



HYUNDAI MOTOR COMPANY

FINANCIAL STATEMENTS
AS OF JUNE 30, 2001 AND 2000
TOGETHER WITH
ACCOUNTANTS' REVIEW REPORT





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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Hyundai Motor Company as of June 30, 2001 and 2000, and the related statements of income for the six-month periods then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with standards for independent accountants' review of semi-annual financial statements as established by the Securities & Futures Commission of the Republic of Korea applicable to review engagements. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

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

As explained Note 1 to the financial statements, which summarizes the effect of the current economic environment in the Republic of Korea, 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 22 to the financial statements, effective January 31, 2000, the Company sold the Sales Division for motor parts for after-sales service, which handled sales and distribution of the parts used for after-sales service, to Hyundai MOBIS. In addition to the receipt for the book value of the disposed net assets of ₩396,422 million (US\$ 304,776 thousand), the Company shall receive payment for goodwill consisting of a lump-sum royalty of ₩50,000 million (US\$ 38,441 thousand), and for a running royalty of ten percent of ordinary income in the Sales Division for motor parts for after-sales service which will be received every year during a ten year period starting 2000.



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

Cerjin & Co.

Seoul, Korea,
August 3, 2001

English Translation of Financial Statements Originally Issued in Korean

HYUNDAI MOTOR COMPANY

BALANCE SHEETS

AS OF JUNE 30, 2001 AND 2000

<u>ASSETS</u>	<u>Korean won</u>		<u>Translation into</u>	
	<u>(in millions)</u>		<u>U. S. dollars (Note 2)</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<u>Current assets:</u>				
Cash and bank deposits	₩ 2,348,456	₩ 847,735	\$ 1,805,533	\$ 651,753
Marketable securities (Note 4)	605,743	153,758	465,705	118,212
Trade notes and accounts receivable, less allowance for doubtful accounts of ₩22,576 million in 2001 and ₩22,633 million in 2000	1,015,185	1,008,665	780,491	775,478
Inventories (Note 3)	887,153	704,093	682,058	541,319
Advances and other	581,526	890,038	447,087	684,276
Total current assets	<u>5,438,063</u>	<u>3,604,289</u>	<u>4,180,874</u>	<u>2,771,038</u>
<u>Non-current assets:</u>				
Investment securities (Notes 4, 10 and 12)	2,883,012	2,555,066	2,216,508	1,964,377
Property, plant and equipment, net of accumulated depreciation of ₩2,572,562 million in 2001 and ₩2,037,144 million in 2000 (Notes 5, 6, 7, 10 and 12)	8,594,236	7,858,093	6,607,393	6,041,434
Intangibles (Note 8)	1,603,863	1,328,374	1,233,077	1,021,276
Other assets (Note 9)	641,696	1,071,061	493,346	823,450
Deferred income tax assets (Note 17)	404,092	236,890	310,673	182,125
Total non-current assets	<u>14,126,899</u>	<u>13,049,484</u>	<u>10,860,997</u>	<u>10,032,662</u>
Total assets	<u>₩ 19,564,962</u>	<u>₩ 16,653,773</u>	<u>\$ 15,041,871</u>	<u>\$ 12,803,700</u>

(continued)

English Translation of Financial Statements Originally Issued in Korean

HYUNDAI MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2001 AND 2000

<u>LIABILITIES AND</u> <u>SHAREHOLDERS' EQUITY</u>	<u>Korean won</u> <u>(in millions)</u>		<u>Translation into</u> <u>U. S. dollars (Note 2)</u> <u>(in thousands)</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Current liabilities:				
Short-term borrowings (Note 10)	₩ 828,144	₩ 1,019,178	\$ 636,691	\$ 783,561
Current maturities of long-term debt (Note 11)	1,769,331	1,414,286	1,360,291	1,087,327
Trade notes and accounts payable	2,759,007	2,393,789	2,121,171	1,840,385
Accrued warranties	211,022	120,586	162,237	92,709
Accounts payable-other	451,436	509,406	347,072	391,640
Other	<u>968,370</u>	<u>517,575</u>	<u>744,499</u>	<u>397,920</u>
Total current liabilities	<u>6,987,310</u>	<u>5,974,820</u>	<u>5,371,961</u>	<u>4,593,542</u>
Long-term liabilities:				
Long-term debt, net of current maturities (Notes 7 and 11)	2,861,877	2,392,475	2,200,259	1,839,375
Accrued severance benefits, net of National Pension payments for employees of ₩92,148 million in 2001 and ₩110,801 million in 2000 and individual severance insurance deposits of ₩432,186 million in 2001 and ₩203,009 million in 2000 (Note 2)	472,673	679,689	363,399	522,556
Accrued product liabilities and other	<u>722,437</u>	<u>301,257</u>	<u>555,422</u>	<u>231,612</u>
Total long-term liabilities	<u>4,056,987</u>	<u>3,373,421</u>	<u>3,119,080</u>	<u>2,593,543</u>
Total liabilities	<u>11,044,297</u>	<u>9,348,241</u>	<u>8,491,041</u>	<u>7,187,085</u>
Commitments and contingencies (Note 12)				
Shareholders' equity:				
Capital stock (Note 13)	1,476,454	1,373,364	1,135,123	1,055,865
Capital surplus (Note 14)	5,380,954	5,033,472	4,136,968	3,869,817
Retained earnings (Note 15) (Net income of ₩610,521 million in 2001 and ₩310,363 million in 2000)	1,974,834	1,687,570	1,518,285	1,297,432
Capital adjustments (Note 16)	<u>(311,577)</u>	<u>(788,874)</u>	<u>(239,546)</u>	<u>(606,499)</u>
Total shareholders' equity	<u>8,520,665</u>	<u>7,305,532</u>	<u>6,550,830</u>	<u>5,616,615</u>
Total liabilities and shareholders' equity	<u>₩ 19,564,962</u>	<u>₩ 16,653,773</u>	<u>\$ 15,041,871</u>	<u>\$ 12,803,700</u>

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these balance sheets.

