Kia Motors Slovakia s.r.o.

ANNUAL REPORT 2017

The Power to Surprise

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1. FOREWORD

With 2017, Kia Motors Slovakia began the second decade of mass production of passenger vehicles as well as engines in Slovakia. Last year represents the first year-on-year decline in production quantity after the global economic crisis in 2009. We produced 335,600 vehicles along with 539,987 engines. By the end of the year, over 2,925,000 cars and more than 4,403,000 engines had been manufactured in total.

I am glad to say that in order to remain competitive, we were able to invest over 107 million euros into vehicle and engine production lines adjustments. In addition, development of the third generation of Kia Ceed and product-enhanced version of the fourth generation of Kia Sportage has been ongoing successfully.

I am proud to say that Kia Motors Slovakia received acknowledgement and was awarded the Best Performance Award 2017 among all Kia overseas plants. It certainly proved that our hard efforts were worthy of it. On top of that, it was a great honor that our company received the Via Bona Award - the most prestigious CSR award in Slovakia.

Our company is the only engine producer in Slovakia and the only engine producer for the group in Europe. Throughout our history, diesel engines had always been preferred except for last year. I am a little concerned about the declining diesel engine trend. Due to development of this trend, we are now considering to add a green car model including an electric vehicle to our portfolio.

It is our ambition and our mission to strengthen competitiveness in 2018. We will operate our plant efficiently and manage our profitability; we need to achieve our goals regarding the new model development in terms of time schedule and quality. It is our objective to generate maximum effort and create conditions to ensure further investments in the amount of over 200 million euros. Our new model will be presented at Geneva Motor Show in March 2018 and it is going to enter mass production in May 2018. I believe it will impress many European customers with its attractive design and driving attributes.

Success of the company would be difficult to achieve without meeting the challenges, efforts, and passion of our employees. I am most thankful to them and to their families for support. A big thank you is also inevitable to be acknowledged for all of our business partners and suppliers. Thanks to them, we are able to fulfil our business goals and provide the highest quality vehicles at competitive price to our customers.

Dae Sik Kim
President and CEO
Kia Motors Slovakia

2. KEY EVENTS IN KIA MOTORS SLOVAKIA'S HISTORY

2004
March
Investment Agreement between KMC and the Slovak Republic
October
Plant construction launched

2006
December
Production of cee'd

2007
June
Sportage production
November
ISO 14001 certificate

2008
November
ISO 9001 certificate

2010
June
3rd generation Sportage

2011
September
Production in Engine shop II
October
Production of Venga

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

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

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

2015
November
4th generation Sportage

2016
November
Slovak National Quality Award 2016

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

3. KIA MOTORS SLOVAKIA

Company Profile

On March 18, 2004, Kia Motors Corporation officially confirmed the construction of its first European automotive plant in Slovakia. Kia Motors Slovakia s.r.o. (hereinafter referred to as "Kia Motors Slovakia") is a company 100% owned by Kia Motors Corporation. The main activity is production of motor vehicles including engines. The registered capital is in the amount of 433,322,934.01 EUR. In 2017, the company executives were Eek Hee Lee until February 2017 replaced by Dae Sik Kim from March 2017, and Jun Gyu Lee.

The volume production at Kia Motors Slovakia started in December 2006. The plant currently manufactures Kia cee'd lower middle class in two car body versions, the CUV model Kia Sportage, and the MPV representative Kia Venga.

Company Executives

Dae Sik Kim
President and CEO

Dae Sik Kim studied at University of Hanyang, South Korea, and successfully graduated in the field of Machine Design and Production Engineering in 1983. He started his career with Kia Motors Corporation in 1985. After several years, he continued at the Sohari car production plant where he worked as Head of Production Management until 2000.

From 2005, Mr. Kim began to work for Kia Motors Headquarters as Head of Global Production Management. Before he joined Kia Motors Slovakia, he was Head of Corporate Planning department in Hyundai Motor Group. After his rich professional career he got an opportunity to use his experience abroad in the position of the President and CEO of Kia Motors Slovakia. He is authorized to act solely as a statutory body of Kia Motors Slovakia.

Eek Hee Lee
President and CEO

Eek Hee Lee studied at the University of Ulsan, South Korea, and successfully graduated in the field of Mechanical Engineering in 1979. He started his career with Hyundai Group in 1981. After several years, he joined the car production plant in Ulsan as Director of Production Management until 2004.

