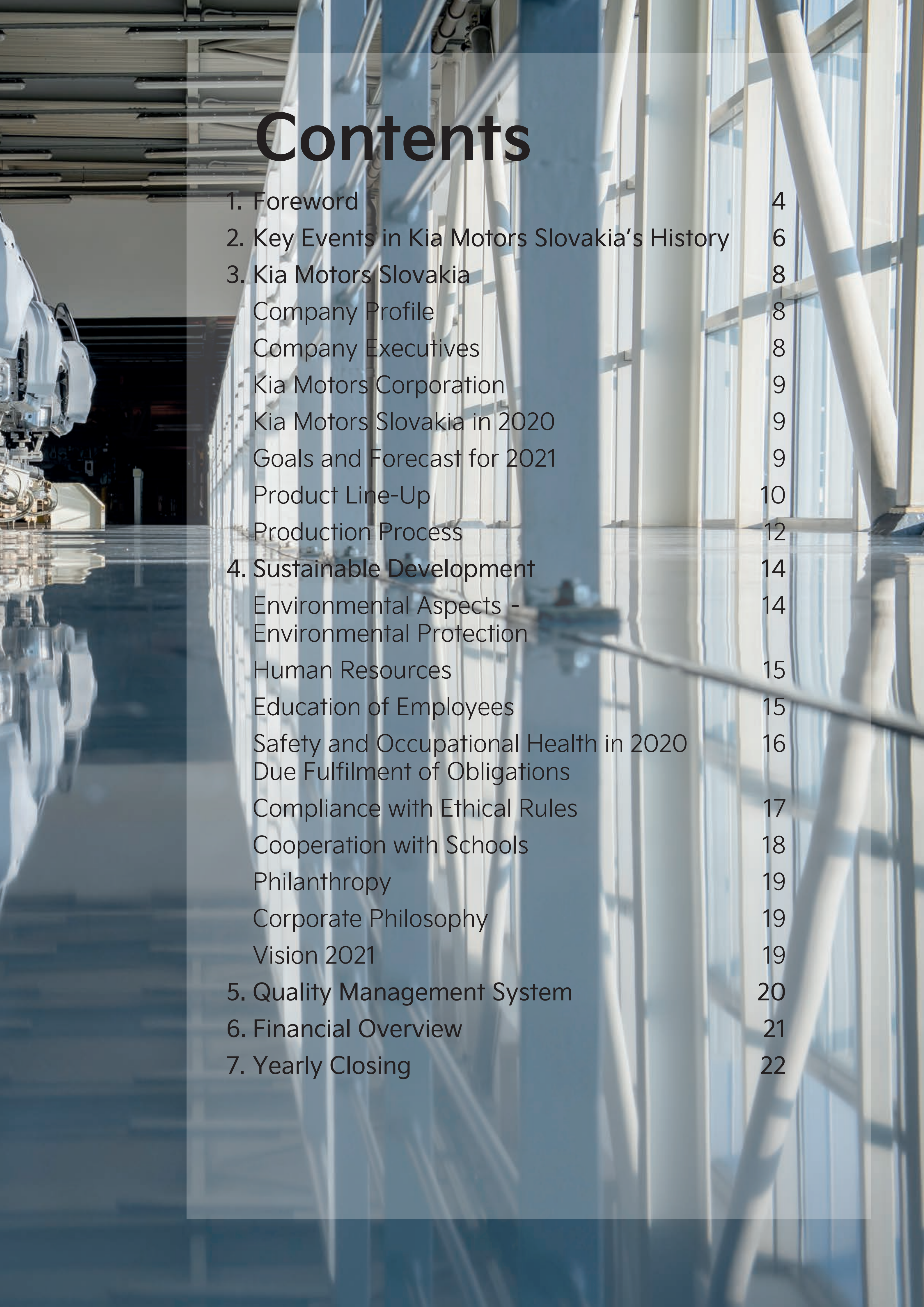
ANNUAL REPORT

2020

Movement that inspires



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1. Foreword

The year 2020 in Kia Motors Slovakia was marked by the progress in electrification of our models and continuous investments, especially into new generations of petrol engines. Due to the COVID19 pandemic and its consequences, we had decreased the number of produced car compared to our original production target. In 2020, we produced 268,200 vehicles, a decrease by 22% compared to the record production in 2019. The number of produced power units reached 274,972. Since the launch of production in December 2006, the cumulative number of manufactured vehicles climbed to 3,870,400 and the number of engines to 5,599,844.

At the beginning of 2020, we launched the mass production of the electrified XCeed plug-in hybrid model. The popular electrified models - Ceed Sportswagon PHEV and XCeed PHEV accounted for almost 8% of our production, and mild hybrid versions of the Sportage and Ceed models accounted for 12% of all produced vehicles. The most successful model of our plant in 2020 remained the Kia Sportage; its share in total production was 54%.

During four months, a long-term planned modification took place at Engine shop 2. The total investment was of more than 70 million euros, and thanks to this investment, we have been able to produce new-generation of gasoline engines since the autumn of 2020. Compared to 2019, the decrease in the production of powertrains represented almost 37%. The share of petrol engines that are increasingly popular with Kia models was 57%. Almost half of the produced drive units were assembled into cars manufactured in Teplička nad Váhom. About 42% of the engines produced was exported to our affiliated plant Hyundai Motor Manufacturing Czech. The remaining units were exported to other customers within the group.

I am very pleased that, despite the unfavorable situation, the Kia brand managed to increase its market share in Europe. The Ceed model line, produced exclusively at our plant, was the best-selling Kia model in Europe in 2020. SUV Sportage maintained the position of the third best-selling Kia model in Europe.

In 2020, we continued to produce cars that achieve the highest quality ranking and are trusted by customers. Mainly thanks to employees who, despite the difficult situation, fulfilled their production and quality goals. Huge thanks also go to our business partners, suppliers and our customers, without whom we would not be able to meet our goals.

2. Key Events in Kia Motors Slovakia's History

2004
March
Investment Agreement between Kia Motors Corporation and the Slovak Republic

October
Plant construction launched

2006
December
cee'd

2007
June
Sportage production
November
ISO 14001 certificate

2008
November
ISO 9001 certificate

2010
June
3rd generation Sportage

2011
September
Engine shop II
October
Venga

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

2013
May
cee'd GT
and pro_ cee'd GT

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
Ceed 3rd generation
November
Slovak National CSR Award 2018

2019
August
XCeed
December
Ceed Sportswagon PHEV

2020
January
XCeed PHEV
August
New generation of gasoline engines

3. Company Profile

Kia Motors Slovakia

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 2020, the company executives were Kyong Jae Lee a Tae Jin Kim.

The volume production at Kia Motors Slovakia started in December 2006.

In 2020, the plant manufactured Kia Ceed lower middle class model in four car body versions and the CUV model Kia Sportage. 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. At the end of 2019, serial production of the Ceed Sportswagon Plug-in Hybrid was launched, followed by XCeed Plug-in Hybrid at the beginning of 2020.

In 2020, the plant successfully implemented the new generation of Ceed powertrains. This is a completely new generation of Kappa petrol engines with the innovative „Smart Stream" system with a capacity of 1.0 l and 1.5 l, which replaced the previously used versions of 1.0 l and 1.4 l. Both engines have two power versions and at the same time with the possibility of combination with a mild hybrid system. The second-generation Gamma 1.6-liter engine was also implemented into production, which is exclusively supplied to the new generation of Hyundai Tuscon and will be assembled into the new generation of Kia Sportage.

Company Executives

Kyong Jae Lee
Executive

Kyong Jae Lee graduated 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 of the company. He was 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.

Kia Motors Corporation

Kia is a global mobility brand with a vision to create sustainable mobility solutions for consumers, communities, and societies around the world. Founded in 1944, Kia has been providing mobility solutions for more than 75 years. With 52,000 employees worldwide, a presence in more than 190 markets, and manufacturing facilities in six countries, the company today sells around three million vehicles a year. Kia is spearheading the popularization of electrified and battery electric vehicles and developing a growing range of mobility services, encouraging millions of people around the world to explore the best ways of getting around.