English Translation of Financial Statements Originally Issued in Korean

HYUNDAI MOTOR COMPANY

STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2001 AND 2000

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Sales	₩ 11,093,557	₩ 8,471,464	\$ 8,528,913	\$ 6,513,004
Cost of sales	<u>8,328,786</u>	<u>6,640,310</u>	<u>6,403,311</u>	<u>5,105,182</u>
Gross profit	2,764,771	1,831,154	2,125,602	1,407,822
Selling and administrative expenses (Note 21)	<u>1,655,133</u>	<u>1,222,941</u>	<u>1,272,494</u>	<u>940,218</u>
Operating income	<u>1,109,638</u>	<u>608,213</u>	<u>853,108</u>	<u>467,604</u>
Other expenses, net:				
Interest expense, net	114,896	220,680	88,334	169,662
Foreign exchange gain (loss), net	104,289	(51,657)	80,179	(39,715)
Other, net	<u>98,653</u>	<u>(3,101)</u>	<u>75,846</u>	<u>(2,384)</u>
	<u>317,838</u>	<u>165,922</u>	<u>244,359</u>	<u>127,563</u>
Ordinary income	<u>791,800</u>	<u>442,291</u>	<u>608,749</u>	<u>340,041</u>
Extraordinary items:				
Loss on disposal of investments, net (Note 4)	-	(166,215)	-	(127,789)
Other extraordinary income (Note 22)	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>38,441</u>
	<u>-</u>	<u>(116,215)</u>	<u>-</u>	<u>(89,348)</u>
Income before income tax	791,800	326,076	608,749	250,693
Income tax expense (Note 17)	<u>181,279</u>	<u>15,713</u>	<u>139,370</u>	<u>12,081</u>
Net income	<u>₩ 610,521</u>	<u>₩ 310,363</u>	<u>\$ 469,379</u>	<u>\$ 238,612</u>
Earnings per common share (Note 2)	<u>₩ 2,766</u>	<u>₩ 1,455</u>	<u>\$ 2,127</u>	<u>\$ 1,119</u>
Earnings per fully diluted common share (Note 2)	<u>₩ 2,762</u>	<u>₩ 1,394</u>	<u>\$ 2,123</u>	<u>\$ 1,072</u>

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these statements of income.

English Translation of Financial Statements Originally Issued in Korean

HYUNDAI MOTOR COMPANY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001 AND 2000

(See Accompanying Accountants' Review Report)

1. General

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 June 30, 2001, 43.33 percent of the Company's stock (excluding preferred stock) is owned by Korean investors and the remaining 56.67 percent is owned by foreign investors, including DaimlerChrysler (10.46 percent) and Mitsubishi of Japan (4.55 percent) under foreign investment agreements.

In connection with its foreign business, the Company operates ten major foreign subsidiaries and one branch: 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 Translead (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:

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

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

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 financial accounting standards in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are for use by those who are knowledgeable about Korean accounting principles and practices.

The US dollar amounts presented in these financial statements were computed by translating the Korean won into US dollar based on the basic exchange rate of ₩1,300.7 to US\$1.00 at June 30, 2001, 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 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 or results of operations is not presented in the accompanying financial statements.

The significant accounting policies followed by the Company in preparing its financial statements are summarized below:

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.

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 capital adjustments.

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, with the 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 capital adjustments.

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 upward revaluations 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 amounts of capitalized interest for the first six months of 2001 and 2000 were ₩42,556 million (US\$32,718 thousand) and ₩47,113 million (US\$36,221 thousand), respectively.

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

	<u>Useful lives (Years)</u>
Buildings and structures	12 – 50
Machinery and equipment	12 – 15
Vehicles	6
Dies and moulds	6
Tools	6
Other equipment	6

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the economic useful lives of the related assets (5 – 20 years). Development costs are amortized over the economic useful life (not exceeding 5 years) from the usable date 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. 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 ₩1,496 million (US\$1,150 thousand) and ₩8,439 million (US\$6,488 thousand) as of June 30, 2001 and 2000, using an interest rate of 10.0 percent and 12.8 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 June 30, 2001 and 2000 amounted to ₩997,007 million (US\$766,570 thousand) and ₩993,499 million (US\$763,819 thousand), respectively.

Accrued severance benefits are approximately 60 percent funded at June 30, 2001 and 2000, 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 a 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 ₩92,148 million (US\$70,845 thousand) and ₩110,801 million (US\$85,186 thousand) as of June 30, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and the employees each pay 4.5 percent of monthly pay to the Fund.

Accrued Warranties and Product Liabilities

The Company generally provides a warranty to the ultimate consumer for 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.

Stock Options

The Company computes total compensation expense for stock options, which are granted to employees and directors, by the fair value method using the option-pricing model. The compensation expense has been accounted for as a charge to current operations and a credit to capital 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 the first half of 2001, 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 ₩27,725 million (US\$21,315 thousand) as of June 30, 2001, and recognized loss of ₩5,421 million (US\$4,168 thousand) on valuation of the ineffective portion of such instruments and the other derivative instruments in current operations. The period in which the forecasted transactions is expected to occur is within 26 months from June 30, 2001, and all deferred losses in capital adjustments at that date are expected to enter into the determination of net income within the 26 month period. As of June 30, 2001, the Company recorded total loss on valuation of derivatives of ₩44,579 million (US\$34,273 thousand) in liabilities. In the first half of 2000, the Company recognized gain on the derivative instruments amounting to ₩15,360 million (US\$11,809 thousand) in current operations and recorded accrued gain on valuation of derivatives in other assets amounting to ₩22,531 million (US\$17,322 thousand) as of June 30, 2000.

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 ₩1,300.7 and ₩1,114.8 to US \$1.00 at June 30, 2001 and 2000, respectively, and translation gains or losses have been reflected in current operations.

Assets and liabilities of the 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 the first half of 2001 which was ₩1,288.7 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, and any balance is charged to current operations.

The conversion right adjustment account is presented as a deduction from convertible debentures and amortized over the term of the debentures using the effective interest method with the amortization included in interest expense.

Income Tax Expense

The Company recognizes deferred income tax arising from temporary differences between pre-tax accounting income and taxable income. Accordingly, income tax expense consists of the total income tax and surtaxes currently payable and the changes in deferred income tax assets or liabilities during the period.

Earnings Per Share

Primary earnings per common share is computed by dividing net income, after deduction for expected dividends for six months on preferred stock, by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings per common share is 213,084,573 in 2001 and 200,128,342 in 2000. Earnings per diluted share is computed by dividing net income, after deduction for expected dividends for six months 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 213,423,686 in 2001 and 210,037,788 in 2000.

3. Inventories

Inventories as of June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Finished goods and merchandise	₩ 375,113	₩ 237,771	\$ 288,393	\$ 182,803
Semifinished goods and work in process	234,685	224,578	180,430	172,659
Raw materials and supplies	216,965	148,462	166,806	114,140
Materials in transit	60,390	93,282	46,429	71,717
	<u>₩ 887,153</u>	<u>₩ 704,093</u>	<u>\$ 682,058</u>	<u>\$ 541,319</u>

4. Marketable Securities and Investment Securities

(1) Marketable securities as of June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Beneficiary certificates	₩ 589,321	₩ 153,755	\$ 453,080	\$ 118,210
Debt securities	16,422	3	12,625	2
	<u>₩ 605,743</u>	<u>₩ 153,758</u>	<u>\$ 465,705</u>	<u>\$ 118,212</u>

(2) Investments securities as of June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Equity securities accounted for using the equity method	₩2,410,227	₩2,208,971	\$ 1,853,023	\$ 1,698,293
Marketable equity securities	115,156	74,344	88,534	57,157
Unlisted equity securities	268,648	271,751	206,541	208,927
Debt securities	88,981	-	68,410	-
	<u>₩2,883,012</u>	<u>₩2,555,066</u>	<u>\$ 2,216,508</u>	<u>\$ 1,964,377</u>

Debt securities as of June 30, 2001 consist of convertible bonds of ₩40,175 million (US\$30,887 thousand), foreign currency notes of ₩48,741 million (US\$37,473 thousand) and government bonds of ₩65 million (US\$50 thousand), which are all held-to-maturity and stated at cost.

