

Sustainability Highlights

The year 2009 was more eventful than any other for Kia Motors. We had discussed the construction of the Georgia Plant in our previous sustainability reports. In 2009, the Georgia Plant finally began operations and rolled out its very first all-new Sorento.



Georgia Plant grand opening ceremony



The grand opening ceremony for the Georgia Plant, Kia Motors' first production facility in the United States, was held on February 26, 2010. The construction of the 1 billion dollar plant began in October 2006 and was completed in early 2009. After a test run, the plant began mass-producing the all-new Sorento, thereby officially signaling the start of Kia Motors' U.S.-based production. The cutting-edge Georgia Plant is equipped with robots and a large-scale automated loading system. There is a rail transport system winding through the plant complex. The plant also features a cost-effective, time-efficient and eco-friendly module factory that assembles and directly supplies front-end modules (transmission, bumper, and other key parts). The Georgia Plant, along with the design and technical centers and sales offices already in operation in the United States, will comprise a comprehensive business system that will serve as a solid foundation for Kia Motors' full-fledged foray into the U.S. market.



Kia Motors' first hybrid car hit the roads, our sustainability report won prestigious international awards and we signed an agreement on tackling climate change. Here is a rundown of the key events of 2009.

Release of Forte LPi Hybrid, Kia Motors' first hybrid vehicle



With the launch of the Forte LPi Hybrid in July 2009, Kia Motors officially entered the green vehicle market. The Forte LPi Hybrid features a 1.6-ℓ Gamma LPi engine, continuously variable transmission, electric motor with inverter and converter, and a lithium polymer battery. Kia Motors succeeded in developing our proprietary electric motor, inverter, and converter, thereby laying the basis for a more advanced lineup of eco-friendly vehicles.

The Forte LPi Hybrid exemplifies the latest in cost-effective and green automotive technologies. It features Idle Stop & Go (ISG); a continuously variable transmission customized for HEVs that prevents transmission shock and enables optimal fuel-efficient driving; Eco-Drive mode, which automatically regulates the engine and motor for optimal fuel economy; Eco Guide; and the Eco-Drive Point function.

Honors for MOVE sustainability report


LACP
ARC



In 2009, our sustainability report brought us one piece good news after another. In July, it won the Gold prize in the LACP (League of American Communication Professionals) Vision Awards, along with the Silver in the "Most Improved" category and the Gold in the "Asia-Pacific's Most Improved" category. In September, MOVE won the top honor at the prestigious MerComm ARC Awards. This was followed by another Gold prize win at the Galaxy Awards in October. In Korea, MOVE received the top honor in the sustainability report category at the 2009 Global Green Management Awards. In short, Kia Motors was recognized at home and abroad for our efforts to engage our stakeholders. The ARC Awards judging panel lauded MOVE for adopting a magazine layout, which it saw as a new and unique approach and a fun and effective way to present Kia Motors' achievements. We pledge to continue sharing our efforts, achievements and plans for sustainable mobility with our stakeholders through MOVE.

Signing of agreement for joint response to the Convention on Climate Change



In October 2009, Kia Motors signed an agreement with the Korea Energy Management Corporation (KEMCO) for a joint response to the Convention on Climate Change and for the successful execution of greenhouse gas emissions reduction efforts. Kia Motors and KEMCO have pledged to work together on a greenhouse gas inventory verification project, pursue energy conservation efforts, develop a carbon emissions reduction program and promote educational and awareness campaigns on the Convention on Climate Change. A greenhouse gas inventory enables a business to identify and manage the source and amount of greenhouse gas emissions resulting from its production and service processes. It is a prerequisite for businesses that want to respond effectively to the Convention on Climate Change. Through the said agreement, the greenhouse inventories of all Kia Motors' worksites in Korea will be assured by KEMCO. Based on KEMCO's assurance results, we will improve our emissions reduction system and add momentum to our efforts to effectively cut greenhouse gas emissions. 

Creating & Sharing Value

Kia Motors grows on the strength of the value it gives to and receives from our stakeholders. Through this collaboration, we continue our ongoing efforts to provide better cars and services to our customers worldwide and carry out our responsibilities as a corporate citizen. The diagram outlines the flow of value between Kia Motors and our stakeholders as well as our respective roles and value.

