

# 2000

# ANNUAL REPORT





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NEW  
SONATA

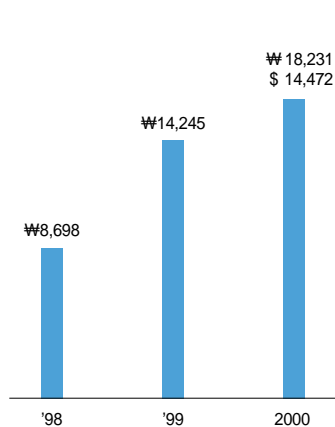
# FINANCIAL HIGHLIGHTS

For the years ended December 31, 2000, 1999 and 1998

		Korean Won in Billions		U.S. Dollars in Millions
	2000	1999	1998	2000
Sales	<b>₩18,231</b>	₩14,245	₩8,698	<b>\$14,472</b>
Net Income	<b>668</b>	414	– 33	<b>530</b>
Total Assets	<b>17,968</b>	16,456	11,185	<b>14,263</b>
Shareholders' Equity	<b>7,623</b>	7,193	3,190	<b>6,051</b>
Earnings Per Share (₩, US\$)	<b>3,103</b>	3,577	896	<b>2.46</b>
Dividends Per Share (₩, US\$)	<b>600</b>	500	50	<b>0.48</b>

## Sales

(Korean Won in Billions,  
U.S. Dollars in Millions)



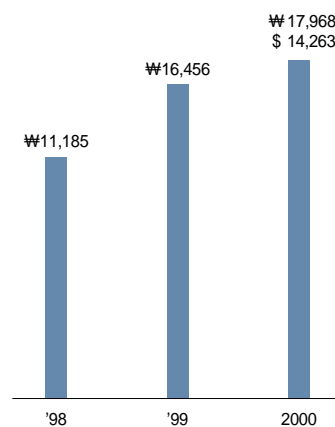
## Net Income

(Korean Won in Billions,  
U.S. Dollars in Millions)



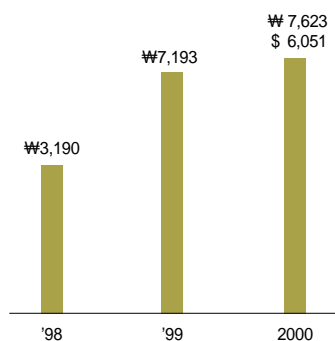
## Total Assets

(Korean Won in Billions,  
U.S. Dollars in Millions)



## Shareholders' Equity

(Korean Won in Billions,  
U.S. Dollars in Millions)



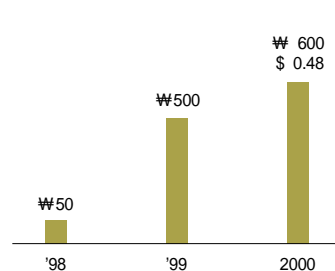
## Earning Per Share

(Korean Won, U.S. Dollars)



## Dividends Per Share

(Korean Won, U.S. Dollars)





## **Hyundai Motor Company, Korea's Automotive Leader Today, A World Leader Tomorrow**

"Making cars that help realize people's dreams and happiness" is the motto that's at the heart of everything we do at Hyundai Motor Co., one which has guided the company through more than 30 years of continuous growth and made Hyundai into one of the most respected names in the business. Along the way, the company has led the development of the Korean auto industry and has become a major force in the modernization of the Korean economy. Responsive management, visionary leadership and aggressive investment in the creation of advanced technology are some of the key elements which have helped build Hyundai Motor into Korea's largest automobile manufacturer with a network of sales and services outlets that spans the globe. At the dawn of the new millennium, Hyundai Motor is putting new emphasis on customer service and satisfaction. Maintaining brand loyalty and winning new customers requires constant innovation at all levels from technological development to manufacturing, sales and service. We will continuously sharpen our customer focus by introducing new motor vehicles which exceed customers' expectations in every aspect of quality, performance, value and service.





**Mong-Koo Chung**  
Chairman & CEO

*M. K. Chung*





## Automotive Hall of Fame Honors Chairman Chung Mong-Koo

Since its inception over three decades ago as a modest domestic-oriented automaker, Hyundai Motor has always looked beyond its borders for the opportunity to compete on a global scale with the world's best automakers and to legitimize its claim to the title of Korea's leading automaker. Hyundai Motor's achievements and rise to international prominence were recognized in 2000 by the Automotive Hall of Fame which awarded Chairman Chung Mong-Koo with its Distinguished Service Citation. A watershed in the history of Korea's automotive industry, the award signals the U.S. auto industry's new respect for Hyundai Motor and serves as a recognition of the maturity of Korea's auto industry and its importance on the world stage.

The Automotive Hall of Fame was established in 1939 for the purpose of honoring prominent figures and industry leaders for their significant contributions to the development of the global auto industry. Located in Dearborn, Michigan, the Automotive Hall of Fame has been presenting the DSC award annually. Likened to the Nobel Prize and Hollywood's Oscars, the DSC is widely recognized as the highest honor that the U.S. automotive industry can bestow.

Previous DSC recipients include such illustrious figures as Henry II Ford, president of Ford Motor (1969), Lee Iacocca, president of Ford Motor (1972), J. D. Power, president of J.D. Power (1992), Robert DeLorean, president of GM and Honda Motor's Hiroyuki Yoshi. Chairman Chung becomes the first Korean to win the internationally renowned award and is the second Asian recipient following Honda Chairman Hiroyuki Yoshiro who accepted the honor in 1998.

# PRESIDENT'S MESSAGE



**Dear shareholders,  
customers and partners.**

I'm very glad to have this opportunity to share with you the news of Hyundai Motor's excellent business performance in the year 2000. As many of you already know, the company posted superb business results over the past year which have exceeded all expectations. Our vehicle sales climbed by 24 percent over the previous year as we delivered 1.51 million units to our customers which breaks down to 690,000 units at home and 820,000 units abroad. We are particularly pleased with the growth in our sales revenues which improved by 28 percent year-over-year to reach KRW 18.231 trillion while our net profit rose by 61 percent to KRW 667.9 billion. In addition to these encouraging business results, the company has been maintaining momentum to enhance competitiveness at all levels of the organization. Hyundai Motor and DaimlerChrysler

have forged a strategic alliance which we expect will help secure the foundations for a healthier financial structure and more transparent management practices while at the same time strengthening equity in the Hyundai brand. As of September 1st, last year, Hyundai Motor completed its spin off from the Hyundai Business Group in accordance with the agreement signed with the Korea Exchange Bank, our major creditor bank, on the enhancement of Hyundai Motor's financial health. In addition, the company relocated its head offices to Yangjae-dong, Seoul, a move that symbolizes our rebirth as a totally independent automotive business group. The company also established the Investor Relations Committee under the leadership of Chairman Chung with domestic and overseas IR teams reporting to me. By hosting a variety of corporate promotion events and international road shows, we have been striving to improve corporate communications and provide more

detailed information on our business activities and performance thus enabling foreign investors who currently own more than 45 percent of our equity shares and local investors to make better-informed investment decisions in the future. Last year, management retired a total of KRW 170 billion worth of stock including 10 million shares of common stock and 1 million shares of preferred stocks in order to maximize equity value as promised in the 32nd shareholders meeting. After a strong performance in 2000, Hyundai Motor is looking to attain 9 percent sales growth in 2001 equivalent to 1.65 million units with the home market accounting for 670,000 units and 980,000 units in the overseas market. At the same time, sales revenues in 2001 are forecast to rise by 14 percent year-over-year to 20.837 trillion won thanks to stronger demand in the high value-added segments-namely large-size passenger cars, vans and SUVs. By attaining these business goals in 2001, we will succeed in raising the ratio of ordinary income to sales to between 4 and 5 percent whereas the return on equity which was 9 percent in 2000 is expected this year to surpass the return on three-year corporate bonds by a factor of 1.5. Overall, the burden of financial expenses is predicted to diminish from 2 percent of the sales in 2000 to 1.5 percent by the end of this fiscal year. We are well aware, of course, that our goals will not be easily achieved. However, we are confident the



company will be able to realize its business goals for this year if we redouble efforts to enhance corporate strength by maximizing synergies between Hyundai Motor and Kia Motors as well as continuing to strive for improvement in the quality of our products through such means as the 'Sigma 6' campaign.

Currently, the global auto industry has entered into a cyclical downturn forcing numerous automakers to retrench. Korea's auto industry has not been immune to this global trend. In the face of unstable market conditions and the delayed resolution of the Daewoo Motor crisis, the domestic auto industry is undergoing drastic corporate restructuring.

Addressing this adverse business environment, Hyundai management has set three key management objectives for this year.

First, the company is responding by adopting belt-tightening measures which will reduce costs for parts purchases and other general expenses while at the same time improving efficiencies in quality and inventory management.

Second, the company is resolved to adopt a more flexible management posture which will enable a quicker, more effective response to rapid changes in the business climate including domestic sales, exports, production and procurement.

And third, the company management has sharpened its focus on risk management activities so that it can better deal with external variables which could significantly impact profits

such as fluctuations in the prices of raw materials, interest rates and foreign exchange rates.

In the light of deteriorating market conditions, company management has concluded that expansion of Hyundai Motor's domestic market share has reached its limit which necessitates more aggressive advances into overseas markets in order to cope with this limitation. At the same time, management is accelerating the localization of Hyundai Motor operations in major markets in order to secure sufficient market share and meet our volume projections.

In Japan, where consumers are well known for their fastidious tastes for automobile products Hyundai Motor launched full-fledged marketing operations by introducing a lineup that includes the Avante XD compact sedan, the Grandeur XG luxury sedan and the Santa Fe SUV.

In the United States, the company is planning to dramatically improve its brand image and profitability by expanding its market share in the luxury segment with the launch of the Grandeur XG and in the SUV segment with the debut of the Santa Fe.

In March 2001, the company established Hyundai Motor Europe, a regional headquarters that will supervise its business activities throughout Europe, including the East European markets. Targetting the European customer, the company successfully developed a new diesel engine for application in passenger cars. Equipped with a new high-speed direct fuel injection system (popularly

known as common rail diesel), this new diesel engine will better meet the requirements of European customers by offering significantly reduced emissions as well as dramatically quieter and smoother performance.

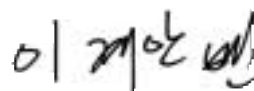
In China, Hyundai Motor management's long and consistent efforts have paved the way to the establishment of a joint venture which will accelerate the localization of the company's business and the expansion of our marketing and after-sales network in this strategically important country.

Over the course of its brief but illustrious corporate history, Hyundai Motor has successfully weathered many storms and on more than one occasion has turned near-defeat into triumph. The corporate philosophy is that challenges are precious opportunities to strengthen corporate competitiveness and resolve.

Although the challenges ahead are endless, we at Hyundai Motor reassert our determination to overcome all obstacles and raise Hyundai Motor into the ranks of the world's top five automakers by 2010.

On behalf of the management and employees of Hyundai Motor, I solicit the continuous support of our shareholders, customers and partners so that we may realize our common goals.

**Kye-Ahn Lee**  
President & CEO







**Creating the Future** Looking back over our 34-year-long history, we take pride in our accomplishments and pioneering role in the development of the Korean auto industry. Despite the passage of time, our corporate philosophy has remained unchanged, namely “Pursuing Happiness Through Cars.” This has been our corporate motto which has guided us through more than three decades of continuous growth and made Hyundai one of the most admired and respected names in the business. To realize our ambition of becoming a global top five automaker by 2010, we have adopted the “Four Best” concept: Providing the best customer service, the best technology, the best quality and the best value.





## **The '70s: The Early Years.**

By the standards of other leading automakers around the globe, Hyundai Motor Company's history is quite short and may be conveniently divided into three decades, each of which encompasses a major era in the company's growth and development.

Riding the wave of the post-war building boom, Hyundai Engineering and Construction Co. diversified into the transportation and machinery industry by establishing Hyundai Motor Company 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 Korean and British auto industries. However, by the early 1970s, Hyundai management made the critically important decision not to rely exclusively on foreign model licensing agreements but to simultaneously pursue 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 an immediate success in the domestic market and vaulted Hyundai into first

place where it has remained unchallenged for over two decades.

Export markets were tested during the late 1970s and provided the company with invaluable experience.

## **The '80s: The Boom Decade.**

The Korean "economic miracle" made headlines during the 1980s as the country expanded its industrial base and per capita incomes rose at a double-digit annual rate.

The country was in the grip of industrialization and was ripe for motorization. Cars, once revered as the ultimate status symbols in Korean society, rapidly became a necessity of daily life. In the early 1980s, the company made another decision, which would prove to be critically important in later years. Fueled by the momentum of rapid economic growth and supported by the efforts of the dedicated, highly educated workforce, Hyundai invested in a major expansion of its Ulsan plant, making a major transition from low volume to high volume manufacturing. Hyundai was looking beyond the national border for future growth.

The capacity would be divided between local market demand and serving export markets. By the mid 1980s, Hyundai secured a solid beachhead in Canada and was ready to tackle the ultimate marketing challenge, the US market.

During the late 1980s, the company

absorbed the lessons of playing in the major leagues of North America and prepared itself for the more intense competition that the 1990s would bring. By 1990, the company's cumulative exports to the US had surpassed one million units, a milestone that put Hyundai on the map.

## **The '90s: The Pursuit of Technical Innovation and Higher Quality.**

The 1990s saw a blossoming of Hyundai's decade-long commitment to developing its own technology.

In 1991, the company unveiled its first in-house designed powerplant, the Alpha engine. Two years later, the Beta engine was unveiled. In January 1992, the automotive world saw the new face of Hyundai with the unveiling of the HCD-I concept car, establishing a tradition of exciting concept cars that would include the HCD-II and HCD-III.

The company recorded major progress in its development of electric cars, hybrid powered cars and key automotive technologies including emissions reduction, safety and material recycling.