Equity securities accounted for using the equity method as of June 30, 2001 consist of the following:

<u>Affiliated Company</u>	<u>Korean won</u> <u>(in millions)</u>		<u>U.S. dollars (Note 2)</u> <u>(in thousands)</u>		<u>Ownership</u> <u>Percentage</u>
	<u>Acquisition</u> <u>cost</u>	<u>Book value</u>	<u>Acquisition</u> <u>cost</u>	<u>Book value</u>	
Hyundai Motor India	₩ 244,017	₩ 235,234	\$ 187,604	\$ 180,852	100.00
Hyundai Motor America (*)	129,582	-	99,625	-	100.00
Hyundai Translead (formerly Hyundai Precision America Inc.)	74,977	44,627	57,643	34,310	100.00
Hyundai Machine Tool Europe GmbH	25,397	20,585	19,525	15,826	100.00
Hyundai Motor Japan Co.	11,152	7,203	8,574	5,538	100.00
Hyundai Motor Poland Sp.zo.o.	11,082	10,759	8,520	8,272	100.00
Hyundai America Technical Center Inc.	5,956	11,416	4,579	8,776	100.00
Hyundai Motor Europe Parts	2,715	1,673	2,088	1,286	100.00
HMJ R&D Center Inc.	1,510	1,980	1,161	1,522	100.00
Hyundai Capital Service Inc.	272,573	337,683	209,559	259,617	85.57
HAOSVT (Turkey)	48,042	20,223	36,936	15,548	50.00
Hyundai Powertrain Technology Co., Ltd.	40,000	40,000	30,753	30,753	50.00
KEFICO	20,911	49,707	16,077	38,216	50.00
Cheju Dynasty Co., Ltd.	8,150	8,066	6,266	6,201	50.00
Korea Drive Train System	48,194	40,586	37,052	31,203	49.93
e-HD.com	5,250	5,053	4,036	3,885	49.30
Korea Rolling Stock Co.	113,694	91,560	87,410	70,392	39.18
Beijing Hyundai Namyang Real Estate Development center Ltd.	8,832	8,832	6,790	6,790	35.00
Kia Motor Corporation	923,957	1,136,806	710,354	873,996	34.47
Korea Space & Aircraft Co., Ltd.	129,800	111,270	99,792	85,546	33.33
Hyundai Space & Aircraft Co., Ltd. (*)	112,595	-	86,565	-	25.96
Hyundai HYSCO (formerly Hyundai Pipe Co., Ltd.)	200,768	179,016	154,354	137,631	23.43
Korea Economy Daily	19,973	26,175	15,356	20,124	22.75
Wuhan Grand Motor Co., Ltd.	5,502	8,122	4,230	6,244	21.43
Hyundai-Kia-Yueda Motor Company	3,354	2,980	2,578	2,291	20.00
Iljin Forging Co., Ltd.	826	7,253	635	5,576	20.00
Daesung Automotive Co., Ltd.	400	3,418	307	2,628	20.00
	<u>₩2,469,209</u>	<u>₩2,410,227</u>	<u>\$ 1,898,369</u>	<u>\$ 1,853,023</u>	

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

Equity securities accounted for using the equity method as of June 30, 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	₩ 193,537	\$ 187,604	\$ 148,795	100.00
Hyundai Motor America (*)	129,582	28,360	99,625	21,804	100.00
Hyundai Machine Tool Europe GmbH	25,397	25,311	19,525	19,459	100.00
Hyundai Motor Japan Co.	11,152	11,152	8,574	8,574	100.00
Hyundai America Technical Center Inc.	5,956	9,462	4,579	7,274	100.00
Hyundai Motor Europe Parts	2,715	1,650	2,088	1,268	100.00
HMJ R&D Center Inc.	1,510	1,990	1,161	1,530	100.00
Hyundai Capital Service Inc.	272,573	287,955	209,559	221,384	85.57
HAOSVT (Turkey)	48,042	33,763	36,936	25,958	50.00
Hyundai Steel Industries, Inc (*)	-	-	-	-	46.30
Korea Rolling Stock Co.	80,000	80,000	61,505	61,505	40.00
Korea Space & Aircraft Co., Ltd.	96,400	96,400	74,114	74,114	33.33
e-HD.com	3,330	3,330	2,560	2,560	33.30
Kia Motor Corporation	895,842	1,109,738	688,738	853,185	30.16
Beijing Hyundai Namyang Real Estate Development center Ltd.	7,352	8,036	5,652	6,178	30.00
KEFICO	12,318	32,644	9,471	25,097	29.94
Korea Drive Train System	13,216	13,216	10,161	10,161	29.90
Hyundai Space & Aircraft Co., Ltd.	112,595	110,647	86,565	85,067	25.96
Korea Economy Daily	13,832	17,840	10,634	13,716	22.75
Wuhan Grand Motor Co., Ltd.	5,502	6,579	4,230	5,058	21.43
Iljin Forging Co., Ltd.	826	4,365	635	3,356	20.00
Daesung Automotive Co., Ltd.	400	1,976	308	1,519	20.00
Hyundai Pipe Co., Ltd.	143,744	131,020	110,512	100,731	11.09
	<u>₩2,126,301</u>	<u>₩2,208,971</u>	<u>\$ 1,634,736</u>	<u>\$ 1,698,293</u>	

(*) 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. The unamortized balance of goodwill as of June 30, 2001 and 2000 is ₩18,232 million (US\$14,017 thousand) and ₩266,119 million (US\$204,597 thousand), respectively. Significant unrealized profits (losses) that occurred in transactions with investees are eliminated. Investments, excluding those in Hyundai Capital Service Inc., KEFICO, Kia Motor Corporation and Hyundai HYSCO(formerly Hyundai Pipe Co., Ltd.) are valued based on the latest financial statements since the investees did not prepare financial statements as of June 30, 2001 and 2000.

