Kia Motors Slovakia s.r.o.

ANNUAL REPORT 2019

The Power to Surprise

CONTENTS

1. FOREWORD

The year 2019 was marked in Kia Motors Slovakia by record production, beginning of electrification of our models and the successful launch of mass production of the XCeed crossover. We managed to overcome our original production target and produced the highest number of vehicles in our history - 344,000. The number of power units produced in current year, reached 435,072 units. Since the start of production in December 2006, the total number of vehicles has risen to 3,602,200 and the number of engines to 5,324,872 units.

At the beginning of 2019, we stopped the production of the Kia Venga as long-term interest in models from this segment in Europe declined. In the summer, right after the summer shutdown, we started to produce the XCeed - a new body version from the Ceed family. It is an urban crossover that combines the practical features of an SUV with hatchback controls and dimensions. I believe it will appeal to customers looking for an alternative to larger, more traditional SUVs. At the end of the year, we included the first electrified model from the Ceed family into our production portfolio, the plug-in Hybrid Ceed Sportswagon. The most produced model in 2019 of our plant remained the Kia Sportage model, with 56% of the total production.

Also the year 2019 was a challenge for Kia Motors Slovakia in the field of engine production. Since 2017, our customers prefer to buy vehicles with gasoline engines, which was most noticeable so far last year, when up to 68% of all engines produced in our two engine shops were gasoline. More and more customers are requesting electrified models. We have been producing the Kia Sportage model with mild hybrid technology since 2018 and we have added the Ceed plug-in Hybrid models to it.

In 2018, an organizational change took place within the parent company Kia Motors Corporation, which resulted in the creation of a regional center in Europe, under which our company directly belongs. The reason is greater autonomy in decision-making as well as in the development of sales strategy and faster reaction time when changing trends. I believe that this step also helped to increase Kia sales in Europe for the eleventh year in a row in 2019. Kia Motors Slovakia contributed significantly to more than half a million vehicles sold, with Ceed family vehicles as the best-selling model, closely followed by another of our model Kia Sportage.

I am very pleased that our company has reaffirmed its ambition to be a major socially responsible company not only in the region we operate. This commitment was confirmed by PricewaterhouseCoopers Slovakia's prize, the HR Leading Organization - the organization with the best human resources management in the automotive industry in Slovakia we received for the sixth time already.

To conclude, I would like to express my thanks to all employees of our company for meeting our production targets and important key indicators and also for achieving high quality of our products. Special thanks go to our business partners, suppliers, and our customers, without whom we would not be able to fulfil our goals.


KIA

2. KEY EVENTS IN KIA

2004
March
Investment Agreement between Kia Motors Corporation and the Slovak Republic
October
Plant construction launched

2006
December
Production of cee'd

2007
June
Sportage production
November
ISO 14001 certificate

2008
November
ISO 9001 certificate

2010
June
3rd generation Sportage

2011
September
Production in Engine shop II
October
Production of Venga

2012
April
2nd generation cee'd
December
STN OHSAS 18001 certificate

MOTORS SLOVAKIA'S HISTORY

2013
May
cee'd GT and pro_cee'd GT production

2014
October
National Productivity Award 2013
November
Slovak Gold Exclusive quality certificate

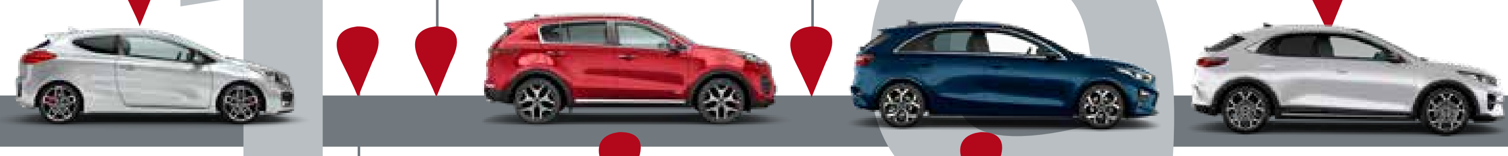
2015
November
4th generation Sportage

2016
November
Slovak National Quality Award 2016

2017
April
Via Bona Slovakia Award (Responsible Large Company category)

2018
May
Production of 3rd generation Ceed
November
Slovak National CSR Award 2018

2019
August
Production of XCeed
December
Production of Ceed Sportswagon PHEV



3. KIA MOTORS SLOVAKIA

Company profile

On March 18, 2004, Kia Motors Corporation officially confirmed the construction of its first European automotive plant in Slovakia. Kia Motors Slovakia s.r.o. (hereinafter referred to as "Kia Motors Slovakia") is a company 100% owned by Kia Motors Corporation. The main activity is production of motor vehicles including engines. The registered capital is in the amount of 433,322,934.01 EUR. In 2019, the company executives were Kyong Jae Lee, Tae Jin Kim, Chong Hae Koo, Jun Gyu Lee and Dae Sik Kim.

The volume production at Kia Motors Slovakia started in December 2006. The plant currently manufactures Kia Ceed lower middle class in four car body versions, the CUV model Kia Sportage, and the MPV representative Kia Venga. From the second half of 2018, the company has also produced its first mild-hybrid technology with diesel engine and 48V battery called EcoDynamics+ for the model Sportage and at the end of 2019, serial production of the Ceed Sportswagon Plug-in Hybrid was launched.

Company Executives

Kyong Jae Lee Executive

Kyong Jae Lee finished his university studies at the National Chonbuk University majoring in Mechanical Engineering in 1983. He started his career at Hyundai Motor in 1985. He worked at the Hyundai Motor Manufacturing plant in Alabama between 2002 and 2006. Mr. Lee then developed his professional growth at Hyundai Motor Manufacturing Czech until 2012 followed with South Korean factory in Ulsan. From 2013 until 2015 he led the Project Management department in Hyundai Motor Manufacturing Rus. Since January 2016, he has worked for Kia Motors Slovakia as Vice President of the Production Division. On December 1, 2018, Kyong Jae Lee became the President and CEO of the company. He is authorized to act solely as a statutory body of Kia Motors Slovakia from January 2019 during his executive position with the company.

Tae Jin Kim Executive

In 1995, Tae Jin Kim started to work for Kia Motors Corporation (KMC) in Accounting Team. Before joining Kia Motors Slovakia as CFO and Head of Finance Division in 2019, Tae Jin Kim was the Head of Business Management Team in Kia Motors Deutschland and worked in Kia Motors Austria as CFO. He is authorized to act solely as a statutory body of Kia Motors Slovakia during his executive position with the company.

Chong Hae Koo Executive

In 1996, Chong Hae Koo started to work for Kia Motors Corporation (KMC) in Finance Team. Before joining in Kia Motors Slovakia as CFO and Head of the Business Management Group in 2018, Chong Hae Koo was the Head of Treasury Team and International Finance Team in KMC and worked in Kia Motors UK as CFO from 2011 to 2014. He was authorized to act solely as a statutory body of Kia Motors Slovakia during his executive position with the company from January 2019 until September 2019.

Jun Gyu Lee Executive

In 1991, Jun Gyu Lee graduated from Sogang University in Seoul, South Korea, specializing in Business Administration. Three years later, he started to work for Hyundai Motor in Foreign Capital Management team. In 2010, Jun Gyu Lee joined Kia Motors Corporation and worked within the Global Accounting department. Mr. Lee worked at Kia Motors Slovakia from March 2015 as CFO and Head of Business Management division. Jun Gyu Lee was authorized to act solely as a statutory body of Kia Motors Slovakia during his executive position with the company until January 2019.

Dae Sik Kim Executive

Dae Sik Kim studied at University of Hanyang, South Korea, and successfully graduated in the field of Machine Design and Production Engineering in 1983. He started his career at Kia Motors Corporation in 1985. After several years, he continued at the Sohari car production plant where he worked as Head of Production Management until 2000. From 2005, Mr. Kim began to work for Kia Motors Headquarters as Head of Global Production Management. Before he joined Kia Motors Slovakia, he was Head of Corporate Planning department in Hyundai Motor Group. After his experienced professional career he received an opportunity to use his skills abroad in the position of the President and CEO of Kia Motors Slovakia. He was authorized to act solely as a statutory body of Kia Motors Slovakia during his executive position with the company until January 2019.

Kia Motors Corporation

Kia Motors Corporation is a maker of world-class quality vehicles for the young-at-heart. The company was founded in 1944 and is Korea's oldest active manufacturer of motor vehicles. Kia vehicles are produced at manufacturing and assembly operations in six countries. In 2019, Kia Motors sold more than 2,77 million vehicles through a network of distributors and dealers covering more than 190 countries. Research and development centers focused on the development of new models and technologies are located in four countries, with major development center in South Korean Namyang. Research and development for the European market is in the German city of Rüsselsheim. Kia Motors employs 52,000 employees worldwide. Its annual revenues represent more than 50 billion USD. Kia Motors Corporation's brand slogan – "The Power to Surprise" – expresses the company's commitment to overcoming customer expectations through continuous innovation.

Kia Motors Slovakia in 2019

Export to **92** countries

344,000 cars

435,072 engines

Sportage **56%**, Ceed **42%**, Venga **2%**

Export: UK **14%**, Russia **13%**, Germany **10%**
Spain **9%**, Poland **5%**

Revenue: **5,593,433** thousand EUR

Net profit: **318,613** thousand EUR

Total investment: **166** million EUR

Kia Motors Europe

Kia Motors Europe is a sales, marketing and service affiliate of Kia Motors Corporation in Europe based in Frankfurt. In 2019 it expanded its coverage and currently operates in a total of 39 different markets. Last year Kia's sales on the Old Continent exceeded half a million cars for the first time ever, increased by 1.7% (502,845 vehicles sold) in yearly comparison, with a market share of 3.2%. Kia Motors has seen sales growth in Europe for the eleventh year running. The difficult situation in the markets was managed by introducing new crossovers as well as electrified models. Plans for 2020 include launch of multiple models with new electrified powertrains across Europe.

Goals and forecast for 2020

In 2019, sales of passenger cars in the European market increased by 1.2%, with a total of more than 15.3 million vehicles sold. Although sales of new cars in the EU fell in the first half of 2019, positive development in the last four months of the year offset all losses. The European Automobile Manufacturers Association (ACEA) expects sales in Europe to decline by 2% in 2020. The risk remains the development of the automobile market after the United Kingdom's leave from the EU, trade tensions in the US and China, spred of corona virus and other unexpected factors. Vehicle sales will continue to be strongly influenced by regulations related to emission reductions and car manufacturers' efforts to achieve fleet emissions of 95 g CO2 per kilometer. For Kia Motors Slovakia, the development in the two largest markets – United Kingdom and the Russian Federation remains crucial as well as the sale progress of the Kia XCeed and Ceed Sportswagon in the electrified PHEV versions.

In 2020, Kia Motors Slovakia's business plan envisages the production of 332,000 passenger cars. During the year, full capacity utilization of the plant is expected by producing four body versions of the latest-generation of Ceed – five-door hatchback, Sportswagon, ProCeed and XCeed, as well as Sportage production. Investments planned for 2020 include the adaptation of production lines for the production of a new gasoline engine as well as assembly of alternative power units.