* Based on non-consolidated financial statements

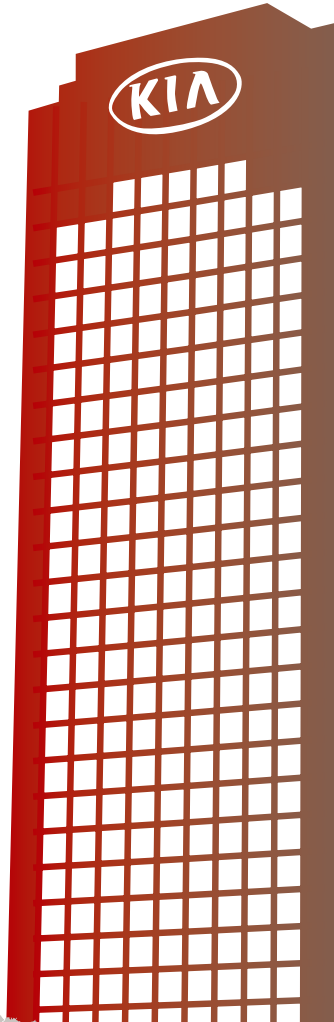
Kia Motors provides our customers with cars and related services of the highest value. In turn, customers contribute to our sales revenue. We offer our customers the added value of brand affinity and design along with affordability and exceptional quality. This is how Kia Motors endeavors to continue our growth. In 2009, Kia Motors' business activities yielded 18,416 billion won in sales.

Customers
18,416 billion won



In 2009, 14,474 billion won—78.6% of Kia Motors' sales revenue—went to our partner companies around the world. Our partner companies provide us with a wide range of services, including the supply of steel and other raw materials for various vehicle components and the supply of electricity, natural gas and other forms of energy used in the production process. The products and services from Kia Motors' partner companies play a major role in determining the quality of our vehicles. Kia Motors strives to strengthen the relationship with our partner companies and raise their competitiveness.

Suppliers
14,474 billion won






Kia Motors' 41,933 employees are our most valuable assets. Every Kia product and service owes itself to the passion and dedication of our employees. In order to recruit and retain top talent, we offer the highest level of compensation in the industry as well as diverse benefits to raise our employees' quality of life. In 2009, Kia Motors spent 2,792 billion won in employee wages and benefits.

Employees
2,792 billion won

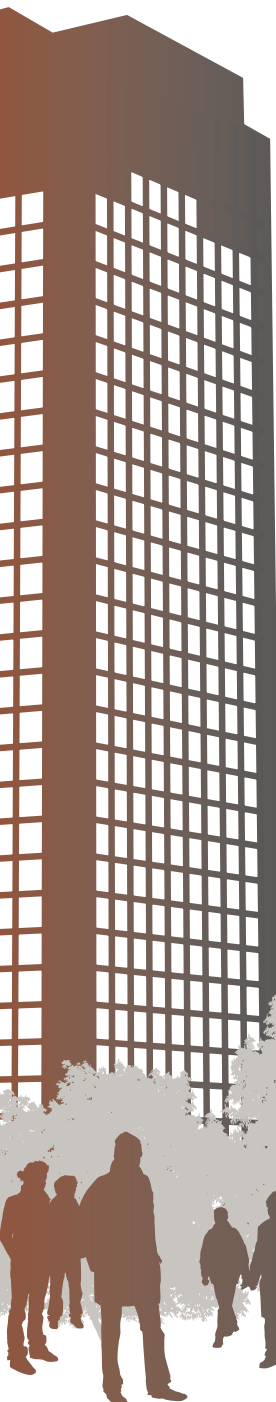


Kia Motors' shareholders—institutional and private investors around the world that hold Kia Motors stocks—are, in effect, the owners of Kia Motors. Through share issues, bond issues and loans from financial institutions, a business secures funds to make large-scale capital investments and finance its business activities. A business fulfills its responsibility to its shareholders by paying them dividends of its profits or making investments to raise the company's value. A business fulfills its obligations to its creditors by paying them interest. In 2008, Kia Motors paid out 441 billion won to our shareholders and creditors.

Shareholders / Creditors
441 billion won

A business has the duty to pay the state and local governments a portion of the added value it creates. The government uses corporate and private tax revenue to set up and operate legal and other fundamental social institutions and frameworks that provide a safe environment in which companies can carry out their activities. By engaging in voluntary social outreach activities as a corporate citizen, a business earns the public's trust. In 2009, Kia Motors' tax payment and social contribution expenditure totaled 32.6 billion won. 