Marketable equity securities as of June 30, 2001 and 2000 consist of the following:

Company	Korea won (in millions)				U.S. dollars (Note 2) (in thousands)		Ownership Percentage	
	Acquisition cost		Book value		Book value		2001	2000
	2001	2000	2001	2000	2001	2000		
Jin Heung Mutual Savings & Finance Co., Ltd.	₩ 2,000	₩ -	₩ 840	₩ -	\$ 646	\$ -	9.01	-
Comet Savings & Finance Co., Ltd.	2,700	-	1,598	-	1,228	-	9.00	-
Hyundai Heavy Industries Co., Ltd.	59,004	-	69,689	-	53,578	-	2.99	-
Hyundai Corporation	13,625	14,063	3,776	5,566	2,903	4,279	2.99	2.99
Hyundai Information Technology Co., Ltd.	10,000	-	5,000	-	3,844	-	2.21	-
Hyundai Merchant Marine Co., Ltd.	7,328	7,329	1,551	2,631	1,193	2,023	0.55	0.55
Chohung Bank	25,000	25,000	7,407	9,473	5,695	7,283	0.48	0.48
INI Steel Company (formerly Incheon Iron & Steel Co., Ltd.)	-	60,423	-	17,476	-	13,436	-	4.70
Treasury Stock Funds	26,485	36,774	9,944	19,983	7,645	15,363	-	-
Stock Market Stabilization Fund	17,664	24,641	15,191	18,917	11,679	14,544	-	-
Other	473	1,235	160	298	123	229	-	-
	<u>₩ 164,279</u>	<u>₩ 169,465</u>	<u>₩ 115,156</u>	<u>₩ 74,344</u>	<u>\$ 88,534</u>	<u>\$ 57,157</u>		

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 June 30, 2001 and 2000 amounted to ₩22,357 million (US\$17,188 thousand) and ₩12,211 million (US\$9,388 thousand), respectively, and are recorded as treasury stock in capital adjustments on the basis set forth in Note 2.

Marketable equity securities are stated at fair value and, of the difference of ₩49,123 million (US\$37,766 thousand) between acquisition cost and fair value as of June 30, 2001, the Company recorded ₩46,650 million (US\$35,865 thousand) as loss on valuation of investment equity securities in capital adjustments and recognized ₩2,473 million (US\$1,901 thousand) of valuation loss on investments of Stock Market Stabilization Fund as non-operating expense in the first half of 2001. The difference of ₩95,121 million (US\$73,131 thousand) as of June 30, 2000 was recorded as loss on valuation of investment equity securities in capital adjustments.

Unlisted investment equity securities as of June 30, 2001 and 2000 consist of the following:

Company	Korea won (in millions)				U.S. dollars (Note 2) (in thousands)		Ownership Percentage	
	Acquisition cost		Book value		Book value		2001	2000
	2001	2000	2001	2000	2001	2000		
Hyundai Motor Europe GmbH (*)	₩ 5,590	₩ 5,590	₩ 5,590	₩ 5,590	\$ 4,298	\$ 4,298	100.00	100.00
Hyundai Motor Shanghai Co., Ltd. (*)	2,706	741	2,706	741	2,081	570	100.00	100.00
Hyundai Jingxian Motor Safeguard Service Co., Ltd. (*)	2,019	2,019	2,019	2,019	1,552	1,552	84.88	84.88
NGVTEK.com (*)	450	-	450	-	346	-	43.90	-
Auto-ever.com (*)	1,250	1,250	1,250	1,250	961	961	25.00	25.00
Jinil MVC Co., Ltd.	180	180	180	180	138	138	18.00	18.00
Industri Otomotif Komersial	4,439	4,439	4,439	4,439	3,413	3,413	15.00	15.00
Hyundai Petro-Chemical Co., Ltd.	88,163	88,163	88,163	88,163	67,781	67,781	14.99	14.99
Hyundai Technology Investment Co., Ltd.	4,490	4,490	4,490	4,490	3,452	3,452	14.97	14.97
Hyundai Unicorns Co., Ltd.	5,795	5,795	5,795	5,795	4,455	4,455	14.90	14.90
Hyundai Research Institute	1,271	1,271	1,271	1,271	977	977	14.90	14.90
Kihyup Technology Banking Corporation (formerly Kihyup Finance)	3,000	3,000	3,000	3,000	2,306	2,306	10.34	10.34
Hyundai Motor Deutschland GmbH	738	738	738	738	567	567	10.00	10.00
Yonhap Capital Co., Ltd.	10,000	10,000	10,000	10,000	7,688	7,688	9.99	9.99
Korea Environment Technology Co., Ltd. (formerly Ulsan Environmental Development)	1,500	1,500	1,500	1,500	1,153	1,153	-	-
Internet Hankyoreh Inc.	4,800	4,800	4,800	4,800	3,690	3,690	7.41	7.41
Hyundai Oil refinery Co., Ltd.	78,134	78,134	78,134	78,134	60,071	60,071	6.33	6.33
Hyundai Asan Corporation	22,500	22,500	22,500	22,500	17,298	17,298	5.00	5.00
U.S Electrical Inc.	2,204	2,204	2,204	2,204	1,695	1,695	3.80	3.80
KT Icom	10,800	-	10,800	-	8,304	-	0.60	-
Alcan Taihan Aluminum Ltd.	13,625	13,625	13,625	13,625	10,475	10,475	0.17	0.17
Jilin Hynndai Pipe Manufacturing Co., Ltd. (*)	-	1,002	-	1,002	-	770	-	64.00
Bimantara Hyundai Indonesia	-	2,233	-	2,233	-	1,718	-	50.00
Hyundai Information Technology Co., Ltd.	-	10,000	-	10,000	-	7,688	-	2.45
Other	4,994	8,077	4,994	8,077	3,840	6,211	-	-
	<u>₩ 268,648</u>	<u>₩ 271,751</u>	<u>₩ 268,648</u>	<u>₩ 271,751</u>	<u>\$ 206,541</u>	<u>\$ 208,927</u>		

(*) In conformity with Financial Accounting Standards in the Republic of Korea, 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.

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 equity securities as at June 30, 2001 and 2000, amounted to ₩269,729 million (US\$207,372 thousand) and ₩341,542 million (US\$262,583 thousand), respectively, based on the investees' latest financial statements.

During the first half of 2000, the Company disposed of its investments in equity securities of 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 (US\$48,469 thousand) and recognized an extraordinary loss on disposal of ₩166,215 million (US\$127,789 thousand), net of extraordinary gain of ₩3,571 million (US\$2,745 thousand).

5. Insured Assets

As of June 30, 2001, property, plant and equipment are insured for ₩4,661,449 million (US\$3,583,800 thousand) with Hyundai Fire & Marine Insurance Co. In addition, the Company carries general insurance for vehicles and workers' compensation and casualty insurance for employees.