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 Grandeur XG have earned Hyundai the highest accolades in the international automotive press and sustained exports which partially offset the loss experienced in the domestic market. It was also a period of company-wide

and industry-wide restructuring. The Kia/Asia Motors acquisition combined with the Hyundai Precision and Industries Co. and Hyundai Motor Service Co. mergers will allow Hyundai Motor Company to achieve the economies of scale needed to compete in the global market. The year 1999 was a very active and fruitful year for Hyundai Motors

Company. Following the success of the EF Sonata and Grandeur XG in 1998, Hyundai Motors Company unveiled its four latest models, the Centennial, New Accent, Coupe face-lift and Trajet. Trajet is Hyundai's first expression of the MPV concept, taking the company into new sectors of the world car market and further broadening the company's impressive



range. Also, Hyundai Motor Company has signed an official

contract to become the exclusive

automotive partner to sponsor all

FIFA- related events, including the

2002 World Cup.

Hyundai Motors Company has already

supported several 1999 FIFA events,

including the Women's World Cup,

the Confederations Cup, the World

Youth Championship and the

Under-17s World Championship.

Reviewing the performance for 1999,

Hyundai Motor Company came to

a successful year end with exports

setting new records of almost 700,000

vehicles and domestic sales having

almost recovered to pre-Asian

economic crisis levels. As Korea's

economy and subsequent demand for

automobile recovers, Hyundai Motor

Company will be in an ideal position to

take advantage of its domestic market

strength and effectively compete in the

world market place.

## HISTORY

### 1967

- Hyundai Motor Company established

### 1968

- Licensing agreement signed with Ford

### 1974

- Pony, Korea's first independently designed and manufactured model unveiled at the 55th Turin Motor Show

### 1976

- First Pony exported to Guatemala and El Salvador

### 1980

- Granada introduced
- Mark V introduced

### 1981

- Technical tie-up with Mitsubishi announced

### 1982

- Pony 2 introduced

### 1983

- Exports begin to Canada
- Stellar introduced

### 1984

- Ulsan Proving Ground completed
- Cumulative production of Pony reaches 500,000 units

### 1985

- Excel launched
- Hyundai Motor America (HMA) established

### 1986

- Excel exports to USA
- Grandeur luxury car launched
- Export shipping port completed

### 1988

- Excel, best selling imported sub compact in USA for three consecutive years
- Mid-sized sedan Sonata launched

### 1989

- V6 engine plant opened

### 1990

- Sports car Scoupe introduced
- The 3rd passenger car plant at Ulsan completed
- Elantra launched

### 1991

- Korea's first proprietary engine, Alpha, introduced

### 1992

- New Grandeur luxury car launched

### 1993

- Sonata II launched
- Started assembly and production of Excel in Thailand

### 1994

- Accent subcompact launched
- Hydrogen-fuel vehicle developed
- Started assembly and production of Excel in Zimbabwe

### 1995

- HCD-III concept car unveiled at the Detroit Motor Show
- Continuously Variable Transmission developed
- Marcia semi-luxury car launched
- High power, low fuel consumption Beta engine developed
- Avante launched
- First Korean automotive design contest held
- Opened new commercial vehicle Engineering & Research Center in Chonju

### 1996

- AVCS (Automotive Voice Control System) developed
- Tiburon sports coupe introduced
- Dynasty, full-size luxury car unveiled
- Namyang R&D Center completed
- Cumulative exports surpass 4 million units, cumulative production surpasses 10 million units

### 1997

- Dynasty limousine launched
- New H-1 van / minibus launched
- The 2nd Korean Automotive design contest held
- HMC auto plant in Turkey completed
- Atos multi-functional small car unveiled
- New Hyundai Super Truck launched
- New Accent Lean Burn Model launched



### 1998

- Aluminum block V-6 Delta engine developed
- Hyundai heavy trucks enter US market
- Saudi Prince Alwaleed invests US \$50 million
- EF Sonata launched
- Raised US \$300 million through issue of Asset Backed Securities(ABS)
- All-new Avante Lean Burn launched
- 2nd solar car Hyundai Sola-II developed
- European concept car Euro-I developed
- Logistic Center in Belgium opens for business
- Near-luxury Grandeur XG launched
- Grand opening for Chennai Plant in India
- Hyundai acquires Kia Motors

### 1999

- Full-size luxury sedan Equus launched
- Named as an official sponsor for the 2002 FIFA World Cup.
- Aero acoustic wind tunnel completed
- Raised US \$500 million through issue of Depositary Receipt.
- Trajet XG mini van launched

### 2000

- Chairman Chung Mong-Koo inaugurated as Chairman of the 2010 World Expo Bidding Committee
- Established a 300,000 units per annum passenger car plant in China
- The HCD-V concept car unveiled at the Chicago International Motor Show
- Introduced Korea's first diesel engine for passenger car application
- Established Asia's first cyber car exhibition center
- Avante XD launched
- Signed contract with International Fuel Cells to develop fuel cell technology for an electric vehicle.
- Participated in the California Fuel Cell Partnership
- Santa Fe SUV launched
- Established strategic alliance with DaimlerChrysler
- Formed Korea's first business group specializing in automobiles
- Developed PowerTech, Korea's first heavy duty truck engine
- Partnership with Capstone Turbine Corp. to develop a hybrid car
- Chairman Chung awarded Automotive Hall of Fame's DSC
- Korea's first fuel cell electric vehicle developed
- Hyundai and Kia relocated to new joint HQ in Yangjae-dong, Seoul









Hyundai Motor's  
aspirations for top five  
global automaker

status can only be realized by  
safeguarding the interests our  
shareholders, customers and partners  
and demonstrating our capacity for  
teamwork and the adoption of a more  
progressive and adaptive  
management style. By offering better  
quality products, the company will  
continue to contribute to the creation  
of more affluent society and a happier  
life for all.

To enhance the competitiveness of  
our products in the world car market  
and boost customer satisfaction,  
the company will be more receptive  
to new ideas and will accelerate  
innovations in management as  
exemplified by the implementation of  
"Sigma 6," a daring campaign for  
quality improvement across the board.  
For the mid-term, Hyundai Motor has  
established three key management  
policies which will make the best use of  
limited resources and help secure a  
sounder financial basis to compete with  
other global players on an equal footing.  
First, as sequences become  
increasingly complex within the  
company Hyundai Motor will do its best  
to establish trust-based management in

order to accelerate the decision making  
processes within the organization,  
To this end, the company will continue  
to cultivate a more productive labor-  
management relationship, one that is  
based on mutual trust while at the  
same time pursuing greater flexibility in  
management to better meet the needs  
of its customers and business partners.  
Second, to better tailor management  
policies to the realities of the  
workplace, the company is introducing  
site-intensive management which will  
provide employees with more  
opportunities to put their ideas into  
practice. As a result, the company will  
allocate all of its resources to support  
manufacturing and sales activities. In  
this regard, issues of quality  
improvement and proactive after-sales  
service will receive priority in the  
decision-making process.  
Third, continued growth and success  
will only be achieved by introducing  
greater transparency in corporate  
governance and to this end, corporate  
rules and regulations are being  
renewed and clarified so that  
employees may handle their  
day-to-day tasks with consistency and  
greater transparency. At the same  
time, a new impetus is being  
generated to facilitate a closer

dialogue with our business partners  
and ensure a mutually beneficial  
relationship.

Company management will draw on  
all required potential within Hyundai  
Motor and the new Hyundai  
automotive group of companies to  
work towards the future with an  
intensified commitment and deliver  
a higher return on investment for its  
shareholders while providing our  
business partners with greater  
opportunities for growth.



*Production lines at Hyundai's plant in Turkey will serve as a bridgehead for the company's advance into European markets*



*In June 2000, Hyundai and DaimlerChrysler established a strategic alliance*





RESEARCH & DEVELOPMENT





Through perseverance, sacrifice and numerous inherent virtues,

Hyundai Motor has

achieved a brilliant record of corporate growth in the past three decades that is unparalleled among automotive companies both in terms of business volume and technological capability. The inauguration of the joint Hyundai/Kia R&D Center provides the company with the needed synergies to drive our growth into the ranks of global top five automakers by 2010. The entire R&D staff are focusing their efforts on the development of more advanced auto technologies, the shortening of project lead times, the improvement of product quality and business profits. To ensure continuous technological innovation and secure a steady stream of proprietary and competitive technologies that will enable the company to stand on its own in the face of ever-intensifying competition in the global market, Hyundai has established four new R&D strategies as follows:

#### 1. Design the next generation vehicles

Hyundai Motor's brand image has significantly improved in the past few years thanks in large part to the foreign motoring press where the high quality of our products is being recognized with enthusiastic reviews. With an expanded R&D organization that spans three continents and the latest development tools at its disposal, Hyundai Motor is striving to increase efficiencies in product development and improve the quality competitiveness of our products to rank as a leading global player in the truest sense.

#### 2. Develop core technologies

The engineering capabilities of Hyundai Motor are formidable and have earned the company the respect

and admiration of customers and competitors around the globe. Hyundai Motor cars match and, in many cases, surpass the industry standard for collision safety and NVH performance. The company is in the hunt for new emerging technologies and one of the most promising new areas is vehicle telematics which has outstanding growth and value added potential. Since last year, the company has been operating a pilot program which employs vehicle sensors and a central traffic information center to monitor and detect vehicles for accidents and theft prevention as well as offer other safety, security and convenience features. The company is planning to expand the pilot program next year and anticipates that once it is commercialized, it will significantly enhance customer safety and satisfaction.

#### 3. Improve profitability

Efforts to integrate vehicle platforms, commonize parts and components and encourage vendors to adopt a modular approach to parts supply have been continuing for years. These efforts are beginning to pay off at last, in a big way: Last year, the company saved more than 1 trillion won by commonizing and sharing 360 different parts and components. Vehicle platform reductions require more patience. From 24 platforms in 1999 we have edged down to 22 in 2000 but we are on track to reach our announced target of just seven platforms by 2005. Hyundai Motor expects to be able to save in excess of 7 trillion won through our five-year platform integration and parts sharing strategy.

#### 4. Strengthen R&D capabilities

The coming shift to alternative fueled vehicles is a major challenge to every automaker. For several years, we

have been pursuing the development of advanced fuel-cell vehicles in the effort to produce more eco-friendly automobiles which use renewable energy sources such as hydrogen. Last year, the company unveiled a fuel-cell version of the Santa Fe SUV, the first fruit of our fuel-cell R&D efforts. Over the medium- and long-term, the company is planning to replace its entire lineup of combustion engines with next-generation low-emission, high-mileage ones engines. Alternative fuel technologies will play an increasingly important role in the company's future.



Hyundai's fuel cell powered electric vehicle will enter mass production in 2005.



A new concept takes shape with a 1:4 scale clay model

We are expanding our use of computer simulation technologies which are playing an increasingly important role in the safety and durability testing of components and vehicles as well as shortening project development schedules.

Our development processes also take into account the need to design eco-friendly products which are recyclable at the end of their service life. The strength of Hyundai Motor's commitment to R&D is measured by our R&D budget which accounts for 4.5 percent of annual sales, unchanged from last year.





P L A N T S   &   P R O D U C T I O N



Hyundai Motor has acquired sufficient economies of scale to compete on an equal footing with global automakers. Total annual production capacity now reaches 2.4 million units with our domestic plants at Ulsan, Asan and Chonju accounting for 1.9 million units and overseas plants such as those in India comprising 500,000 units. On the heels of the launch of the Verna subcompact in 1999, Hyundai Motor reinforced its position as Korea's leading automaker in 2000 with the successful launch of the new Santa Fe SUV and Avante XD compact sedan. The Ulsan plant, which stands on a 4.8 million sq.m. (1.45 million pyong) site, is comprised of four plants that are capable of producing 1.5 million minicars, SUVs, vans and light commercial vehicles per year earning it the title of the world's largest car plant. The Asan plant specializes in the production of passenger cars and has annual production capacity of 300,000 units of

the new EF Sonata mid-size sedan and the Grandeur XG luxury sedan. The Chonju plant, dedicated to the production of commercial vehicles, has annual production capacity of 100,000 mid- and large-size buses, trucks and special-purpose vehicles. In the face of intensifying competition in overseas markets, Hyundai Motor is determined to raise productivity levels on par with the global top five automakers by 2005. In addition to the numerous CKD production bases overseas, the company operates partially or fully-invested plants which have independent and self-sufficient manufacturing capabilities. Located in Turkey, India and China, these plants play a pivotal role in the company's plans to globalize its business operations. In India, the company operates a fully-owned subsidiary which is producing the Santro minicar and Accent subcompact sedan. In line with these business globalization strategies, Hyundai has been accelerating its drive to expand its overseas manufacturing bases to

China which is emerging as one of the biggest car markets in the world. The company has also embarked on a more aggressive advance into the European markets. From the Pony, the first passenger car made with proprietary Korean technologies to the recently unveiled Terracan SUV, Hyundai's automobile business has made significant strides to earn the undisputed title of Korea's number one carmaker. The company is now advancing to the next level with the export of the Grandeur XG luxury car which signals the company's strategy to move up-market into new segments and compete on a higher level. The quality and performance of the Grandeur XG have received critical acclaim in the international motoring press. Encouraging export results, strong customer loyalty and enthusiastic product reviews are encouraging and bolster our confidence that we will be able to reinforce our position in the global market as one of the fastest growing automakers in the world.









**Putting People First** Building vehicles which bring people closer together is something we're proud of at Hyundai Motor. Because, for us, it's not the product but people who will always come first. It's people that matter most to us whether they are our associates, customers, shareholders or neighbors.

As a manufacturer, we have a special responsibility to first take care of our customers by serving them with products that provide outstanding enjoyment, value and safety. For our executives, managers and associates, we aim to provide a challenging and rewarding environment so that they can achieve their personal career goals. At the same time, we are fulfilling our obligations to our shareholders by creating value and maximizing returns on their investment. And as a good corporate citizen, we take pride in our civic spirit by supporting local social and charitable activities and expanding our environmental protection programs in all the communities where we conduct business.





