintenance-related materials.

10. Employee training and social welfare

Last year, since overcoming past obstacles, Kia held a shareholders' meeting and started hiring university graduates for the first time in three years. We were also able to once again focus on employee welfare and provide such benefits as year-end bonuses and company-paid travel to hometowns on national holidays. By operating summer vacation facilities and supporting medical expenses, Kia is now providing for employee leisure activities and health management.

Kia maximizes employee benefit by offering financial assistance for purchasing a home or automobile. Moreover, Kia has also set up the Osan Human Resource Development Center to provide even greater educational opportunities for Kia employees and their families.



2000 KIA MOTORS ANNUAL REPORT FINANCIAL STATEMENTS

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Anjin & Co
A Member Firm of
Andersen Worldwide SC
23-5 Yoido-dong, Youngdeungpo-ku
Seoul 150-010 Korea

**To the Shareholders and Board of Directors of
KIA MOTORS CORPORATION:**

We have audited the accompanying balance sheets of Kia Motors Corporation as of December 31, 2000 and 1999, and the related statements of income, dispositions of accumulated deficit and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kia Motors Corporation as of December 31, 2000 and 1999, and the results of its operations, changes in its accumulated deficit and its cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea .

The translated amounts in the accompanying financial statements have been translated into U.S. dollars, solely for the convenience of the reader.

The operations of the Company have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the

Company as of the balance sheet dates cannot presently be determined and, accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

The court receivership of the Company, which commenced on April 15, 1998, was terminated effective February 16, 2000.

During their meeting on November 4, 2000, the shareholders of the Company approved the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued as of December 31, 2000. On January 31, 2001, in accordance with the consensus reached during the said shareholders' meeting and the provisions of the Korean Commercial Code, the Company concluded the first round of stock retirement covering 43,287,110 treasury shares, or 9.6 percent of total common stock issued, which shares had been reacquired for retirement purposes since the date of the shareholders' meeting. As a result of the stock retirement, the number of the Company's total common shares issued has been reduced to 406,310,345 shares as of February 10, 2001.

Effective December 1, 2000, the Company sold its Parts Sales Division, the main function of which had been the selling and distribution of motor parts for after-sales services, to Hyundai Mobis Co., Ltd. The book value of the Division's net assets as of December 1, 2000 was ₩264,805 million (\$210,213 thousand). The total consideration for the sale of the Division consists of a fixed amount of ₩310,105 million (\$246,174 thousand) as compensation for the Division's net assets and goodwill of ₩45,300 million (\$35,961 thousand), plus 10 percent of ordinary income from the Division's operations during a ten-year period starting in 2001 which is payable every year during the said period.

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 and jurisdictions other than the Republic of Korea. 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 and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea,
February 10, 2001

BALANCE SHEETS

AS OF DECEMBER 31, 2000 AND 1999

	Korean won (In millions)		Translation into U.S. dollars (In thousands)	
	2000	1999	2000	1999
ASSETS				
Current assets:				
Cash and cash equivalents	₩31,633	₩13,347	\$ 25,112	\$ 10,595
Short-term financial instruments	77,428	40,162	61,465	31,882
Marketable securities	204,519	557,211	162,355	442,336
Trade notes and accounts receivable, net of unamortized present value discount of ₩4,188 million in 2000 and ₩9,264 million in 1999, and allowance for doubtful accounts of ₩134,287 million in 2000 and ₩374,160 million in 1999	956,862	725,515	759,595	575,943
Inventories	646,246	608,970	513,016	483,425
Other receivables, net of unamortized present value discount of ₩22,943 million in 2000, and allowance for doubtful accounts of ₩101,671 million in 2000 and ₩78,802 million in 1999	335,271	114,804	266,151	91,136
Advances and other current assets, net of allowance for doubtful accounts of ₩15,881 million in 2000 and ₩44,944 million in 1999	290,063	314,990	230,265	250,052
Total current assets	2,542,022	2,374,999	2,017,959	1,885,369
Non-current assets :				
Investments, net of unamortized present value discount of ₩27,446 million in 2000 and ₩29,098 million in 1999	313,362	78,664	248,759	62,447
Property, plant and equipment, net of accumulated depreciation of ₩1,149,781 million in 2000 and ₩769,934 million in 1999	4,518,991	4,384,586	3,587,355	3,480,659
Intangibles, net of amortization	89,818	17,391	71,301	13,806
Other assets	238,134	319,692	189,040	253,784
Deferred income tax assets	466,954	505,963	370,687	401,653
Total non-current assets	5,627,259	5,306,296	4,467,142	4,212,349
Total assets	₩8,169,281	₩7,681,295	\$ 6,485,101	\$ 6,097,718