6. Property, Plant and Equipment

Property, plant and equipment as of June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Buildings and structures	₩ 2,506,670	₩ 2,141,871	\$ 1,927,170	\$ 1,646,706
Machinery and equipment	3,671,690	3,231,453	2,822,857	2,484,395
Vehicles	36,782	29,120	28,279	22,388
Dies and moulds	1,551,367	1,298,177	1,192,717	998,060
Tools	481,094	403,405	369,873	310,145
Other equipment	<u>413,052</u>	<u>333,408</u>	<u>317,561</u>	<u>256,330</u>
	8,660,655	7,437,434	6,658,457	5,718,024
Less: Accumulated depreciation	<u>(2,572,562)</u>	<u>(2,037,144)</u>	<u>(1,977,829)</u>	<u>(1,566,190)</u>
	6,088,093	5,400,290	4,680,628	4,151,834
Land	1,754,646	1,631,883	1,349,001	1,254,619
Construction in progress	<u>751,497</u>	<u>825,920</u>	<u>577,764</u>	<u>634,981</u>
	<u>₩ 8,594,236</u>	<u>₩ 7,858,093</u>	<u>\$ 6,607,393</u>	<u>\$ 6,041,434</u>

A substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans up to a maximum of ₩1,194,028 million (US\$917,989 thousand) (see Notes 10 and 12).

As of June 30, 2001, the published value of the Company-owned land (12,058 thousand sq. meters) was ₩1,535,202 million (US\$1,180,289 thousand) in terms of land prices officially announced by the Korean government.

7. Leased Assets

The Company has entered into capital 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 in effect as of June 30, 2001 are as follows:

	<u>Capital Leases (Korean won in millions)</u>		
	<u>Lease</u>	<u>Interest</u>	<u>Lease</u>
	<u>Payments</u>	<u>Portion</u>	<u>Obligations</u>
July 1, 2001 - June 30, 2002	₩ 82,524	₩ 8,314	₩ 74,210
July 1, 2002 - June 30, 2003	57,720	4,043	53,677
July 1, 2003 - June 30, 2004	26,710	1,137	25,573
July 1, 2004 - June 30, 2005	<u>4,312</u>	<u>157</u>	<u>4,155</u>
	<u>₩ 171,266</u>	<u>₩ 13,651</u>	<u>₩ 157,615</u>

8. Intangibles

Intangibles as of June 30, 2001 and 2000 consist of the following:

	<u>Korean won</u>		<u>U.S. dollars (Note 2)</u>	
	<u>(in millions)</u>		<u>(in thousands)</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Cost in excess of fair values of identifiable net assets acquired	₩ 552,818	₩ 583,389	\$ 425,016	\$ 448,519
Development costs	1,022,063	714,639	785,779	549,426
Other	<u>28,982</u>	<u>30,346</u>	<u>22,282</u>	<u>23,331</u>
	<u>₩ 1,603,863</u>	<u>₩ 1,328,374</u>	<u>\$ 1,233,077</u>	<u>\$ 1,021,276</u>

The changes in development costs for the periods ended June 30, 2001 and 2000 are as follows:

	<u>Korean won</u>		<u>U. S. dollars (Note 2)</u>	
	<u>(in millions)</u>		<u>(in thousands)</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Beginning of the period	₩ 910,566	₩ 527,748	\$ 700,058	\$ 405,742
Addition:				
Expenditures for the first half	255,644	240,480	196,543	184,885
Deduction:				
Ordinary development expenses	(205)	(280)	(157)	(215)
Research expenses	(2,600)	(5,915)	(1,999)	(4,548)
Amortization	<u>(141,342)</u>	<u>(47,394)</u>	<u>(108,666)</u>	<u>(36,438)</u>
End of the period	<u>₩ 1,022,063</u>	<u>₩ 714,639</u>	<u>\$ 785,779</u>	<u>\$ 549,426</u>

Development costs are amortized over a period not to exceed 5 years from the usable date 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 June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Long-term notes and accounts receivable, less unamortized present value discount of ₩1,496 million in 2001 and ₩8,439 million in 2000	₩ 14,171	₩ 14,347	\$ 10,895	\$ 11,030
Other long-term accounts receivable	110,401	276,002	84,878	212,195
Lease and rental deposits	190,335	207,615	146,332	159,618
Long-term deposits	206,073	394,977	158,432	303,665
Accrued gain on valuation of derivatives (See Note 2)	-	22,531	-	17,322
Other	120,716	155,589	92,809	119,620
	<u>₩ 641,696</u>	<u>₩ 1,071,061</u>	<u>\$ 493,346</u>	<u>\$ 823,450</u>

10. Short-term Borrowings

Short-term borrowings as of June 30, 2001 and 2000 amounted to ₩828,144 million (US\$636,691 thousand) and ₩1,019,178 million (US\$783,561 thousand), respectively, and consist primarily of bank loans and export financing loans with annual interest rates ranging from 7.91 percent to 13.0 percent. These borrowings are secured by investment securities and property, plant and equipment (See Note 6).

11. Long-term Debt

Long-term debt as of June 30, 2001 and 2000 consists of the following:

	Annual interest rate (%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
		2001	2000	2001	2000
Debentures	6.00 - 25.0	₩ 3,882,987	₩ 3,003,285	\$ 2,985,306	\$ 2,308,976
Local currency loans					
Capital lease (Note 7)	11.26 - 18.70	186	1,090	143	838
General loans	3.00 - 10.70	71,035	89,309	54,613	68,662
		71,221	90,399	54,756	69,500
Foreign currency loans					
Capital lease (Note 7)		157,429	192,167	121,034	147,741
Other		519,571	520,910	399,454	400,485
		677,000	713,077	520,488	548,226
		4,631,208	3,806,761	3,560,550	2,926,702
Less: Current maturities		(1,769,331)	(1,414,286)	(1,360,291)	(1,087,327)
		<u>₩ 2,861,877</u>	<u>₩ 2,392,475</u>	<u>\$ 2,200,259</u>	<u>\$ 1,839,375</u>

Debentures outstanding as of June 30, 2001 and 2000 consist of the following:

	Maturity	Annual interest rate(%)	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
			2001	2000	2001	2000
Guaranteed debentures	21 July., 2000 - 19 Jan., 2001	11.0 – 25.0	₩ -	₩ 769,000	\$ -	\$ 591,220
Non-guaranteed Debentures	3 July., 2001 - 1 June, 2006	7.0 – 14.0	3,605,200	1,908,852	2,771,739	1,467,557
Overseas debentures	31 Mar., 2001 - 15 Jul., 2007	LIBOR+1.89 - 7.60	<u>357,693</u>	<u>374,480</u>	<u>275,000</u>	<u>287,907</u>
			3,962,893	3,052,332	3,046,739	2,346,684
Discount on debentures			<u>(79,906)</u>	<u>(49,047)</u>	<u>(61,433)</u>	<u>(37,708)</u>
			<u>₩ 3,882,987</u>	<u>₩ 3,003,285</u>	<u>\$ 2,985,306</u>	<u>\$ 2,308,976</u>

As of June 30, 2000, the 263rd domestic convertible bonds (face value ₩31,852 million) due in 2000 and the 217th overseas convertible bonds (face value US \$50,000,000) due in 2001 were included in non-guaranteed debentures and overseas debentures, respectively. These convertible bonds were repaid and were, therefore, not converted into capital stock.