Kia Motors Slovakia in 2020

Export: 93 countries
268,200 cars
274,972 engines
Sportage 54%, Ceed 46%
Export: UK 14%, Germany 12%, Russia 12%, Spain 7%, Poland 6%
Revenues: 4,575,453 thousand EUR
Net profit: 105,894 thousand EUR
Total investment: 79,623 million EUR

Kia Motors Europe

Kia Motors Europe is a sales, marketing and service affiliate of Kia brand in Europe based in Frankfurt, Germany. In 2020, it operated on a total of 39 different markets. Last year Kia's sales on the Old Continent decreased by 17% to 416,715 cars in yearly comparison, with an increased market share of 3.5%. Latest sales results show an increased importance of the range of electrified Kia models for the changing European market. Electrificated powertrain vehicles reached 25,5% share of the total yearly sales of Kia brand in Europe in year 2020. Therefore, hybrid and electrified models represent an important field of increase, despite the falling general market.

Goals and forecast for 2021

In 2020, the total sales of passenger cars of all brands on the European market fell by 23.7%, when only 9.9 million units were sold. In 2021, Kia plans to sell 2.92 million cars worldwide and is preparing for an overall brand transformation based on a long-term strategy called Plan S. ACEA expects 2021 sales to recover and rise by about 10%, especially in the second half of the year. The development of the UK car market remains questionable after leaving the EU, the coronavirus pandemic impact, exchange rate risks and other unpredictable factors. Vehicle sales in the EU will continue to be significantly affected by regulations related to reducing emissions and manufacturers' efforts to achieve fleet CO2 emissions. For Kia Motors Slovakia, the development in the largest export markets remains the key, i.e. in the United Kingdom, Germany, Russia and Spain, the sales of the Kia XCeed and Ceed Sportswagon models in the electrified PHEV variant as well as the ending generation of Sportage model. The business plan of Kia Motors Slovakia envisages the production of 305,000 cars in 2021. During the year, the plant's production capacity is expected to be used to produce four body versions of the Ceed model - a five-door hatchback, the Sportswagon family station wagon, the ProCeed and XCeed sports cars, as well as the production of the Sportage model. Numerous activities in connection with the preparation of the production of the new generation of the Sportage model are planned for 2021.

New Kia

At the beginning of 2021, Kia has announced new details of its new brand purpose and ambitions for the future. Supported by a new brand slogan, 'Movement that inspires', Kia revealed new details of a strategy which will see the company go beyond vehicle manufacturing to create sustainable mobility solutions for customers. Signaling the brand breaking away from its traditional manufacturing-driven business model, Kia has announced a new corporate name. By removing the 'Motors' from its name, Kia's new corporate name shows a commitment to its long-term 'Plan S' business strategy. This was announced in 2020, and will see the brand establish a leadership position in the future mobility industry. Under its new brand purpose, Kia will meet changing customer expectations about how they move, and how their movement affects the world around them. Consumers are increasingly seeking out flexible, environmentally conscious, and integrated forms of transportation. Kia's new brand strategy is to respond to - and shape - these changing expectations by developing a range of products and services to meet customers' needs in markets around the globe. These will offer greater access to a wider range of environmentally conscious mobility products and services to meet growing demand from customers worldwide for flexible, customizable, individualized mobility solutions, enabled by data and new technologies. Alongside these efforts, Kia will simultaneously promote more sustainable production through the usage of clean energy and recyclable materials.

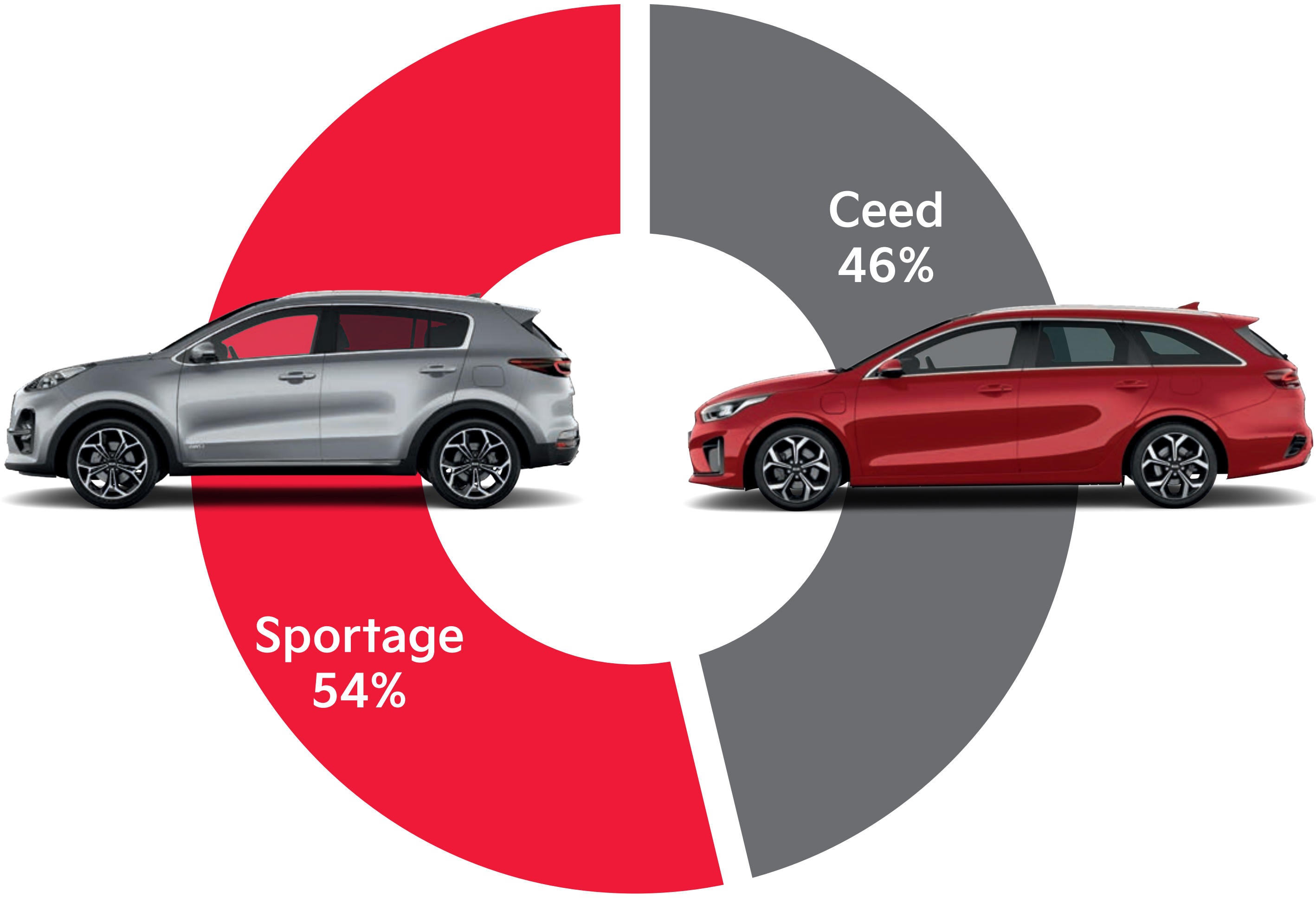
Product Line-Up

Kia Sportage

In 2020, the Kia Sportage model was the third best-selling model of the Kia brand in Europe and the most produced model of Kia Motors Slovakia. The version produced in 2020 was put into mass production in May 2018. It brings customers attractive exterior and interior design and rich safety and information & entertainment technologies. In 2020, the milestone of one million produced vehicles of this generation of the Sportage model was exceed. Kia Sportage offers fuel-efficient and powerful engines, including a mild-hybrid diesel powertrain called EcoDynamics+, which adds acceleration via a 48-volt battery and extends the shutdown time of the combustion engine. In November 2020, the stylish Sportage Black Edition with attractive glossy black exterior elements was added into production.