*The HCD-6 drew accolades at the Geneva Motor Show*

MARKETING, SALES & SERVICE





Driven by the brisk recovery of the domestic economy in

2000, Hyundai Motor's sales surged 14 percent year-over-year to 650,000 units. As a result, our market share increased to 44.6 percent from 45.2 percent in 1999. In particular, sales of minivans and SUVs grew 17.3 percent, up sharply from the previous year, thereby contributing greatly to profitability improvement and increasing the company's market share. We remain optimistic about the domestic economy which will continue to expand in 2001 with growth rates recovering to pre-recessionary levels fueled by strong consumer confidence and demand for durable goods. This market expansion is expected to continue even after 2001 as domestic automakers introduce new models and a sharp rise is forecast in replacement car demand and in the number of multiple car households. In our forecast, the market will contract slightly during the first half of the year due to growing unemployment rates and the corporate restructuring drive both in the manufacturing and banking sectors but we expect consumer sentiment to recover during the second half of the year as the nation's economy stabilizes. Accordingly, the company has been stepping up efforts to boost sales by introducing new

models such as the New EF Sonata and the Terracan SUV in order to equal last year's sales figures. As it grows more mature, the Korean market is moving into a major transitional phase which will see consumer buying patterns shift toward more diversified and sophisticated products. The market system itself is expected to go through significant change and innovation, influenced by the Internet and fast developing information technologies. In order to keep pace with the accelerating pace of change, Hyundai Motor has adopted a four-pronged response: First, customers' needs will be more effectively reflected in the production development process by conducting more thorough consumer surveys, marketing analysis and product planning. To this end, the company has introduced a new product idea reflection system which solicits input from our employees as well as sales staff in the field and consultants. Second, the company has integrated its sales and after-sales network in order to enhance customer satisfaction and improve its brand image. Third, the company has opened a new chain on dedicated showrooms for the Equus luxury sedan in order to differentiate the Equus brand image from other passengers cars in the Hyundai lineup and more effectively address the challenge posed by

imported automobiles.

And fourth, to ensure delivery of the highest level of service to our customers the entire customer database will be overhauled so that in the future we will be able to accurately anticipate consumer needs on the basis of analyzing individual customer history, personal preferences, buying habits and market trends.

### Overseas Marketing

The company is continuing to make big strides in the international marketplace where consumer perceptions of the Hyundai brand continue to improve. To reinforce its overseas marketing operations, the company has been increasing the number of regional headquarters since 1999 and has strengthened operations by investing in better training and the continuous upgrade of information systems which will enhance efficiencies and enable quicker



*The flagship showroom for Hyundai's flagship sedan, the Equus*



*Imotorcast, a satellite-based service, hits the road to maximize customer satisfaction*





*The Verna had a great year on the World Rally Championship circuit*



response to the fast changing business environment.

In this context, the company established Hyundai Motor Europe in Frankfurt, which oversees and supports business activities in European countries. Closer to home, the company has expanded

operations in two neighboring countries. Full-fledged sales operations were started in Japan where marketing is proceeding aggressively. As the same time, the company established another base of operations in China in late 2000 in order to more effectively address the world's fastest growing

and biggest potential market.

Alongside these efforts to globalize its business, the company has been expanding its sports marketing activities including participation in a variety of motorsports competitions such as the WRC (World Rally Championship) where results have been encouraging. Hyundai Motor



1974 FIFA TM



The Neos, an exciting sports car concept, was showcased at the Paris Motor Show



signed a contract to become an official sponsor of the 2002

World Cup to be co-hosted

by Korean and Japan and which is expected to significantly boost the Hyundai brand image worldwide.

Product-wise, the company unveiled the new generation compact Avante XD and luxury Grandeur XG sedans as well as the Santa Fe SUV, all of which have met with enthusiastic response from customers at home and abroad. These technologically advanced vehicles reflect the thorough and comprehensive understanding Hyundai Motor has of the needs and

preferences of today's customers.

Demonstrating that the company is keeping pace with the specialized needs of its customers, the company will install a new generation of HTI diesel engines in its European-bound passengers cars. These new diesels will meet the needs of European consumers with significantly reduced NVH levels. Motor shows, press conferences, investment road shows and test drives of new products provide the company with excellent opportunities to deliver its message and every effort will be made to expand our involvement in such events. Lastly, the company will intensify

efforts to support and enhance

customer satisfaction activities by expanding training programs for marketing and after-sales staff.

At the same time, Hyundai Motor will augment current customer satisfaction programs by closer interaction with our customers so that we can better gauge consumer wishes and needs. Our efforts to maximize customer satisfaction will continue on all fronts.





*In Seoul, Hyundai was a proud sponsor of an exhibition from the Musée d'Orsay modern art collection*

NEW HORIZONS IN THE COMMUNITY







As a responsible corporate citizen and member of the community, Hyundai Motor places increasing importance on social service activities. In an aim to contribute to the creation of the healthier and happier society for all, Hyundai Motor has been actively engaged in a variety of activities in all communities where we do business. The company is proud of its long-standing program for children in remote rural areas who are invited to our plants for educational tours. In another unique program, physically challenged members of the community can enjoy free driving lessons provided by the company. Eco-protection campaigns continue to gain momentum with the company's support of various green programs. As one small example, the company-funded Hyundai Scuba Diving Club is pioneering the cleanup of the Han River as its members sacrifice personal time to remove trash from the bed of this magnificent river that bisects Seoul, the capital. The company has also sponsored a series of music concerts under a green, eco-friendly theme. As the nation's automotive leader, the company is contributing to the growth of the national automotive engineering knowledge base by funding research programs in the Department of Mechatronics at Seoul National University, the nation's top institution of higher learning and Ulsan University. In

addition, to foster promising new talent and innovative ideas Hyundai Motor has a collaborative program with the Korea Advanced Institute of Science and Technology to develop advanced electronic technologies for automotive applications. Hyundai Motor is the first and only domestic automaker to sponsor an automotive design contest, an annual event that draws thousands of entries from the country's brightest minds that are dreaming of a future career in the Korean auto industry. Hyundai Motor will always remain a responsible and high minded corporate citizen. By helping out our underprivileged neighbors, paying more keen attention to the issue of environment protection and placing greater emphasis and corporate resources on the cultivation of high caliber manpower, Hyundai Motor is striving create a better future for all the communities where we conduct our business.

## TRAINING, EDUCATION & WELFARE



*Hyundai's sponsorship of a performance by the German-French Chamber Orchestra*



*Hyundai employees enjoy numerous benefits including membership in the company's health club*

The continuing process of globalization imposes a wide variety of challenges both to our management and employees at home and overseas. Our human resources are our most valuable asset, one which we cultivate with a steadily growing variety of training, education and welfare programs so that everyone within the Hyundai Motor family feels rewarded and fulfilled. In Korea, our domestic employees enjoy company-paid travel to visit their hometowns on national holidays and financial assistance is provided for child education, household moves and automobile purchases. The company is proud of its culture centers, summer vacation facilities and its support of a broad range of leisure activities. In addition, the company offers additional financial assistance towards retirement pension plans and covers medical bills. Employees can also benefit from housing assistance including company subsidized dormitories and low interest home financing. Because the company's success hinges on the skills and performance of our employees, we not only offers job and skills training programs but it also fund overseas education programs for our employees including post-graduate studies in order to stimulate innovation as well as enhance their capabilities and creativity to a global competitive level.





### HMC CKD PLANT ABROAD

Selection	Country	Name of Company	Location	Model	SOP
100% Owned	India	HMI	Chennai	Atoz	Sep.'98
				Verna	Oct.'99
Joint Venture	Turkey	HAOS	Izmit	Verna	Feb.'00
				Grace	Jul.'96
	China	WGMC	Wuhan	Grace	Jul.'96
	Malaysia	INOKOM	Kulim	Porter(1.5)	Sep.'99
Technical Agreement	Egypt	PRIMA	Cairo	Accent	Apr.'98
				EF Sonata	Jul.'00
	Venezuela	MAV	Barcelona	Accent	Aug.'99
	Pakistan	DFML	Sujawal	Porter	Sep.'99
				Atoz	Mar.'00
				Accent	Jul.'96
	Indonesia	HIM	Jakarta	Atoz	Feb.'01
				Verna	Jun.'01
				Trajet	Jan.'02
				Avante	Jul.'01
	Thailand	UAS	B.K	Avante	Sep.'01
	Taiwan	CCM	Keelung	XG	Jan.'01
	China	RCHT	Rongcheng	Galloper	Sep.'00







**The Endless Challenge** There's no purer expression of hope and eternal optimism than the smile of a child. And just like that bright smile, it's our hope Hyundai cars sow the seeds of happiness which bring people of all races, religions and ethnic backgrounds closer together.

To realize this hope, we have set high goals for ourselves, namely the creation of the world's finest cars in accordance with our principle of providing honest value to our customers.

Globalization has opened the door to limitless possibilities and endless challenges. As Korea' pre-eminent automaker, we are taking the lead in the globalization of the Korean auto industry, realizing our dream of happiness and a better life for all. Reflecting on our 30 year-plus corporate history and 2000's solid business performance, Hyundai Motor stands on a solid foundation and is well poised to realize our company's goal of ranking as one of the world's top five vehicle manufacturers by 2010.





D R I V I N G | S



Passenger Cars

Equus (Centennial)
Dynasty
Grandeur XG (XG)
New EF Sonata (Sonata)
Tiburon (Coupe)
Avante XD (Elantra)
Verna (Accent)
Atoz (Atos)

Recreational Vehicles

Terracan
Santa Fe
Trajeto XG (Trajet)

Galloper
Santamo
Starex (H-1)
Lavita (Matrix)

Commercial Vehicles

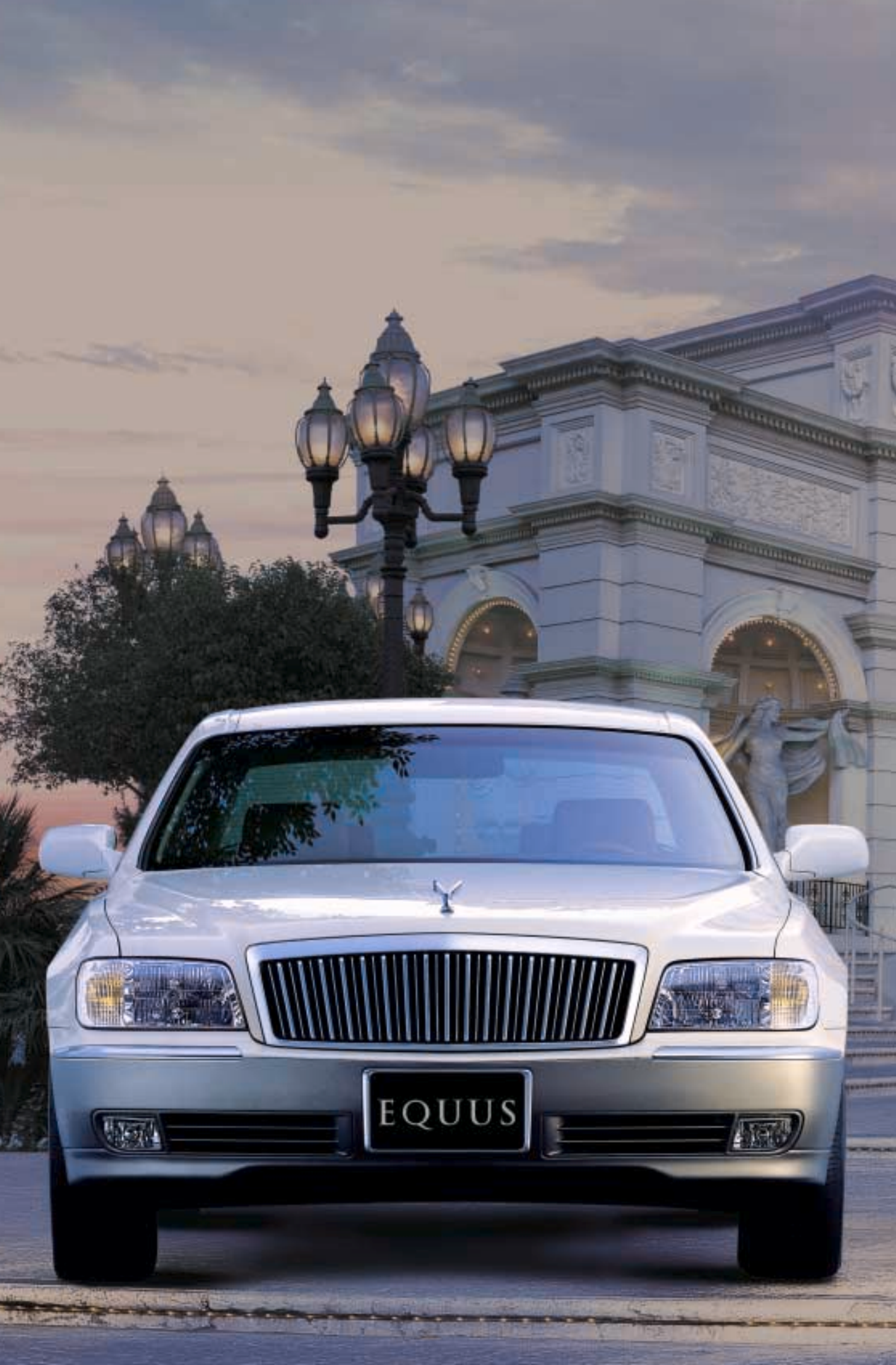
<b>Buses</b>
Grace (H-100)
County
Aero Town
Aero City
Aero Space
Aero Express

Aero Queen
<b>Trucks</b>
Porter (H-100 Truck)
Libero (H-1 Truck)
Porter Dump Truck
Mighty II
3.5 Ton Cargo
5 Ton Cargo
8 Ton Cargo
11.5 Ton Cargo
22 Ton Cargo
25 Ton Cargo

8 Ton Dump
15 Ton Dump
24 Ton Dump
6m³ 7m³ 9m³ Mixer
380 Tractor
410 Tractor
440 Tractor
Arm Roll Truck
Garbage Dump Truck
Refrigerator Truck
2.5 Ton Home Lorry
20kl AL / 32kl AL Tank Lorry

B E L I E V I N G







# FINANCIAL STATEMENTS

- Balance Sheets
- Statements of Income
- Statements of Appropriations of Retained Earnings
- Cash Flow Statements
- Notes to Financial Statements
- Report of Independent Public Accountants