Product Line-Up

Kia Sportage

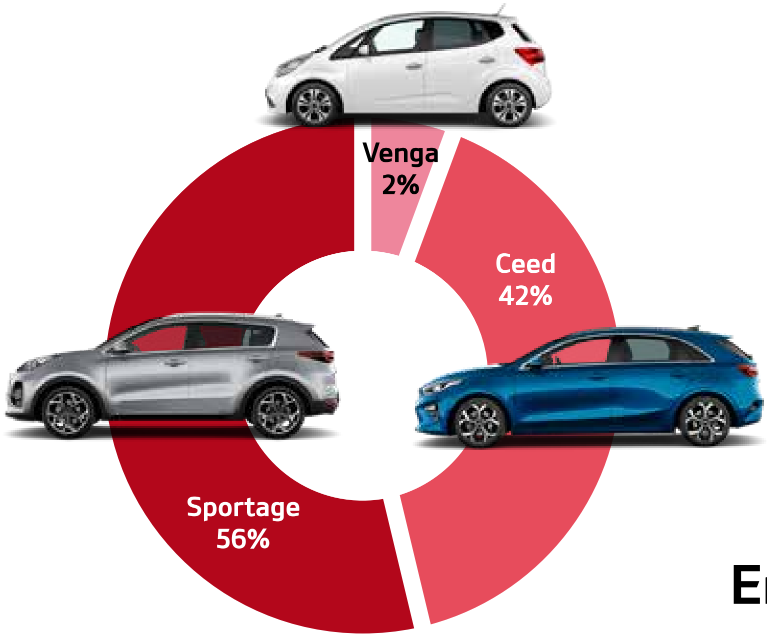
In 2019 the Kia Sportage was the second best-selling Kia model in Europe with more than 109,000 sold cars. In May 2018, a product-enhanced version was introduced into volume production, bringing customers a new exterior and interior design, offering new security and infotainment technologies. The upgraded Sportage features a wider range of engines, including the new Kia mild-hybrid EcoDynamics+ system. EcoDynamics+ supplements acceleration with power from a 48-volt lithium-ion battery and extends engine off time with a new Mild-Hybrid Starter-Generator unit. All propulsion systems fully meet the requirements of the Euro 6d TEMP emission standard.

Kia Ceed, Ceed Sportswagon, ProCeed and XCeed

The Ceed model has been successfully applying for European customers since 2006. The Ceed family became the best-seller of Kia Motors in Europe in 2019, with more than 110,000 sold units. Kia Motors Slovakia has launched the third-generation Ceed volume production in May 2018. It is a model that has been designed, developed, built and manufactured in Europe. Its role is to strengthen Kia's position in the compact segment on the old continent. The first version to get into production was five-door hatchback, followed by Sportswagon with a prolonged body type in August, and finally by sport ProCeed in November. The new Kia ProCeed merges stunning design with the space and versatility of a tourer in a five-door shooting brake body. Matching the daring design and engineering which renders it the sportiest iteration of the new Ceed model family, the Kia ProCeed will be available exclusively as a GT Line or high-performance GT model. In August 2019 the mass production of the fourth body version XCeed was launched. The XCeed is a sport alternative to a traditional SUV and offers a comparable level of passenger and luggage space.

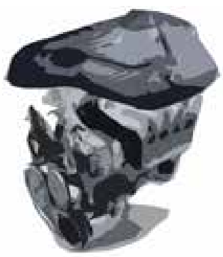
Kia Venga

The versatile mini MPV, designed and produced exclusively for European customers, complements the product portfolio of models manufactured on Kia Motors Slovakia's production lines. Venga was together with the Ceed exclusively produced in Slovakia. The Kia Venga model has been manufactured in Kia Motors Slovakia since 2011 and its production was discontinued in April 2019. During the eight years of production of this model, more than 208,000 units have been produced for the customers. The decision to discontinue production of the Venga model has been planned over the long term and reflects changing customer requirements in key automotive markets.



Engines

Kia Motors Slovakia produced a total of 435,072 engines in 2019. In the course of the past year, the trend in demand for gasoline engines grew even more. The change also affected our company and gasoline engines accounted for up to 68% of the total volume of engines produced last year. The plant produced 1.4-litre and 1.6-litre gasoline engines as well as 1.6-litre and 2.0-litre diesel engines in 2019.

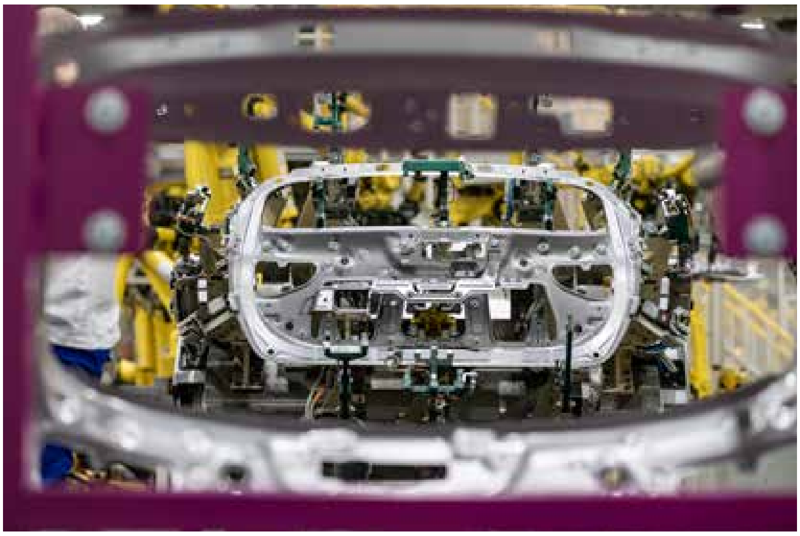


Production Process

Press shop

1 blanking line
2 press lines
20 second panel production
86 types of panels
5,280,000 panels annually

Body shop



8 types of car bodies
100% welding automatization
383 robots

Paint shop

7.8 km conveyor system
14 colour options (1 new)
91 robots
360º Ro-Dip conveyor system

Engine shop

2 production shops
2 gasoline engines
2 diesel engines
2 assembly lines
7 metal cutting lines

Assembly shop

3.5 km test track
18 football pitches Area
43% modularisation
280 working stations

4. SUSTAINABLE DEVELOPMENT

Environmental Aspects – Environmental Protection

Kia Motors Slovakia's environmental policy is established on the principles of corporate social responsibility effective for the entire Hyundai Motor Group, divided into economic, social and environmental responsibilities. Based on this, the 2020 Environmental Strategy for Kia Motors Slovakia was created and adopted in 2017. It consists of three main areas to focus on in the near future.

The first area is environmental awareness, management and cooperation. The aim is to raise environmental awareness among all employees to understand how they can protect and improve the environment in their day-to-day work. It includes cooperation with all interested parties and transparent presentation of environmental performance indicators.

The second area is energy saving and emissions reduction. The policy aims to reduce greenhouse gas and volatile organic compounds emissions, and to use more green technologies and improve the management system.

The last area represents the view of waste as a new source. Waste is raw material and energy of the future; therefore, our priority is not only to get rid of it, but rather seek ways to reuse it, recycle it, and use it for energy. We support so-called circular economy in order to preserve value of the products and materials as long as possible and thereby minimize the volume of waste.

The underlying environmental policy is the established and certified ISO 14001 Environmental Management System, which the company continually improves and which was certified in 2017 for a new revision of this standard. In 2018, the Environmental Management System was successfully recertified, which obliges the company not only to comply with legal requirements, but also to continuously improve environmental protection, regular environmental performance assessment, and environmental awareness of all employees. An important part of the system is also regular monitoring and evaluation of consumption of water, energy and materials as well as the amount of waste, waste water and emissions produced in terms of conversion to produced vehicle, and adoption of environmental objectives to improve these indicators.

The company is a member of national and international environmental groups, such as membership in the Legislative Commission of the Automobile Industry Association of the Slovak Republic, membership in European Automobile Manufacturers Association working groups (industrial emissions, process chemicals, REACH), and others. Active participation in these clusters gives us the opportunity, for example, to comment on the legislation in preparation while carefully preparing for important legislation changes.

The goal of Kia Motors Slovakia is to continuously improve the environmental management of the plant because environmental protection is one of the keys to successful business. On a quarterly basis, the company publishes on its website environmental reports containing indicators of industrial wastewater pollution as well as the amount and the way it handles the waste.

This is evidenced by the increased efficiency of the office waste separation system, in which the company is expanding the number of separated commodities. In 2019, the separation of biodegradable waste was introduced. Currently, the offices separate plastic, paper, glass, metals, batteries and biodegradable waste. In the future, we are considering separations of some special parts.

Human Resources

As of December 31, 2019, the plant employed 3,611 people with average age of 38 years. The human resources policy at Kia Motors Slovakia stands on the following basic pillars: employee care, transparent communication with employees on horizontal level, a highly competitive remuneration and performance evaluation system, especially for operators, a wide range of benefits used in free time as well as improvement of conditions for employees. Through joint seminars with employees aimed at involving employees in internal decision-making processes. Since 2005, a unique concept of counselling rooms so-called Harmony rooms located directly in production shops have been utilized. In these rooms, employees can actively participate in improving work environment and workplace relationships. Every year, the company organizes events for employees and their family members, the most important being the Kia Open Day, Parents Day, St. Nicolas Day, or Women's Day.

In 2019, the company won the PricewaterhouseCoopers Slovakia award named HR Leading Organization for the sixth time; the award recognizes institutions with the best human resources management in the automotive industry in Slovakia.

Education of Employees

Kia Motors Slovakia considers the professional and personal growth of its employees to be a key element of the successful functioning on the market as well as the overall progress of the company. Internal trainings, trainings and workshops were held at the own Training Center in Gbeľany. In 2019, a total of 771 training sessions, including trainings required by law, were completed by production and staff employees. The aim of all development activities was to improve qualifications, increase the skills of employees, but also to strengthen working and management competencies. In total, 62,146 man-hours were taught during 2019 trainings and development programs. Innovation in 2019 was the organization of extraordinary employee days – a total of 45 special workshops for operators, attended by 818 colleagues from all production shops. In 2019, employees of Kia Motors Slovakia had the opportunity to attend English, Russian and Slovak language courses. In total, 568 lessons were realized. In 2019, the company continued to work intensively with the managing employees directly in production. A total of 111 supervisors and 243 senior operators completed the competence development program.

Kia Motors Slovakia organizes also training sessions in cooperation with the parent company Kia Motors Corporation. The main goal is to acquire all the necessary skills and technical knowledge for the production of new models. In 2019, 147 employees were sent to South Korea for technical training from the plant. For employees with the best results, the plant organizes an annual Kia Spirit Up! incentive program in South Korea. This exceptional event was attended by 58 selected employees in 2019.

Safety and Occupational Health in 2019

In 2019, a number of activities were carried out, in the section of injury prevention. The main focus was on the behavior of employees through internal campaigns and also on "Safety talks" with employees during which the importance of safety at work was individually explained. "Safety observation program", significantly contributed to the increase in safety which is aimed at improving work performance from a safety perspective. After 5 years, Kia Motors Slovakia managed to defend the Safe Enterprise certificate, which is awarded by the National Labor Inspectorate under the auspices of the Ministry of Labor, Social Affairs and Family.

In the field of fire protection, the company focused on cooperation and timely reaction of employees and the internal fire department. Monthly so called small fire drills designed specifically for specific workplaces were realized to thereby improve procedures in case of fire at the workplace.

In the health area, we introduced the opportunity for employees - to visit internal physiotherapists also with health problems that are not related to the performance of their work. The aim is to speed up the healing process or treatment of a health problem.

Due Fulfilment of Obligations

Kia Motors Slovakia follows and fulfils all legal obligations, such as filing reports and payment of taxes, insurance and all other obligations under VAT, customs duties and employee-related duties. The company observes the obligations under the statutory audit act, whereby the legally stipulated functions of the audit committee rest with the company's supervisory board. Kia Motors Slovakia has identified the end-user benefits and, under the law, is registered in the public sector partner register. Kia settled all due claims and due liabilities towards all state authorities by December 31, 2019.