The maturity of long-term debt as of June 30, 2001 due within the twelve-month periods ending June 30, is as follows:

	Korean won (in millions)			U.S. dollars (Note2) (in thousands)	
	Local currency loans	Foreign currency loans	Total	Total	
2002	₩ 1,395,200	₩ 14,500	₩ 359,631	₩ 1,769,331	\$ 1,360,291
2003	800,000	15,008	191,635	1,006,643	773,924
2004	1,160,000	14,675	118,464	1,293,139	994,187
2005	-	7,521	7,270	14,791	11,372
Thereafter	<u>607,693</u>	<u>19,517</u>	-	<u>627,210</u>	<u>482,209</u>
	<u>3,962,893</u>	<u>71,221</u>	<u>677,000</u>	<u>4,711,114</u>	<u>3,621,983</u>
Less: Discount on debentures	<u>(79,906)</u>	-	-	<u>(79,906)</u>	<u>(61,433)</u>
	<u>₩ 3,882,987</u>	<u>₩ 71,221</u>	<u>₩ 677,000</u>	<u>₩ 4,631,208</u>	<u>\$ 3,560,550</u>

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 June 30, 2001.

	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Merchant Marine	₩ 528,719	\$ 406,488
Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd.)	12,692	9,758
HMFC	195,105	150,000
HMI	184,829	142,100
Hyundai Translead (formerly HYPA)	184,699	142,000
HAOSVT	80,983	62,261
HAC	26,331	20,244
HMEP	19,206	14,766
HMJ	10,433	8,021
Other	<u>21,520</u>	<u>16,544</u>
	<u>₩1,264,517</u>	<u>\$ 972,182</u>

- (2) Investment securities of ₩129,349 million (US\$99,415 thousand) at cost, 5 blank checks, 47 blank promissory notes, 1 check amounting to ₩2,624 million (US\$2,017 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 system and has provided guarantees of ₩795,442 million (US\$611,549 thousand) to the banks concerned as of June 30, 2001. These guarantees are all covered by insurance contracts, which regulates a customer and the Company as a contractor and a beneficiary, respectively.
- (4) At June 30, 2001, the outstanding balance of accounts receivable discounted with recourse amounts to ₩1,126,333 million (US\$865,944 thousand), including discounted overseas accounts receivable translated using the foreign exchange rate as of June 30, 2001.
- (4) In connection with merger of the Automobile and Tools Divisions of Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd. (HPI)) with the Company in 1999, under the Korea 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 ₩207,196 million (US\$159,296 thousand) as of June 30, 2001.
- (5) The Company, together with the previous major shareholders of Hyundai International Merchant Bank, agreed to reimburse the agricultural and fishery special tax paid by Chohung 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 Chohung Bank in 1999. The total reimbursement unpaid as of June 30, 2001 is ₩36,192 million (US\$27,825 thousand) and the share of the Company is ₩3,480 million (US\$2,675 thousand). There is a lawsuit 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 June 30, 2001 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean won</u> <u>(in millions)</u>	<u>U.S. dollars (Note 2)</u> <u>(in thousands)</u>
Common stock	450,000,000 shares	219,088,702 shares	₩ 5,000	₩ 1,145,443	\$ 880,636
Preferred stock	150,000,000 shares	65,202,146 shares	5,000	331,011	254,487
				<u>₩ 1,476,454</u>	<u>\$ 1,135,123</u>

Capital stock as of June 30, 2000 consists of the following:

	<u>Authorized</u>	<u>Issued</u>	<u>Par value</u>	<u>Korean won</u> <u>(in millions)</u>	<u>U.S. dollars (Note 2)</u> <u>(in thousands)</u>
Common stock	450,000,000 shares	208,470,702 shares	₩ 5,000	₩ 1,042,353	\$ 801,378
Preferred stock	150,000,000 shares	66,202,146 shares	5,000	331,011	254,487
				<u>₩ 1,373,364</u>	<u>\$ 1,055,865</u>

The preferred shares are non-cumulative, non-participating and non-voting. Of the total preferred stock issued of 65,202,146 shares as at June 30, 2001, 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 37,613,865 preferred shares is 2 percent higher than that declared for common shares.

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

In September 2000, the Company issued 20,618,000 common shares with a total proceeds of ₩430,916 million (US\$331,295 thousand) (at a per share price of ₩20,900), which included paid-in capital in excess of par value of ₩327,222 million (\$251,574 thousand) after the deduction of new stock issuance cost of ₩15,378 million (US\$11,823 thousand), to DaimlerChrysler Aktiengesellschaft (DCAG).

The Company issued 10,000,000 Global Depository 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.

14. Capital Surplus

Capital surplus as of June 30, 2001 and 2000 consists of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Paid-in capital in excess of par value	₩3,256,236	₩2,929,014	\$ 2,503,449	\$ 2,251,875
Gain on merger	247,743	247,743	190,469	190,469
Asset revaluation surplus	1,852,871	1,852,871	1,424,518	1,424,518
Gain on disposal of treasury stock	24,104	3,844	18,532	2,955
	<u>₩5,380,954</u>	<u>₩5,033,472</u>	<u>\$ 4,136,968</u>	<u>\$ 3,869,817</u>

In 2000, the increase in paid-in capital in excess of par value of ₩327,222 million (US\$ 251,574 thousand) arose from new common stock issuance (See Note 13).

At January 1, 1981, January 1, 1993 and July 1, 1998, the Company revalued property, plant and equipment at their respective appraised values (which were appraised by the Korea Appraisal Board and approved by the relevant tax office). The resultant cumulative appraisal gains, amounting to ₩2,547,417 million (US\$1,958,497 thousand), were included in capital surplus, after offsetting accumulated deficit of ₩16,022 million (US\$12,318 thousand), a deferred foreign currency translation loss of ₩594,275 million (US\$456,889 thousand), reduction for an asset revaluation tax payment of ₩67,547 million (US\$51,931 thousand) and adjustment of ₩16,702 million (US\$ 12,841 thousand) due to the disposal of revalued assets within 1 year after revaluation.