# BALANCE SHEETS

As of december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
ASSETS	2000	1999	2000	1999
<b>Current assets:</b>				
Cash and cash equivalents	₩ 258,654	₩ 347,680	\$ 205,330	\$ 276,002
Short-term financial instruments (Notes 10 and 12)	750,094	589,880	595,454	468,271
Marketable securities (Note 4)	184,490	244,808	146,456	194,338
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩14,511 million in 2000 and ₩22,736 million in 1999	1,124,329	1,102,998	892,537	875,604
Inventories (Notes 3 and 5)	1,022,428	898,877	811,644	713,564
Advances and other	720,577	581,979	572,023	461,998
Total current assets	4,060,572	3,766,222	3,223,444	2,989,777
<b>Non-current assets:</b>				
Investment securities (Notes 4, 10 and 12)	2,767,096	2,588,662	2,196,631	2,054,983
Property, plant and equipment, net of accumulated depreciation of ₩2,299,833 million in 2000 and ₩1,817,011 million in 1999 (Notes 5, 6, 7, 10 and 12)	8,438,780	7,958,352	6,699,039	6,317,656
Intangibles (Note 8)	1,508,257	1,156,221	1,197,315	917,854
Other assets (Note 9)	952,076	807,965	755,796	641,395
Deferred income tax assets (Note 18)	240,853	178,556	191,198	141,745
Total non-current assets	13,907,062	12,689,756	11,039,979	10,073,633
<b>Total assets</b>	<b>₩17,967,634</b>	<b>₩16,455,978</b>	<b>\$ 14,263,423</b>	<b>\$ 13,063,410</b>
(continued)				





# BALANCE SHEETS

As of december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999	2000	1999
<b>Current liabilities:</b>				
Short-term borrowings (Note 10)	₩ 526,500	₩ 267,931	\$ 417,957	\$ 212,694
Current maturities of long-term debt (Note 11)	1,806,613	1,336,527	1,434,161	1,060,988
Trade notes and accounts payable	2,761,544	2,388,054	2,192,224	1,895,732
Accrued warranties	194,223	138,557	154,182	109,992
Accounts payable-other	613,975	602,630	487,398	478,392
Dividends payable (Note 17)	165,387	139,577	131,291	110,802
Income tax payable	143,607	6,083	114,001	4,829
Other	485,745	440,652	385,604	349,807
Total current liabilities	6,697,594	5,320,011	5,316,818	4,223,236
<b>Long-term liabilities:</b>				
Long-term debt, net of current maturities (Notes 7 and 11)	2,544,445	3,150,570	2,019,882	2,501,048
Accrued severance benefits, net of National Pension payments for employees of ₩100,093 million in 2000 and ₩119,600 million in 1999 and individual severance insurance deposits of ₩346,894 million in 2000 and ₩208,899 million in 1999 (Note 2)	536,789	585,699	426,124	464,951
Accrued loss on valuation of derivatives (Note 2)	111,441	-	88,466	-
Accrued product liabilities and other	454,448	206,701	360,759	164,088
Total long-term liabilities	3,647,123	3,942,970	2,895,231	3,130,087
Total liabilities	10,344,717	9,262,981	8,212,049	7,353,323
<b>Commitments and contingencies (Note 12)</b>				
<b>Shareholders' equity:</b>				
Capital stock (Note 13)	1,476,454	1,373,364	1,172,068	1,090,231
Capital surplus (Note 14)	5,360,694	5,033,472	4,255,532	3,995,770
Retained earnings (Note 15) (Net income of ₩667,871 million in 2000 and ₩414,325 million in 1999)	1,534,684	1,060,813	1,218,293	842,115
Capital adjustments (Note 16)	(748,915)	(274,652)	(594,519)	(218,029)
Total shareholders' equity	7,622,917	7,192,997	6,051,374	5,710,087
<b>Total liabilities and shareholders' equity</b>	<b>₩ 17,967,634</b>	<b>₩ 16,455,978</b>	<b>\$ 14,263,423</b>	<b>\$ 13,063,410</b>

The accompanying notes are an integral part of these statements.







# STATEMENTS OF INCOME

For the years ended december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Sales	₩ 18,230,980	₩ 14,244,535	\$ 14,472,478	\$ 11,307,879
Cost of sales	14,229,519	11,177,883	11,295,959	8,873,449
Gross profit	4,001,461	3,066,652	3,176,519	2,434,430
Selling and administrative expenses (Note 22)	2,688,173	2,160,526	2,133,979	1,175,111
Operating income	1,313,288	906,126	1,042,540	719,319
Other expenses, net:				
Interest expense, net	413,028	548,275	327,878	435,243
Foreign exchange loss (gain), net	147,626	(63,806)	117,191	(50,652)
Gain on valuation of investments accounted for using the equity method (Note 4)	(70,675)	(66,486)	(56,105)	(52,779)
Other, net	(73,083)	(7,102)	(58,016)	(5,638)
	416,896	410,881	330,948	326,174
Ordinary income	896,392	495,245	711,592	393,145
Extraordinary items:				
Loss on disposal of investments, net (Note 4)	(166,215)	-	(131,948)	-
Other extraordinary income (Note 24)	50,000	-	39,692	-
	(116,215)	-	(92,256)	-
Income before income tax	780,177	495,245	619,336	393,145
Income tax expense (Note 18)	112,306	80,920	89,153	64,237
Net income	₩ 667,871	₩ 414,325	\$ 530,183	\$ 328,908
Earnings per common share (Note 2)	₩ 3,140	₩ 3,697	\$ 2.49	\$ 2.93
Earnings per common share - assuming dilution (Note 2)	₩ 3,103	₩ 3,577	\$ 2.46	\$ 2.84

The accompanying notes are an integral part of these statements.





# STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

For the years ended december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Unappropriated retained earnings				
Beginning of year	₩ 196	₩ 192	\$ 156	\$ 152
Beginning balance adjustments:				
Reversal of deferred gain on foreign currency translation	-	3,271	-	2,597
Reversal of valuation allowance for Investments	-	58	-	46
Deferred income tax	-	228,491	-	181,385
Adjustments in investment securities using the equity method (Note 4)	(28,613)	40,936	(22,713)	32,497
Adjusted beginning balance of retained earnings	(28,417)	272,948	(22,557)	216,677
Net income	667,871	414,325	530,183	328,908
	639,454	687,273	507,626	545,585
Appropriations (Note 15):				
Legal reserve	16,600	14,000	13,178	11,114
Reserve for business rationalization	118,800	30,000	94,308	23,815
Reserve for technology development	165,000	503,500	130,984	399,698
Cash dividends (Note 17)	165,387	139,577	131,291	110,802
	465,787	687,077	369,761	545,429
<b>Unappropriated retained earnings, end of year</b>	<b>₩ 173,667</b>	<b>₩ 196</b>	<b>\$ 137,865</b>	<b>\$ 156</b>
The accompanying notes are an integral part of these statements				





# STATEMENTS OF CASH FLOWS

For the years ended december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
<b>Cash flows from operating activities:</b>				
Net income	₩ 667,871	₩ 414,325	\$ 530,183	\$ 328,908
Adjustments to reconcile to net income to net cash provided by operating activities:				
Depreciation	556,649	470,405	441,890	373,426
Loss on valuation of marketable securities, net	49,225	6,400	39,077	5,081
Gain on foreign currency translation, net	169,982	(70,503)	134,938	(55,968)
Loss on disposal of investments, net	169,459	16,525	134,523	13,118
Gain on valuation of investments accounted for using the equity method	(70,675)	(66,486)	(56,105)	(52,779)
Amortization of discount on debentures	45,826	78,204	36,379	62,081
Amortization of intangibles	35,462	15,947	28,151	12,659
Amortization of development costs	137,079	44,327	108,819	35,189
Provision for severance benefits	253,070	201,868	200,897	160,251
Provision for warranties and product liability	445,818	335,432	353,908	266,279
Provision for doubtful accounts	13,921	11,183	11,051	8,878
Changes in operating assets and liabilities:				
(Increase) decrease in trade notes and accounts receivable	(122,325)	556,817	(97,106)	442,023
Increase in inventories	(206,900)	(175,090)	(164,245)	(138,993)
(Increase) decrease in other current assets	(91,766)	257,025	(72,848)	204,037
Decrease in long-term notes and accounts receivables	43,926	154,206	34,870	122,415
(Increase) decrease in deferred income tax assets	(62,297)	49,935	(49,454)	39,640
Increase (decrease) in trade notes and accounts payable	364,054	(334,223)	289,001	(265,319)
Increase in accounts payable other	27,767	132,857	22,043	105,467
Decrease in accrued warranties and accrued product liabilities	(217,873)	(161,447)	(172,956)	(128,163)
Increase in other current liabilities	194,704	79,462	154,564	63,080
Payment of severance benefits	(156,370)	(50,557)	(124,133)	(40,134)
Other	(16,732)	(13,510)	(13,283)	(10,724)
	2,229,875	1,980,122	1,770,164	1,571,900

(continued)





# STATEMENTS OF CASH FLOWS

For the years ended december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
<b>Cash flows from investing activities:</b>				
Cash inflows from investing activities:				
Proceeds from disposal of marketable securities	₩ 299,740	₩ 1,406,500	\$ 237,946	\$ 1,116,536
Reduction in other current assets	2,084,267	1,952,229	1,654,574	1,549,757
Proceeds from disposal of investments	318,777	981,492	253,058	779,148
Reduction in other assets	743,540	905,955	590,250	719,183
Proceeds from disposal of property, plant and equipment	41,833	54,174	33,209	43,005
Proceeds from the sale of Motor Parts Division	446,422	-	354,388	
	3,934,579	5,300,350	3,123,425	4,207,629
Cash outflows from investing activities:				
Purchase of short-term financial instruments	(160,214)	(526,490)	(127,184)	(417,949)
Acquisition of marketable securities	(288,265)	(1,253,124)	(228,836)	(994,780)
Additions to other current assets	(2,102,528)	(1,918,867)	(1,669,070)	(1,523,273)
Acquisition of investments	(747,996)	(1,895,398)	(593,789)	(1,504,642)
Additions to other assets	(1,064,493)	(703,276)	(845,037)	(558,289)
Acquisition of property, plant and equipment	(1,291,099)	(688,540)	(1,024,926)	(546,590)
Expenditures for development costs	(539,467)	(369,916)	(428,250)	(293,654)
	(6,914,062)	(7,355,611)	(4,917,093)	(5,839,177)
	(2,259,483)	(2,055,261)	(1,793,668)	(1,631,548)
<b>Cash flows from financing activities:</b>				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	3,467,379	6,287,643	2,752,543	4,991,381
Proceeds from long-term debt	1,393,536	511,954	1,106,245	406,409
Proceeds from issuance of common stock	430,916	2,084,196	342,078	1,654,518
Proceeds from issuance of preferred stock	-	247,357	-	196,362
Proceeds from disposal of treasury stock	-	861	-	684
	5,291,831	9,132,011	4,200,866	7,249,354
Cash outflows from financing activities:				
Repayment of short-term borrowings	(4,638,965)	(8,649,505)	(3,682,595)	(6,866,321)
Payment of cash dividends	(139,577)	(1,177)	(110,802)	(935)
Repayment of long-term debt	(278,788)	(675,733)	(221,313)	(536,424)
Purchase of treasury stock	(290,000)	-	(230,214)	-
Payment of stock issuance costs	(604)	(15,734)	(479)	(12,490)
	(5,347,934)	(9,342,149)	(4,245,403)	(7,416,170)
	(56,103)	(210,138)	(44,537)	(166,816)

(continued)





# STATEMENTS OF CASH FLOWS

For the years ended december 31, 2000 and 1999

	Korean won (in millions)		Translation into U. S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Increase in cash for establishment of U.S. branch	12	-	10	-
Decrease in cash due to the sale of Motor Parts Division	(3,327)	-	(2,641)	-
Cash acquired through merger	-	254,778	-	202,253
Net decrease in cash	(89,026)	(30,499)	(70,672)	(24,211)
Cash, beginning of year	347,680	378,179	276,002	300,213
Cash, end of year	₩ 258,654	₩ 347,680	\$ 205,330	\$ 276,002
The accompanying notes are an integral part of these statements.				





1.The Company

Hyundai Motor Company (the Company) was incorporated in December 1967, under the laws of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The shares of the Company have been listed on the Korea Stock Exchange since 1974. As of December 31, 2000, 59.02 percent of the Company's stock (excluding preferred stock) is owned by Korean investors and the remaining 40.98 percent is owned by foreign investors, including DaimlerChrysler (9.00 percent) and Mitsubishi of Japan (4.36 percent) under foreign investment agreements.

In connection with its foreign business, the Company operates ten major foreign subsidiaries: Hyundai Motor America (wholly-owned exclusive importer and distributor of motor vehicles and parts in the United States), Hyundai Motor Finance Company (wholly-owned subsidiary of Hyundai Motor America for lease, wholesale and retail financing), Hyundai America Technical Center Inc. (wholly-owned conductor of research and development), Hyundai Precision America Inc. (wholly-owned distributor of van trailers and equipment in the United States), Hyundai Motor India (wholly-owned production plant in India), Hyundai Motor Europe Parts (wholly-owned distributor of motor parts in Belgium), Hyundai Motor Japan R&D Center Inc. (wholly-owned conductor of research and development) in Japan, Hyundai Motor Europe GmbH (wholly-owned exclusive importer and distributor of motor vehicles and parts in Germany), Hyundai Motor Japan Company (wholly-owned exclusive importer and distributor of motor vehicles and parts in Japan), Hyundai Motor Poland Sp.zo.o. (wholly-owned exclusive importer and distributor of motor vehicles and parts) and Hyundai Machine Tools America(Branch for the distribution of machine tools in the United States). Production plants are as follows:

Location	Commenced Production	Types of vehicles
<b>Domestic:</b>		
Kyungnam Ulsan	December 1967	Passenger cars Commercial vehicles (Small trucks)
Chunbuk Chunjoo	April 1995	Commercial vehicles (Bus, Trucks)
Chungnam Ahsan	November 1996	Passenger cars
<b>Overseas:</b>		
Turkey (Hyundai Assan Otomotive Sanayi Ve Ticaret A.S.)	September 1997	Passenger cars
India (HMI)	October 1998	Passenger cars





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices. Through early 2000, it was widely accepted that the economic situation had stabilized, but not fully recovered from the 1997 crisis.

The Korean economy is currently experiencing additional difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing forced consolidations and significant uncertainty exists with regard to the availability of short-term financing during the coming year. The Company may be either directly or indirectly affected by the situation described above.

The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

## 2. Summary of Significant Accounting Policies

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

### Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares its statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are not intended for use by those who are not informed about Korean accounting principles and practices.