Society
32.6 billion won





The Driving Force behind Our Best Year Ever

For many, 2009 will be remembered as one of the worst years ever. Yet for Kia Motors, the year was undoubtedly our best and was filled with record-breaking feats. Kia Motors starts off 2010 in high spirits with external observers touting our "full-fledged turnaround," "stronger fundamentals," and "best-ever performance." We look back on our accomplishments of 2009 and review our plans for what lies ahead.

2009 Review

The outlook for 2009 had been one of the worst ever in the history of the global auto industry. In the wake of the global economic crisis that had erupted in September 2008, monthly automobile sales in the United States in early 2009 recorded a 40% year-on-year decline, and sales growth in emerging markets, which had been on a steady rise, moved into the minus territory. The automotive industry was shaken when GM and Chrysler filed for bankruptcy protection, and Toyota shocked the world by diving into the red for the first time since its founding. The Korean auto market was not immune to the impact of these developments. GM Daewoo, a member of the General Motors Company, faced the risk of liquidity shortage, and SsangYong was pushed to the brink due to labor-management conflict over corporate restructuring which had been necessitated by falling sales. Many automakers focused on overcoming the crisis

through restructuring while also seeking other means of survival.

Last year, two notable trends emerged in the automotive market amidst the dire economic conditions. First was the growing market share of the subcompact and low-end segment. This trend is expected to continue into the mid- to long-term. The economic recession is expected to lower consumers' purchasing power, while government policy incentives are being geared toward subcompacts. Emerging markets are forecasted to continue their growth trend, and environmental regulations are projected to grow increasingly tough. Second, the green trend became increasingly pronounced, with global automakers releasing hybrid models and announcing concrete plans for their mass production. Kia Motors, too, entered the hybrid market when we unveiled the Forte LPi Hybrid, the world's first HEV that runs on LPG. In 2009, global automakers saw operating deficits and negative double-digit growth in sales. Some even came close to



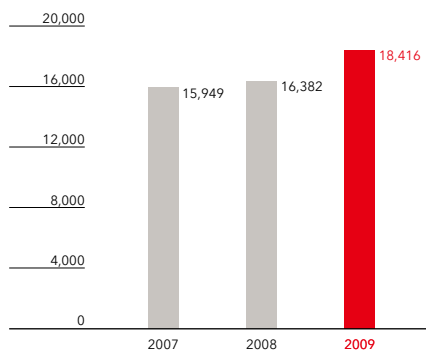
closing shop altogether. But amidst such severe conditions, Kia Motors managed to set new records. Our sales volume grew by 8.1%; our sales revenue increased by 12.4%; and our operating profit amounted to 1,145 billion won, our highest ever. We will now reveal the secret behind our success.

Korea: 30% Market share, 30.5% Sales growth Thanks to governmental measures to promote the Korean auto market and the release of new models by various automakers, the Korean auto market grew 19% to about 1.37 million vehicles in 2009. Kia Motors' 2009 annual sales volume grew by 30.5% to 410,000 units, taking 30% market share. The upgraded 2010 Morning (Picanto) dominated the subcompact market while the release of new Kia models—Sorento R (Sorento), Forte (Cerato) Koup, and K7 (Cadenza)—further strengthened Kia's design identity and led to sales growth. K7, in particular, elevated Kia Motors' standing in the passenger car market. It also completed the Kia lineup, which now spans from the subcompact to full-size segments. Accordingly, K7 is expected to make a significant contribution to raising our market competitiveness. In 2009, our domestic production volume grew by 8% from previous year to 1.137 million units. In the case of Morning and Forte, production volumes were the highest since their release. Moreover, Kia Motors successfully set up a flexible manufacturing system through the adoption of a mixed-model production scheme and cross-plant work transfers. All three domestic worksites recorded double-digit growth in HPV, a productivity index, thereby raising Kia Motors' overall productivity.