BALANCE SHEETS

AS OF DECEMBER 31, 2000 AND 1999

	Korean won (In millions)		Translation into U.S. dollars (In thousands)	
	2000	1999	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	₩ 74,390	₩ 549	\$ 59,054	\$ 436
Current maturities of long-term debt and debentures, net of discount on debentures issued of ₩3 million in 1999	692	5,846	549	4,641
Trade notes and accounts payable	1,737,587	1,659,529	1,379,366	1,317,400
Accrued warranties	181,234	109,988	143,871	87,313
Accounts payable-other	390,409	280,527	309,922	222,693
Accrued expenses and other current liabilities	216,909	315,009	172,191	250,067
Total current liability	2,601,221	2,371,448	2,064,953	1,882,550
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and net of discount on debentures issued of ₩10,112 million in 2000	1,743,066	1,534,108	1,383,716	1,217,836
Accrued severance benefits, net of National Pension paid for employees of ₩55,726 million in 2000 and ₩61,774 million in 1999, and individual severance insurance deposits of ₩472,421 million in 2000 and ₩379,452 million in 1999	385,919	338,484	306,358	268,702
Derivative instruments credit	65,278	-	51,820	-
Long-term accrued warranties	300,578	332,956	238,611	264,315
Other long-term liabilities	11,702	7,085	9,289	5,623
Total long-term liabilities	2,506,543	2,212,633	1,989,794	1,756,476
Total liabilities	5,107,764	4,584,081	4,054,747	3,639,026
Commitments and contingencies				
Shareholders' equity:				
Capital stock	2,247,987	2,247,273	1,784,542	1,783,975
Capital surplus	1,920,913	1,921,058	1,524,897	1,525,012
Accumulated deficit (Net income of ₩330,704 million in 2000 and ₩135,745 million in 1999)	(783,887)	(1,044,503)	(622,281)	(829,168)
Capital adjustments	(323,496)	(26,614)	(256,804)	(21,127)
Total shareholders' equity	3,061,517	3,097,214	2,430,354	2,458,692
Total liabilities and shareholders' equity	₩ 8,169,281	₩ 7,681,295	\$ 6,485,101	\$ 6,097,718



STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	Korean won (In millions)		Translation into U.S. dollars (In thousands)	
	2000	1999	2000	1999
Sales	₩10,806,045	₩7,930,638	\$ 8,578,269	\$ 6,295,656
Cost of sales	8,926,092	6,742,758	7,085,887	5,352,670
Gross profit	1,879,953	1,187,880	1,492,382	942,986
Selling and administrative expenses	1,526,826	1,139,033	1,212,056	904,209
Operating income	353,127	48,847	280,326	38,777
Other income, net:				
Interest expense	(98,623)	(56,590)	(78,291)	(44,923)
Foreign exchange loss	(18,468)	(62,094)	(14,661)	(49,293)
Reversal of allowance for doubtful accounts	171,684	475,703	136,290	377,632
Loss on valuation of marketable securities, net	(89,546)	(16,545)	(71,085)	(13,134)
Loss on valuation of inventories	(3,706)	(15,849)	(2,942)	(12,582)
Gain on valuation of investments securities				
accounted for using equity method	25,765	384	20,453	305
Loss on disposal of accounts receivable	(53,822)	(31,162)	(42,726)	(24,738)
Gain(loss) on disposal of marketable securities, net	(11,057)	123	(8,777)	98
Loss on impairment of investments	(11,901)	-	(9,447)	-
Loss on disposal of property, plant and equipment	(27,369)	(88,950)	(21,727)	(70,612)
Gain on disposal of Parts Sales Division	45,300	-	35,961	-
Other	88,329	(26,004)	70,119	(20,643)
	16,586	179,016	13,167	142,110
Ordinary income	369,713	227,863	293,493	180,887
Extraordinary items:				
Gain on forgiveness of debt	-	45,789	-	36,349
Reversal of allowance for doubtful accounts	-	109,662	-	87,054
Amortization of cost in excess of				
net tangible assets acquired	-	(200,874)	-	(159,462)
	-	(45,423)	-	(36,059)
Income before income tax	369,713	182,440	293,493	144,828
Income tax expense	39,009	46,695	30,967	37,068
Net income	₩ 330,704	₩ 135,745	\$ 262,526	\$ 107,760
Ordinary income per common share	₩ 743	₩ 781	\$ 0.59	\$ 0.62
Earnings per common share	₩ 743	₩ 493	\$ 0.59	\$ 0.39

STATEMENTS OF DISPOSITION OF ACCUMULATED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	Korean won (In millions)		Translation into U.S. dollars (In thousands)	
	2000	1999	2000	1999
Accumulated deficit before disposition:				
Undisposed accumulated deficit, beginning of year	₩ (1,044,503)	₩ (2,798,895)	\$ (829,168)	\$ (2,221,874)
Beginning balance adjustments:				
Cumulative effects of accounting change	-	552,658	-	438,722
Gain on prior period error correction	-	416	-	330
Loss on prior period error correction	-	(1,451)	-	(1,152)
Adjustments in investment securities using the				
equity method	(70,088)	9,375	(55,639)	7,442
Adjusted beginning balance of deficit	(1,114,591)	(2,237,897)	(884,807)	(1,776,532)
Appraisal gain	-	1,047,040	-	831,182
Net income	330,704	135,745	262,526	107,760
	(783,887)	(1,055,112)	(622,281)	(837,590)
Disposition				
Transfer from other capital surplus	-	10,609	-	8,422
Undisposed accumulated deficit, end of year	₩ (783,887)	₩ (1,044,503)	\$ (622,281)	\$ (829,168)



KIA MOTORS FULL LINE UP



Enterprise



Potentia



Optima



Spectra



Spectra Wagon



R20



R20



Visto



TAXI



TAXI



TAXI



Carens



CARNIVAL



CARSTAR



Sportage
AMBIEX



PREGIO



RETONA
CRUISER



Bongo (1t)



Bongo (1t, 4WD)



FRONTIER 1.8/2.5 V6 (1.3t)



FRONTIER 1.8/2.5 V6 (2.5t)



RHINO



Granbird



COSMOS



PREGIO 3000



RHINO (Dump truck)



RHINO (Wrecker)



FRONTIER 1.8/2.5 V6 (1.3t Refrigerator Van Truck)



FRONTIER 1.8/2.5 V6 (2.5t Keeper Van Truck)



FRONTIER 1.8/2.5 V6 (2.5t Home Lorry)



RHINO (Trash Dump Truck)



Jeep



Cargo (5t Cargo Truck)



Cargo (1.1/4t Cargo Truck)



Cargo (2.1/2t Cargo Truck)



Wrecker (5t)