Kia Ceed, Ceed Sportswagon, ProCeed a XCeed

The Ceed model line has been successfully competing for European customers in the lower middle class category since 2006. The Ceed family models became the best-selling Kia model in Europe in 2020. Despite the pandemic, European sales of Ceed models increased by 4.1% to 114,759 pieces year-on-year. Mass production of the third generation of the Ceed model was launched in May 2018. It is a model that was designed, constructed and manufactured in Europe. Its role is to strengthen Kia's position in the compact segment. The five-door hatchback version was the first to go into production, followed by the extended Sportswagon station wagon and finally the sporty ProCeed. In August 2019, serial production of the fourth body version - XCeed was launched, which has also been produced as a plug-in hybrid since the beginning of 2020.



Engines

In 2020, Kia Motors Slovakia produced 274,972 engines. Over the past year, petrol engines accounted for up to 57% of the total volume of powertrains produced in 2020. In 2020, the plant had been producing gasoline engines with a capacity of 1.0; 1.5 and 1.6-litre, as well as diesel engines with a capacity of 1.6-litre.

Production Process

Press shop

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

Body shop

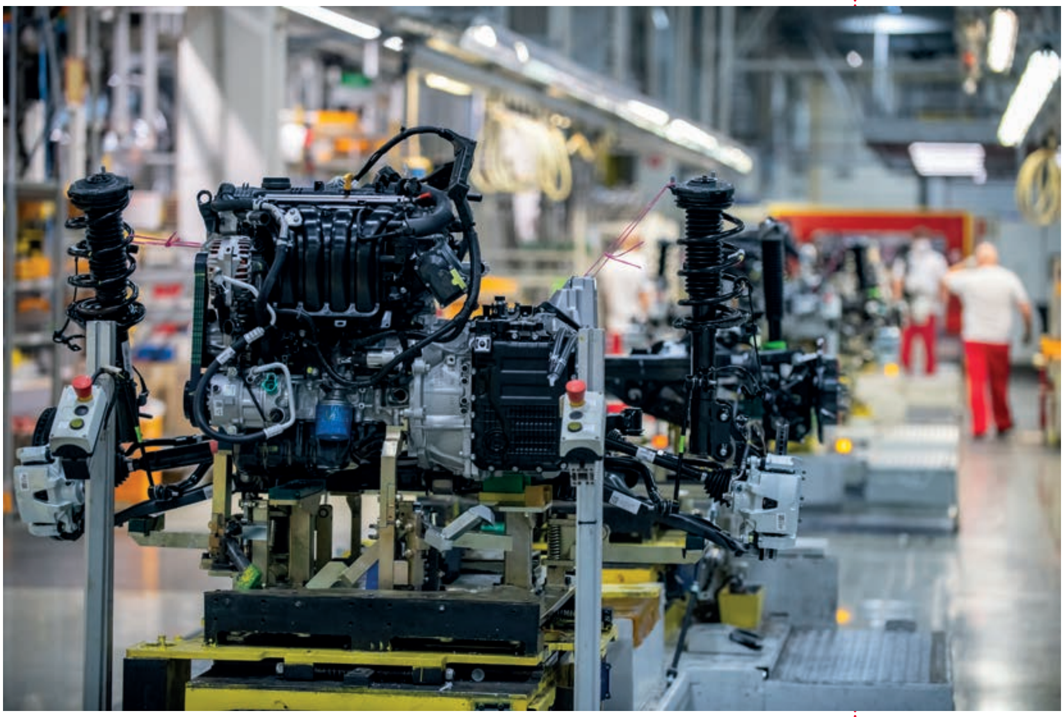
100% welding automation
385 robots
Capacity of 8 types
of car bodies

Paint shop

360° Ro-Dip conveyor
system
7.8 km conveyor system
105 robots
13 color options

Engine shop

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



Assembly shop

Area 18 football pitches
277 working stations
1.6 km test track

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 to not only get rid of it, but also 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, wastewater 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, 2020, the plant had a total of 3,469 employees, with an average age of 39 years. Kia Motors Slovakia's personnel policy has long been based on several basic pillars, which are employee care, transparent communication with employees at a horizontal level, a highly competitive system of remuneration and performance appraisal of all employees, a wide range of leisure benefits, as well as constantly improving conditions for employees. The satisfaction of employees is also evidenced by the fact that in 2020 the average length of employment in Kia Motors Slovakia reached almost 11 and half years. The company uses a system of internal rotations, which will continue as one of the ways how employees can develop, acquire new skills and learn about other processes not only in car production. Through joint seminars with employees, company involves them in internal decision-making processes. On the long-term basis, the company uses a system of counseling centers, the so-called Harmony rooms, which are located directly in all production shops, through which employees have the opportunity to actively participate in improving the working environment and relationships in the workplace. In 2020, Kia Motors Slovakia won the PricewaterhouseCoopers Slovensko award for the seventh time called HR Leading Organization - the organization with the best human resources management in the manufacturing sector in Slovakia.

Education of Employees

Despite the challenges that the year 2020 brought to people and businesses, Kia Motors Slovakia considers the professional and personal growth of employees to be a very important element of the company's progress, as well as its operation in the market. Trainings, workshops as well as online trainings, webinars and conferences were carried out partly on the premises of our own Training Center in the village of Gbeľany, as well as directly in the production plant. This year, Kia Motors Slovakia implemented a large part of its educational activities in an online environment.

A total of 2,444 employees took part in the training. In 2020, a total of 833 development activities were completed by production and administrative employees, including training required by law. In total, we offered our employees 160 different types of training. The aim of the implemented development activities was to deepen qualifications, renew certifications, increase the expertise of employees, but also to strengthen work and management competencies. During educational and development programs, 28,474 training hours were completed in 2020. The programs continued until the COVID measures did not allowed the organization of training program for operators „Personal Development Days", which was attended by 481 colleagues from all production halls.

In 2020, the employees had the opportunity to attend English language courses at various levels according to the European reference framework. In total, the employees completed 409 language person-hours training.

In 2020, Kia Motors Slovakia continued in the regular development cooperation with managers directly in production. A total of 40 supervisors and 143 senior operators completed the increase of competence skills. All activities were subject to strict hygiene standards.

Safety and Occupational Health in 2020

In 2020, in addition to its main activities aimed at preventing damage to employees' health as well as in the area of accident prevention, the area of occupational safety and health (OHSAS) was extended to include the protection of employees against coronavirus. Numerous measures have been taken to minimize the risk of virus transmission in the factory premises. Kia Motors Slovakia introduced temperature measuring at all entrances to the plant, distributing more than 170,000 facemasks and respirators to its employees. Internal testing for more than 1,370 employees was performed directly at the plant. The frequency of disinfection of premises and work equipment was also increased. The employees received all up-to-date and necessary information through several information channels several times each month. Measures directly related to technical or organizational nature were also applied. In the area of fire protection, the company focused on the cooperation and timely response of employees and the Company Fire Department.

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, 2020.

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 750 students to obtain practical studies in the company's production facilities. In the 2020/2021 school year, 10 students finished vocational practical training in Kia Motors Slovakia plant.

The carmaker continues in the dual education system also in the school year 2020/21. A total of 90 students from the Secondary Vocational School of Mechanical Engineering Kysucké Nové Mesto, the Joint School in Martin and the Secondary Vocational School of Electrical Engineering in Žilina complete their studies in the fields of Mechanic-Specialist of Automotive Production, Programmer of Machining and Welding Machines and Equipment, Mechanic-Mechatronics and Mechanic of Electrical Engineering. Students acquire practical skills with a major employer in the Žilina region and at the same time will have a guaranteed job after graduation. In addition to long-term cooperation, collaboration with other schools in the dual education system has expanded, namely with the Veľká okružná Business Academy and the Secondary Vocational School of Transport in Žilina.