Overseas: Enhanced global production system, stellar performance in emerging markets The global economic recession curbed demand, resulting in cutthroat competition among automakers. Against this backdrop, Kia Motors sold around 1.12 million units (730,000 units produced in Korea, 390,000 units produced overseas), a 3% increase from the previous year. We made successful entries into emerging markets, including Africa, the Middle East and Central

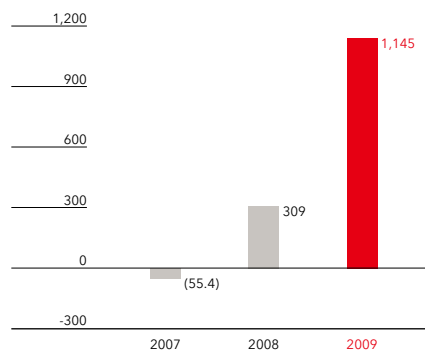
Sales revenue

(Unit: billion won)



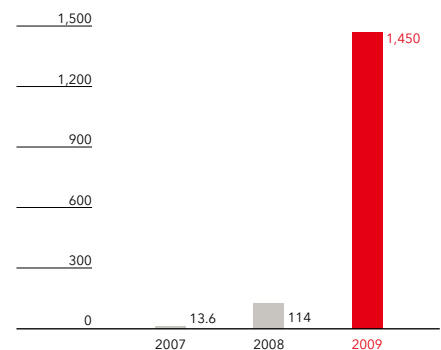
Operating profit

(Unit: billion won)



Net profit

(Unit: billion won)



※ Based on non-consolidated financial statements

& South America. In China, which has emerged as the largest auto market, Kia Motors released a specially designed localized model and took advantage of the Chinese government's sales tax reduction policy. Our 2009 sales in China grew by a whopping 65%. Thanks to the sales momentum fueled by the successful launch of Forte and Soul, our subcompacts did very well. We strengthened our global business competencies through the completion and operation of the Georgia Plant in the United States. We also expanded our local dealer networks to boost our global sales capabilities. Our tireless efforts resulted in outstanding performance in both advanced and emerging markets. Kia Motors' global market share grew by 0.6% from the previous year to 2.4%. We have thus laid the groundwork for further growth and advancement as a global automaker.

※ Refer to pp. 72-73 for more information on Kia Motors' 2009 business performance, financial status, sales volume and production volume.

Secret behind our success

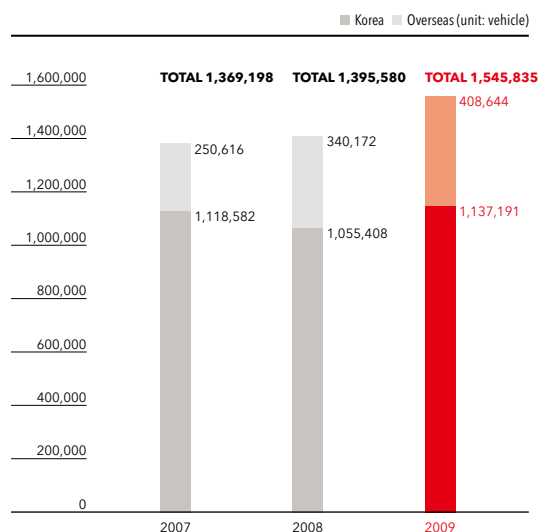
The secret behind Kia Motors' standout performance in 2009 was a solid foundation for sustained growth that had been a long time in the making. The business environment had indeed been challenging over the past few years. Nevertheless, Kia Motors did not pursue immediate gains. We focused on strengthening our structural soundness and core capabilities, thereby building a firm basis for sustained mid- to long-term growth.

Brand, brand! In 2005, Kia Motors launched a design management initiative to raise our brand value through a distinctive design identity. Kia's designs began turning heads with the successive release of our new models in 2008. Riding on this momentum, new models as well as facelift models unveiled in 2009 strengthened the global market's recognition of Kia's design competency. Not only Sorento R, Forte Koup, and K7, but also Venga—a localized European model—were well received and contributed directly to our sales growth. We have continued to improve our brand image through active global sports marketing. In 2009, we sponsored the Australian Open, the professional Spanish soccer team Atletico de Madrid, NBA and X Games Asia. On the quality front, Kia Motors received favorable reviews from Consumer Reports, issued by a leading U.S. consumer advocacy group; United Kingdom's What Car?; and Germany's Auto Bild. Soul was the only Korean car that made the Insurance Institute for Highway Safety (IIHS) "Top Safety Pick for 2010," and Kia Motors received the highest-ever score from the Automotive Lease Guide (ALG), a leading U.S. residual value rating agency.