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 ₩1,259.7 to US\$1.00 at December 31, 2000, solely for the convenience of the reader. This convenience translation into US 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 accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the statutory Korean language financial statements. Some supplementary information included in the statutory Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

### Revenue Recognition

Revenue, including long-term installment sales, is recognized at the time of shipping motor vehicles and parts. However, interest income arising from long-term installment sales is recognized using the level yield method.

### Valuation of Marketable Securities

Marketable securities are stated at fair value. The difference between book value and fair value is recognized in current operations.

### Allowance for Doubtful Accounts

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





# NOTES TO FINANCIAL STATEMENTS

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## Inventories

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

## Valuation of Investment Securities

Equity securities held for investment (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, as determined by the moving average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and any excess is recorded as a capital adjustment.

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

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, resulting valuation gain or loss reported as a capital adjustment within shareholder' equity. However, if the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation gain or loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to-maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and any excess is recorded as a capital adjustment.

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

## Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for the effects of any upward revaluations made in accordance with the Asset Revaluation Law of Korea to give accounting recognition to the loss in purchasing power of the Korean won. 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.

The Company capitalizes interest as part of the cost of constructing major facilities and equipment. The amount of capitalized interest is ₩101,011 million (\$80,187 thousand) in 2000 and ₩77,130 million (\$61,705 thousand) in 1999.



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	12 - 50
Machinery and equipment	12 - 15
Vehicles	6
Dies and moulds	6
Tools	6
Office equipment	6

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the economic useful lives of related assets (5 - 20 years). Development costs are amortized over the economic useful life (not to exceed 5 years) from the date of usage of the related products using the straight-line method. Ordinary development and research expenses are charged to current operations as selling and administrative expenses. Cost in excess of net identifiable assets acquired (goodwill) is amortized over 20 years, using the straight-line method.

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. The Company's long-term accounts receivable included in other assets are stated net of unamortized present value discount of ₩8,622 million (\$6,844 thousand) and ₩2,340 million (\$1, 858 thousand) as of December 31, 2000 and 1999, using an interest rate of 11.8 percent and 13.8 percent, respectively.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits which would be payable assuming all eligible employees were to resign as of December 31, 2000 and 1999 amounted to ₩983,776 million (\$780,961 thousand) and ₩914,198 million (\$725,727 thousand), respectively.

Accrued severance benefits are approximately 60 percent funded at December 31, 2000 and 1999, through a group severance insurance plan and individual severance insurance plan. The group severance insurance deposits under this insurance plan are classified as other assets. Subsequent provisions are funded at the discretion of the Company. Group severance insurance deposits may only be withdrawn for the payment of severance benefits. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and the employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables, totaling ₩100,093 million (\$79,458 thousand) as of December 31, 2000 (₩119,600 million (\$94,943 thousand) as of December 31, 1999), are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and the employees each pay 4.5 percent of monthly pay.

Accrued Warranties and Product Liabilities

The Company generally provides the ultimate consumer a warranty with each product and accrues warranty expense at the time of sale based upon actual claims history. Actual warranty costs incurred are charged against the accrual when paid.





# NOTES TO FINANCIAL STATEMENTS

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## Stock Options

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

## Derivative Instruments

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

The Company entered into derivative instrument contracts related to forward, option and swap to hedge the exposure to changes in foreign exchange rate. In 2000, the Company deferred the loss on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports as capital adjustments, amounting to ₩55,676 million (\$44,198 thousand) as of December 31, 2000 and recognized loss on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations of ₩68,880 million (\$54,680 thousand). The period in which the forecasted transactions is expected to occur is within 12 months from December 31, 2000, and all deferred losses in capital adjustments at that date are expected to enter into the determination of net income within the 12 month period. In 2000, the Company recorded total loss on valuation of derivatives of ₩111,441 million (\$88,466 thousand) in liabilities. In 1999, the Company recognized gain on the derivative instruments amounting to ₩12,067 million (\$9,579 thousand) in current operations and recorded the equal amounts as accrued gain on valuation of derivatives in other assets.

## Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate which was ₩1,259.7 and ₩1,145.4 to US \$1.00 at December 31, 2000 and 1999, respectively, and translation gains or losses have been reflected in current operations.

Assets and liabilities of branch outside the Republic of Korea are translated at the rate of exchange in effect on the balance sheet date; income and expenses are translated at the average rates of exchange prevailing in 2000 which was ₩1,130.6 to US\$1.00.

## Conversion Rights Adjustment

The Company is obligated to pay interest at a guaranteed rate to convertible debenture holders who do not exercise their options to convert and instead hold the bond until maturity. The difference between the face value of the bonds and the present value of principal amount payable at maturity is respectively recorded as conversion rights in the capital adjustment account under shareholders' equity and conversion right adjustment account.

At the time of conversion, the consideration received for the conversion rights is presented as other capital surplus, after deducting the amount of related conversion right adjustment. However, if the convertible debentures are repaid, the consideration received for conversion rights is offset against the related premium paid at the time of redemption.





# NOTES TO FINANCIAL STATEMENTS

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## Income Tax Expense

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

## Earnings Per Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends on preferred stock, by the weighted average number of common shares outstanding during the year. The number of shares used in computing earnings per common share is 199,249,370 in 2000 and 102,021,024 in 1999. Earnings per diluted share is computed by dividing net income, after deduction for expected dividends on preferred stock and addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the dilutive potential common shares. The number of shares used in computing earnings per diluted share is 202,736,308 in 2000 and 106,331,915 in 1999.

## 3. Inventories

Inventories as of December 31, 2000 and 1999 consist of the following

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Finished goods and merchandise	₩ 506,251	₩ 474,127	\$ 401,882	\$ 376,381
Semifinished goods and work in process	249,404	193,249	197,987	153,409
Raw materials and supplies	178,131	157,059	141,407	124,679
Materials in transit	88,642	74,442	70,368	59,095
	₩ 1,022,428	₩ 898,877	\$ 811,644	\$ 713,564

## 4. Marketable Securities and Investment Securities

(1) Marketable securities are stated at fair value and consist of beneficiary certificates of ₩129,917 million (\$103,133 thousand) and debt securities of ₩54,573 million (\$43,323 thousand) as of December 31, 2000 and beneficiary certificates of ₩244,747 million (\$194,290 thousand) and debt securities of ₩61 million (\$48 thousand) as of December 31, 1999.

(2) Investments securities as of December 31, 2000 and 1999 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Equity securities accounted for using the equity method	₩ 2,346,838	₩ 2,097,542	\$ 1,863,013	\$ 1,665,112
Marketable equity securities	67,989	110,819	53,972	87,973
Unlisted equity securities	259,034	329,766	205,632	261,781
Debt securities	93,235	50,535	74,014	40,117
	₩ 2,767,096	₩ 2,588,662	\$ 2,196,631	\$ 2,054,983

Debt securities as of December 31, 2000 consist of convertible bonds of ₩33,903 million (\$26,914 thousand), foreign currency notes of ₩59,267 million (\$47,049 thousand) and government bonds of ₩65 million (\$51 thousand), which are all held-to-maturity and stated at cost.

Debt securities as of December 31, 1999 are all held-to-maturity convertible bonds and are stated at cost.





# NOTES TO FINANCIAL STATEMENTS

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Equity securities accounted for using the equity method as of December 31, 2000 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)		Ownership Percentage
	Acquisition cost	Book value	Acquisition cost	Book value	
Hyundai Motor India	₩ 244,017	₩ 207,205	\$ 193,710	\$ 164,488	100.00
Hyundai Motor America (*)	129,582	-	102,867	-	100.00
Hyundai America Technical Center Inc.	5,956	10,887	4,728	8,643	100.00
Hyundai Machine Tool Europe GmbH	25,397	25,237	20,161	20,034	100.00
Hyundai Motor Japan Co.	11,152	11,152	8,853	8,853	100.00
Hyundai Motor Poland Sp.zo.o.	11,082	11,082	8,797	8,797	100.00
Hyundai Motor Europe Parts	2,715	1,422	2,155	1,129	100.00
HMJ R&D Center Inc.	1,510	2,061	1,199	1,636	100.00
Hyundai Precision America Inc.	74,977	83,140	59,520	66,000	100.00
Hyundai Capital Service Inc.	272,573	339,763	216,379	269,717	85.57
HAOSVT (Turkey)	48,042	22,260	38,138	17,671	50.00
Korea Drive Train System	33,216	33,310	26,368	26,443	49.93
Korea Rolling Stock Co.	113,694	100,359	90,255	79,669	39.18
Korea Space & Aircraft Co., Ltd.	96,400	96,416	76,526	76,538	33.33
e-HD.com	3,330	3,330	2,643	2,643	33.30
Kia Motor Corporation	895,842	1,082,645	711,155	859,447	30.15
Beijing Hyundai Namyang					
Real Estate Development center Ltd.	7,351	7,351	5,836	5,836	30.00
KEFICO	20,911	42,463	16,600	33,709	29.94
Hyundai Space & Aircraft Co., Ltd.	112,595	45,630	89,382	36,223	25.96
Korea Economy Daily	13,832	22,188	10,980	17,614	22.75
Wuhan Grand Motor Co., Ltd.	5,502	7,731	4,368	6,137	21.43
Hyundai-Kia-Yueda Motor Company	3,354	3,354	2,663	2,663	20.00
Iijin Forging Co., Ltd.	826	5,038	656	3,998	20.00
Daesung Automotive Co., Ltd.	400	2,395	318	1,901	20.00
Hyundai HYSCO					
(formerly Hyundai Pipe Co., Ltd.)	200,768	180,419	159,378	143,224	23.43
	₩ 2,335,024	₩ 2,346,838	\$ 1,853,635	\$ 1,863,013	

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

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (or reversed) over 20 years, using the straight-line method. Significant unrealized profit (loss) that occurred in transactions with investees are eliminated. The unamortized balance of goodwill as of December 31, 2000 is ₩150,681 million (\$119,617 thousand). Investments, excluding those in Kia Motor Corporation, Hyundai HYSCO(formerly Hyundai Pipe Co., Ltd.), Hyundai Capital Service Inc. and KEFICO, are valued based on the latest financial statements since investees did not prepare financial statements as of December 31, 2000. The difference of ₩11,814 million (\$9,378 thousand) between historical cost and equity value has been accounted for as a credit of ₩111,937 million (\$88,860 thousand) to beginning retained earnings, a charge to retained earnings of ₩28,613 million (\$22,713 thousand), gain on valuation of ₩70,675 million (\$56,103 thousand) reflected in current operations and loss on valuation of ₩142,185 million (\$112,872 thousand) reflected in capital adjustments.





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Equity securities accounted for using the equity method as of December 31, 1999 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)		Ownership Percentage
	Acquisition cost	Book value	Acquisition cost	Book value	
Hyundai Motor India	₩ 244,017	₩ 195,066	\$ 193,710	\$ 154,851	100.00
Hyundai Motor America (*)	101,222	-	80,354	-	100.00
Hyundai America Technical Center Inc.	5,956	9,544	4,728	7,576	100.00
Hyundai Machine Tool Europe GmbH	2,944	2,944	2,337	2,337	100.00
Hyundai Motor Europe Parts	2,715	2,199	2,155	1,746	100.00
HMJ R&D Center Inc.	1,510	1,562	1,199	1,240	100.00
Hyundai Capital Service Inc.	272,573	301,907	216,379	239,666	85.57
HAOSVT (Turkey)	39,665	28,970	31,488	22,997	50.00
Hyundai Research Institute	4,559	4,266	3,619	3,387	50.00
Hyundai Unicorns Co., Ltd.	20,250	17,503	16,075	13,894	45.00
Kia Motor Corporation	895,842	1,088,083	711,155	863,764	30.16
Beijing Hyundai Namyang Real Estate Development center Ltd.	7,352	7,352	5,836	5,836	30.00
KEFICO	12,318	30,565	9,779	24,264	29.94
Hyundai Space & Aircraft Co., Ltd.	87,078	86,715	69,126	68,838	25.52
Korea Economy Daily	13,832	13,493	10,980	10,711	22.75
Korea Industrial Development Co., Ltd.	112,003	102,636	88,912	81,476	22.67
Wuhan Grand Motor Co., Ltd.	5,502	5,900	4,368	4,684	21.43
Iljin Forging Co., Ltd.	826	3,692	656	2,931	20.00
Daesung Automotive Co., Ltd.	400	1,557	318	1,236	20.00
Hyundai Pipe Co., Ltd.	143,744	133,544	114,110	106,013	11.09
Inchon Iron & Steel Co., Ltd.	56,768	60,044	45,065	47,665	7.14
	₩ 2,031,076	₩ 2,097,542	\$ 1,612,349	\$ 1,665,112	

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

The unamortized balance of goodwill as of December 31, 1999 is ₩273,066 million (\$216,771 thousand). Investments, excluding those in Kia Motors Corporation, Korea Industrial Development Co., Ltd., Hyundai Pipe Co., Ltd., Inchon Iron & Steel Co., Ltd., Hyundai Capital Service Inc., KEFICO and Hyundai Space & Aircraft Co., Ltd, are valued based on the latest financial statements since the investees did not prepare financial statements as of December 31, 1999. The difference of ₩66,466 million (\$52,763 thousand) between historical cost and equity value is accounted for as an increase in retained earnings of ₩40,936 million (\$32,497 thousand), gain on valuation in the current operations of ₩66,486 million (\$52,779 thousand) and loss on valuation of investment equity securities in capital adjustments of ₩40,956 million (\$32,513 thousand), respectively.