At the same time, due to the increasing focus on e-mobility and the production of hybrid cars, the carmaker wants to open a new field of study from the school year 2021/22 - Autotronik, which will allow students in the dual education system to gain skills and knowledge associated with the production of these technologies of the future. The new field of study will open in cooperation with the Secondary Vocational School of Mechanical Engineering in Kysucké Nové Mesto.

In the 2019/20 school year, three university students participated in the scholarship program of Kia Motors Slovakia. The condition for obtaining the scholarship was excellent study results and completion of praxis during the study.

To increase the quality of training of students, but also of newly hired employees, the company continues to advance employees in the position of a trainer. As of December 31, 2020, there were 23 dedicated trainers in the plant, whose company was fully separated from the production process. Thanks to their deployment, we managed to improve the adaptation process of new employees and increase their readiness to work in production.

Philanthropy

In 2020, the company continued its long-term strategy of supporting philanthropic activities focused on education, sports, mobility and at the same time responded flexibly to the new need to mitigate the negative consequences of the pandemic in the Žilina region. Through the Kia Foundation Fund at the Pontis Foundation, it supported up to 107 non-profit, budgetary organizations and civic associations in the amount of EUR 952,656. At the same time, the company donated EUR 285,000 to the Kia Motors Slovakia Foundation for the direct realization of projects.

Corporate philanthropy is also largely made up of employees who, through participation in volunteering activities, support the activities of non-profit organizations focusing on environmental development, revitalization of public spaces and preservation of cultural monuments. Despite the limitations caused by the Covid19 pandemic, 264 volunteer hours were completed in 2020. In addition to traditional volunteering, employees also took part in the „Face masks for Žilina“ initiative in March, when, in cooperation with the City of Žilina and the Slovak Red Cross, they helped with the distribution of protective facemasks for the City of Žilina inhabitants during the pandemic.

The year 2020 was traditionally started by a popular children's ski camp in the resorts in Valča and Vrátná, which was attended by 76 children. However, after the deterioration of the epidemiological situation, we proceeded to re-evaluate the planned projects, which resulted in a reorientation of philanthropic activities to support and protection of health in pandemic. This resulted in the acquisition and purchase of 4 anesthetic devices with ventilators for the University Hospital in Martin worth EUR 140,000. Provision of 10,500 protective facemasks for the clients of facilities for the elderly in the Žilina region and the purchase of a humanitarian tent for the Slovak Red Cross for visitors triage in the University Hospital with Polyclinic in Žilina.

One of the key areas of corporate philanthropy is the support of education, primarily the development of technical knowledge and skills of young people. In 2020, educational aids were purchased in the form of Unimat Technics and Lego Mindstorms kits for 5 primary schools and 3 secondary schools. In addition, the purchase of online education licenses supported 35 primary schools in the Žilina region, resulting in the software availability to up to 11,000 children during on-line learning.

Support for sports took place on several levels in 2020. Through the Sport in the Region 2020 grant program, a total of 22 organizations were supported by grants of up to EUR 5,000 in order to increase the quality of sports venues and sports infrastructure. Financially supported was also the second season of the so-called Bike sharing. A system of shared bicycles in Žilina, which allowed up to 147,000 users an hour of free bike riding a year. The long-term support of mobility, which was implement with projects under the BikeKIA brand, is also closely related to sport. In 2020, activities in this area were co-financed through the support of the Terchová valley cycling route project, which will be a safe and ecological form of transport in the region with a total length of 23 kilometers from Žilina to Terchová. The company agreed to co-finance the project in the amount of EUR 314,000.

The company spent a significant part of its funds to support the social field. The support of 6 centers for children and families in the Žilina region worth more than EUR 40,000 resulted in, i.e. the construction of a new rehabilitation room for seriously disabled children, the purchase of music therapy instruments, sports equipment and aids. At the same time, interior equipment was provided for the newly established Community Center for the Disadvantaged in the Hájik housing estate, the Day Center for Mothers with Children and the Day Center for the Elderly in the Solinky housing estate, which will provide its services free of charge to the inhabitants of Žilina already in 2021. The newly established sheltered workplace of the confectionery in the premises of the ŽSK Foundation was supported through the purchase of interior equipment and electrical appliances, as well as an intensive residential program for the development of parental skills under the auspices of the Náruč Children's Crisis Center.

The philanthropic goals in 2021 remain the development of technical education, support of sport for children and youth, proceeding of the successful project of a shared bicycle system for the city of Žilina and support of mobility. A significant part of the funds is also allocated for the protection and promotion of health. All philanthropic activities will be implemented from the funds of the Kia Motors Slovakia Foundation.

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 2021 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.

VISION 2020

Lifetime partner in automobiles and beyond
We promote a customer-driven corporate culture by providing the best quality and impeccable service.

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

We focus on mutual communication and collaboration within the company and with our business partners.

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.

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

5. Quality Management System

Kia Motors Slovakia continues on the path of continuous improvement and permanent improvement of customer satisfaction by increasing the quality of manufactured vehicles and following the applicable legislation in the automotive industry. Competitiveness is constantly strengthened by investments into new models, hybrid drives and new engines.

In the case of the Sportage model, serial production of the model year 2021 was successfully carried out. Furthermore, the introduction of requirements for emission standards in the form of the RDE Step2 system was successfully implemented. With these innovations, the plant has ensured that the requirements of the European Community for emission standards and the requirements in the form of WLTP tests have been fulfilled.

The quality department was able to launch documentation management and internal audits of all certified management systems in a new software called WebArat, as well as to prepare environment for implementing non-compliance, risk and opportunity management and an environment for implementing software-linking processes with inputs and outputs from all involved parties. Company will continue to successfully implement these modules into operation in 2021. In the second half of 2020, more than 30 internal staff trainings were held about the software for managers and other users, including supervisors and trainers. Due to the constraints during the 2020 pandemic, training will continue also in 2021.

6. Financial Overview

Income Statement

In TEUR

	2020	2019
Revenue	4 575 453	5 593 433
Cost of sales	-4 374 571	- 5 288 603
Gross profit	200 882	304 830
Administrative and selling expenses	2 646	58 860
Operating profit	203 528	363 690
Interest costs	-4 077	-305
Interest income	3 860	2 174
Other financial (expense)/income, net	-20 884	-914
Net finance costs	-21 101	955
Other operating income/(expenses), net	-48 075	39 170
Profit before taxes	134 352	403 815
Current and deferred income tax	-28 458	-85 202
Total comprehensive income for the year	**105 894**	**318 613**

Balance sheet

In TEUR

	31 December 2020	31 December 2019
Assets		
Non-current assets	699 216	763 657
Current assets	1 841 417	1 519 686
Total assets	**2 540 633**	**2 283 343**
Equity		
Issued capital	433 323	433 323
Legal reserve fund and accumulated profit	975 165	869 271
Total equity	**1 408 488**	**1 302 594**
Liabilities		
Non-current liabilities	257 616	307 036
Current liabilities	874 529	673 713
Total liabilities	**1 132 145**	**980 749**
Total equity and liabilities	**2 540 633**	**2 283 343**

Distribution of profit

The general meeting will decide on the distribution of profit in the amount of 105 894 TEUR for the year 2020 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 half-year of 2021.