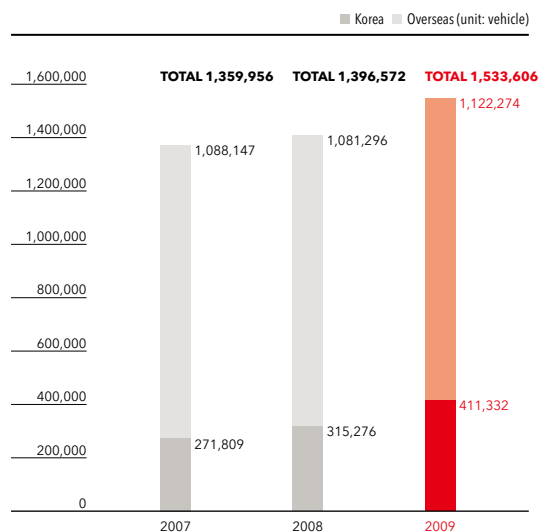
Going global! The Georgia Plant (USA), which will serve as a key global production center, was completed and went into operation in 2009. The Georgia Plant, along with the Slovakia Plant and China Plants I-II, completes the 1-million unit overseas production system that Kia Motors had steadily pursued. We are, therefore, now even better equipped to quickly respond to changing global demands and market conditions. In March 2009, we opened the Central Advanced Research and Engineering Institute in order to prepare for future automotive trends and secure core technologies by bringing together all

"In 2010, Kia Motors will enhance our brand competitiveness and our global production and sales operations. In so doing, our profitability will be able to withstand unfavorable market conditions. We will also strengthen our next-generation growth engines such as green technologies and IT technology in order to elevate our standing in a realigned auto industry."

Production volume



Sales volume





the competencies—from materials and parts to automobile manufacturing—of our vertically integrated organization. The Central Advanced Research and Engineering Institute enhances our global R&D network, which spans from Namyang to Japan, Europe and the United States. Kia Motors' global network of R&D, design and production centers sharpens our competitive edge by enabling us to develop vehicles that reflect local demands and preferences and reduce logistics and customs-related expenditures.

2010 Preview

Global auto sales, which had been sluggish until the first quarter of 2009, have begun to recover thanks to aggressive government stimulus measures. The global financial and economic crisis appears to be tapering off sooner than expected. The world economy has transitioned from crisis management mode to recovery mode, and the global economic rebound is expected to carry into 2010. The auto industry's growth forecast stands at around 6%. It will be difficult for the global auto industry to see pre-crisis growth rates until 2011 as governments will be fading out stimulus measures and oil prices are projected to rise in 2010. Full-fledged competition in the green vehicle and subcompact markets, which began in 2009, is expected to intensify in 2010. In short, while the general economic climate is forecasted to improve in 2010, there will be heightened competition within the automotive industry. Against such a backdrop, Kia Motors is planning to elevate its status in the realigned auto industry by realizing the following three goals: market leadership, profit leadership and sustainability leadership. Kia Motors aims to secure market competitiveness through the release of new models. In Korea, we will unveil the next generation Sportage and Lotze models sometime in the first quarter. We are also planning to increase the sales of last year's releases—namely the K7 and Sorento R—and raise our overall sales volume by 4.5% over 2009 to 430,000 units. In the United States, we have elevated our competitiveness with the completion and operation of the Georgia Plant in 2009. We plan to take on the U.S. market with the all-new Sorento, our first vehicle "made in the USA." We will also enhance our brand recognition through aggressive marketing campaigns as we did with the Super Bowl and Times Square ads. Our U.S. sales target for the year is 347,000 units, a 15.6% increase over 2009. In the European market, we unveiled our localized subcompact Venga in January. We will release to the next generation Sportage sometime around July. We have set our annual sales target at 250,000 units, a 3.2% increase over last year. As the official sponsor of the 2010 FIFA World Cup in South Africa, we will carry out an active World Cup marketing campaign from the first quarter to elevate our brand image. For the Chinese market, where we recorded a remarkable growth rate of 70% last year, our 2010 sales target is 330,000 units, up 36.7% over 2009. Following our release of the localized version of Soul last year, we will unveil a localized version of the next generation Sportage this coming October. We are also planning to expand our dealer network in China from 335 dealers to around 420. Kia Motors' remarkable 2009 performance was not a matter of chance. Likewise, our growth in 2010 will be the natural outcome of our tireless efforts and effective strategies. It is based on this belief that we embark on another year with great hope and anticipation. **AM**



Winning Strategies

Success does not appear out of thin air. Behind success, there are winning strategies that turn goals into reality. Behind Kia's success were effective strategies and the unwavering perseverance to carry them out despite unexpected changes in the business environment. We now reveal to you the winning strategies behind our success.