Later, Mr. Lee began to work for the Hyundai Motor Company headquarters where he became responsible for Strategic Planning and Global Production Management. As a highly skilled professional, he became the President and CEO of Kia Motors Slovakia in December 2011. He was authorized to act solely as a statutory body of Kia Motors Slovakia until February 2017.

Jun Gyu Lee
Chief Financial Officer, Head of Business Management Division

In 1991, Jun Gyu Lee graduated from Sogang University in Seoul, South Korea, specializing in Business Administration. Three years later, he started to work for Hyundai Motor in Foreign Capital Management. In 2010, Jun Gyu Lee joined Kia Motors Corporation and worked with the Global Accounting department. Mr. Lee has been working at Kia Motors Slovakia since March 2015 as CFO and Head of Business Management division. He is authorized to act solely as a statutory body of Kia Motors Slovakia.

Kia Motors Corporation

Kia Motors Corporation is a maker of world-class quality vehicles for the young-at-heart. The company was founded in 1944 and is Korea's oldest manufacturer of motor vehicles. Over 3.5 million Kia vehicles a year are produced at 14 manufacturing and assembly operations in five countries. In 2017, Kia Motors sold more than 2.7 million vehicles through a network of distributors and dealers covering 180 countries. Research and development centres focused on the development of new models and technologies are located in four countries, with major development centre in South Korean Namyang. Research and development for the European market is in the German city of Rüsselsheim. The global value of the Kia Motors brand grew by 6% over the last year, according to Interbrand's exclusive list of the 100 "Best Global Brands". According to the 2017 study, Kia stayed as 69th most valuable brand in the world. The Korean manufacturer's estimated brand value grew from 6.3 billion USD in 2016 to 6.7 billion USD in 2017. As of December 31, 2017, Kia Motors employed more than 51,000 employees worldwide. Its annual revenues represent 45 billion USD. Kia Motors Corporation's brand slogan "The Power to Surprise" represents the company's global commitment to surprise the world by providing exciting and inspiring experiences that go beyond expectations.

Kia Motors Slovakia in 2017

Export to 82 countries

335,600 cars

539,987 engines

Sportage 63.35%, cee'd 29.45%, Venga 7.20%

70% of Kia EU* sales made in KMS

Export: UK 17%, Russia 13%, Spain 9%

Most popular engine 1.7 L diesel 25%

Profit after taxes: 209,871 thousand EUR

Revenue: 5,184,666 thousand EUR

* EU and EFTA member states

Goals and forecasts for 2018

In 2017, the sales of passenger cars grew by 3.3% in Europe, totaling in 15.6 million sold cars. Analysts forecast that the automobile market will grow by more than 2% in comparison with 2017. Our most important SUV segment should continue to grow by around 13%. The interest rates are expected to stay on low levels which should support financing of cars and the overall sales of automobiles in Europe. For Kia Motors Slovakia the situation on two key markets UK and Russia is very important. The sales of new cars in the UK fell annually by 5.4% in 2017. It is expected, due to uncertain situation caused by Brexit, the sales will continue to fall on this market also in 2018.

Business plan of Kia Motors Slovakia is set to 328,000 produced cars. During 2018, the launch of two versions of the third generation of the model cee'd is planned - five-door hatchback and family Sportswagon. In the second half of 2018, mass production of the facelifted version of the Sportage is also planned. Investments with total amount exceeding 200 million EUR are planned for modification of production lines connected with the launch of new model production and for construction of new modern rehabilitation centre for employees.

The situation on the labour market is still unfavourable, finding suitable and qualified candidates with good working habits is more and more complicated. Kia Motors Slovakia extended their hiring activities also outside the Zilina region. Employing people from the Zilina region remains a priority for Kia Motors Slovakia. However, in case of worsening of the situation, the plant is ready to hire additional employees from abroad. Numerous activities in fields of occupational health and safety were realized in 2017 focusing on the prevention of health injuries, evaluation of work and workplaces, ergonomics and regular health check-ups. In 2017, the investment into air conditioning units in the amount of 700,000 EUR was realized and improved the microclimate conditions in selected places of production during hot days. In 2018, the installation of new air conditioners units should continue.

Product Line-Up

Kia Sportage

In 2017, the CUV Kia Sportage was Kia's most sold model in Europe. In November 2015, production of the fourth generation with improved driving experience and higher comfort was launched. It acquired the maximum of five stars in the Euro NCAP safety rating. For customers expecting sportier drive, a GT Line edition comes in handy.