7. Yearly Closing

Statement of financial position for the year ended 31 December 2020

In TEUR

	Note	31 December 2020	31 December 2019
Assets			
Property, plant and equipment	11	647,554	692,055
Intangible assets	12	3,841	4,273
Right of use of asset	13	3,880	4,131
Reclaim receivable	15	19,415	22,566
Deferred tax assets	16	24,526	40,632
Total non-current assets		**699,216**	**763,657**
Inventories	17	375,922	476,429
Trade and other accounts receivable	18	882,562	859,609
Cash and cash equivalents	19	124,204	64,346
Prepaid expenses		522	228
Intercompany loan receivable	20	440,408	119,074
Income tax receivable		17,799	-
Total current assets		**1,841,417**	**1,519,686**
Total assets		**2,540,633**	**2,283,343**
Equity			
Issued capital	21	433,323	433,323
Legal reserve fund	21	43,332	43,332
Accumulated profit		931,833	825,939
Total equity		**1,408,488**	**1,302,594**
Liabilities			
Interest-bearing loans and borrowings	22	3,670	3,909
Provisions	15	184,074	252,879
Contract liability	14	69,872	50,248
Total non-current liabilities		**257,616**	**307,036**
Interest-bearing loans and borrowings	22	294,739	3,347
Trade and other accounts payable	23	464,475	550,639
Provisions	15	98,061	103,517
Contract liability	14	17,254	8,274
Income tax payable		-	7,936
Total current liabilities		**874,529**	**673,713**
Total liabilities		**1,132,145**	**980,749**
Total equity and liabilities		**2,540,633**	**2,283,343**

Statement of comprehensive income for the year ended 31 December 2020

In TEUR

	Note	2020	2019
Revenue	5	4,575,453	5,593,433
Cost of sales	6	-4,374,571	-5,288,603
Gross profit		200,882	304,830
Administrative and selling (expenses)	7	2,646	58,860
Operating profit		203,528	363,690
Interest costs		-4,077	-305
Other finance costs		-24,240	-5,240
Interest income		3,860	2,174
Other finance income		3,356	4,326
Net finance income / (costs)	8	-21,101	955
Other operating (expense) / income	9	-48,075	39,170
Profit before taxes		134,352	403,815
Current and deferred income tax	10	-28,458	-85,202
Profit for the year		105,894	318,613
Other comprehensive income			
Total comprehensive income for the year		**105,894**	**318,613**

Statement of changes in equity for the year ended 31 December 2020

In TEUR

	Note	Share capital	Legal reserve fund	Retained earnings	Total
		(Note 21)	(Note 21)		
Balance as of 1 January 2019		433,323	43,332	564,544	1,041,199
Total comprehensive income for period		-	-	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**
Balance as of 1 January 2020		433,323	43,332	825,939	1,302,594
Total comprehensive income for the year		-	-	105,894	105,894
Dividend distribution		-	-	-	-
Balance as of 31 December 2020	**21**	**433,323**	**43,332**	**931,833**	**1,408,488**

Statement of Cash Flows for the year ended 31 december 2020

In TEUR

	Note	31 December 2020	31 December 2019
Profit for the year		105,894	318,613
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	121,988	114,759
Value adjustment to inventories	6	5,891	2,674
Retirement of property, plant and equipment		1,040	1,304
Value adjustment to receivables	18	42	-78
Interest costs	8	4,077	305
Interest income	8	-3,860	-2,174
Unrealized FX losses		5,282	1,245
Unrealized FX gains		-1,365	-5,431
Warranty provisions charges	15	44,198	68,542
Release of warranty provision	15	-54,611	-136,750
Tax expense	10	28,458	85,202
Loss/(Gain on) sale of property, plant and equipment		754	-1,088
Operating profit before changes in working capital items		257,788	447,123
Decrease / (Increase) in inventories	17	94,616	-66,452
Decrease / (Increase) in trade and other receivables and pre-paid expenses	18	-39,489	76,507
Increase / (Decrease) in trade and other payables	23	-86,151	60,982
Increase / (Decrease) in contract liability	14	28,604	34,477
Increase / (Decrease) of other provisions	15	10,091	6,080
Cash generated from operating activities		265,459	558,717
Interests from short term financing, royalty interests and including overdrafts		-2,853	-
Interest received from bills of exchange and bank deposits		3,903	1,989
Tax paid		-38,088	-26,794
Warranty claims paid	15	-74,343	-89,040
Warranty reclaims received	15	17,281	22,552
Net cash generated from operating activities		171,359	467,424
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	-79,623	-163,749
Acquisition of intangible assets	12	-1,266	-1,570
Collection / (provision) of intercompany loan	20	-321,334	-106,844
Proceeds from sale of non-current assets		2,291	1,612
Interest received from intercompany loan		139	48
Net cash (used for) investing activities		-399,793	-270,503
Cash flows from financing activities			
Lease payments including interest		-268	-268
Repayment of long term loans	22	-3,125	-101,250
Dividends paid		-	-57,218
Receipt of short term loan		189,000	-
Interest paid on bank loans		-950	-196
Net cash from / (used for) financing activities		184,657	-158,932
Net increase / (decrease) in cash and cash equivalents		-43,777	37,989
Cash and cash equivalents at beginning of the period	19	64,346	26,762
Changes in FX related to cash and cash equivalents		-1,637	-405
Cash and cash equivalents at end of the period	**19**	**18,932**	**64,346**

Notes to the financial statements for the year ended 31 December 2020

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 2020 and for the year then ended and were prepared and authorized for issue by the Company’s directors on 29 January 2021.

The Company’s bodies:

Directors	Kyong Jae Lee
	Tae Jin Kim

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**
- 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 replacing 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:

- buildings 20-30 years
- machinery and equipment 3-15 years
- moulds 4-5 years
- 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 amortized 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 amortization 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. Amortization

Amortization 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).

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

e) Trade and other accounts receivable and intercompany loan receivable

Trade, other receivables and intercompany loans provided are recognized initially at fair value. Subsequently they are measured at their amortized cost using the effective interest rate method, less impairment losses (see accounting policy h). Trade receivable is offset with trade payables 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 payables 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); or
- 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 amortization, 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 amortized 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
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 amortized 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 invoices 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 income and they are released to the income statement as deduction of related expenses on a systematic basis in the same periods in which the expenses are recognized (this includes also Covid 19 state assistance). 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 amortized, 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, and other items.

p) Income tax
Income tax expense comprises current and deferred tax.

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 effective

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2020, 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 endorsed 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.

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.

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

i. Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

ii. Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
  - If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a peiod of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

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

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

The amendments is effective for annual periods beginning on or after 1 January 2023, early application is permitted and it clarifies that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

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

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment - Proceeds before Intended Use

The amendments to IAS 16 Effective for annual periods beginning on or after 1 January 2022 Early application is permitted and requires that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

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

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts - Cost of Fulfilling a Contract

The amendment is effective for annual periods beginning on or after 1 January 2022 Early application is permitted. In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

Annual Improvements to IFRS Standards 2018-2020

The amendments to the standards are effective for annual periods beginning on or after 1 January 2022 Early application is permitted.

Amendment to IFRS 9 Financial Instruments
The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases
The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

Amendment to IAS 41 Agriculture
The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

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

Standards and interpretations, not yet endorsed 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 (Ceed and Sportage model) and sale of engines to another production plants, related parties. The breakdown by key products and geographical area is as follows:

In thousands of euro	2020	2019
Revenue from sales of cars to EU countries excluding Slovakia	2,915,629	3,403,513
Revenue from sales of cars to non EU countries	1,255,086	1,693,812
Sale of engines, spare parts and others	331,649	409,864
Revenue from sale of cars to Slovakia	73,089	86,244
Total	**4,575,453**	**5,593,433**

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

In thousands of euro	2020	2019
Amount of receivables included in trade receivables	683,581	614,607
Contract liabilities - Note 14	-69,872	-50,248
Prepayments from customers - Note 22	-17,254	-8,274

6. Cost of sales

In thousands of euro	2020	2019
Material consumption	3,737,301	4,540,693
Logistics services	110,056	150,908
Depreciation and amortization (refer to Note 11,12, 13)	127,751	120,552
Personnel expenses	107,152	119,699
Covid 19 state assistance	(5,480)	-
Energy consumption	19,616	22,628
Running royalty charge	212,190	259,319
Creation of inventory provision	9,608	3,718
Amortization of government grants (refer to Note 11)	(6,290)	(6,291)
Other cost of sales	62,667	77,377
Total	**4,374,571**	**5,288,603**