Globalization vs. localization

A business aims for sustained growth. When growth stops, the business is not maintaining the status quo; it is falling behind. Overseas expansion aims for the realization of this essential purpose of a business enterprise. The Korean automotive market has reached its growth limit in terms of market size, as determined by the size of the population and the economy. In the meantime, global automakers are entering the established Korean market, attracted to its size and purchasing power. Hence, cutthroat competition for a piece of the same, limited pie lies ahead in Korea. By making inroads into not only advanced but also emerging markets, Kia Motors has secured the driving force for sustained growth.

Through our sales, production, R&D and design network, Kia Motors has established a market presence in 172 countries. Successful globalization requires appropriate localization. That is why, in addition to establishing an extensive sales network, we are building local production facilities and R&D and design centers. This enables us to design and produce customized vehicles that reflect local consumer demands and preferences. Through localized production we can better adjust supply to meet changing demands and cut logistics costs and save on tariffs. The resulting cost competitiveness raises profitability. This is the virtuous cycle of localization. Kia Motors has a global production system with an annual production capacity of 1 million units (Slovakia Plant: 300,000 units/year; China Plants I-II: 430,000 units/year; Georgia Plant: 300,000 units/year). This is the means by which we can effectively implement our global business strategies.

Cornerstone for greater advances Kia Motors Manufacturing Georgia (KMMG), which was completed and began operations in 2009, embodies our dream to become an undisputed global leader in the automotive industry. With the completion of KMMG, we now have local production systems in all three hubs of the global automotive market: United States, China and Europe. With a local sales, production and R&D network in the United States, Kia Motors is now poised for full-fledged penetration into the birthplace of the automotive industry.

Four years after the signing ceremony with the Georgia state government in 2006, Kia Motors' first U.S.-made vehicle, the all-new Sorento, began rolling off the assembly lines in November 2009. KMMG is a 202,400 m² facility located on 2,612,000 m² of land, comprising an assembly plant and an automatic transmission plant. The Georgia state government, along with local and federal governments, provided Kia Motors with an incentive package worth over 400 million dollars in an effort to jumpstart the sluggish local economy. The package includes land, road and other infrastructure support; tax credits for job creation; and an employee training center and other employee education and training-related support. In less than 6 months upon opening shop, KMMG already has some 1,100 local employees. It plans to hire around 900 more employees by the end of the year. There are 25 Kia partner companies that have also set shop in the area. By 2013, which is when we expect to reach our target annual production volume of 300,000 units, KMMG and our partners will have created 10,800 new jobs (partner companies: 7,500 jobs). According to Georgia State University's Center for Process Innovation, KMMG, our partner companies and related service businesses are expected to create 20,296 new jobs in the surrounding 9 counties alone, amounting to an economic impact of 6.5 billion dollars. A business thrives when there is a sound balance between its globalization strategies for growth and its localization strategies that incorporate local needs and preferences. This globalization-localization balance is the first of Kia Motors' winning strategies and the core of our global business management philosophy.

Making of the Kia brand

Our stylish vehicles are bringing our internal slogan "Design Kia" to reality. Kia Motors became the first Korean automaker to sweep two of the world' top three design awards: red dot and iF. We have adopted a "family look" to build a unified design identity. Our efforts at creating a unique Kia brand identity through design have yielded concrete and very positive results over the past two years. We now reveal the second of our winning strategies through a Q&A with the Brand Management Team, which is at the forefront of our design accomplishments.

Q1. Since declaring Kia's commitment to brand management in 2005, you have set up a specialized team to build a unique brand and raise Kia's brand value. How would you define the "Kia" brand in a nutshell?

A. Kia, the brand, is about bringing excitement and energy to our customers' everyday lives. Through continued technological advances, and based on our image of dynamism and athleticism, we endeavor to become an "exciting & enabling" brand. We strive to impress our customers with our boundless potential; hence, our brand slogan, "The Power to Surprise™."



Q2. It has been 5 years since the launch of Kia Motors' brand management initiative. Where does Kia, the brand, presently stand, and what are the concrete results of your brand management efforts?