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Marketable investment equity securities as of December 31, 2000 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Percentage of Ownership
	Acquisition cost	Book value	Book value	
Jin Heung Mutual Savings & Finance Co., Ltd.	₩ 2,000	₩ 496	\$ 394	9.01
Comet Savings & Finance Co., Ltd.	2,700	999	793	9.00
Inchon Iron & Steel Co., Ltd.	60,425	22,838	18,130	4.70
Hyundai Corporation	13,626	1,807	1,434	2.99
Hyundai Information Technology Co., Ltd.	10,000	2,587	2,054	2.21
Hyundai Merchant Marine Co., Ltd.	7,329	1,714	1,361	0.55
Cho Hung Bank	25,000	4,394	3,488	0.48
Hyundai Heavy Industries Co., Ltd.	4,966	5,080	4,033	0.36
Treasury Stock Funds	37,793	14,116	11,206	
Stock Market Stabilization Fund	22,182	13,838	10,985	
Other	1,423	120	94	
	₩ 187,444	₩ 67,989	\$ 53,972	

Marketable investment equity securities as of December 31, 1999 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Percentage of Ownership
	Acquisition cost	Book value	Book value	
Hyundai Corporation	₩ 27,754	₩ 19,452	\$ 15,442	6.00
Cho Hung Bank	25,000	9,736	7,729	0.48
Aluminum of Korea Co., Ltd.	81,555	31,175	24,748	17.74
Treasury Stock Funds	34,866	22,116	17,557	
Stock Market Stabilization Fund	24,641	23,754	18,857	
Other	1,235	421	334	
	₩ 202,380	₩ 110,819	\$ 87,973	

The acquisition costs of Treasury Stock Funds are presented after the deduction of fair value of treasury stocks included in those funds. The fair values of such treasury stock as of December 31, 2000 and 1999 amount to ₩11,049 million (\$8,771 thousand) and ₩14,119 million (\$11,208 thousand), respectively, and are recorded as treasury stock in capital adjustments on the basis set forth in Note 2.

Marketable investment equity securities are stated at fair value and the differences of ₩119,455 million (\$94,828 thousand) and ₩91,561 million (\$72,684 thousand) in 2000 and 1999, respectively between book value and fair value are recorded as loss on valuation of investments equity securities in capital adjustments.





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Unlisted investment equity securities as of December 31, 2000 consist of the following

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Percentage of Ownership
	Acquisition cost	Book value	Book value	
Hyundai Motor Europe GmbH (*)	₩ 5,590	₩ 5,590	\$ 4,438	100.00
Hyundai Motor Shanghai Co., Ltd. (*)	741	741	588	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	2,019	2,019	1,603	84.88
Cheju Dynasty Co., Ltd. (*)	3,150	3,150	2,501	50.00
NGVTEK.com (*)	450	450	357	43.90
Auto-ever.com (*)	1,250	1,250	992	25.00
Jinil MVC Co., Ltd.	180	180	143	18.00
Industri Otomotif Komersial	4,439	4,439	3,524	15.00
Hyundai Petro-Chemical Co., Ltd.	88,163	88,163	69,987	14.99
Hyundai Technology Investment Co., Ltd.	4,490	4,490	3,564	14.97
Hyundai Unicorns Co., Ltd.	5,795	5,795	4,600	14.90
Hyundai Research Institute	1,271	1,271	1,009	14.90
Kihyup Finance	3,000	3,000	2,382	10.34
Hyundai Motor Deutschland GmbH	738	738	586	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	7,938	9.99
Ulsan Environmental Development	1,500	1,500	1,191	7.50
Internet Hankyoreh Inc.	4,800	4,800	3,810	7.41
Hyundai Oil refinery Co., Ltd.	78,135	78,135	62,027	6.33
Hyundai Asan Corporation	22,500	22,500	17,861	5.00
U.S Electrical Inc.	2,204	2,204	1,750	3.80
Alcan Taihan Aluminum Ltd.	13,625	13,625	10,816	0.14
Other	4,994	4,994	3,965	
	₩ 259,034	₩ 259,034	\$ 205,632	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, in 2000, 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, are not material.





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Unlisted investment equity securities as of December 31, 1999 consist of the following:

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	Percentage of Ownership
	Acquisition cost	Book value	Book value	
Hyundai Motor Shanghai Co., Ltd. (*)	₩ 741	₩ 741	\$ 588	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	2,019	2,019	1,603	84.88
Korea Rolling Stock Co. (*)	80,000	80,000	63,506	40.00
Korea Drive Train System (*)	13,216	13,216	10,491	29.90
Jinil MVC Co., Ltd.	180	180	143	18.00
Industri Otomotif Komersial	4,439	4,439	3,524	15.00
Hyundai Petro-Chemical Co., Ltd.	90,100	90,100	71,525	15.32
Hyundai Technology Investment Co., Ltd.	4,500	4,500	3,572	15.00
Kihyup Finance	3,000	3,000	2,382	10.34
Hyundai Motor Deutschland GmbH	738	738	586	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	7,938	-
Ulsan Environmental Development	1,500	1,500	1,191	7.50
Hyundai Oil refinery Co., Ltd.	78,134	78,134	62,027	6.33
Hyundai Asan Corporation	12,000	12,000	9,526	5.00
U.S Electrical Inc.	2,204	2,204	1,750	3.80
Hyundai Information Technology Co.LTD	10,000	10,000	7,938	2.45
Other	16,995	16,995	13,491	
	₩ 329,766	₩ 329,766	\$ 261,781	

(\*) In conformity with Financial Accounting Standards in the Republic of Korea, in 1999, the equity securities of these affiliates were excluded from using the equity method since the individual beginning balance of assets is less than the required assets level of ₩7,000 million.

Unlisted investment equity securities are stated at cost, except where an investee's net equity value has declined and is not expected to recover. Total net equity value of unlisted investment equity securities as at December 31, 2000 and 1999, amounts to ₩364,833 million (\$289,619 thousand) and ₩392,026 million (\$311,206 thousand), respectively, based on the investees' latest financial statements.

In 2000, the Company disposed of its investments in Aluminum of Korea Co., Ltd. (13,098,726 shares), Hyundai Technology Investment Co., Ltd. (2,000 shares), Hyundai Unicorns Co., Ltd. (26,120 shares), Hyundai Research Institute (702,000 shares), Hyundai Petro-Chemical Co., Ltd. (350,000 shares), Hyundai Corporation (2,210,000 shares) and Korea Industrial Development Co., Ltd. (18,951,079 shares) and in debt securities of Hyundai Petro-Chemical Co., Ltd. and Korea Industrial Development Co., Ltd. for ₩63,044 million (\$50,047 thousand) and recognized an extraordinary loss on disposal of ₩166,215 million (\$131,948 thousand), net of extraordinary gain of ₩3,571 million (\$2,835 thousand).

## 5. Insured Assets

As of December 31, 2000, property, plant and equipment are insured for ₩4,530,267 million (\$3,596,306 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries general insurance for vehicles and workers' compensation and casualty insurance for employees.





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 6. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2000 and 1999 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Buildings and structures	₩ 2,372,734	₩ 2,251,078	\$ 1,883,571	\$ 1,786,995
Machinery and equipment	3,357,358	3,095,520	2,665,204	2,457,347
Vehicles	32,996	29,635	26,194	23,525
Dies and moulds	1,407,996	1,155,764	1,117,723	917,492
Tools	424,475	380,119	336,965	301,754
Other equipment	385,539	341,550	306,056	271,136
	7,981,098	7,253,666	6,335,713	5,758,249
Less: Accumulated depreciation	(2,299,833)	(1,817,011)	(1,825,699)	(1,442,416)
	5,681,265	5,436,655	4,510,014	4,315,833
Land	1,732,247	1,682,598	1,375,127	1,335,713
Construction in progress	1,025,268	839,099	813,898	666,110
	₩ 8,438,780	₩ 7,958,352	\$ 6,699,039	\$ 6,317,656

A substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩1,187,660 million (\$942,812 thousand) (see Notes 12).

As of December 31, 2000, the published value of the Company-owned land (11,939 thousand sq. meters) totals ₩1,517,951 million (\$1,205,010 thousand) in terms of land prices officially announced by the Korean government.

## 7. Leased Assets

The Company has entered into financing lease agreements for certain machinery and equipment. The lease obligations are included in long-term debt in the accompanying balance sheets. Annual payments on the lease agreements as of December 31, 2000 are as follows (won in millions):

	Financing leases		
	Lease Payments	Interest Portion	Lease Obligations
2001	₩ 77,798	₩ 11,719	₩ 66,079
2002	75,844	6,676	69,198
2003	43,947	2,549	41,398
2004	8,792	414	8,378
Thereafter	1,521	52	1,469
	₩ 207,902	₩ 21,410	₩ 186,492

## 8. Intangibles

Intangibles as of December 31, 2000 and 1999 consist of the unamortized balances of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Cost in excess of fair value of net identifiable assets acquired (see Note 25)	₩ 568,104	₩ 598,674	\$ 450,984	\$ 475,251
Development costs	910,566	527,748	722,844	418,947
Other	29,587	29,799	23,487	23,656
	₩ 1,508,257	₩ 1,156,221	\$ 1,197,315	\$ 917,854





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Development costs as of December 31, 2000 and 1999 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Beginning of the year	₩ 527,748	₩ 200,963	\$ 418,947	\$ 159,532
Addition:				
Expenditures for the year	531,493	381,642	421,920	302,963
Deduction:				
Ordinary development and research expenses	(11,596)	(10,530)	(9,204)	(8,359)
Amortization	(137,079)	(44,327)	(108,819)	(35,189)
<b>End of the year</b>	<b>₩ 910,566</b>	<b>₩ 527,748</b>	<b>\$ 722,844</b>	<b>\$ 418,947</b>

Development costs are amortized over a period not to exceed 5 years from the date of usage of the related products using the straight-line method. Ordinary development expenses and research expenses are charged to current operations as selling and administrative expenses.

## 9. Other Assets

Other assets as of December 31, 2000 and 1999 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Long-term notes and accounts receivable, less unamortized present value discount of ₩8,622 million in 2000 and ₩2,340 million in 1999 (Note 2)	₩ 7,293	₩ 43,094	\$ 5,789	\$ 34,210
Other long-term accounts receivable	276,002	-	219,102	-
Lease and rental deposits	196,572	215,831	156,047	171,335
Long-term deposits	291,960	378,433	231,769	300,415
Accrued gain on valuation of derivatives (See Note 2)	-	12,067	-	9,579
Other	180,249	158,540	143,089	125,855
	<b>₩ 952,076</b>	<b>₩ 807,965</b>	<b>\$ 755,796</b>	<b>\$ 641,395</b>

## 10. Short-term Borrowings

Short-term borrowings as of December 31, 2000 and 1999 amount to ₩526,500 million (\$417,957 thousand) and ₩267,931 million (\$212,694 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 6.15 percent to 11.5 percent. These borrowings are secured by certain bank deposits, investment securities and property, plant and equipment (See Note 6).





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 11. Long-term Debt

Long-term debt as of December 31, 2000 and 1999 consists of the following:

	Annual Interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		2000	1999	2000	1999
Debentures	7.00 - 20.0	₩ 3,546,424	₩ 3,489,652	\$ 2,815,295	\$ 2,770,225
Local currency loans					
Capital lease	13.18 - 18.70	223	4,034	177	3,202
General loans	3.00 - 10.70	79,682	100,757	63,253	79,985
		79,905	104,791	63,430	83,187
Foreign currency loans		186,269	219,855	147,868	174,530
Capital lease	Libor+0.40 - + 3.20	538,460	672,799	427,450	534,094
Other		724,729	892,654	575,318	708,624
		4,351,058	4,487,097	3,454,043	3,562,036
Less: Current maturities		(1,806,613)	(1,336,527)	(1,434,161)	(1,060,988)
		₩ 2,544,445	₩ 3,150,570	\$ 2,019,882	\$ 2,501,048

Debentures outstanding as of December 31, 2000 and 1999 consist of the following:

	Maturity	Annual Interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
			2000	1999	2000	1999
Guaranteed debentures	15 Jan., 2001 - 19 Jan., 2001	11.0 - 25.0	₩ 130,000	₩ 968,000	\$ 103,199	\$ 768,437
Non-guaranteed Debentures	25 Feb., 2001 - 27 Dec., 2003	6.0 - 19.9	3,072,000	2,210,852	2,438,679	1,755,063
Overseas debentures	31 Mar., 2001 - 15 Jul., 2007	LIBOR+1.89 - 7.60	414,328	382,895	328,910	303,957
			3,616,328	3,561,747	2,870,788	2,827,457
Discount on debentures			(69,904)	(72,095)	(55,493)	(57,232)
			₩ 3,546,424	₩ 3,489,652	\$ 2,815,295	\$ 2,770,225

Convertible bonds, 217 th issue (face value US \$50,000,000) that are due in 2001, are included in overseas debentures.

The maturity of long-term debt outstanding as of December 31, 2000 is as follows:

	Debentures	Korean won (in millions)			U.S. dollars (Note 2) (in thousands)	
		Local Currency Loans	Foreign Currency Loans	Total	Total	Total
2001	₩ 1,582,910	₩ 15,642	₩ 275,971	₩ 1,874,523	\$ 1,488,071	
2002	757,000	14,762	258,346	1,030,108	817,741	
2003	930,000	15,260	153,327	1,098,587	872,102	
2004	-	12,192	34,744	46,936	37,260	
Thereafter	346,418	22,049	2,341	370,808	294,362	
	3,616,328	79,905	724,729	4,420,962	3,509,536	
Less: Discount on debentures	(69,904)	-	-	(69,904)	(55,493)	
	₩ 3,546,424	₩ 79,905	₩ 724,729	₩ 4,351,058	\$ 3,454,043	





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 12. Commitments and Contingent liabilities

(1) The Company is contingently liable for guarantees of indebtedness, primarily for the following affiliates (including foreign subsidiaries), as of December 31, 2000.

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine	₩ 564,493	\$ 448,117
Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd.)	12,692	10,075
Overseas subsidiaries	369,490	293,316
Other	9,556	7,586
	<b>₩ 956,231</b>	<b>\$ 759,094</b>

(2) Bank deposits[₩7,900 million (\$6,271 thousand)], investment securities[₩206,784 million (\$164,153 thousand), at cost], 5 blank checks, 57 blank promissory notes, 3 checks amounting to ₩15,139 million (\$12,018 thousand), 1 promissory notes amounting to ₩73,840 million (\$58,618 thousand) and property, plant and equipment are pledged as collateral for short-term borrowings, the local currency and foreign currency loans and other payables (see Note 6).

(3) The Company uses a customer financing system related to a long-term installment sales contract and has provided guarantees of ₩1,081,275 million (\$858,359 thousand) to the banks concerned as of December 31, 2000. These guarantees are all covered by insurance contracts, which regulate a customer and the Company as a contractor and a beneficiary, respectively.

(4) At December 31, 2000, the outstanding balance of accounts receivable discounted with recourse amounts to ₩971,025 million (\$770,838 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate as of December 31, 2000.

(5) In connection with the merger of Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd. (HPI)) with the Company (see Note 25), under the Korean Commercial Code, the Company becomes liable for the payment of the full amount of liabilities previously owed by HPI. As a result, the Company is deemed to have assumed additional contingent liabilities of ₩299,780 million (\$237,977 thousand) as of December 31, 2000.