Compliance with Ethical Rules

The company has declared its commitment to act in accordance with all ethical rules and regulations through the introduction of the compliance system, which provides assistance in interpreting ethical issues and addressing them not only in the company but also towards its business partners. In addition to the indicative and repressive function of Compliance, its most important part is prevention. Compliance focuses there particularly on business ethics, anti-corruption measures, management of conflict of interests, gift policy, whistleblowing and prevention of anti-social activities or competition rules, or the prevention of the criminal consequences of possible unlawful actions by employees. In addition to auditing activities and compliance with legal obligations in the area of screening reports related to anti-social activities, a significant part of the Compliance activities aims to ensure the lawfulness of the processing and protection of personal data.

Cooperation with Schools

Kia Motors Slovakia has been actively cooperating with secondary vocational schools in the Zilina region since 2007. Since then it has enabled more than 700 students to obtain practical studies in the company's production facilities. In the 2019/2020 school year, 20 students finished vocational practical training in Kia Motors Slovakia plant.

In the 2019/2020 school year, the carmaker continues in the dual education system. In total, 90 students from the Secondary Vocational Engineering School in Kysucke Nove Mesto, Secondary Joined School in Martin, Secondary Vocational Electrotechnical School in Zilina will graduate in the following specializations: Mechanic – specialist of car production, Programmer of machining and welding tools and devices, Mechanic – mechatronic and Mechanic electrotechnician. The students have not only been receiving practical studies with the most attractive employer in the Zilina region, they are also going to be guaranteed a working position after their graduation. In the upcoming school year, Kia Motors Slovakia is going to extend cooperation with other schools in the dual education system, namely Business School Velka okruzna and Secondary Vocational Transportation schools in Zilina.

Three secondary school students and three university students have entered the scholarship program at Kia Motors Slovakia in the 2019/2020 school year. Conditions for obtaining scholarship were excellent study results and practical vocational training during their studies.

In order to improve the quality of training of students as well as newly-recruited employees, the company continues to develop and reinforce the work position of a trainer. As of December 31, 2019, 23 dedicated trainers, whom were completely excluded from the production process, were operating in the plant. Thanks to their deployment, the adaptive process of new employees has been improved and their readiness to work in production increased.

Philanthropy

In 2019, Kia Motors Slovakia continued to realize its intention to be a responsible partner for organizations and inhabitants of the Zilina Self-Governing Region by supporting various philanthropic activities focused on education, sport and mobility. Via Kia Motors Slovakia Foundation ("Foundation"), the company supported 156 projects in the total amount exceeding 1,3 million EUR (more information in the 2019 Annual Report of Foundation). The company also donated a financial amount of 322,000 EUR for direct realization of projects. The primary focus of support in 2019 was technical and language education for kindergartens, elementary and secondary schools, building and revitalization of sport areas, support of sport clubs and Eco mobility, volunteering, and increase of quality of health care. The company's goal in 2020 remains the support of development of technical education, the promotion of sports for children and youth, the continuation of the successful project of the shared bicycle system for the city of Žilina and also the support of municipalities in the Cyklomagistrála project – Terchovska valley. All philanthropic activities will be funded by the Kia Foundation Fund.

Important parts of Kia Motors Slovakia's corporate philanthropy are also employees who regularly participate in volunteer activities or blood donations. In total, 118 employees worked for 707 volunteer hours and supported 28 non-profit organizations and civic associations in 2019. Foundation, in cooperation with the National Transfusion Service of the Slovak Republic, organized a blood donation for administrative employees in the company premises, which has been a tradition in the company since 2007.

During the spring holidays, the Foundation organized a children's ski camp, which was attended by 90 children. The summer months were marked by 4 rounds of Children's English University, which became very popular among children. The project was attended by up to 300 children in 2019, the total number of Children university graduates exceeded 1,500 in 8 years. The Foundation continued to support technical education through the construction of technical corners in 9 kindergartens and the purchase of wooden kits for 44 kindergartens and 6 centers for children and families. A total of 42 elementary schools in the Žilina region received the educational software Smartbooks or Unimat Technics or Lego Mindstorms.

In field of sports for children and youth support, the Foundation, in cooperation with the City of Žilina, successfully launched the bikesharing project – a system of shared bikes, which has been a huge success for the inhabitants of Žilina. After the evaluating the pilot season of this project from April 1, 2019 to November 30, 2019, a total of 290,538 bike loans were made. In total 120 bikes in 20 stations during 10 months of operation have traveled 344,250 kilometers. In addition to bikesharing, the company invested in the construction of the second pumptrack in the Pltníky sports park in Martin. The track is 1.7 meters wide and consists of two circuits – short (approx. 70 m) and long (approx. 125 m) and enjoys great popularity among children of different age.

In 2019, the company continued in a long-term partnership with the University Hospital and the Health Center in Žilina, which aims to improve the conditions of healthcare provision. Through the foundation, it has realized window replacement and minor construction modifications to the outpatient section of clinical and radiation oncology, which have contributed to increased comfort for more than 1,000 patients a year. For the needs of patients in the surgical pavilion, the Foundation purchased a mobile X-ray machine that reduces the radiation dose of patients and hospital staff and, thanks to the flat detector technology, enables better and more accurate images. The device is primarily intended for the operating room of the surgical department for the provision of urgent as well as planned medical interventions.

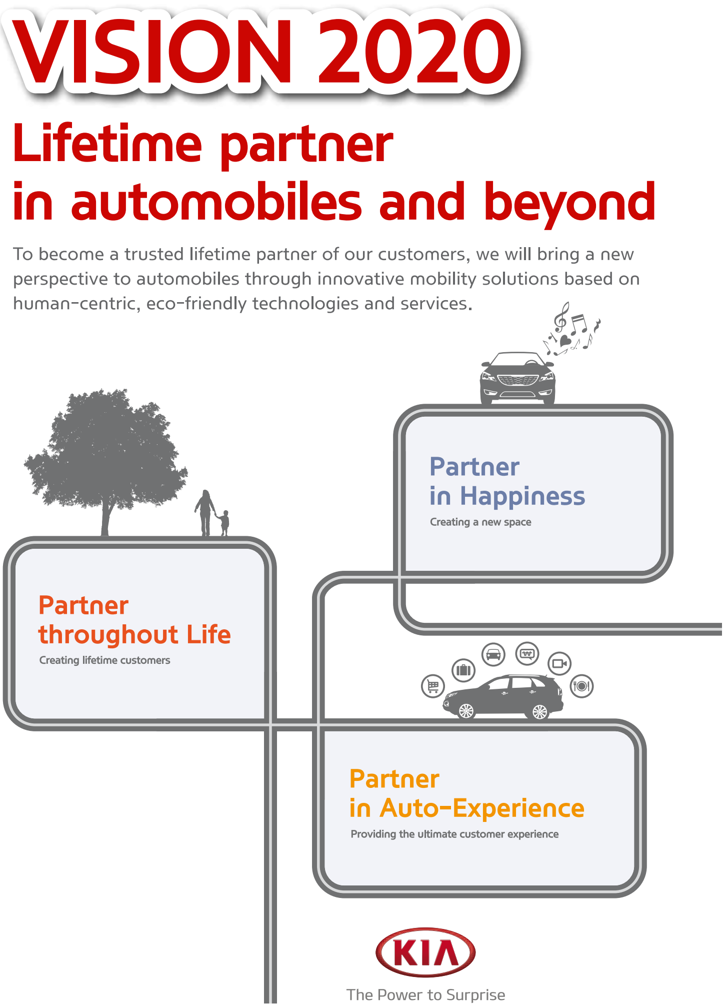
The company completed its 2019 philanthropic activities in December by organizing a pilot run of the Foundation at the Water Dam in Žilina. The event was aimed at promoting sport and healthy lifestyle and was attended by 230 sports enthusiasts. Based on positive feedback, the Foundation is planning this event also in 2020.

Corporate Philosophy

Since its establishment, Hyundai Motor Group has been guided by its philosophy and values and has flourished by keeping these intact in the organization. In 2011, Kia Motors Slovakia adopted the corporate philosophy and believes that its growth into a global company could not have been possible without our management philosophy and horizontal principles that stress trust based, on-site, and transparent management.

Kia Motors fulfils corporate philosophy representing the values which have to be kept, the direction we want to take, and a clear vision of our future. Endowed with an intrinsic passion for success, we pledge to work together toward our new vision and aspiration for 2020. A company's management philosophy is the answer to why the Hyundai Motor Group exists, and is a tenet that should be deeply embedded in the minds and actions of employees.

The five core values defined as part of our new corporate philosophy are principles that have existed in us throughout our history, and are principles that all employees promise to further foster in our organization.



CUSTOMER

We promote a **customer**-driven corporate culture by providing the best quality and impeccable service.

CHALLENGE

We embrace every opportunity for greater **challenge**, and are confident in achieving our goals.

COLLABORATION

We are focused on mutual communication and **collaboration** within the company and with our business partners.

GLOBALITY

We respect the diversity of cultures and customs and strive to become a respected **global** corporate citizen.

PEOPLE

We believe the future of our organization lies in the hearts and capabilities of **people,** and will help them develop their potential by creating a corporate culture that respects talent.

5. QUALITY MANAGEMENT SYSTEM

Kia Motors Slovakia continues in the process of continuous self-improvement and improvement of customer satisfaction by increasing the quality of manufactured vehicles and following valid legislation in the automotive industry. Competitiveness is still strengthened by new models and hybrid drives.

In 2019, the plant successfully completed the mass production of the product-enhanced Sportage and the third generation of Ceed in four body versions, as well as the GT and GT line. Engine production will soon be complemented by new gasoline engines, while some of their variants will also be integrated into hybrid drives. By doing so, the plant ensured that all the produced cars meet the requirements for vehicles on the European market for both traditional and customers who prefer hybrids.

In 2019, the Ceed Sportswagon and XCeed models with MHEV and PHEV drives were implemented into production. New electrification-based platforms required the acquisition of specialized software-analytical tools. Training of production and quality employees to ensure the smooth production and quality of vehicles as well as solving problems with this drive was realized in several phases.

The evaluation of quality management efficiency and process capability continued, which allowed to optimize the provision of critical processes without reducing their efficiency. In 2019, it was decided to install a new automated manufacturing and measurement technology that will enable the capability of important manufacturing processes to be increased. New diagnostic procedures will be required after the start of production of the new generation of gasoline engines.

In the past period, Kia Motors Slovakia continued with the development of a brand new software for managing all certified management systems, which is focused in the first phase on documentation management, nonconformities, internal audits, risk management and opportunities. In the implementation of the first phase of the software, we prepared modules for the management of documentation and internal audits in 2019. Currently valid documentation and results of internal audits of all plant management systems for 2019 have been entered. The official launch of the prepared modules, including the training of SW users, will take place in the first quarter of 2020. The launch of the other modules to manage differences, risks and opportunities will continue in 2020. Software interconnection of processes with inputs and outputs from all involved sides will help to continually improve production processes.

The development section focused mainly on the integration of new drives into all produced models and a new intelligent transmission. The development will include extensive training in the research and development center, which also applies the experience of the long-term tests that are carried out in Kia Motors Slovakia.