In the first half of 2001, the Company sold 2,290,800 shares of its common stock in treasury to DaimlerChrysler Aktiengesellschaft at the disposal value of ₩47,878 million (US\$ 36,809 thousand) with a gain of ₩10,252 million (US\$ 7,882 thousand) and 10,659,010 common shares in treasury to INI Steel Company (formerly Inchon Iron & Steel Co., Ltd.) at the disposal value of ₩185,725 million (US\$ 142,788 thousand) with a gain of ₩10,008 million (US\$ 7,695 thousand). Total gains of ₩20,260 million (US\$ 15,577 thousand) were recorded in capital surplus.

15. Retained Earnings

Retained earnings as of June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Appropriated:				
Legal reserve	₩ 79,870	₩ 63,270	\$ 61,405	\$ 48,643
Reserve for business rationalization	385,800	267,000	296,609	205,274
Reserve for improvement of financial structure	98,947	98,947	76,072	76,072
Reserve for overseas market development	48,800	48,800	37,518	37,518
Reserve for technological development	747,600	582,600	574,768	447,913
	1,361,017	1,060,617	1,046,372	815,420
Unappropriated	613,817	626,953	471,913	482,012
	<u>₩1,974,834</u>	<u>₩1,687,570</u>	<u>\$1,518,285</u>	<u>\$1,297,432</u>

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of its capital stock issued. 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 June 30, 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Treasury stock	₩ (67,178)	₩ (323,997)	\$ (51,648)	\$ (249,094)
Loss on valuation of investment equity securities	(224,326)	(473,304)	(172,466)	(363,884)
Consideration for conversion rights	-	7,986	-	6,140
Stock option cost	9,079	441	6,980	339
Cumulative translation adjustments for overseas branches	(1,427)	-	(1,097)	-
Loss on valuation of derivatives	(27,725)	-	(21,315)	-
	<u>₩ (311,577)</u>	<u>₩ (788,874)</u>	<u>\$ (239,546)</u>	<u>\$ (606,499)</u>

(1) Treasury stock

The Company has treasury stock consisting of 1,083,380 common shares and 3,178,600 preferred shares amounting to ₩67,178 million (US\$51,648 thousand) as of June 30, 2001 and 16,838,303 common shares and 2,678,580 preferred shares amounting to ₩323,997 million (US\$249,094 thousand) as of June 30, 2000 acquired directly or indirectly through Treasury Stock Funds and Trust Cash Funds.

(2) Loss on valuation of investment equity securities

Loss on valuation of investment equity securities as of June 30 2001 and 2000 consist of the following:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Loss on equity method valuation	₩ 177,676	₩ 378,183	\$ 136,601	\$ 290,753
Loss on valuation of marketable investment equity securities	46,650	95,121	35,865	73,131
	<u>₩ 224,326</u>	<u>₩ 473,304</u>	<u>\$ 172,466</u>	<u>\$ 363,884</u>

(3) Consideration for conversion rights

As of June 30, 2000, the Company recorded in capital adjustment the convertible rights adjustment of ₩7,986 million (US\$6,140 thousand) related with the 263rd convertible bonds amounting to ₩31,825 million (US\$24,468 thousand) included in non-guaranteed debentures (see Note 11).

(4) Stock option cost

The Company entitled 104 directors to stock options (grant date : March 10, 2000, exercise date : March 10, 2003, expiry date : March 10, 2008), at an exercise price of ₩14,900 as determined during the meeting of the Shareholders on March 10, 2000. As of June 30, 2001, 89 directors are entitled to these stock options due to the retirement of 15 directors after grant date. If all of the stock options as of June 30, 2001, which require at least two-year continued service, are exercised, 1,515,000 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 amounting to ₩13,895 million (US\$10,683 thousand) in 2001 and ₩16,096 million (US\$12,375 thousand) in 2000 has been 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.

(5) Cumulative translation adjustments for overseas branches

Cumulative translation debits of ₩1,427 million (US\$1,097 thousand) as of June 30, 2001, which resulted 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 ₩27,725 million (US\$21,315 thousand) as of June 30, 2001, is included in capital adjustments on the basis set forth in Note 2.

17. Income Tax Expense and Deferred Income Tax Assets

Income tax expense for the first half of 2001 and 2000 consists of the following:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Income tax currently payable	₩ 344,517	₩ 74,047	\$ 264,870	\$ 56,929
Changes in deferred income taxes due to:				
Temporary differences	(71,773)	(58,334)	(55,180)	(44,848)
Tax credit carried over	(91,465)	-	(70,320)	-
	<u>(163,238)</u>	<u>(58,334)</u>	<u>(125,500)</u>	<u>(44,848)</u>
Income tax expense	<u>₩ 181,279</u>	<u>₩ 15,713</u>	<u>\$ 139,370</u>	<u>\$ 12,081</u>

In the first half of 2001 and 2000, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Income before tax	₩ 791,800	₩ 326,076	\$ 608,749	\$ 250,693
Additions	844,771	352,104	649,474	270,703
Deductions	(517,964)	(229,408)	(398,219)	(176,373)
Taxable income	<u>₩ 1,118,607</u>	<u>₩ 448,772</u>	<u>\$ 860,004</u>	<u>\$ 345,023</u>

The changes in accumulated temporary differences for the first half of 2001 and 2000 are as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Beginning of period, net	₩ 73,283	₩ (131,423)	\$ 56,341	\$ (101,040)
Changes in the current period, net	<u>233,031</u>	<u>189,398</u>	<u>179,158</u>	<u>145,612</u>
End of period, net	<u>₩ 306,314</u>	<u>₩ 57,975</u>	<u>\$ 235,499</u>	<u>\$ 44,572</u>

Deferred income tax assets as of June 30, 2001 and 2000 are computed as follows:

Description	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Accumulated temporary differences, net	₩ 306,314	₩ 57,975	\$ 235,499	\$ 44,572
Gain on revaluation of land	<u>499,891</u>	<u>502,333</u>	<u>384,325</u>	<u>386,202</u>
Accumulated deductible temporary differences, net	806,205	560,308	619,824	430,774
Tax rate (%)	<u>X 30.8</u>	<u>X 30.8</u>	<u>X 30.8</u>	<u>X 30.8</u>
	248,311	172,574	190,906	132,678
Tax credit carried over	<u>155,781</u>	<u>64,316</u>	<u>119,767</u>	<u>49,447</u>
Deferred income tax assets	<u>₩ 404,092</u>	<u>₩ 236,890</u>	<u>\$ 310,673</u>	<u>\$ 182,125</u>

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 the accumulated temporary differences will be realized in the future. The Company believes the deductible temporary difference of ₩806,205 million (US\$619,824 thousand) and ₩560,308 million (US\$430,774 thousand) as of June 30, 2001 and 2000, respectively, can be realized in the future, excluding the temporary difference of ₩499,891 million (US\$384,325 thousand) in 2001 and ₩502,333 million (US\$386,202 thousand) in 2000, related to gain on revaluation of land which may not be disposed of in the near 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 June 30, 2001 and 2000 and as a result, its effective tax rate is 22.89 percent and 4.81 percent in the first half of 2001 and 2000, respectively.