(6) The Company, together with the previous major shareholders of Hyundai International Merchant Bank, agreed to reimburse the agricultural and fishery special tax paid by Cho Hung Bank in connection with the taxable income from the liquidation of Hyundai International Merchant Bank which arose from the merger of Hyundai International Merchant Bank, Kangwon Bank and Cho Hung Bank in 1999. The total reimbursement unpaid as of December 31, 2000 is ₩36,192 million (\$28,731 thousand) and the share of the Company is ₩3,480 million (\$2,763 thousand). There is a law suit pending against this tax imposition and the Company expects that the resolution of the case will not have any material effect on its financial position.

## 13. Capital Stock

Capital stock as of December 31, 2000 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	229,088,702 shares	₩ 5,000	₩ 1,145,443	\$ 909,298
Preferred stock	150,000,000 shares	66,202,146 shares	5,000	331,011	262,770
				<b>₩ 1,476,454</b>	<b>\$ 1,172,068</b>





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Capital stock as of December 31, 1999 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	208,470,702 shares	₩ 5,000	₩ 1,042,353	\$ 827,461
Preferred stock	150,000,000 shares	66,202,146 shares	5,000	331,011	261,770
				<b>₩ 1,373,364</b>	<b>\$ 1,090,231</b>

The preferred shares are non-cumulative, non-participating and non-voting. Of the total preferred stock issued of 66,202,146 shares as at December 31, 2000, a total of 27,588,281 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 38,613,865 preferred shares is 2 percent higher than that declared for common shares.

In September 2000, the Company issued 20,618,000 common shares with a total proceeds of ₩430,916 million (\$342,078 thousand) (at a per share price of ₩20,900), which includes paid-in capital in excess of par value of ₩327,222 million (\$269,762 thousand) after the deduction of new stock issuance cost, to DaimlerChrysler Aktiengesellschaft(DCAG). Under the agreement with DCAG, the Company shall sell 2,290,800 shares of common stock from the treasury stock to DCAG at a price per share of ₩20,900 as at the earlier of the date of additional purchase of 2,290,887 shares by the Company and its related parties and the date falling six months from September 2000 when the Company issued common stock as mentioned above.

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 (\$477,308 thousand) which include paid-in capital in excess of par value of ₩486,886 million (\$386,509 thousand).

Also, in 1999, the Company issued 99,200,000 shares of common stock for ₩1,482,840 million (\$1,177,137 thousand) and 38,420,583 shares of preferred stock for ₩247,357 million (\$196,362 thousand), including paid-in capital in excess of par value of ₩986,840 million (\$783,393 thousand) and ₩55,254 million (\$43,863 thousand), respectively. In addition, in connection with its merger with HMSC in 1999, the Company issued 10,034,230 shares of common stock and 2,438,829 shares of preferred stock at par value (see Note 26).

In connection with the merger with the Automobile and Machine Tools Divisions of Hyundai Precision & Ind. Co., Ltd., the Company issued 25,043,190 common shares for ₩941,624 million (\$747,499 thousand) and 39,470 preferred shares for ₩677 million (\$537 thousand), which amounts included paid-in capital in excess of par value of ₩816,408 million (\$648,097 thousand) and ₩480 million (\$381 thousand), respectively (see Note 25).

In addition, in 1999, the 263rd convertible bonds amounting to ₩28,142 million (\$22,340 thousand) were converted into 1,168,367 common shares.

## 14. Capital Surplus

Capital surplus as of December 31, 2000 and 1999 consists of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Paid-in capital in excess of par value	₩ 3,256,236	₩ 2,929,014	\$ 2,584,930	\$ 2,325,168
Gain on merger	247,743	247,743	196,668	196,668
Asset revaluation surplus	1,852,871	1,852,871	1,470,883	1,470,883
Gain on disposal of treasury stock	3,844	3,844	3,051	3,051
	<b>₩ 5,360,694</b>	<b>₩ 5,033,472</b>	<b>\$ 4,255,532</b>	<b>\$ 3,995,770</b>





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

At January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued its property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (\$2,022,241 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (\$12,719 thousand), a deferred foreign currency translation loss of ₩594,275 million (\$471,759 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (\$53,621 thousand) and adjustment of ₩16,702 million (\$13,259 thousand) due to the disposal of revalued assets within 1 year after revaluation. The asset revaluation surplus may only be transferred to capital stock or may be used to offset against a deficit, if any, in the future.

In 2000, the increase in paid-in capital in excess of par value of ₩327,222 million (\$259,762 thousand) arose from new common stock issuance (See Note 13).

## 15.Retained Earnings

Retained earnings as of December 31, 2000 and 1999 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Appropriated:				
Legal reserve	₩ 79,870	₩ 63,270	\$ 63,404	\$ 50,226
Reserve for business rationalization	385,800	267,000	306,263	211,955
Reserve for improvement of financial structure	98,947	98,947	78,548	78,548
Reserve for overseas market development	48,800	48,800	38,739	38,739
Reserve for technological development	747,600	582,600	593,474	462,491
	1,361,017	1,060,617	1,080,428	841,959
Unappropriated	173,667	196	137,865	156
	₩ 1,534,684	₩ 1,060,813	\$ 1,218,293	\$ 842,115

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. Pursuant to the Tax Incentive Limitation Law, the Company is required to appropriate, as a reserve for business rationalization, the exemption of income taxes resulting from investment tax credits and certain deductions from taxable income specified by the Law. The Regulation on Issues and Disclosures of the Securities for listed companies requires the Company to appropriate, as a reserve for improvement of financial structure, an amount equal to at least 50 percent of the net gain on disposition of property, plant and equipment and 10 percent of net income for each year until the Company's net worth equals 30 percent of total assets. These reserves are not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.

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

## 16. Capital Adjustments

Capital adjustments as of December 31, 2000 and 1999 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Treasury stock				
Loss on valuation of investment equity securities (see Note 4)	₩ (437,050)	₩ (150,121)	\$ (346,948)	\$ (119,172)
Consideration for conversion rights	(261,640)	(132,517)	(207,700)	(105,197)
Stock option cost	-	7,986	-	6,340
Cumulative translation adjustments for overseas branches	6,526	-	5,180	-
	(1,075)	-	(853)	-
Loss on valuation of derivatives (see Note 2)	(55,676)	-	(44,198)	-
	₩ (748,915)	₩ (274,652)	\$ (594,519)	\$ (218,029)





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## (1) Treasury stock

The Company has treasury stock consisting of 23,763,490 common shares and 4,178,600 preferred shares with a carrying value of ₩437,050 million (\$346,948 thousand) as of December 31, 2000, and 3,681,653 common shares and 2,102,610 preferred shares with a carrying value of ₩150,121 million (\$119,172 thousand) as of December 31, 1999, acquired directly or indirectly through the Treasury Stock Funds and Trust Cash Funds.

## (2) Loss on valuation of investment equity securities

In connection with the valuation of investment equity securities, the Company recorded a valuation loss of ₩261,640 million (\$207,700 thousand) as of December 31, 2000 and ₩132,517 million (\$105,197 thousand) as of December 31, 1999 which are reflected in capital adjustment (see Note 4).

## (3) Consideration for conversion rights

As of December 31, 1999, the Company recorded in capital adjustment the convertible rights adjustment of ₩7,986 million (\$6,340 thousand) related to the 263rd convertible bonds amounting to ₩31,825 million (\$25,264 thousand) included in non-guaranteed debentures. In 2000, the Company repaid the convertible bonds.

## (4) Stock option cost

The Company entitled 104 directors to stock options (grant date : 2000. 3. 10, exercise date : 2003. 3. 10, expiry date : 2008. 3. 10), at an exercise price of ₩14,900 as determined during the meeting of the Shareholders on March 10, 2000. In the second half of 2000, one of the eligible directors retired. If all of the stock options, which require at least two-year continued service, are exercised as of December 31, 2000, 1,740,000 new shares or treasury shares will be granted in accordance with the decision of the Board of Directors. The Company calculates the total compensation expense using the option-pricing model. In the model, the Risk-free rate of 9.04%, the expected exercise period of 5.5 years and the expected variation rate of stock price of 71.1 percent are adopted. Total compensation expense amounts to ₩15,958 million and is accounted for as a charge to current operations and a credit to capital adjustment over the required period of service (two years) from the grant date using the straight-line method. In 2000, the Company recorded a charge of current operations and a credit to capital adjustment amounting to ₩6,526 million (\$5,180 thousand).

## (5) Cumulative translation adjustments

Cumulative translation debits of ₩1,075 million (\$853 thousand) as of December 31, 2000, which result from the translation of financial statements of the branch located in the United States, is included in capital adjustments on the basis set forth in Note 2.

## (6) Loss on valuation of derivatives

Loss on valuation of the effective portion of derivative instruments for cash flow hedging purpose from forecasted exports, amounting to ₩55,676 million (\$44,198 thousand) as of December 31, 2000, is included in capital adjustments on the basis set forth in Note 2.

## 17. Dividends

The computation of the proposed dividends for 2000 is as follows:

	Number of Shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	205,325,212	12%	₩ 123,195	\$ 97,797
Preferred shares, net of treasury shares:				
Old	24,482,541	13%	15,913	12,632
New	37,541,005	14%	26,279	20,862
			₩ 165,387	\$ 131,291





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

The computation of the proposed dividends for 1999 is as follows:

	Number of Shares	Dividend rate	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Common shares, net of treasury shares	204,789,049	10%	₩ 102,395	\$ 81,285
Preferred shares, net of treasury shares:				
Old	25,545,671	11%	14,050	11,154
New	38,553,865	12%	23,132	18,363
			₩ 139,577	\$ 110,802

## 18. Income Tax Expense and Deferred Income Tax Assets

Income tax expense in 2000 and 1999 consists of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
Description	2000	1999	2000	1999
Income tax currently payable	₩ 174,603	₩ 31,745	\$ 138,607	\$ 25,200
Changes in deferred income taxes due to:				
Temporary differences	(62,297)	(24,238)	(49,454)	(19,241)
Tax loss carryforward	-	138,498	-	109,945
Tax credit carried over	-	(64,316)	-	(51,057)
Deduction of capital surplus and retained earnings	-	(769)	-	(610)
	(62,297)	49,175	(49,454)	39,037
<b>Income tax expense</b>	<b>₩ 112,306</b>	<b>₩ 80,920</b>	<b>\$ 89,153</b>	<b>\$ 64,237</b>

In 2000 and 1999, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
Description	2000	1999	2000	1999
Income before tax	₩ 780,177	₩ 495,245	\$ 619,336	\$ 393,145
Addition	742,648	614,916	589,543	488,145
Deduction	(529,305)	(482,347)	(420,183)	(382,906)
	993,520	627,814	788,696	498,384
Tax loss carryforward (*)	-	(449,671)	-	(356,967)
<b>Taxable income</b>	<b>₩ 993,520</b>	<b>₩ 178,143</b>	<b>\$ 788,696</b>	<b>\$ 141,417</b>

(\*) Tax loss carryforward is tax deductible. The corresponding deferred income tax on the deduction of the tax loss carryforward in 1999: ₩449,671 million × 0.308 = ₩138,498 million





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

The changes in accumulated temporary differences in 2000 and 1999 are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Beginning of period, net	₩ 370,910	₩ 280,738	\$ 294,443	\$ 222,861
Changes in the current year, net	202,264	90,172	160,565	71,582
<b>End of period, net</b>	<b>₩ 573,174</b>	<b>₩ 370,910</b>	<b>\$ 455,008</b>	<b>\$ 294,443</b>

The accumulated temporary differences as of December 31, 2000 and 1999 do not include the gain of ₩499,891 million (\$396,833 thousand) in 2000 and ₩502,333 million (\$398,772 thousand) in 1999 on the revaluation of land which may not be disposed of in the near future.

Deferred income tax as of December 31, 2000 and 1999 are computed as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Accumulated temporary differences, net	₩ 573,174	₩ 370,910	\$ 455,008	\$ 294,443
Statutory tax rate (%)	X 30.8	X 30.8	X 30.8	X 30.8
	176,537	114,240	140,141	90,688
Tax credit carried over	64,316	64,316	51,057	51,057
<b>Deferred income tax assets</b>	<b>₩ 240,853</b>	<b>₩ 178,556</b>	<b>\$ 191,198</b>	<b>\$ 141,745</b>

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the tax benefits from temporary differences will be realized in the future. As of December 31, 2000, the Company believes the deferred income tax assets of ₩240,853 million (\$191,198 thousand) can be realized in the future. Additionally, the Company believes average ordinary income in the coming years will exceed the amount of deferred taxes to be realized every year based on its assessment. Accordingly, the Company has recognized deferred income tax assets as of December 31, 2000 and 1999 and as a result, its effective tax rate is 14.39 percent in 2000 and 16.34 percent in 1999.

## 19. Related Party Transactions

Significant transactions with affiliated companies in 2000 and 1999 and outstanding balances as of December 31, 2000 and 1999 are summarised below:

Sales (Purchases)

Affiliated Company	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Hyundai Motor America	₩ 2,967,908	₩ 2,113,923	\$ 969,743	\$ 1,678,116
Hyundai Motor India	86,292	108,975	40,354	86,509
HAOSVT	268,908	121,013	213,470	96,065
Kia Motor Corporation	800,383	224,355	277,033	178,102
	(93,200)	(15,817)	(73,986)	(12,556)
KEFICO	(367,393)	(240,997)	(291,651)	(191,313)
Hyundai MOBIS (*)	611,697	118,409	485,589	93,998
(formerly Hyundai Precision Industries Co., Ltd.)	(323,137)	(361,499)	(256,519)	(286,972)
Hyundai HYSKO (formerly Hyundai Pipe Co., Ltd.)	(304,654)	(78,851)	(241,846)	(62,595)

(\*) Sales in 2000 include the disposal value of the Motor Parts Division for after-sales service of ₩446,422 million, which consists of the lump-sum royalty and the book value of the disposed net assets (See Note 24).