6. FINANCIAL OVERVIEW

Income Statement In TEUR

	2019	2018
Revenue	5,593,433	5,185,633
Cost of sales	– 5,288,603	– 4,918,478
Gross profit	**304,830**	**267,155**
Administrative and selling expenses	58,860	60,754
Operating profit	**363,690**	**327,909**
Interest costs	-305	-1,268
Interest income	2,174	2,129
Other financial (expense)/income, net	-914	-1,497
Net finance costs	**955**	**-636**
Other operating income/(expenses), net	39,170	-22,003
Profit before taxes	**403,815**	**305,270**
Current and deferred income tax	-85,202	-64,589
Total comprehensive income for the year	**318,613**	**240,681**

Statement of changes in share capital In TEUR

Capital increasing	Amount	Contributions of capital	EUR/SKK
Balance as of 1.1.2019	433,323		EUR
Balance as of 31.12.2019	433,323		EUR

Balance sheet In TEUR

	31 December 2019	31 December 2018
Assets		
Non-current assets	763,657	776,157
Current assets	1,519,686	1 387,574
Total assets	**2,283,343**	**2,163,731**
Equity		
Issued capital	433,323	433,323
Legal reserve fund and accumulated profit	869,271	607,876
Total equity	**1,302,594**	**1,041,199**
Liabilities		
Non-current liabilities	307,036	427,495
Current liabilities	673,713	695,037
Total liabilities	**980,749**	**1,122,532**
Total equity and liabilities	**2,283,343**	**2,163,731**

Distribution of profit
The general meeting will decide on the distribution of profit in the amount of 318,613 TEUR for the year 2019 accounting period.
The proposal presented by the statutory body to the general meeting is as follows:
• no contribution to reserve fund,
• distribution of the remaining amount will be decided on general meeting.
The general meeting will be held in first halfyear of 2020.

7. YEARLY CLOSING

Statement of financial position for the year ended 31 December

in TEUR

	Note	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	*11*	692,055	643,158
Intangible assets	*12*	4,273	4,188
Right of use of asset	*13*	4,131	-
Reclaim receivable	*15*	22,566	53,334
Deferred tax assets	*16*	40,632	75,477
Total non-current assets		**763,657**	**776,157**
Inventories	*17*	476,429	412,651
Trade and other accounts receivable	*18*	859,609	920,166
Cash and cash equivalents	*19*	64,346	26,762
Prepaid expenses		228	138
Intercompany loan receivable	*20*	119,074	12,230
Income tax receivable		0	15,627
Total current assets		**1,519,686**	**1,387,574**
Total assets		**2,283,343**	**2,163,731**
Equity			
Issued capital	*21*	433,323	433,323
Legal reserve fund	*21*	43,332	43,332
Accumulated profit		825,939	564,544
Total equity		**1,302,594**	**1,041,199**
Liabilities			
Interest-bearing loans and borrowings	*22*	3,909	3,109
Provisions	*15*	252,879	400,674
Contract liability	*14*	50,248	23,712
Total non-current liabilities		**307,036**	**427,495**
Interest-bearing loans and borrowings	*22*	3,347	101,175
Trade and other accounts payable	*23*	550,639	489,744
Provisions	*15*	103,517	103,785
Contract liability	*14*	8,274	333
Income tax payable		7,936	-
Total current liabilities		**673,713**	**695,037**
Total liabilities		**980,749**	**1,122,532**
Total equity and liabilities		**2,283,343**	**2,163,731**

Statement of comprehensive income for the year ended 31 December 2019

in TEUR

	Note	2019	2018
Revenue	*5*	5,593,433	5,185,633
Cost of sales	*6*	-5,288,603	-4,918,478
Gross profit		**304,830**	**267,155**
Administrative and selling (expenses)	*7*	58,860	60,754
Operating profit		**363,690**	**327,909**
Interest costs		-305	-1,268
Other finance costs		-5,240	-5,944
Interest income		2,174	2,129
Other finance income		4,326	4,447
Net finance income / (costs)	*8*	**955**	**-636**
Other operating (expense) / income	*9*	39,170	-22,003
Profit before taxes		**403,815**	**305,270**
Current and deferred income tax	*10*	-85,202	-64,589
Profit for the year		**318,613**	**240,681**
Other comprehensive income		0	0
Total comprehensive income for the year		**318,613**	**240,681**

Statement of changes in equity for the year ended 31 December 2019

in TEUR

	Note	Share capital	Legal re-serve fund	Retained earnings	Total
		(Note 21)	(Note 21)		
Balance as of 1 January 2018		433,323	43,332	423,863	900,518
Total comprehensive income for the year		-	-	240,681	240,681
Dividend distribution				-100,000	-100,000
Balance as of 31 December 2018	*21*	**433,323**	**43,332**	**564,544**	**1,041,199**
Balance as of 1 January 2019		433,323	43,332	564,544	1,041,199
Total comprehensive income for the year				318,613	318,613
Dividend distribution				-57,218	-57,218
Balance as of 31 December 2019	*21*	**433,323**	**43,332**	**825,939**	**1,302,594**

Statement cash flows for the year ended 31 December 2019

in TEUR

Cash flows from operating activities	Note	2019	2018
Profit for the year		318,613	240,681
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets, right of use of asset, net of amortisation of state aid	11,12, 13	114,759	94,460
Value adjustment to inventories	6	2,674	1,043
Retirement of property, plant and equipment		1,304	284
Value adjustment to receivables	*18*	-78	78
Interest costs	*8*	305	1,268
Interest income	*8*	-2,174	-2,129
Unrealized FX losses		1,245	11,432
Unrealized FX gains		-5,431	-520
Warranty provisions charges	*15*	68,542	78,054
Release of warranty provision	*15*	-136,750	-147,144
Release of prepaid royalty	6	–	4,904
Tax expense	*10*	85,202	64,589
(Gain on) sale of property, plant and equipment		-1,088	-2
Operating profit before changes in working capital items		**447,123**	**346,998**
(Increase) in inventories	*17*	-66,452	-60,164
Decrease / (Increase) in trade and other receivables and prepaid expenses	*18*	76,507	-15,359
Increase in trade and other payables	*23*	60,982	136,894
Increase in contract liability	14	34,477	23,712
Increase of other provisions	*15*	6,080	784
Cash generated from operating activities		**558,717**	**432,865**
Interest received from bills of exchange and bank deposits		1,989	907
Tax paid		-26,794	-67,638
Warranty claims paid	15	-89,040	-101,009
Warranty reclaims received	*15*	22,552	30,496
Net cash generated from operating activities		**467,424**	**295,044**

Cash flows from investing activities			
Acquisition of property, plant and equipment	*11*	-163,749	-165,439
Acquisition of intangible assets	*12*	-1,570	-1,861
Collection / (provision) of intercompany loan	*20*	-106,844	40,130
Proceeds from sale of non-current assets		1,612	53
Interest received from intercompany loan		48	91
Net cash (used for) investing activities		**-270,503**	**-127,026**

Cash flows from financing activities			
Lease payments including interest		-268	-
Repayment of long term loans	22	-101,250	-86,250
Payment of dividends		-57,218	-100,000
Interest paid on long term bank loans		-196	-559
Net cash (used for) financing activities		**-158,932**	**-186,809**
Net increase / (decrease) in cash and cash equivalents		37,989	-18,791
Cash and cash equivalents at beginning of the period	19	26,762	45,817
Changes in FX related to cash and cash equivalents		-405	-264
Cash and cash equivalents at end of the period	***19***	**64,346**	**26,762**

1. General information about the Company

Kia Motors Slovakia s.r.o. (hereinafter referred to as "the Company") is a company incorporated in Slovakia. The Company was established on 13 February 2004 and was registered in the Commercial Register on 26 February 2004 (Commercial Register of the District Court Zilina, Section s.r.o., file 15074/L).

The Company's registered address is:

Kia Motors Slovakia s.r.o.
ICO: 35 876 832
DIC: 2021787801
Sv. Jána Nepomuckého 1282/1
Teplička nad Váhom 013 01
Slovakia

The principal activity of the Company is the manufacture and sale of automobiles, engines and spare parts.

These financial statements have been prepared as at 31 December 2019 and for the year then ended and were prepared and authorized for issue by the Company's directors on 31 January 2020.

The Company's bodies:

Directors	Dae Sik Kim (till 29 January 2019)
	Kyong Jae Lee (from 29 January 2019)
	Jun Gyu Lee (till 29 January 2019)
	Chong Hae Koo (from 29 January to 30 September 2019)
	Tae Jin Kim (from 30 September 2019)

Information about the ultimate parent

The Company is consolidated into the financial statements of Kia Motors Corporation, 12, Heolleung-ro, Seocho-gu, Seoul, KOREA, which is the Company's parent thus statements of Kia Motors Corporation are available to public through the Seoul, Korea stock exchange.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

3. Basis of preparation

The financial statements have been prepared on a historical cost basis.

Functional currency

The financial statements are presented in euro, which is the Company's functional currency, and are rounded to the nearest thousand.

Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 14 – Contract liability
- Note 15 – Provision for warranty and reclaim assets
- Note 29 – Accounting estimates and judgements

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency

Transactions in foreign currencies are translated to euro at the foreign exchange rate ruling at the date preceding the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date preceding the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

b) Property, plant and equipment

i. Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy h). The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. Cost also includes, where relevant, the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii. Subsequent costs

The Company recognizes in the carrying amount of an item of property or plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The replaced part is derecognized at the same moment. All other costs are recognized in the income statement as an expense as incurred.

iii. Leased assets

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value or the minimum lease payments.

iv. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

1. buildings	20-30 years
2. machinery and equipment	3-15 years
3. moulds	4-5 years
4. other	2-4 years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Expenditure on repairs or maintenance of property and equipment incurred to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred. Depreciation methods and useful lives, as well as residual values, are reassessed at the reporting date.

v. Government grants related to PPE

The Company is entitled to receive government grants related to the acquisition costs of property, plant and equipment if certain conditions are fulfilled. The conditions are stipulated in the Investment Agreement between the Company and the Slovak Republic or in decisions issued by Ministry of Economy. Such grants are recognised as a deduction of property, plant and equipment and are being amortised over the estimated useful lives of the property, plant and equipment for which they have been received once such assets are placed into use. Non-monetary grants received are recorded at fair value upon receipt date.

c) Intangible assets

i. Owned assets

Intangible assets acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy h).

ii. Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

iii. Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of intangible assets. The estimated useful lives are as follows:

- software 4-6 years
- other intangible assets 4-5 years

iv. Emission rights

Emission rights are acquired for own use only and are accounted for as an intangible asset. Emission rights purchased are measured at costs. Emission rights granted by government are recorded at fair value at the date of receipt. The portion of grant related with the emission rights granted is accounted for as a reduction of intangible asset.

Once used, emission rights are recorded to cost of goods sold, together with the portion of grant, which relates to the used emission rights.

d) Right of use of assets

A lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is recorded as a right of use of assets and a lease liability. The right-of-use asset is depreciated over the lease terms and the liability accrues interest.
The right of use of asset is not recognized for:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

KMS also applied a practical expedient not to deduct the non-lease component from the contract lease payments with the landlord.

The Company adopted the new standard on 1 January 2019, using the modified retrospective approach with the value of initially recognized right-of-use asset being equal the respective lease liability. Therefore there was no impact to equity as at 1 January 2019 and no restatement was recorded.

e) Trade and other accounts receivable, finance lease receivable and intercompany loan receivable

Trade, other receivables, finance receivables and intercompany loans provided are recognized initially at fair value. Subsequently they are measured at their amortised cost using the effective interest rate method, less impairment losses (see accounting policy h). Trade receivable is offset with trade liability and presented on the net basis in financial position when, and only when, there is currently a legal enforceable right to set off and there is an intention to settle the receivables and liabilities on the net basis or to realize them simultaneously.