18. Related Party Transactions

Significant transactions with affiliated companies for the first half of 2001 and outstanding balances as of June 30, 2001 are summarized below:

Affiliated Company	Sales (Purchases)		Receivables (Payables)	
	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
HMA	₩ 2,272,161	\$ 1,746,876	₩ 118,163	\$ 90,846
HMDG	146,531	112,655	3,427	2,635
HMI	45,415	34,916	1,085	834
Kia Motor Corporation	425,820	327,378	87,415	67,206
	(279,105)	(214,581)	(65,471)	(50,335)
KEFICO	(132,426)	(101,811)	(52,176)	(40,113)
Hyundai MOBIS	105,772	81,319	130,605	100,411
(formerly Hyundai Precision & Ind. Co., Ltd.)	(263,585)	(202,649)	(98,838)	(75,988)
Hyundai HYSCO	(105,906)	(81,422)	(60,529)	(46,536)
Korea Drive Train System	(103,116)	(79,277)	(46,598)	(35,825)
Hyundai Translead				
(formerly Hyundai Precision America Co., Ltd.)	-	-	(42,712)	(32,838)

Significant transactions with affiliated companies for the first half of 2000 and outstanding balances as of June 30, 2000 are summarized below:

Affiliated Company	Sales (Purchases)		Receivables (Payables)	
	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)	Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Hyundai Motor America	₩ 1,081,069	\$ 831,144	₩ 44,951 (21,296)	\$ 34,559 (16,373)
Hyundai Motor India	44,987	34,587	1,178	906
Kia Motor Corporation	308,836	237,438	3,952	3,038
KEFICO	(182,738)	(140,492)	(48,475)	(37,268)
Hyundai MOBIS (formerly Hyundai Precision & Ind. Co., Ltd.)	(*) 518,988 (21,271)	(*) 399,007 (16,354)	(*) 458,445 (58,390)	(*) 352,460 (44,891)

(*) including ₩446,422 million (US\$ 343,217 thousands) related to sales of the Sales Division for motor parts for after-sales service (see Note 22)

19. Foreign Currency Denominated Assets and Liabilities

The following is a summary of the assets and liabilities denominated in foreign currencies as of June 30, 2001 and 2000.

	Foreign Currencies		Korean won (in millions)	
	2001	2000	2001	2000
Assets	US\$ 611,416,342	US\$ 252,520,190	₩ 795,148	₩ 281,535
	JP ¥ 25,897,212	JP ¥ 128,378,593	270	1,360
	DEM 68,833,351	DEM 87,331,740	38,883	47,319
	GBP 5,781,592	GBP 2,924,303	10,649	4,951
	CAD 27,313,248	CAD 13,660,887	23,473	10,276
	EUR 13,707,472	EUR -	15,144	-
	ESP 5,247,743,632	ESP 616,171,593	34,845	3,931
	ITL 32,833,607,400	ITL 28,349,189,200	18,735	15,541
			<u>₩ 937,147</u>	<u>₩ 364,913</u>
Liabilities	US\$ 925,414,919	US\$ 1,123,627,198	₩ 1,202,816	₩ 1,264,780
	JP ¥ 11,814,691,149	JP ¥ 9,716,503,741	123,372	102,988
	DEM 55,784,587	DEM 38,993,644	31,516	20,624
	GBP 4,781,272	GBP 3,188,434	8,806	5,398
	CAD 2,310,249	CAD 2,038,723	1,985	1,534
	ESP 323,837,382	ESP 99,705,659	2,150	636
	ITL 153,215,603	ITL 37,341,594	87	20
	EUR 25,932,069	EUR 13,640,794	28,650	14,478
	FFR 1,405,327	FFR 11,639,264	237	1,883
	SFR 25,936	SFR 4,301,696	19	2,933
	AUS 9,347,039	AUS 2,769,329	6,216	1,853
		<u>₩ 1,405,854</u>	<u>₩ 1,417,127</u>	

20. 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.

21. Selling and Administrative Expenses

Selling and administrative expenses for the six-month periods ended June 30, 2001 and 2000 are as follows:

	Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Salaries	₩ 352,298	₩ 376,792	\$ 270,853	\$ 289,684
Export costs	227,949	190,916	175,251	146,779
Sales promotion	264,590	126,803	203,421	97,488
Sales commissions	114,505	105,699	88,034	81,263
Sales warranties	416,029	229,047	319,850	176,095
Taxes and dues	7,397	5,588	5,687	4,296
Communications	13,378	14,274	10,285	10,974
Utilities	10,522	9,991	8,089	7,681
Freight and warehousing	32,886	28,421	25,283	21,851
Rent	12,988	14,526	9,985	11,168
Travel expenses	28,065	26,302	21,577	20,222
Service charges	64,559	37,252	49,634	28,640
Supplies	14,111	13,453	10,849	10,343
Depreciation	17,576	10,368	13,513	7,971
Amortization	17,976	17,561	13,820	13,501
Provision for doubtful accounts	46,531	4,053	35,774	3,116
Other	13,773	11,895	10,589	9,146
	<u>₩1,655,133</u>	<u>₩1,222,941</u>	<u>\$ 1,272,494</u>	<u>\$ 940,218</u>

22. 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)
Assets		
Current assets	₩ 237,336	₩ 182,468
Non-current assets	<u>199,978</u>	<u>153,746</u>
Total assets	<u>437,314</u>	<u>336,214</u>
Liabilities		
Current liabilities	16,834	12,942
Long-term liabilities	<u>24,058</u>	<u>18,496</u>
Total liabilities	<u>40,892</u>	<u>31,438</u>
Net assets	<u>₩ 396,422</u>	<u>\$ 304,776</u>

Of the book value of the disposed net assets of ₩396,422 million (US\$304,776 thousand), in 2000, the Company received payment for ₩170,420 million (US\$131,022 thousand), which is equal to the book value of land, buildings and structures, and was scheduled to receive payment for the remaining ₩226,002 million (US\$173,754 thousand) equally over five years after a grace period of two years. Additionally, payment for a lump-sum royalty of ₩50,000 million (US\$38,441 thousand) would 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 (US\$38,441 thousand) as an extraordinary gain in 2000.

In the first half of 2001, the Company received ₩165,601 million (US\$ 127,317 thousand) equal to 3-year installments of out of total 5-year installments earlier than the payment schedule and, the remaining balance of the receivables as at June 30, 2001 amounted to ₩110,401 million (US\$ 84,878 thousand).