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Affiliated Company	Receivables (Payables)			
	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Hyundai Motor America	₩ 94,605	₩ 34,200	\$ 40,322	\$ 27,149
	(21,591)	(12,090)	(19,103)	(9,598)
Hyundai Motor India	1,618	5,493	1,057	4,361
	(2,635)	(543)	(2,092)	(431)
Kia Motor Corporation	148,143	57,671	117,602	45,782
	(21,629)	-	(17,170)	-
KEFICO	(55,066)	(18,457)	(43,714)	(14,652)
Hyundai MOBIS(*)	282,622	973	224,357	772
	(99,965)	(6,700)	(79,356)	(5,319)
Beijing Hyundai Namyang real Estate Development center Ltd.	17,792	9,009	14,124	7,152
Korea Drive Train System	47,355	-	37,592	-
Hyundai HYSCO (formerly Hyundai Pipe Co., Ltd.)	32,626	24,991	25,900	19,839
HYPA	54,810	-	43,510	-

(\*) Receivables as of December 31, 2000 include the long-term other accounts receivable of ₩276,002 million for the sale of the Motor Parts Division for after-sales service (See Note 24).

## 20. Foreign Currency Denominated Assets and Liabilities

The following is a summary of the assets and liabilities denominated in foreign currencies as of December 31, 2000 and 1999.

	Foreign Currencies				Korean won (in millions)	
	2000		1999		2000	1999
<b>Assets</b>	US \$	343,004,057	US \$	274,758,000	₩ 432,009	₩ 314,708
	DEM	73,722,040	DEM	67,298,000	44,752	39,589
	JP ¥	59,520,585	JP ¥	169,753,000	656	1,904
	CAD	28,055,789	CAD	16,091,000	23,575	12,681
	ESP	451,551,095	ESP	854,142,000	3,222	5,906
	TL	10,766,674,300	ITL	17,411,729,571	6,602	10,346
	GBP	4,482,118	GBP	5,615,000	8,430	10,398
					₩ 519,246	₩ 395,532
<b>Liabilities</b>	US \$	1,028,707,551	US \$	1,234,416,000	₩ 1,304,034	₩ 1,413,900
	DEM	55,912,887	DEM	66,968,000	33,936	39,395
	JP ¥	13,506,466,847	JP ¥	14,493,449,000	148,751	162,593
	CAD	3,900,153	CAD	2,378,000	3,277	1,874
	ESP	1,028,306,207	ESP	190,128,000	7,338	1,315
	ITL	108,078,904	ITL	5,353,218,000	66	3,181
	GBP	3,574,947	GBP	2,946,000	6,724	5,456
	EUR	23,745,597	EUR	-	28,193	-
					₩ 1,532,319	₩ 1,627,714





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 21. Adherence to Protection of Environment

The Company has been qualified as an Environmentally Friendly Company by the government and has been ISO 14001 certified since 1995.

## 22. Selling and Administrative Expenses

Selling and administrative expenses in 2000 and 1999 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Salaries	₩ 726,942	₩ 501,058	\$ 577,076	\$ 397,760
Export costs	402,889	381,565	319,829	302,901
Sales promotion	315,814	370,656	250,706	294,241
Sales commissions	226,224	111,410	179,586	88,442
Sales warranties	591,687	480,107	469,705	381,128
Taxes and dues	15,267	20,759	12,120	16,479
Communications	27,670	24,157	21,966	19,177
Utilities	20,012	14,731	15,886	11,694
Freight and warehousing	60,665	45,332	48,158	35,986
Rent	27,819	20,777	22,084	16,494
Travel expenses	55,329	47,088	43,922	37,380
Service charges	85,331	60,924	67,739	48,364
Maintenance	10,165	9,850	8,069	7,819
Supplies	18,181	12,676	14,433	10,063
Research expenses	11,596	10,530	9,205	8,359
Depreciation	22,071	17,066	17,521	13,548
Amortization	35,364	15,947	28,073	12,659
Provision for doubtful accounts	12,983	6,888	10,306	5,468
Stock option cost (Note 16)	6,526	-	5,181	-
Other	15,638	9,005	12,414	7,149
	₩ 2,688,173	₩ 2,160,526	\$ 2,133,979	\$ 1,715,111

## 23. Supplementary Information for Computation of Value Added

The accounts and amounts needed for calculation of value added are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2000	1999	2000	1999
Ordinary income	₩ 896,392	₩ 495,245	\$ 711,592	\$ 393,145
Labor costs	2,144,269	1,494,009	1,702,206	1,186,004
Interest expense, net	418,546	548,275	332,258	435,243
Rent	28,596	21,352	22,701	16,950
Taxes and dues	27,204	31,823	21,596	25,262
Depreciation	556,649	470,405	441,890	373,426
	₩ 4,071,656	₩ 3,061,109	\$ 3,232,243	\$ 2,430,030





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 24. Sale of the Sales Division for Motor Parts for After-Sales Service

Effective January 31, 2000, the Company sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd.). The assets and liabilities of this division as of January 31, 2000 are as follows :

Description	Korean won (in millions)	U.S. dollars (Note 2)(in thousands)
<b>Assets</b>		
Current assets	₩ 237,336	\$ 188,407
Non-current assets	199,978	158,750
Total assets	437,314	337,157
<b>Liabilities</b>		
Current liabilities	16,834	13,363
Long-term liabilities	24,058	19,098
Total liabilities	40,892	32,461
<b>Net assets</b>	<b>₩ 396,422</b>	<b>\$ 314,696</b>

Of the book value of the disposed net assets of ₩396,422 million (\$314,696 thousand), in 2000, the Company received payment for ₩170,420 million (\$135,286 thousand), which is equal to the book value of land, buildings and structures, and will receive payment for the remaining ₩226,002 million (\$179,409 thousand) equally over five years after a grace period of two years. Additionally, payment for a lump-sum royalty of ₩50,000 million (\$39,692 thousand) will be received equally over a five year period after the grace period of two years and payment for a running royalty of ten percent of ordinary income of the Sales Division for motor parts for after-sales service will be received every year during a ten year period starting 2000. Interest on the principal of the disposed net assets and the lump-sum royalty is at 11 percent annually. The Company accounted for the lump-sum royalty of ₩50,000 million (\$39,692 thousand) as an extraordinary gain in 2000.

## 25. Merger with Hyundai Precision & Ind. Co., Ltd.

Effective July 31, 1999, the Automobile and Machine Tools Divisions of Hyundai Precision & Ind. Co., Ltd. (HPI) were merged with the Company, for the purpose of creating a synergy effect and achieving economies of scale. These divisions represented approximately 60 percent of the net assets of HPI.

Profile of merged company	- Name of Company: Hyundai Precision & Ind. Co., Ltd. - Chairman: Jung-In, Park - Key business: Manufacture and distribution of motor vehicles and machine tools
Merger schedule	- Contract date: May 17, 1999 - General meeting of Shareholders for approval: June 28, 1999 - Merger date: July 31, 1999
Merger condition	- Merger ratio: 0.24444 (Common share and new preferred share), 0.62016 (Old preferred share) - HPI's outstanding shares of stock: 102,442,170 common shares 63,645 old preferred shares 7,251 new preferred shares - New shares issued for merger: 25,043,190 common shares at ₩37,600 per share 39,470 preferred shares at ₩17,150 per share
Valuation of assets acquired and liabilities assumed	- At their fair value as of July 31, 1999.





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

The cost in excess of fair value of net identifiable assets acquired (goodwill) is as follows:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Assets acquired	₩ 1,604,303	\$ 1,273,560
Liabilities assumed and conversion right	1,273,414	1,010,887
Net equity acquired	330,889	262,673
New stock issued for merger	942,301	748,036
<b>Cost in excess of fair value of net identifiable assets acquired</b>	<b>₩ 611,412</b>	<b>\$ 485,363</b>

The condensed balance sheets of HPI as of July 31, 1999 and December 31, 1998 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	1999	1998	1999	1998
Current assets	₩ 1,077,038	₩ 1,396,545	\$ 854,996	\$ 1,108,633
Non-current assets	1,882,859	1,937,813	1,494,688	1,538,313
<b>Total assets</b>	<b>₩ 2,959,897</b>	<b>₩ 3,334,358</b>	<b>\$ 2,349,684</b>	<b>\$ 2,646,946</b>
Current liabilities	1,218,705	1,539,075	967,456	1,221,779
Non-current liabilities	878,581	1,095,024	697,453	869,274
<b>Total liabilities</b>	<b>2,097,286</b>	<b>2,634,099</b>	<b>1,664,909</b>	<b>2,091,053</b>
<b>Total shareholders' equity</b>	<b>862,611</b>	<b>700,259</b>	<b>684,775</b>	<b>555,893</b>
<b>Total liabilities and shareholders' equity</b>	<b>₩ 2,959,897</b>	<b>₩ 3,334,358</b>	<b>\$ 2,349,684</b>	<b>\$ 2,646,946</b>

The condensed statements of income of HPI for the seven months ended July 31, 1999 and for the year ended December 31, 1998 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	1999	1998	1999	1998
Sales	₩ 1,234,192	₩ 2,536,462	\$ 979,751	\$ 2,013,545
Cost of sales	1,157,358	2,282,858	918,757	1,812,224
Gross profit	76,834	253,604	60,994	201,321
Selling and administrative expenses	96,103	215,721	76,290	171,248
Operating income (loss)	(19,269)	37,883	(15,296)	30,073
Other income (expenses), net	9,750	(120,957)	7,740	(96,020)
Ordinary loss	(9,519)	(83,074)	(7,556)	(65,947)
Extraordinary items	7,677	(14,079)	6,094	(11,177)
Loss before income taxes	(1,842)	(97,153)	(1,462)	(77,124)
Income taxes	-	36	-	29
<b>Net loss</b>	<b>₩ (1,842)</b>	<b>₩ (97,189)</b>	<b>\$ (1,462)</b>	<b>\$ (77,153)</b>





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

## 26. Merger with Hyundai Motor Service Co.

Effective March 31, 1999, Hyundai Motor Service Co. (HMSC) was merged with the Company. The details of merger are as follows:

Profile of merged company	- Name of Company: Hyundai Motor Service Co. - Chairman: Yang-rae, Cho - Key business: Sales of motor vehicles, heavy equipment, parts and automotive fuel and repair of motor vehicles
Merger schedule	- Contract date: December 15, 1998 - General meeting of Shareholders for approval: February 26, 1999 - Merger date: March 31, 1999
Merger condition	- Merger ratio: 0.68420 (Common share), 0.88455 (Preferred share) - HMSC's outstanding shares of stock: 14,665,640 Common shares 2,757,141 Preferred shares - New shares issued for merger: 10,034,230 Common shares 2,438,829 Preferred shares
Valuation of assets acquired and liabilities assumed	- At their book value of March 31, 1999.
Gain on merger	- The details of gain on merger (negative goodwill) are as follows:

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Assets acquired	₩ 2,722,895	\$ 2,161,542
Liabilities assumed	2,414,553	1,916,768
Net assets acquired	308,342	244,774
New stock issued for merger	62,365	49,508
<b>Negative goodwill (credited to capital surplus)</b>	<b>₩ 245,977</b>	<b>\$ 195,266</b>

The condensed balance sheets of HMSC as of March 31, 1999 and December 31, 1998 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Mar. 31, 1999	Dec. 31, 1998	Mar. 31, 1999	Dec. 31, 1998
Current assets	₩ 1,165,173	₩ 1,286,381	\$ 924,961	\$ 1,021,180
Non-current assets	1,557,722	1,582,376	1,236,582	1,256,153
Total assets	₩ 2,722,895	₩ 2,868,757	\$ 2,161,543	\$ 2,277,333
Current liabilities	1,817,685	1,753,324	1,442,951	1,391,858
Non-current liabilities	596,868	649,025	473,818	515,222
Total liabilities	2,414,553	2,402,349	1,916,769	1,907,080
Total shareholders' equity	308,342	466,408	244,774	370,253
<b>Total liabilities and shareholders' equity</b>	<b>₩ 2,722,895</b>	<b>₩ 2,868,757</b>	<b>\$ 2,161,543</b>	<b>\$ 2,277,333</b>





# NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Condensed statements of income of HMSC for the three months ended March 31, 1999 and for the year ended December 31, 1998 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	Mar. 31, 1999	Dec. 31, 1998	Mar. 31, 1999	Dec. 31, 1998
Sales	₩ 979,221	₩ 2,610,445	\$ 777,345	\$ 2,072,275
Cost of sales	860,792	2,201,569	683,331	1,747,693
Gross profit	118,429	408,876	94,014	324,582
Selling and administrative expenses	224,869	409,149	178,510	324,799
Operating loss	(106,440)	(273)	(84,496)	(217)
Other expenses, net	65,961	210,025	52,363	166,726
Ordinary loss	(172,401)	(210,298)	(136,859)	(166,943)
Extraordinary items	-	(17,518)	-	(13,906)
Loss before income taxes	(172,401)	(227,816)	(136,859)	(180,849)
Income taxes	-	-	-	-
<b>Net loss</b>	<b>₩ (172,401)</b>	<b>₩ (227,816)</b>	<b>\$ (136,859)</b>	<b>\$ (180,849)</b>

## 27. Acquisition of Kia Motor Corp. and Asia Motors Co., Inc.

On December 1, 1998, the Company entered into a stock acquisition agreement involving Kia Motor Corp. (Kia) and Asia Motors Co., Inc. (Asia Motors). A consortium, consisting of the Company and its affiliates acquired 214,200 thousand shares, or 51 percent of the scheduled outstanding shares of Kia and Asia Motors at a total acquisition amount of ₩1,178,100 million (\$935,223 thousand) paid on March 29, 1999. The Company's ownership of Kia (after Kia merged with Asia Motors on June 30, 1999) is 30.78 percent effective June 30, 1999.





# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hyundai Motor Company as of December 31, 2000 and 1999, and the results of its operations, changes in its retained earnings and its cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

Also, in our opinion, the translated amounts in the accompanying financial statements translated into U.S. dollars have been computed on the basis set forth in Note 2

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. 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.

As discussed in Note 24 to the financial statements, effective January 31, 2000, the Company sold the Sales Division for motor parts for after-sales service, which handled the sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. In addition to the payment for the book value of the disposed net assets of ₩396,422 million (\$314,696 thousand), the Company shall receive payment for goodwill consisting of a lump-sum royalty of ₩50,000 million (\$39,692 thousand), and for a running royalty of ten percent of ordinary income of the Sales Division for motor parts for after-sales service which will be received every year during a ten year period starting 2000.

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 9, 2001







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