The Company charges certain customers a variable interest rate for the agreed portion of financed period, which is recorded as interest income on trade receivables from related parties (refer to note 8).

f) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

The cost of production inventories is based on standard cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of non-production inventories is based on a weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

h) Impairment

Financial assets
IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables, cash and cash equivalents, and intercompany loan.

Under IFRS 9, loss allowances are measured on either of the following bases:
12-month ECLs: these are ECLs that result from all possible default events within the 12 months after the reporting date; and
Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial asset.

The company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:
The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); and
The financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are not discounted as they don't include any significant financial component.

Impairment losses related to trade and other receivables are recognized in profit and loss.

Non-financial assets

The carrying amounts of the Company's assets, other than inventories (see accounting policy f) and deferred tax assets (see accounting policy p), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

i) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

j) Provisions, reclaim asset

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for warranties is recognized when the underlying products or services are sold. The suppliers warrant for a part of warranty provision and they bear the risk of failure of their parts. KMS warrants for the actual claim to the customers and it may reclaim a portion that was caused by suppliers.

Reclaim asset is recognized for reimbursement from individual suppliers according to the contractual terms. The suppliers warrant for the defects incurred within 5 years period, which is shorter compared to the warranty period granted to customers, unless the reclaim is not within the campaign. The reclaim asset is fully recognized when it is virtually certain that it will be collected.

k) Trade and other payables

Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are stated at amortised cost. Trade payable is offset with trade receivable and presented on the net basis in financial position when, and only when, there is currently a legal enforceable right to set off and there is an intention to settle the liabilities and receivables on the net basis or to realize them simultaneously.

l) Revenue for goods sold

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

A significant element of the Company's revenue is with related parties (see Note 25).

Sale of cars

The Company recognizes the revenue from sale of cars, when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses the INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier.

The amount invoiced to the customers may include two separate performance obligations:
- the sale of car; and
- the extended warranty coverage for year 6 and 7.

Management concluded that the extended warranty coverage is a separate performance obligation because of its length. The judgment was also based on historical experience of HYUNDAI MOTOR GROUP with the sale of its cars in different markets.

The Company invoice a full amount on car delivery to the customer. This amount is split to the separate performance obligations based on proportion of the standalone selling prices that are determined using costs plus margin method. The revenue from extended warranty service is recognized as a contract liability and the performance obligation will be fulfilled in year 6 and year 7 after the date the car is sold to the final customer, i.e. warranty period starts.

Sale of engines and spare parts

The Company recognizes the revenue from sales of engines and spare parts, when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier.

Revenue from transportation of goods

The revenue from transportation services is part of the invoiced price for sale of the car to the customer and it is presented in the line "Revenue from sale of cars". The costs of transporting goods are recognized in cost of sales. The Company is fully exposed to the risks related with organization of transportation services on which basis management concluded the Company acts as a principal.

m) Government grants

Government grants are initially recognized in the balance sheet when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are initially recognized as deferred revenue and it is released to the income statement as other operating income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Company for the acquisition costs of property, plant and equipment are initially recognized as a deduction of property, plant and equipment and are amortised, which is reflected in the income statement as a reduction of depreciation expense over the useful life of the assets to which they relate (refer to Note 4 b) v.).

n) Finance costs and finance income

Finance costs and finance income comprise interest expense on borrowings calculated using the effective interest rate method, interest income on funds invested and foreign exchange gains and losses from conversion of cash held in currencies other than EUR and translation of cash balance denominated in foreign currency to EUR.

Interest income and expense are recognized in the income statement as they accrue, using the effective interest rate method, except to the extent that they relate to the financing of property, plant and equipment, in which case they are capitalized as part of the acquisition costs of the related assets.

Interest paid from the long term bank loan, short term bank loan and lease liabilities are presented in the cash flows from financing activities. Interest received from finance lease receivable is presented in cash flows from investing activities. Interest paid on overdrafts, interest paid and received from financing receivables (see accounting policy e) and other interest paid and received are presented in cash flows from operating activities.

o) Other operating income and expense

Other operating expense and other operating income comprise foreign exchange gains and losses that arise during collection or translation of receivables and payment or translation of liabilities denominated in currencies other than EUR, gains and losses on sale of property, plant and equipment, government grants for job creation and education and other items.

p) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is calculated using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and tax losses carried forward. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not considered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q) Employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits comprise retirement bonus the employee is entitled to receive upon first retirement. The amount of this benefit depends on years of service and is accrued based on actuarial estimations. The minimum requirement of the Labour Code for a retirement bonus is one month average salary.

r) New standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

Standards and interpretations adopted by the European Union
Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively.

The amendments address concerns arising from implementing IFRS 9 before implementing the replacement standard that the IASB is developing for IFRS 4. The amendments introduce two optional solutions. One solution is a temporary exemption from IFRS 9, effectively deferring its application for some insurers. The other is an overlay approach to presentation to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming insurance contracts standard.

The Company expects that the amendments, when initially applied, will not have a material impact on the financial statements as the Company is not an insurance provider.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

The Company does not plan to apply above mentioned standards, amendments and interpretation before the day they come into effect. All new standards, amendments and interpretation, which are relevant for the Company, will be applied by the Company when they come into effect.

IFRS 17 Insurance contracts

Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted for companies that apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on or before the date of initial application of IFRS 17.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Company expects that the standard, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

All companies with hedges affected by IBOR reform are required to:
- assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.
- assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark on which the hedged item and the hedging instrument are based is not altered as a result of IBOR reform.
- not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
- apply the separately identifiable requirement only at the inception of the hedging relationship. A similar exception is also provided for redesignation of hedged items in hedges where dedesignation and redesignation take place frequently – e.g. macro hedges.

The Entity does not expect the Amendments to have a material impact on its financial statements when initially applied.

Standards and interpretations, not yet adopted by the European Union

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The European Commission decided to defer the endorsement indefinitely.

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

5. Revenue

Revenue is principally represented by sale of cars (cee´d, Ceed, Venga and Sportage model) and sale of engines to other production plants, related parties. The breakdown by key products and geographical area is as follows:

In thousands of euro	2019	2018
Revenue from sales of cars to EU countries excluding Slovakia	3,403,513	3,061,084
Revenue from sales of cars to non EU countries	1,693,812	1,604,713
Sale of engines, spare parts and others	409,864	454,371
Revenue from sale of cars to Slovakia	86,244	65,465
Total	**5,593,433**	**5,185,633**

The following table provides information about receivables and contract liabilities from revenues from contracts with customers:

In thousands of euro	2019	2018
Amount of receivables included in trade receivables – Note 18	614,607	675,840
Contract liabilities – Note 14	-50,248	-23,712
Prepayments from customers – Note 22	-8,274	-333

6. Cost of sales

In thousands of euro	2019	2018
Material consumption	4,540,693	4,225,341
Logistics services	150,908	158,234
Depreciation and amortization (refer to Note 11,12, 13)	120,552	100,250
Personnel expenses	119,699	111,729
Energy consumption	22,628	22,117
Royalty charge	0	4,904
Running royalty charge	259,319	231,623
Creation of inventory provision	3,718	1,043
Amortization of government grants (refer to Note 11)	-6,291	-6,290
Other cost of sales	77,377	69,527
Total	**5,288,603**	**4,918,478**

The Company had on average 3,677 employees, out of that 2 were managers (in 2018: 3,748, out of that 2 managers). As at 31 December 2019 the Company had 3,611 employees, out of that 2 managers (as at 31 December 2018: 3,787, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	2019	2018
Warranty charges net of warranty reclaim asset (refer to Note 15)	68,542	78,054
Warranty provision release (refer to Note 15)	-136,750	-147,144
Personnel expenses	5,317	5,206
Marketing services	552	450
Depreciation and amortization (refer to Note 11,12)	498	500
Other expenses	2,981	2,180
Total	**-58,860**	**-60,754**

8. Net finance income / (costs)

In thousands of euro	2019	2018
Interest expense, long term bank loans	-273	-691
Interest expenses on right of use of asset from the lease liability	-32	0
Interest expense from financing receivables	–	-577
	-305	**-1,268**
Interest income, bank balance	616	665
Interest income on trade receivables from related parties	1,510	1,373
Interest income intercompany loan	48	91
	2,174	**2,129**
Net interest income / (expense)	**1,869**	**861**
Foreign exchange losses	-5,240	-5,944
Foreign exchange gains	4,326	4,447
Net foreign exchange (losses) / gains	**-914**	**-1,497**
Net finance income / (costs)	**955**	**-636**

Interests on trade receivables and related borrowings

The Company charges certain customers, related parties, a variable interest rate for the agreed portion of financed period, which is recorded as interest income on trade receivables from related parties (refer to Note 25).

9. Other operating income/(expense), net

In thousands of euro	2019	2018
Foreign exchange gains operating	50,904	13,330
Gain from sale of property	1,089	6
Other operating income	2,434	1,849
Other operating income	**54,427**	**15,185**
Foreign exchange losses operating	-13,178	-36,033
Scrap of property on retirement	-1,304	-284
Other operating expenses	-775	-871
Other operating expense	**-15,257**	**-37,188**
Total other operating (expense) / income	**39,170**	**-22,003**

10. Income tax

In thousands of euro	2019	2018
Current tax expense		
Period income tax charge	-55,695	-53,172
Adjustment to prior year income tax	5,338	21
Deferred tax expense		
Origination and reversal of temporary differences	-34,845	-11,438
Total income tax expense	**-85,202**	**-64,589**

Reconciliation of effective tax rate

In thousands of euro	2019	%	2018	%
Profit before tax	403,815		305,270	
Income tax using the domestic corporation tax rate	-84,801	-21.00%	-64,107	-21.00%
Tax non-deductible expenses and other items	-713	-0.18%	-548	-0.18%
(Over) / underprovided to prior year	5,338	1.32%	66	0.02%
Effect of deferred tax change to under provided from last year	-5,026	-1.24%		
Income tax charge for the year	**-85,202**	**-21.10%**	**-64,589**	**-21.16%**

11. Property, plant and equipment

In thousands of euro	Lands and Buildings	Machinery and equipment	Other	Assets under construction	Total
Cost					
Balance at 1 January 2018	290,518	1,166,381	8,866	88,341	1,554,106
Acquisitions	0	0	0	165,439	165,439
Transfer	4,669	238,180	613	-243,462	0
Disposals	-	-36,935	-251	0	-37,186
Balance at 31 December 2018	**295,187**	**1,367,626**	**9,228**	**10,318**	**1,682,359**
Balance at 1 January 2019	295,187	1,367,626	9,228	10,318	1,682,359
Acquisitions	0	0	0	163,749	163,749
Transfer	1,335	112,410	917	-114,662	0
Disposals		-43,025	-1,180	0	-44,205
Balance at 31 December 2019	**296,522**	**1,437,011**	**8,965**	**59,405**	**1,801,903**
Depreciation and impairment losses					
Balance at 1 January 2018	91,657	839,431	8,082	0	939,170
Depreciation charge for the period	9,703	89,159	483	0	99,345
Disposals	0	-36,603	-250	0	-36,853
Balance at 31 December 2018	**101,360**	**891,987**	**8,315**	**0**	**1,001,662**
Balance at 1 January 2019	101,360	891,987	8,315		1,001,662
Depreciation charge for the period	9,838	108,889	588		119,315
Disposals		-41,197	-1,180		-42,377
Balance at 31 December 2019	**111,198**	**959,679**	**7,723**		**1,078,600**
Government grants acquisition costs					
Balance 1 January 2018	38,282	118,227	0	0	156,509
At 31 December 2018	38,282	118,227	0	0	156,509
At 31 December 2019	**38,282**	**118,227**	**0**	**0**	**156,509**
Government grants amortisation					
Balance 1 January 2018	13,357	99,323	0	0	112,680
Amortisation	1,317	4,973	0	0	6,290
At 31 December 2018	14,674	104,296	0	0	118,970
Amortisation	1,317	4,974			6,291
At 31 December 2019	**15,991**	**109,270**			**125,261**
Carrying amounts					
At 1 January 2018	173,936	308,046	784	88,341	571,107
At 31 December 2018	170,219	461,708	913	10,318	643,158
At 31 December 2019	**163,033**	**468,375**	**1,242**	**59,405**	**692,055**

Insurance
Property, plant and equipment are insured against damage up to TEUR 1,228,653 (2018: TEUR 1,186,229).