The Company had on average 3,520 employees, out of that 2 were managers (in 2019: 3,677, out of that 2 managers). As at 31 December 2020 the Company had 3,469 employees, out of that 2 managers (as at 31 December 2019: 3,611, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	2020	2019
Warranty charges net of warranty reclaim asset (refer to Note 15)	44,198	68,542
Warranty provision release (refer to Note 15)	-54,611	-136,750
Personnel expenses	5,000	5,317
Marketing services	-	552
Depreciation and amortization (refer to Note 11,12)	527	498
Other expenses	2,240	2,981
Total	**-2,646**	**-58,860**

8. Net finance income / (costs)

In thousands of euro	2020	2019
Interest expense, long term bank loans	-48	-273
Interest expense, short term bank loans and overdrafts	-1,722	-
Interest expenses on right of use of asset from the lease liability	-31	-32
Interest expense on royalty charge	-2,083	-
Interest expense from financing receivables	-193	-
	-4,077	-305
Interest income, bank balance	2,393	616
Interest income on trade receivables from related parties	1,329	1,510
Interest income intercompany loan	138	48
	3,860	2,174
Net interest income / (expense)	-217	1,869
Foreign exchange losses	-24,240	-5,240
Foreign exchange gains	3,356	4,326
Net foreign exchange (losses) / gains	-20,884	914
Net finance income / (costs)	**-21,101**	**955**

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	2020	2019
Foreign exchange gains operating	11,365	50,904
Gain from sale of property, plant and equipment	-	1,089
Other operating income	2,573	2,434
Other operating income	13,938	54,427
Foreign exchange losses operating	-59,046	-13,178
Scrap of property on retirement	-868	-1,304
Loss from sale of property, plant and equipment	-750	-
Other operating expenses	-1,349	-775
Other operating expense	-62,013	-15,257
Total other operating (expense) / income	**-48,075**	**39,170**

10. Income tax

In thousands of euro	2020	2019
Current tax expense		
Period income tax charge	-12,114	-55,695
Adjustment to prior year income tax	-239	5,338
Deferred tax expense		
Origination and reversal of temporary differences	-16,105	-34,845
Total income tax expense	**-28,458**	**-85,202**

Reconciliation of effective tax rate

In thousands of euro	2020	%	2019	%
Profit before tax	134,352		403,815	
Income tax using the domestic corporation tax rate	-28,214	-21.00%	-84,801	-21.00%
Tax non-deductible expenses and other items	-264	-0.20%	-713	-0.18%
(Over) / underprovided to prior year	-239	-0.18%	5,338	1.32%
Effect of deferred tax change from prior year	259	0.19%	-5,026	-1.24%
Income tax charge for the year	**-28,458**	**-21.18%**	**-85,202**	**-21.10%**

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 2019	295,187	1,367,626	9,228	10,318	1,682,359
Acquisitions	-	-	-	163,749	163,749
Transfer	1,335	112,410	917	-114,662	-
Disposals	-	-43,025	-1,180	-	-44,205
Balance at 31 December 2019	**296,522**	**1,437,011**	**8,965**	**59,405**	**1,801,903**
Balance at 1 January 2020	296,522	1,437,011	8,965	59,405	1,801,903
Acquisitions	-	-	-	79,623	79,623
Transfer	3,377	122,868	499	-126,744	-
Disposals	-	-27,260	-515	-	-27,775
Balance at 31 December 2020	**299,899**	**1,532,619**	**8,949**	**12,284**	**1,853,751**
Depreciation and impairment losses					
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**
Balance at 1 January 2020	111,198	959,679	7,723	-	1,078,600
Depreciation charge for the period	9,945	115,972	584	-	126,501
Disposals	-	-23,348	-514	-	23,862
Balance at 31 December 2020	**121,143**	**1,052,303**	**7,793**	**-**	**1,181,239**
Government grants acquisition costs					
Balance 1 January 2019	38,282	118,227	-	-	156,509
At 31 December 2019	38,282	118,227	-	-	156,509
At 31 December 2020	**38,282**	**118,227**	**-**	**-**	**156,509**
Government grants amortization					
Balance 1 January 2019	14,674	104,296	-	-	118,970
Amortization	1,317	4,974	-	-	6,291
At 31 December 2019	15,991	109,270	-	-	125,261
Amortization	1,317	4,973	-	-	6,290
At 31 December 2020	**17,308**	**114,243**	**-**	**-**	**131,551**
Carrying amounts					
At 1 January 2019	170,219	461,708	913	10,318	643,158
At 31 December 2019	163,033	468,375	1,242	59,405	692,055
At 31 December 2020	**157,782**	**476,332**	**1,156**	**12,284**	**647,554**

Insurance
Property, plant and equipment are insured against damage up to TEUR 1,250,633 (2019: TEUR 1,228,653).

12. Intangible assets

In thousands of euro	Information technologies and software	Emission rights	Assets under development	Total
Cost				
Balance at 1 January 2019	27,186	242	509	27,937
Acquisition	1,035	732	343	2,110
Transfers	509	-	-509	-
Disposals	-935	-343	-	-1,278
Balance at 31 December 2019	**27,795**	**631**	**343**	**28,769**
Balance at 1 January 2020	27,795	631	343	28,769
Acquisition	1,047	578	219	1,844
Transfers	343	-	-343	-
Disposals	-40	-611	-	-651
Balance at 31 December 2020	**29,145**	**598**	**219**	**29,962**
Amortization and impairment losses				
Balance at 1 January 2019	23,507	-	-	23,507
Amortization for the year	1,484	-	-	1,484
Disposals	-934	-	-	-934
Balance at 31 December 2019	**24,057**	**-**	**-**	**24,057**
Balance at 1 January 2020	24,057	-	-	24,057
Amortization for the year	1,526	-	-	1,526
Disposals	-40	-	-	-40
Balance at 31 December 2020	**25,543**	**-**	**-**	**25,543**
Government grants acquisition costs				
Balance at 1 January 2019	-	242	-	242
Acquisitions	-	540	-	540
Disposals	-	343	-	343
Balance at 31 December 2019	-	439	-	439
Acquisitions	-	578	-	578
Disposals	-	439	-	439
Balance at 31 December 2020	**-**	**578**	**-**	**578**
Carrying amounts				
At 1 January 2019	3,679	-	509	4,188
At 31 December 2019	3,738	192	343	4,273
At 31 December 2020	**3,602**	**20**	**219**	**3,841**

13. Right of use of asset

In thousands of euro	Total
Cost	
Balance at 1 January 2019	4,382
Acquisition	-
Balance at 31 December 2019	**4,382**
Balance at 1 January 2020	4,382
Acquisition	-
Balance at 31 December 2020	4,382
Amortization and impairment losses	
Balance at 1 January 2019	-
Amortisation for the year	251
Balance at 31 December 2019	251
Balance at 1 January 2020	
Amortization for the year	251
Depreciation charge for the period	251
Balance at 31 December 2020	**502**
Carrying amounts	
At 1 January 2019	4,382
At 1 January 2020	4,131
At 31 December 2020	**3,880**

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 2020	31 December 2019
Non-current	69,872	50,248
Current	17,254	8,274
	87,126	**58,522**

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

In thousands of euro	31 December 2020	31 December 2019
31 December 2021 / 31 December 2020	17,254	8,274
31 December 2022 / 31 December 2021	-	-
31 December 2023 / 31 December 2022	5,018	-
31 December 2024 / 31 December 2023	17,444	5,018
31 December 2025 / 31 December 2024	23,569	17,444
31 December 2026 / 31 December 2025	17,791	19,795
31 December 2027 / 31 December 2026	6,050	7,991
	87,126	**58,522**

15. Provisions and reclaim assets

In thousands of euro	Warranty	Other	Total
Balance at 31 December 2019	345,473	10,923	356,396
Provisions charges (refer to Note 7)	44,602	17,695	62,297
Use	-74,343	-7,604	-81,947
Provision released (refer to Note 7)	-54,611	-	-54,611
Balance at 31 December 2020	**261,121**	**21,014**	**282,135**

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

In thousands of euro	31 December 2020	31 December 2019
Non-current	184,074	252,879
Current	98,061	103,517
Balance at the reporting date	**282,135**	**356,396**

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 5 years period. 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 2021, except for provision for long-term employee benefits.