A. According to the brand power index (BPI) assessment, which we conduct regularly, Kia's brand competitiveness has been rising by a large margin annually over the past 5 years. More importantly, a more conspicuous change can be detected in customer recognition; customers are beginning to feel that Kia has changed. There appears to be a consensus in the global auto industry that Kia has shed its negative image of the past and is emerging as a promising brand. We see this as the result of our enterprise-wide brand management efforts.

Q3. Please elaborate. And what are some specific examples of your brand management activities?

A. First, there is heightened interest in our new models. Our newly launched vehicles, with their vastly improved performance and distinct design, have been well received by Korean and international customers. Second, our communication strategy has focused on presenting a unified brand image. For several years, we have been carrying out a design-oriented brand campaign as well as sports marketing activities like our sponsorship of the Australian Open. Finally, we are carrying out a multi-step initiative to improve our customer contact points. We are redesigning dealerships and service centers so that they become spaces for our customers to fully enjoy the Kia experience.



Firm foundation of quality

As Kia Motors has made our foray into the global market, we have sought to capture the attention of customers by building an attractive Kia brand image. The final piece to our tripartite strategic puzzle involved translating customers' purchase decisions into long-lasting memories of satisfaction and trust. The secret behind the success of German automakers and the growth of the Japanese automotive industry is the power of quality. Kia Motors' global R&D network, with Namyang R&D Center as the nerve center, includes the Central Advanced Research and Engineering Institute and the Mabuk Eco-Technology Research Institute, and extends to the United States, Japan and Europe. Through this global network, we are preparing for the future by continually striving to develop core technologies and enhance product quality.

As a result, Kia Motors consistently receives high marks from Korean and overseas automotive rating agencies. In 2009, Carens (Rondo) was selected as a top pick by Motor Trend (USA); Sorento received the highest safety rating (five stars) from Euro NCAP, and Forte (Cerato) was chosen as the "Car of the Month" by the U.S. vehicle information website NADAguides.com. Soul was not only chosen as a "Top Safety Pick" by the Insurance Institute for Highway Safety (IIHS), but it was also selected one of Time's "Most

Q4. Kia Motors' brand management has come under the spotlight since 2008 when newly released vehicles with unique and sophisticated designs began attracting customers. Brand management and design management opened a new chapter in Kia Motors's history. Please explain the relationship between the two.

A. Design management is a strategic means to brand management. Kia Motors decided to build a distinct brand identity and become a leading global brand. Peter Schreyer was brought on board as the Chief Design Officer (CDO) in 2006, and Kia Motors' design management went into full swing. Under the internal slogan "Design Kia," we have formulated a design philosophy that is uniquely Kia, and we have been releasing new models reflecting our new design identity. We have also begun showcasing concept cars at various motor shows to present the future envisioned by Kia Motors. And we are undertaking a design-oriented brand campaign in Korea, and within Kia Motors itself, through which we are building a new corporate culture through diverse activities.

Q5. Consistent external communication is important for effective brand management. However, just as important is consistent internal communication. What are some of the internal campaigns aimed at building a coherent brand-oriented corporate culture?

A. In order to foster a consensus on our brand identity, we leverage our global network to undertake regular tracking surveys. We share our brand orientation with our staff via internal PR materials, brand manuals, brand education and brand PR videos. We also feature elements of the Kia brand identity in our workspaces and office supplies to make the Kia brand a part of our everyday lives.

Q6. What are the next steps for Kia, the brand? Also, explain why brand management is a core strategy in Kia Motors' plans for sustainable growth. That is, what is the relationship between brand management and sustainability?

A. A strong brand equals customer awareness. Brand management aims to win over customers by instilling in them a unified and clear brand identity. With successful brand management, Kia Motors will see long-term growth, not just temporary spikes in sales from new releases or favorable foreign exchange rates. This is how brand management will contribute to Kia Motors' sustainability.



Exciting Vehicles of 2010," shortlisted for the "North American Car of the Year" award, honored as joint first-place winner of the United Kingdom's What Car? New Car Quality ratings, and received the highest safety rating (five stars) from Euro NCAP. Our vehicles are receiving one favorable review after another from not only authoritative rating agencies and media in the United States and Europe but also in China, a rapidly expanding automotive market. We will focus our enterprise-wide competencies to secure quality competitiveness and enhance customer satisfaction so that "Kia Motors" becomes synonymous with "quality." 