12. Intangible assets

In thousands of euro	Information technologies and software	Emission rights	Assets under development	Total
Cost				
Balance at 1 January 2018	25,423	139	419	25,981
Acquisition	1,357	249	503	2,109
Transfers	413	0	-413	0
Disposals	-7	-146	0	-153
Balance at 31 December 2018	**27,186**	**242**	**509**	**27,937**
Balance at 1 January 2019	27,186	242	509	27,937
Acquisition	1,035	732	343	2,110
Transfers	509	0	-509	-
Disposals	-935	-343	0	-1,278
Balance at 31 December 2019	**27,795**	**631**	**343**	**28,769**
Amortisation and impairment losses				
Balance at 1 January 2018	22,109	0	0	22,109
Amortisation for the year	1,405	0	0	1,405
Disposals	-7	0	0	-7
Balance at 31 December 2018	**23,507**	**0**	**0**	**23,507**
Balance at 1 January 2019	23,507	0	0	23,507
Amortisation for the year	1,484	0	0	1,484
Disposals	-934	0	0	-934
Balance at 31 December 2019	**24,057**	**0**	**0**	**24,057**
Government grants acquisition costs				
Balance at 1 January 2018	0	139	0	139
Acquisitions	0	248	0	248
Disposals	0	145	0	145
Balance at 31 December 2018	0	242	0	242
Acquisitions	0	540	0	540
Disposals	0	343	0	343
Balance at 31 December 2019	**0**	**439**	**0**	**439**
Carrying amounts				
At 1 January 2018	3,314	0	419	3,733
At 31 December 2018	**3,679**	**0**	**509**	**4,188**
At 1 January 2019	3,679	0	509	4,188
At 31 December 2019	**3,738**	**192**	**343**	**4,273**

13. Right of use of asset

In thousands of euro	Total
Cost	
Balance at 1 January 2019	4,382
Acquisition	0
Balance at 31 December 2019	**4,382**
Amortisation and impairment losses	
Balance at 1 January 2019	0
Amortisation for the year	251
Balance at 31 December 2019	**251**
Carrying amounts	
At 1 January 2019	4,382
At 31 December 2019	**4,131**

As at 1 January 2019, the Company recognized a right of use of asset from operating lease of 2 assets that are rented from related party. The initial accounting entry was recorded as right of use of asset and lease liability in the amount of TEUR 4,382.

14. Contract liability

In thousands of euro	31 December 2019	31 December 2018
Non-current	50,248	23,712
Current	8,274	333
	58,522	**24,045**

Timing of revenues recognition is set out in the following table:

In thousands of euro	31 December 2019	31 December 2018
2019	n/a	333
2020	8,274	0
2021	0	0
2022	0	0
2023	5,018	5,018
2024	17,444	12,121
2025	19,795	6,573
2026	7,991	0
	58,522	**24,045**

15. Provisions and reclaim assets

In thousands of euro	Warranty	Other	Total
Balance at 31 December 2018	**499,616**	**4,843**	**504,459**
Provision charges (refer to Note 7)	71,647	8,091	79,738
Usage	-89,040	-2,011	-91,051
Provision released (refer to Note 7)	-136,750		-136,750
Balance at 31 December 2019	**345,473**	**10,923**	**356,396**

An overview of long-term and short-term provisions is set out in the following table:

In thousands of euro	31 December 2019	31 December 2018
Non-current	252,879	400,674
Current	103,517	103,785
Balance at the reporting date	**356,396**	**504,459**

Warranty provision

The warranty provision is measured based on the probability of the products requiring repair or replacement and the best estimate of the costs to be incurred in respect of defective products sold on or before the balance sheet date. The warranty period granted is up to 7 years, which is the period over which the provision is expected to be used. Suppliers warrant their products up to a period of 5 years. The creation of warranty provision and reclaim charges are recorded to Selling, general and administrative expenses, refer to Note 7, on a net basis. For sensitivity analysis, refer to Note 29.

Other provisions

Other provisions were recorded for estimated cash outflows resulted from past events and it is expected they will be used in 2020 except for provision for long-term employee benefits.

Reclaim asset

In thousands of euro	Reclaim
Balance at 31 December 2018	**76,033**
Reclaim asset creation (refer to Note 7)	3,105
Usage	-22,552
Balance at 31 December 2019	**56,586**

An overview of long term and short term reclaim asset is set out in the following table:

In thousands of euro	31 December 2019	31 December 2018
Non-current	22,566	53,334
Current	34,020	22,699
Balance at the reporting date	**56,586**	**76,033**

KMS warrants for the actual claim amount due to the customers and it reclaims the portion that is covered by suppliers. The reclaim asset is recognized when it is virtually certain that it will be collected. As at 31 December 2019 the amount of estimated reclaims, that has been assessed as being virtually certain, represents TEUR 56,586 (as at 31 December 2018: TEUR 76,033).

16. Deferred tax assets

In thousands of euro	31 December 2019	31 December 2018
Property, plant and equipment	-48,081	-48,769
Warranty provision net of reclaim asset	72,549	104,919
Contract liability	0	4,980
Other items	16,164	14,347
Deferred tax asset	**40,632**	**75,477**

Property, plant and equipment includes unrecorded deferred tax asset of TEUR 8,172.

17. Inventories

In thousands of euro	31 December 2019	31 December 2018
Raw materials and consumables	354,102	306,607
Less value adjustment to raw material	-1,136	-1,043
Work in progress and semi-finished goods	96,421	78,897
Less value adjustment to semi-finished goods	-2,581	0
Finished goods	29,623	28,190
	476,429	**412,651**

The value adjustment to raw material and semi-finished goods was recorded to slow moving inventories and the expenses have been recorded in the Cost of sales (refer to Note 6).

Insurance

Inventory is insured against damage up to TEUR 186,373 (2018: TEUR 185,294).

18. Trade and other accounts receivable

In thousands of euro	31 December 2019	31 December 2018
Trade accounts receivable	615,969	679,232
Impairment provision to receivables	0	-78
Other receivables	8,358	14,383
Financial	**624,327**	**693,537**
Value added tax receivable	201,262	203,930
Reclaim asset short-term (refer to Note 15)	34,020	22,699
Non-financial	**235,282**	**226,629**
	859,609	**920,166**

Expected credit loss for customers

The Company uses allowances matrix to measure the ECLs of third party trade receivables from its customers, which comprise a large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - ageing of receivables and type of sale, i.e. sale of cars, sale of parts and other receivables.

Management assess a credit risk grade for each customer and for every sales transaction. The financial receivables from sale of cars due from third party customers are in 99% secured via letter of credit with the Company's authorized bank, whereby the risk is reduced to an acceptable low level. As the vast majority of third party receivables are from sale of cars, the Company does not provide a split of receivable to different risk grades, but it provides the split of receivables by type of transaction.

No impairment allowance is calculated to the receivables of customers from HYUNDAI MOTOR GROUP. The historical loss from receivables was zero as at 31 December 2019, therefore the "roll rate" model used for determination of impairment loss for other receivables returned zero value.

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2019:

In thousands of euro

31 December 2019	Gross carrying amount	Impairment loss allowance	Weighted average loss rate
Receivables HYUNDAI MOTOR GROUP	481,392	0	0.00%
Receivables sale of cars	137,638	0	0.00%
Receivables sale of parts	1,357	0	0.00%
Other receivables	3,938	0	0.00%
	624,327	**0**	

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2018:

In thousands of euro

31 December 2018	Gross carrying amount	Impairment loss allowance	Weighted average loss rate
Receivables HYUNDAI MOTOR GROUP	572,448	0	0.00%
Receivables sale of cars	112,068	28	0.02%
Receivables sale of parts	5,644	42	0.74%
Other receivables	3,455	8	0.23%
	693,615	**78**	

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2018:

In thousands of euro

31 December 2019	Gross carrying amount	Impairment loss allowance	Weighted average loss rate	Credit impaired
Current (not past due)	129,726	0	0.00%	No
1–30 days past due	13,109	0	0.00%	No
31–90 days past due	9	0	0.00%	No
More than 90 days past due	91	0	0.00%	No
	142,934	**0**		

In thousands of euro

31 December 2018	Gross carrying amount	Impairment loss allowance	Weighted average loss rate	Credit impaired
Current (not past due)	105,835	0	0.0%	No
1–30 days past due	14,224	32	0.22%	No
31–90 days past due	824	6	0.73%	No
More than 90 days past due	284	40	14.08%	Yes
	121,167	**78**		

The breakdown by currency is as follows:

In thousands of euro	31 December 2019	%	31 December 2018	%
EUR	224,527	35.9%	266,879	38.5%
GBP	114,085	18.3%	176,431	25.4%
RUB	195,742	31.4%	152,437	22.0%
USD	39,154	6.3%	57,337	8.3%
SEK	25,275	4.0%	3,618	0.5%
PLN	18,359	2.9%	15,778	2.3%
CZK	5,366	0.9%	15,166	2.2%
HUF	1,819	0.3%	5,891	0.8%
	624,327	**100.0%**	**693,537**	**100.0%**

56% or TEUR 479,293 (as at 31 December 2018: 62% or TEUR 572,370) of trade and other receivables are due from companies within the HYUNDAI MOTOR GROUP. The Company has not incurred any significant historical impairment losses.

The Company expects to recover value added tax in two months from the balance sheet date on the grounds of valid legislation.

As at 31 December 2019 the Company offset gross trade and other accounts receivable of TEUR 37,937 (as at 31 December 2018: TEUR 33,282) with the gross trade and other accounts payable of selected business partners of TEUR 19,483 (31 December 2018: TEUR 22,805) with certain partners and presented them as net receivable of TEUR 18,453 (31 December 2018: TEUR 10,572).

19. Cash and cash equivalents

In thousands of euro	31 December 2019	31 December 2018
Bank balances	64,346	26,761
Vouchers	0	1
Cash and cash equivalents	**64,346**	**26,762**

Cash and cash equivalents in the amount of TEUR 37,254 are denominated in foreign currencies (31 December 2018: TEUR 19,865).

20. Intercompany loan receivable

The intercompany loan receivable represents the positive balance on the cash pool account of the Group, where the Company transferred part of its available cash resources.

21. Capital and reserves

Share capital

The Company's total authorized and issued share capital amounted to TEUR 433,323 as of 31 December 2019 (31 December 2018: TEUR 433,323). The share capital is fully paid up. The sole shareholder of the Company exercise full voting rights and has rights to receive dividends.

Legal reserve fund

The Company is obliged by Slovak law to create a legal reserve totalling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has already reached the maximum balance, no further distribution from the Company's profits is required by law. The legal reserve fund can only be used to cover the Company's losses.