1944	Company founded
1952	First domestic bicycle (Samcholli-ho) built.
1961	First two-wheeled motorcycle (the C-100) produced.
1962	Production of 3-wheel cargo truck (K360) begun.
1971	Four-wheel cargo trucks (Titan, Boxer) produced.
1973	Sohari plant completed. First local production of a gasoline engine (2,000cc) begun.
1974	Production of Brisa compact car begun.
1975	Export of finished Brisa pick-ups started.
1980	Production of 1-ton Bongo truck begun.
1981	Production of Bongo Coach van begun.
1983	Ceres multi-purpose farm truck produced in equity partnership with Japan's Mazda and Itochu.
1986	Production of Besta van begun. / Kia basketball team organized. / Production of Pride (Festiva) started.
1988	Production of 2.5-ton Trade and 5-ton Rhino trucks begun.
1990	Corporate name changed to Kia Motors Corp.
1992	Kia Japan Co. established. / Production of Potentia luxury sedan begun. / Production of the Sephia compact sedan begun. / Kia Motors America Inc. established.
1993	Production of the Sportage SUV begun. / Environment-friendly solar car developed. / Production of Avella (Aspire) compact car started. / Asan Bay proving ground completed.
1994	Company's 50th anniversary celebrated. / Customer service training center opened. / Ground broken for Kia Japan Research Center. / First electric vehicles sold in Korea. / ISO certification received for all commercial vehicle and passenger car models. / T8-D engine developed in-house.
1995	Production of Credos mid-sized sedan begun. / Aggregate production breaks 4 million units. / Kia Motors Europe, a local subsidiary, established. / Local assembly of Sportage begun in Europe. / Aggregate exports break 1 million mark. / Company participates in Seoul Motor Show. / Production of new Bongo J2 truck begun. / Tokyo R&D center completed. / Sephia wins 2 Unmodified divisions at Australian World Rally. / Asan Bay Plant 2 completed (resulting in internationally competitive 1,000,000 units in annual capacity). / Production of Pregio van begun.
1996	Sephia takes first place at '95 World Championship in Indonesia (in Stock, Unmodified Division). / Credos granted European certification. / Sportage becomes the first vehicle to ever cross the Sahara Desert. / Sephia economy car sold in Indonesia. / Production of Elan, a classic sports car, begun.
1997	Production of Enterprise luxury sedan begun. / Kia Enterprise basketball team established. / Ground broken for economy car plant in Indonesia. / Development of the 3,600cc J6D, Korea's largest engine, completed. / Production of the Bongo Frontier begun. / Production of the Sephia II begun. / Production of the Delta small sedan begun. / Production of the Shuma near-mid-sized sedan begun.
1998	Production of the Carnival traditional minivan begun. / Production of the Credos II mid-sized sedan begun. / The industry's first "unified maintenance reservation system" launched. / Production of the 1-ton Frontier tilt-cab truck begun. / Production of the 7-passenger Parktown station wagon begun. / Aggregate exports break 2 million mark. / Kia and Hyundai sign share acquisition contract.
1999	Name of Asan Bay plant changed to Hwasung plant. / "No-dispute" labor-union declared. / "Kia New Startup 2000 Declaration" announced. / First Sportage and Sephia exports made to Canada. / Kia gets approval to merge 5 main affiliates. / Kia grabs 2nd place in Korean market. / Y2K events held in 70 countries. / Pride production begun in China. / Production of Rio small car begun.
2000	Production of 15-passenger Pregio van begun. / Termination of court receivership. / Sportage gets 4th place in "Hell Rally." / Indonesian President visits Hwasung plant. / Court receivership terminated. / Spectra near mid-sized car goes on market. / Optima mid-sized car goes on market. / Retona Cruiser goes on market. / New Bongo Frontier, Parmax, and Pregio models unveiled. / Spectra Wing goes on market. / Company officially moves to Yangjae-dong Headquarters.
2001	HKN integrated broadcasting station for the automotive group launched. / Chairman Chung Mong-gu wins award for contributions to the automotive industry. / Carnival II goes on market.

On the way to being the World's 5th-largest Automotive Group.

Our goal is to be the world's fifth largest group specializing in the automotive industry.

This is no dream. We achieved momentous progress under adverse conditions, and this success will be a springboard for a powerful new growth surge that will make Kia Motors an industry leader in the 21st century.