Reclaim asset

in thousands of euro	Reclaim
Balance at 31 December 2019	56,586
Reclaim asset creation (refer to Note 7)	404
Use	-17,281
Balance at 31 December 2020	**39,709**

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

in thousands of euro	31 December 2020	31 December 2019
Non-current	19,415	22,566
Current (Note 18)	20,294	34,020
Balance at the reporting date	**39,709**	**56,586**

KMS warrants for the actual claim amount to the customers and it reclaims a portion that was caused by suppliers. The reclaim asset is recognized when it is virtually certain that it will be collected. As at 31 December 2020 the amount of estimated reclaims, that has been assessed as being virtually certain, represents TEUR 39,709 (as at 31 December 2019: TEUR 56,586).

16. Deferred tax assets

In thousands of euro	31 December 2020	31 December 2019
Property, plant and equipment	-48,947	48,081
Warranty provision net of reclaim asset	54,835	72,549
Other items	18,638	16,164
Deferred tax asset	**24,526**	**40,632**

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

17. Inventories

In thousands of euro	31 December 2020	31 December 2019
Raw materials and consumables	302,494	354,102
Less value adjustment to raw material	-6,418	-1,136
Work in progress and semi-finished goods	53,970	96,421
Less value adjustment to semi-finished goods	-2,511	-2,581
Finished goods	29,066	29,623
Less value adjustment to finished goods	-679	-
	375,922	**476,429**

The value adjustment to raw material 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 192,569 (31 December 2019: TEUR 186,373).

18. Trade and other accounts receivable

In thousands of euro	31 December 2020	31 December 2019
Trade accounts receivable	683,581	615,969
Value adjustment to receivables	-42	-
Other receivables	11,182	8,358
Financial	694,721	624,327
Value added tax receivable	167,510	201,262
Reclaim asset short-term (refer to Note 15)	20,294	34,020
Advance payment made	37	-
Non-financial	187,841	235,282
	882,562	**859,609**

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 2020, 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 2020:

in thousands of euro 31 December 2020	Gross carrying amount	Impairment loss allowance	Weighted average loss rate
Receivables HYUNDAI MOTOR GROUP	591,638	-	0.00%
Receivables sale of cars	96,632	-	0.00%
Receivables sale of parts	2,124	-42	-1.98%
Other receivables	4,369	-	0.00%
	694,763	-42	

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	-	0.00%
Receivables sale of cars	137,638	-	0.00%
Receivables sale of parts	1,357	-	0.00%
Other receivables	3,938	-	0.00%
	624,327		

The following table provides the information about the exposure to credit risk and ECLs for third party trade receivables, i.e. excluding receivables from HYUNDAI MOTOR GROUP:

in thousands of euro 31 December 2020	Gross carrying amount	Impairment loss allowance	Weighted average loss rate	Credit impaired
Current (not past due)	102,231	-	0.00%	No
1-30 days past due	806	-	0.00%	No
31-90 days past due	3	-	0.00%	No
More than 90 days past due	85	-42	-49.41%	Yes
	103,125	**-42**		

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	-	0.00%	No
1-30 days past due	13,109	-	0.00%	No
31-90 days past due	9	-	0.00%	No
More than 90 days past due	91	-	0.00%	No
	142,934	**-**		

The breakdown by currency is as follows:

In thousands of euro	31 December 2020	%	31 December 2019	%
EUR	280,171	40.2%	224,527	35.9%
GBP	160,707	23.1%	114,085	18.3%
RUB	121,576	17.5%	195,742	31.4%
CZK	11,159	1.6%	5,366	0.9%
SEK	47,679	6.9%	25,275	4.0%
USD	29,647	4.3%	39,154	6.3%
PLN	31,610	4.6%	18,359	2.9%
HUF	12,172	1.8%	1,819	0.3%
	694,721	**100.0%**	**624,327**	**100%**

67% or TEUR 591,638 (as at 31 December 2019: 56% or TEUR 479,293) 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 the Company offset gross trade and other accounts receivable of TEUR 56,065 (as at 31 December 2019: TEUR 37,937) with the gross trade and other accounts payable of selected business partners of TEUR 18,656 (31 December 2019: TEUR 19,483) with certain partners and presented them as net receivable of TEUR 37,409 (31 December 2019: TEUR 18,453).

19. Cash and cash equivalents

In thousands of euro	31 December 2020	31 December 2019
Bank balances	124,204	64,346
Cash and cash equivalents	124,204	64,346
Bank overdrafts (note 22)	-105,272	-
Cash and cash equivalents as presented in the Statement of Cash Flows	18,932	64,346

Cash and cash equivalents in the amount of TEUR 124,201 are denominated in foreign currencies (31 December 2019: TEUR 37,254).

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 2020 (31 December 2019: 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 totaling 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 2020	31 December 2019
Non-current liabilities		
Lease liability under Right of use	3,670	3,909
Long term	**3,670**	**3,909**
Current liabilities		
Short term portion of the long-term bank loan	-	3,109
Bank overdrafts	105,272	-
Short term bank loans	189,000	-
Lease liability under Right of use	239	237
Accrued interest and other	228	1
Short term	**294,739**	**3,347**

All the loans presented above bear the variable interest rate.

Lease liability under right of use of asset

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

In thousands of euro	31 December 2020	31 December 2019
Lease liability up to 1 years	268	268
Lease liability between 2 to 5 years	1,072	1,072
Lease liability above 5 years	2,854	3,122
Less interest	-285	-316
Lease liability presented in the statement of financial position	**3,909**	**4,146**

23. Trade and other accounts payable

In thousands of euro	31 December 2020	31 December 2019
Trade payables including accruals	454,660	529,254
Employee related liabilities	7,441	11,863
Other payables	1,618	8,093
Payroll withholding taxes	756	1,429
	464,475	**550,639**

The breakdown by currencies is as follows:

In thousands of euro	31 December 2020	%	31 December 2019	%
EUR	462,467	99.6%	542,668	98.6%
USD	1,392	0.3%	7,322	1.3%
RUB	616	0.1%	493	0.1%
JPY	-	-	154	0.0%
CZK	-	-	2	0.0%
	464,475	**100.0%**	**550,639**	**100.0%**

71% or TEUR 340,106 (as at 31 December 2019: 69% or TEUR 383,498) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2020 the Company offset gross trade accounts payable of TEUR 192,161 (as at 31 December 2019: TEUR 173,708) with the gross trade accounts receivable of TEUR 18,656 (as at 31 December 2019: TEUR 19,483) with certain partners and presented them as net payable of TEUR 173,505 (as at 31 December 2019: TEUR 154,225).

24. Capital commitments and contingencies

Capital commitments
At 31 December 2020 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 8,715 (31 December 2019: TEUR 32,662).

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 792 (2019: TEUR 698).