22. Interest-bearing loans and borrowings

In thousands of euro	31 December 2019	31 December 2018
Non-current liabilities		
Long term bank loans	-	3,109
Lease liability under Right of use	3,909	-
	3,909	**3,109**
Current liabilities		
Short term portion of the long-term bank loan	3,109	101,173
Lease liability under Right of use	237	-
Accrued interest and other	1	2
	3,347	**101,175**

Certain type of long-term bank loans is fully covered by a guarantee provided by Kia Motors Corporation, the Company's parent company.

All the loans presented above bear the variable interest rate.

Lease liability under right of use of asset

An overview of the lease liability maturity under right of use of asset is set out in the table below:

23. Trade and other accounts payable

In thousands of euro	31 December 2019	31 December 2018
Trade payables including accruals	529,254	469,751
Employee related liabilities	11,863	11,619
Other payables	8,093	6,960
Payroll withholding taxes	1,429	1,414
	550,639	**489,744**

The breakdown by currencies is as follows:

In thousands of euro	31 December 2019 Balance recalculated to EUR	%	31 December 2018 Balance recalculated to EUR	%
EUR	542,668	98.6%	486,371	99.3%
USD	7,322	1.3%	2,937	0.6%
RUB	493	0.1%	365	0.1%
JPY	154	0.0%	71	0.0%
CZK	2	0.0%	0	0.0%
	550,639	**100.0%**	**489,744**	**100.0%**

69% or TEUR 383,498 (as at 31 December 2018: 67% or TEUR 327,805) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2019 the Company offset gross trade accounts payable of TEUR 173,708 (as at 31 December 2018: TEUR 194,528) with the gross trade accounts receivable of TEUR 19,483 (as at 31 December 2018: TEUR 22,805) with certain partners and presented them as net payable of TEUR 154,225 (as at 31 December 2018: TEUR 171,724).

24. Capital commitments and contingencies

Capital commitments

At 31 December 2019 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 32,662 (31 December 2018: TEUR 33,929).

Contingences

The directors do not expect the outcome of pending litigations to have a material effect on the Company's financial position.

25. Related parties

Identity of related parties

The Company has a related party relationship with its parent Kia Motors Corporation and other group companies within the HYUNDAI MOTOR GROUP and with its directors and executive officers. The ultimate controlling party is Hyundai Motor Company. Those Companies within HYUNDAI MOTOR GROUP have a common Board.

Transactions with key management personnel

There have been no transactions with management, except for their salaries, which are included in the caption of administrative and selling expense in the income statement and in total amount to TEUR 698 (2018: TEUR 846).

Other related party transactions

Other related parties are part of the HYUNDAI MOTOR GROUP and also the parent Company Kia Motors Corporation, the managing Company.

Transactions with the parent company	2019	2018
In thousands of euro		
Revenue	286	3,835
Warranty claims	0	-65
Warranty claim chargebacks	7,176	12,133
Purchases of material	-97,046	-55,769
Acquisition of property, plant and equipment	-10,895	-19,615
Purchase of services	-2,755	-5,931
Dividends	-57,218	-100,000
Running royalties charge	-259,319	-231,624

Transactions with other companies in HYUNDAI MOTOR GROUP	2019	2018
In thousands of euro		
Revenues	4,740,231	4,467,873
Revenue from sale of property	0	40
Warranty claim chargebacks	12,132	15,787
Purchase of material	-2,890,907	-2,753,714
Acquisition of property, plant and equipment	-34,178	-32,009
Right of use of asset initial recognition	-4,382	0
Purchase of services	-176,983	-147,779
Warranty claims	-67,884	-80,487
Interest from intercompany loan	51	93
Interest income on trade receivables from related parties	1,509	1,262

Significant assets and liabilities arising from related-party transactions are presented in the table below:

Assets and liabilities arising from transactions with the parent company	31 December 2019	31 December 2018
In thousands of euro		
Trade accounts receivable and prepayments	1,588	5,542
Trade accounts payable	-87,248	-76,438

Assets and liabilities arising from transactions with other group companies	31 December 2019	31 December 2018
In thousands of euro		
Trade accounts receivable	477,705	566,828
Intercompany loan receivable	119,074	12,230
Trade accounts payable	-296,250	-251,367
Lease liability right of use of asset	-4,146	0

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within nine months period.

26. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk;

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital and further quantitative disclosures.

Risk management framework

The Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Directors monitor compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

85% (1-12/2018: 86%) of the Company's revenue is attributable to sales transactions with customers in the HYUNDAI MOTOR GROUP which are related parties. To date the Company has recovered all due amounts from HYUNDAI MOTOR GROUP customers. 78% (in 2018: 84%) of the outstanding trade receivables balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation. None of these customers' balances have been written off or are credit-impaired at balance sheet date.
Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers outside the HYUNDAI MOTOR GROUP requiring credit over a certain amount.The maximum exposure to

credit risk is represented by the carrying amount of each financial asset in the balance sheet. The quantitative information over credit risk is disclosed under Note 18.

Ageing of financial receivables	31 December 2019	31 December 2018
In thousands of euro		
Not due	519,614	605,366
Past due 0-3 months	104,622	87,693
Past due 4-6 months	6	170
Past due 7-12 months	0	308
More than 12 months	85	0
Total receivables	**624,327**	**693,537**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's management uses overdraft accounts and short term facilities to finance their operational needs, whereas long term financing and equity are used to finance investments.

The Company's management is monitoring the available cash balance on a regular basis. The available cash balance comprises overdraft limits and available cash in comparison to the expected financial liabilities that become due in the following month. The Company treats its plans according to current situation and in compliance with its plans and predictions of future cash-flow situation.

The Company's management is monitoring whether they have sufficient resources to fulfil their obligations when they fall due. The management is monitoring liquidity through targeted current ratio of above 1.2 calculated as current assets divided with current liabilities. At 31 December 2019 the current ratio reached management target of 2.26 (as at 31 December 2018: 2.00).

The following are contractual maturities of financial liabilities including interest payments as at:

31 December 2019

In thousands of euro	*Note*	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Interest bearing loans and borrow-ings, excl. unamortised costs	*22*	-3,125	-3,125	0	0	0	0
Interests		-24	-12	-12	0	0	0
Transaction costs	*22*	16	16	0	0	0	0
Lease liability	*22*	-4,146	-118	-119	-479	-486	-2,944
Lease liability interests	*22*	-316	-16	-15	-57	-50	-178
Income tax receivable / (payable)		-7,936	0	-7,936	0	0	0
Trade and other accounts payable	*23*	-550,639	-550,639	0	0	0	0
Subtotal financial liabilities		**-566,170**	**-553,894**	**-8,082**	**-536**	**-536**	**-3,122**
Trade and other receivables	*18*	624,327	624,327	0	0	0	0
Intercompany loan receivable	*20*	119,074	119,074	0	0	0	0
Cash and cash equivalents	*19*	64,346	64,346	0	0	0	0
Warranty provision	*15*	-345,473	-47,957	-47,956	-160,019	-86,990	-2,551
Reclaim asset	*15*	56,586	20,823	20,822	9,679	5,262	0
Other provisions	*15*	-10,923	-7,604	0	0	0	-3,319
Value added tax receivable	18	201,262	201,262	0	0	0	0
Subtotal financial assets and pro-visions		**709,199**	**974,271**	**-27,134**	**-150,340**	**-81,728**	**-5,870**
		143,029	**420,377**	**-35,216**	**-150,876**	**-82,264**	**-8,992**

The following are contractual maturities of financial liabilities including interest payments as at:

31 December 2018

In thousands of euro	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Interest bearing loans and borrowings, excl. unamortised costs	*22*	-104,375	-98,125	-3,125	-3,125	0	0
Interests		-207	-92	-91	-24	0	0
Transaction costs	*22*	92	46	30	16	0	0
Trade and other accounts payable	*23*	-489,744	-489,744	0	0	0	0
Subtotal financial liabilities		**-594,234**	**-587,915**	**-3,186**	**-3,133**	0	0
Trade and other receivables	*18*	693,537	693,537	0	0	0	0
Value added tax receivable	*18*	203,930	203,930	0	0	0	0
Intercompany loan receivable	*20*	12,230	12,230	0	0	0	0
Cash and cash equivalents	*19*	26,762	26,762	0	0	0	0
Warranty provision	*15*	-499,616	-50,888	-50,887	-225,630	-136,606	-35,605
Reclaim asset	*15*	76,033	11,350	11,349	33,221	20,113	0
Other provisions	*15*	-4,843	-2,010	0	0	0	-2,833
Income tax receivable / (payable)		15,627	0	15,627	0	0	0
Subtotal other assets and liabilities		**523,660**	**894,911**	**-23,911**	**-192,409**	**-116,493**	**-38,438**
		-70,574	**306,996**	**-27,097**	**-195,542**	**-116,493**	**-38,438**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company is exposed to foreign currency risk in sales and purchases in other currency that the functional currency, i.e. GBP, USD, PLN, SEK, RUB, CZK and HUF. The total exposures which arise from the currency risk are monitored on revenue side, as 61% (2018: 60%) of revenues and 99% (2018: 99%) of purchases are denominated in EUR and management is not hedging the exposures on FX fluctuations. In addition management has exposure on its foreign currency bank accounts.

All the borrowings are denominated in the functional currency EUR to reduce any currency risk from borrowings.

A strengthening and weakening of each of the GBP, SEK, USD, CZK, HUF and PLN by 5% and RUB by 10% against EUR at 31 December 2019 (all other variables held constant) would have increased / (decreased) equity and net profit by the amounts shown below.

In thousands of EUR	Impact on profit and equity - strengthening of foreign		Impact on profit and equity - weakening of foreign currency	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
RUB +/- 10%	23,199	18,160	-18,981	-14,858
GBP +/- 5%	6,005	9,286	-5,433	-8,401
CZK +/- 5%	282	853	-255	-772
USD +/- 5%	2,735	3,013	-2,475	-2,726
SEK +/- 5%	1,330	190	-1,204	-172
PLN +/- 5%	1,139	1,072	-1,030	-970
HUF +/- 5%	111	310	-100	-281

Interest rate risk

Management has entered in to loan contracts which are exposed to floating interest rates in the normal course of business. Management policy is to enter in the variable interest rates borrowings contracts only. Management does not see the need to hedge the interest rates related to these contracts.

An increase of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease of profitability by TEUR 316 (2018: TEUR 1,436).
The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Capital management

The Company defines the capital as its Equity and long term borrowings. The Company's policy is to maintain a strong capital base so as to sustain future development of the business and maintain sufficient funds for significant capital expenditures that are planned within the next three years. The Company's needs for capital are satisfied through borrowings and through contributions to share capital. The Company does not provide share options to employees or other external parties.

Management is targeting the debt to equity ratio below 2.5. The ratio is calculated as total liabilities less cash divided by the equity as summarized in the table below:

In thousands of euro	31 December 2019	December 2018
Total liabilities	980,749	1,122,532
Less available cash	-64,346	-26,762
Total liabilities less cash	916,403	1,095,770
Total equity	1,302,594	1,041,199
Adjusted debt/equity ratio	**0.7**	**1.1**

27. Operational risk

The Company is exposed indirectly to the purchasing trends of consumers in the automotive sector. This risk is managed by the Company's parent company through monitoring market trends and adjusting production volumes accordingly.

Day-to-day operations harbour various risks that could potentially weaken the Company's financial position and performance. Business risks that could result from production interruptions due to e.g. energy outages, technical failures, fires, floods etc. are partially hedged using insurance contracts.

New products inherently carry the risk that customer might not accept them. For this reason, the parent Company conducts extensive analyses and customer surveys. Trends are identified in timely fashion and examined closely to determine their relevance to customers.

28. Fair values

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, finance lease payables, loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2019 as well as at 31 December 2018.

Basis for determining fair values

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, finance lease payables, loans and interest bearing borrowings is estimated as the present value of the future cash flows discounted at market rate of interest at the reporting date.

29. Accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Provisions for warranty repairs
The Company has a provision for warranty costs, which at 31 December 2019 amounted to TEUR 345,473 (31 December 2018: TEUR 499,616) and related reclaim asset of TEUR 56,586 (31 December 2018: TEUR 76,033) as disclosed in note 15. The Company provides a warranty coverage period up to five years on its cee'd, Ceed, Sportage and Venga models. In addition, for Kia vehicles sold in the European Union and other selected countries a further two years warranty coverage period is provided on engines and transmissions. These conditions may vary depending on respective model and market, however, all warranty coverage periods are subject to a maximum mileage of 150,000 kilometres.

The provision represents the estimated warranty costs, which are calculated based on historical experience with consideration given to the expected level of future warranty repairs, the expected number of units to be affected and the estimated average repair costs per unit and each country. The products contain parts manufactured by third party suppliers, who typically warrant for the parts that they produce and that are assembled in the car.

Management believes that the calculation of warranty provision is a critical accounting estimate because changes in the calculation can materially affect net income and require the Company to estimate the frequency and amounts of future warranty claims, which are inherently uncertain. The uncertainties further include, but are not limited to, the fact that models mass production terminates usually earlier (usually 5 years) than the first car of that model completes its warranty period, i.e. 7 years. The policy is to continuously monitor the adequacy of the warranty provision. Therefore warranty charges are maintained at an amount deemed adequate to cover estimated future warranty claims. Actual claims in the future may differ from the original estimates, which may result in material revisions of the warranty charges.

The warranty provision estimate was based on a trend line for a group of countries, which represents expected level of warranty costs in year 2 to year 7 as a percentage of year 1. This is management's best estimate which was based on historical experiences from claims incurred for different models of Kia Motors Group. The calculation of warranty provision is sensitive to the changes in the warranty trend line and to the estimated value of future warranty claims. An increase or decrease of the warranty trend line by 10% would increase or decrease the warranty provision by TEUR 30,688 (31 December 2018: TEUR 44,381). The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

The reclaim asset was calculated based on expected reimbursement of future warranty defects that would be collected from suppliers. It has been estimated as expected recovery rate of the warranty provision. The actual recovery rate may change in the future. An increase or decrease in warranty recovery rate by 10% would increase or decrease the warranty reclaim asset by TEUR 5,027 (31 December 2018: TEUR 6,754).

These financial statements were approved by management on 31 January 2020.

Tae Jin Kim
CFO

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

Translation of the Appendix to the independent Auditors' Report originally prepared in Slovak language

Appendix to the independent Auditors' Report issued on the Annual Report

pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit")

To the Owner and Directors of Kia Motors Slovakia, s. r. o.:

We have audited the financial statements of Kia Motors Slovakia, s. r. o. ("the Company") as of 31 December 2019 presented in Section 7 of the accompanying Annual Report. We have issued an independent auditors' report on the financial statements on 31 January 2020 with the following wording:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kia Motors Slovakia s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2019, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the

European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 January 2020
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report of the Company, we consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion:

- the information given in the Annual Report for the year 2019 is consistent with the financial statements prepared for the same financial year; and

- the Annual Report contains information according to the Act on Accounting.

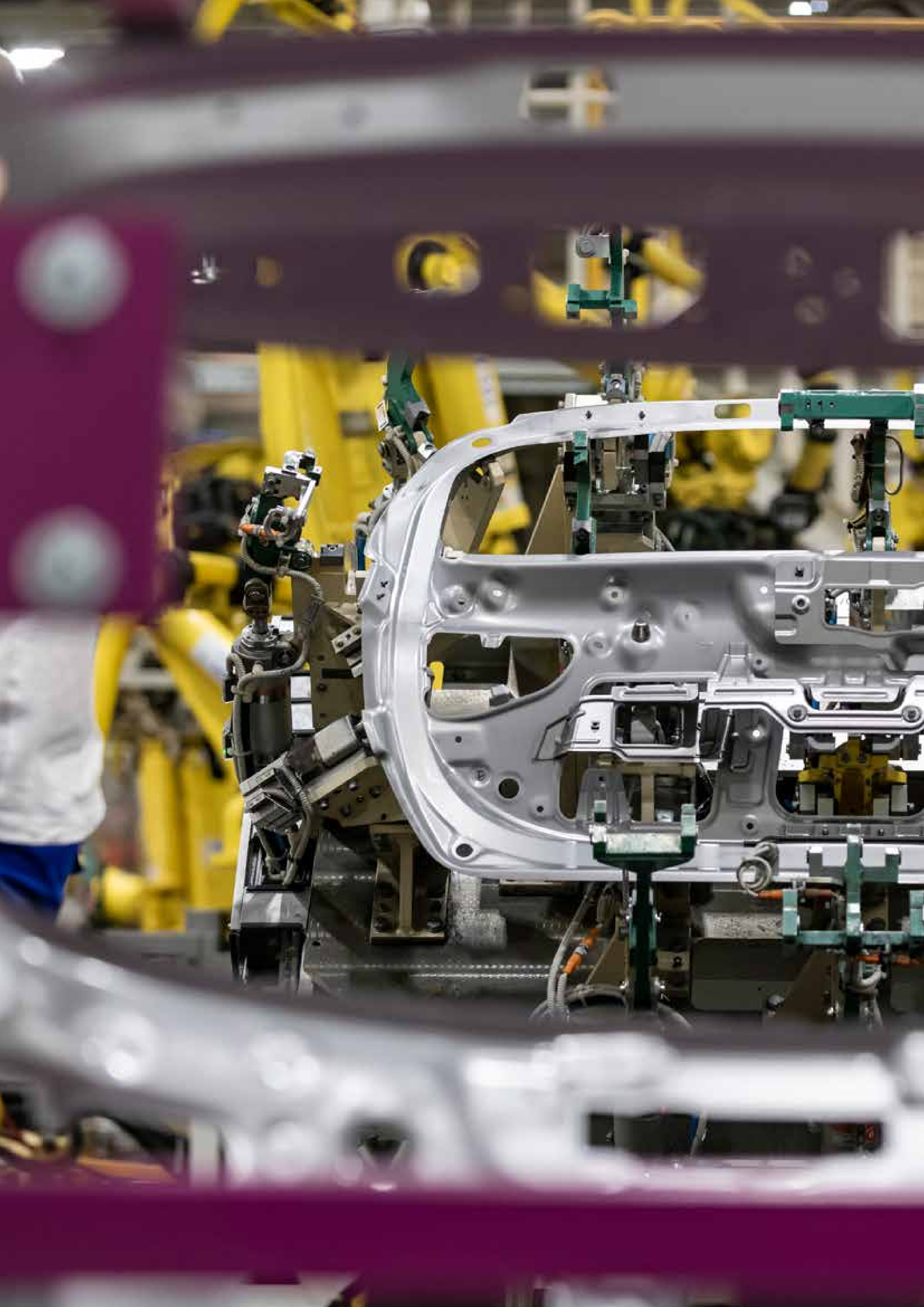
In addition to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors' report. We have nothing to report in this respect.

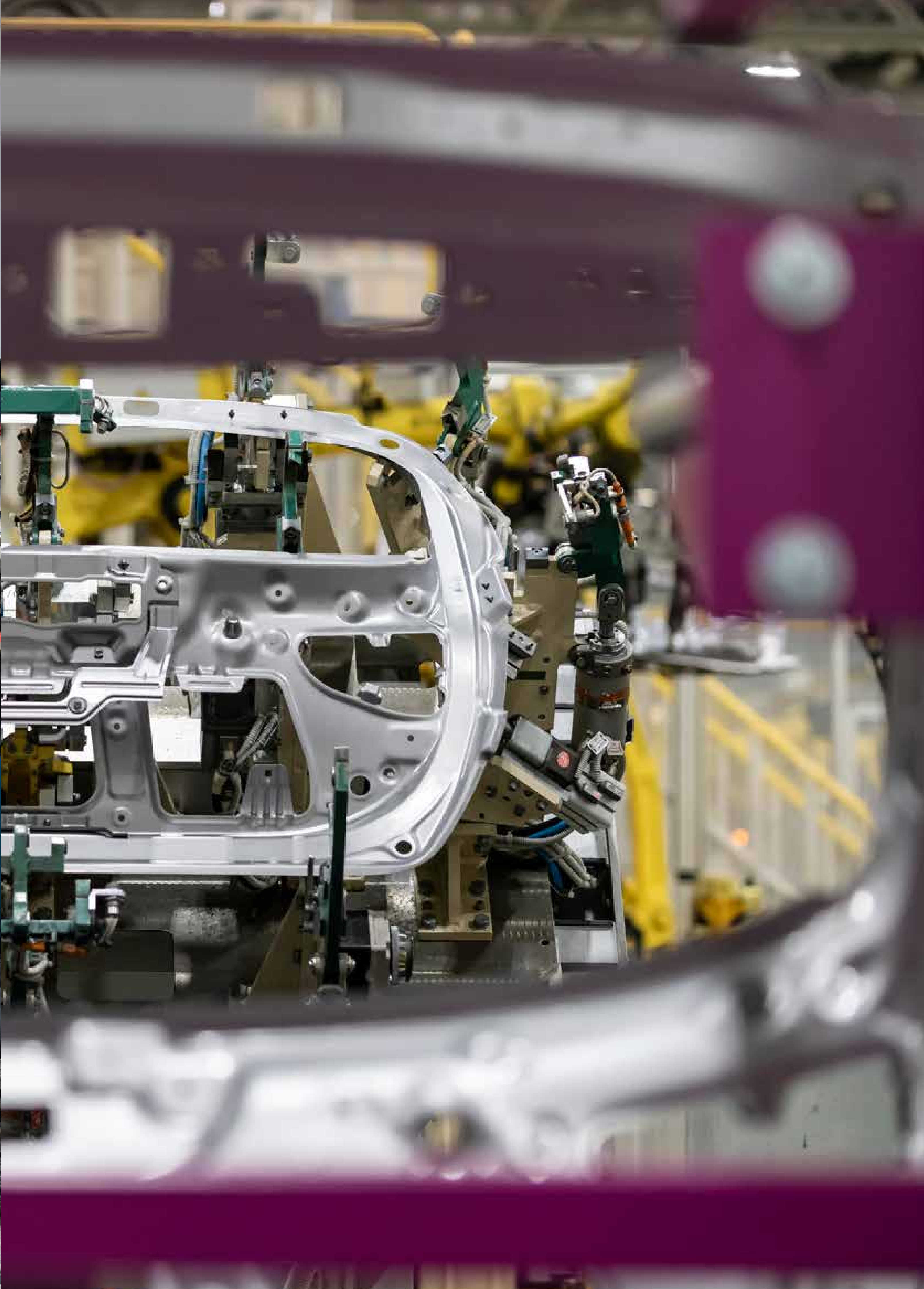
6 March 2020
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č. licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054





The Power to Surprise

Kia Motors Slovakia s.r.o.
Sv. Jana Nepomuckeho 1282/1
013 01 Teplicka nad Vahom
Slovak Republic
Tel.: +421 41 515 0111
Fax: +421 41 515 0901
www.kia.sk