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 In thousands of euro	2020	2019
Revenue	362	286
Warranty claim chargebacks	5,650	7,176
Purchases of material	-116,138	-97,046
Acquisition of property, plant and equipment	-3,120	-10,895
Purchase of services	-348	-2,755
Dividends	-	-57,218
Interest on royalties	-2,083	-
Running royalties charge	**-212,190**	**-259,319**

Transactions with other companies in HYUNDAI MOTOR GROUP	2020	2019
In thousands of euro		
Revenues	3,941,491	4,740,231
Warranty provision chargebacks	9,943	12,132
Sale of property	67	-
Purchase of material	-2,241,170	-2,890,907
Acquisition of property, plant and equipment	-7,815	-34,178
Purchase of services	-143,317	-176,983
Warranty claims	-56,058	-67,884
Interest income from intercompany loan	86	51
Interest income on trade receivables from related parties	1,295	1,509
Right of use of asset initial recognition	-	-4,382

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 2020	31 December 2019
In thousands of euro		
Trade accounts receivable	1,322	1,588
Trade accounts payable	-86,521	-87,248

Assets and liabilities arising from transactions with other group companies	31 December 2020	31 December 2019
In thousands of euro		
Trade accounts receivable	590,316	477,705
Intercompany loan receivable	440,408	119,074
Trade accounts payable	-253,585	-296,250
Lease liability right of use of asset	-3,909	-4,146

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

86% (1-12/2019: 85%) 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. 87% (in 2019: 78%) of the outstanding trade receivables balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation.

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

In thousands of euro	31 December 2020	31 December 2019
Not due	684,832	519,614
Past due 0-3 months	9,845	104,622
Past due 4-6 months	1	6
Past due 7-12 months	-	-
More than 12 months	43	85
Total receivables	**694,721**	**624,327**

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 fulfill 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 2020 the current ratio reached management target of 2.11 (as at 31 December 2019: 2.26).

The following are contractual maturities of financial liabilities including interest payments as at: 31 December 2020

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. unamortized costs	22	-294,272	-294,272	-	-	-	-
Interests		-878	-878	-	-	-	-
Lease liability	22	-3,909	-119	-120	-482	-489	-2,699
Lease liability interests	22	-285	-15	-14	-53	-47	-156
Trade and other accounts payable	23	-464,475	-464,475	-	-	-	-
Subtotal financial liabilities		**-763,819**	**-759,759**	**-134**	**-535**	**-536**	**-2,855**
Trade and other receivables	18	694,721	694,721	-	-	-	-
Intercompany loan receivable	20	440,408	440,408	-	-	-	-
Cash and cash equivalents	19	124,204	124,204	-	-	-	-
Warranty provision	15	-261,121	-40,398	-40,397	-124,251	-56,075	-
Reclaim asset	15	39,709	10,147	10,147	13,378	6,037	-
Other provisions	15	-21,014	-17,266	-	-	-	-3,748
Income tax receivable / (payable)		17,799	-	17,799	-	-	-
Value added tax receivable	18	167,510	167,510	-	-	-	-
Subtotal financial assets and provisions		**1,202,216**	**1,379,326**	**-12,451**	**-110,873**	**-50,038**	**-3,748**
		438,397	**619,567**	**-12,585**	**-111,408**	**-50,574**	**-6,603**

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 borrowings, excl. unamortized costs	22	-3,125	-3,125	-	-	-	-
Interests		-24	-12	-12	-	-	-
Transaction costs	22	16	16	-	-	-	-
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	-	-7,936	-	-	-
Trade and other accounts payable	23	-550,639	-550,639	-	-	-	-
Subtotal financial liabilities		**-566,170**	**-553,894**	**-8,082**	**-536**	**-536**	**-3,122**
Trade and other receivables	18	624,327	624,327	-	-	-	-
Intercompany loan receivable	20	119,074	119,074	-	-	-	-
Cash and cash equivalents	19	64,346	64,346	-	-	-	-
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	-
Other provisions	15	-10,923	-7,604	-	-	-	-3,319
Value added tax receivable	18	201,262	201,262	-	-	-	-
Subtotal other assets and liabilities		**709,199**	**974,271**	**-27,134**	**-150,340**	**81,728**	**-5,870**
		143,029	**420,377**	**-35,216**	**-150,876**	**82,264**	**-8,992**

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 65% (2019: 61%) of revenues and 99% (2019: 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 2020 (all other variables held constant) would have increased / (decreased) equity and net profit by the amounts shown below.

In thousands of euro	Impact on profit and equity - strengthening of foreign currency		Impact on profit and equity - weakening of foreign currency	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
RUB +/- 10%	24,401	23,199	(19,965)	(18,981)
GBP +/- 5%	8,458	6,005	(7,653)	(5,433)
CZK +/- 5%	587	282	(531)	(255)
USD +/- 5%	2,833	2,735	(2,562)	(2,475)
SEK +/- 5%	2,509	1,330	(2,270)	(1,204)
PLN +/- 5%	1,664	1,139	(1,505)	(1,030)
HUF +/- 5%	641	111	(580)	(100)

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 1,527 (2019: TEUR 316).
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 2020	31 December 2019
Total liabilities	1,132,145	980,749
Less available cash	-124,204	-64,346
Total liabilities less cash	1,007,941	916,403
Total equity	1,408,488	1,302,594
Adjusted debt/equity ratio	0,7	0,7

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.

Implications from Covid 19

The World Health Organization declared on 11 March 2020 the coronavirus SARS-CoV-2 outbreak a pandemic. Subsequently Slovakia's government declared on 12 March 2020 a state of emergency and took preventive actions with aim to mitigate possible impacts of this pandemic.

In order to ensure its operations, the Company immediately adopted a series of measures with the main purpose of protection the health of its employees while securing the continuance of production.

At the time of preparation of these financial statements it is not possible to perform a comprehensive assessment of all possible effects on the Company's operations, as the pandemic is still ongoing and duration and impact on health of population and development of Slovak and world's economy is not fully specified. Due to required lockdown at different suppliers during March and April 2020, the Company locked down its production factory for couple of days in March and in April. The Company is monitoring the situation at the suppliers, as well as, the demand from customers. The lockdowns at KIA production were only temporary, and management used them for the purpose of plan the procurement and future production to prevent such lockdown in the future.

The Company is continuously monitoring the situation and the potential impact in relation to the risks to which it is exposed. Risks related to business operations and financial results:

- preventive measures and larger regional supplier network, in light of just in time deliveries from the suppliers;
- health and availability of the employees;
- demand from the customers;

The Company experienced a decrease in sale during 2020 as a result of lockdown measures in different countries including Slovakia. Decrease in sales also impacted the profitability of whole 2020. Along with this the profit also dropped due to fluctuations of RUB against EUR. The Company did experience in last quarter of 2020 an increase of demand for its products and for 2021 if the pandemic situation will remain unchanged management expects improved results operationally, as well as in financial terms.

A threat of financial risks on business operations resulted into a list of countermeasures, therefore during the current pandemic the Company did not experience a negative deterioration of its financial assets as a result of pandemic.

28. Fair values

Fair values versus carrying amounts
The fair value of trade and other receivables, cash and cash equivalents, 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 2020 as well as at 31 December 2019.

Basis for determining fair values
The fair value of trade and other receivables, cash and cash equivalents, 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 2020 amounted to TEUR 261,121 (31 December 2019: TEUR 345,473) 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 the assumptions how the future warranty claims will develop in each individual models. The assumptions were based on historical trends of similar models and were embedded to the model to calculate the expected level of warranty costs in remaining warranty period. The calculation of warranty provision is sensitive to the changes in these assumptions and affect the estimated value of future warranty claims. An increase or decrease of the assumptions by 5% would increase or decrease the warranty provision by 14% and 12%, respectively. The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

These financial statements were approved by management on 29 January 2021.

Tae Jin Kim
CFO

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

Appendix to the independent Auditors' Report issued on 29 January 2021 (this Appendix is issued in respect of 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 2020 presented in Section 7 of the accompanying Annual Report. We have issued an unmodified independent auditors' report on the financial statements on 29 January 2021.

This Appendix supplements the aforementioned auditor's report in respect of the following information:

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act on Accounting but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

The Annual Report was not available to us as at the date of the auditors' report on the audit of the financial statements.

With respect to the Annual Report, once obtained, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

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

- the other information given in the Annual Report for the year ended 31 December 2020 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

5 March 2021
Bratislava, Slovak Republic

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Movement that inspires