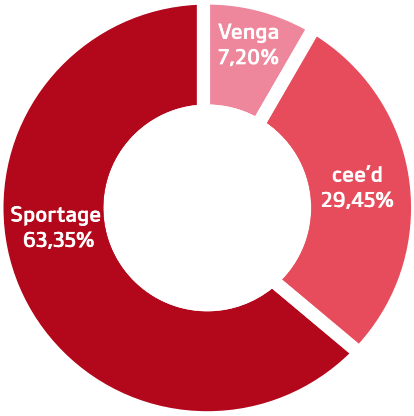
The model Sportage is sold as a front-wheel drive with a six-speed manual gearbox in combination with gasoline 1.6-litre GDI (GDI 97 kW or T-GDI 130 kW) or diesel 1.7-litre (85 kW) or 2.0-litre (100 kW) engines. The all-wheel drive variant comes with gasoline 1.6-litre T-GDI (T-GDI 130 kW) and diesel 2.0-litre CRDi (100 kW or 136 kW) engines. For 2.0-litre engines, a six-speed automatic or manual gearbox can be chosen. The Kia Sportage also comes with a seven-speed dual-clutch transmission. It is offered only with the new 1.6-litre T-GDI engine with 130 kW or 1.7-litre diesel engine (104 kW). The 2.4-litre (135 kW) engine available in combination with the six-speed automatic transmission completes the all-wheel drive Sportage portfolio.

Kia cee'd, cee'd Sportswagon and pro_cee'd

The Kia cee'd family of the C-segment has successfully applied itself with European customers ever since 2006. From the first half of 2015, a product enhanced version of its second generation has been manufactured. In 2017, Kia cee'd came in three body versions: five-door hatchback, three-door sporty pro_cee'd, and family Sportswagon. Production of the pro_cee'd version was finished in December 2017 and only two body versions have been available since 2018. For those who enjoy sporty rides, two high-performance versions are at hand: Kia cee'd GT and Kia pro_cee'd GT powered by 1.6-litre turbocharged GDI gasoline engine delivering 150 kW. The modern cee'd also comes in a GT Line that attracts customers with its sporty look of the GT version. At the moment, each of the body versions of Kia cee'd is available in two gasoline engines: 1.4-litre (73 kW) and 1.6-litre (99 kW) as well as two diesel engines: 1.4-litre (66 kW) and 1.6-litre (81 kW and 100 kW). The 1.0-litre T-GDI (73 kW or 88 kW) is at disposal, too.

Kia Venga

The spacious mini MPV designed and produced only for European customers completes the product line-up rolling off the production lines at Kia Motors Slovakia. Venga as well as cee'd are both produced exclusively in the Slovak plant. It passed strict reliability and durability tests and is a product with stable position in the production portfolio. Since October 2014, a product enhanced version with a new face and more modern interior has been available. Currently, the model comes with two gasoline 1.4-litre (66 kW) and 1.6-litre (92 kW) in addition to two diesel 1.4-litre (66 kW) and 1.6-litre (85 kW) engines.



Engines

In 2017, Kia Motors Slovakia manufactured 539,987 engines. The most frequently built engine was the 1.7-litre diesel accounting for 25% of all customer orders. Last year, the trend of interest in engines changed and gasoline ones prevailed. The change also affected Kia Motors Slovakia and gasoline engines accounted for 53% of the total volume of power train produced last year. The plant currently assembles 1.4-litre and 1.6-litre as well as 1.6-litre GDI and T-GDI gasoline engines. The company also produces 1.4-litre, 1.6-litre, 1.7-litre, and 2.0-litre diesel engines.

Production Process

Press shop

2 press lines

86 types of panels

20-second panel production

5 million panels annually

Body shop

100% welding automatization

374 robots

Capacity **8** types of car bodies

Paint shop

360° Ro-Dip conveyor system

7.5 km conveyor system

83 robots

14 colour options

Engine shop

4 gasoline engines

4 diesel engines

7 metal cutting lines

2 assembly lines

Assembly shop

Area **18** football pitches

225 working stations

43% modularization

3.5 km test track

4. SUSTAINABLE DEVELOPMENT

Environmental aspects – environmental protection

Environmental policy of Kia Motors Slovakia is based on the principles of corporate social responsibility valid for the whole Hyundai Motor Group and it is divided into economic, social and environmental responsibility. Environmental Strategy 2020 for Kia Motors Slovakia was created and accepted based on it. It consists of three basic fields the company will mainly focus on in the near future.

I. Environmental awareness, managing and cooperation – The goal is to improve the awareness and knowledge about environmental protection of all employees to realize how they can protect and improve the environment during their everyday work. Cooperation with all involved parties and transparent presentation of environmental performance.

II. Energy savings and reduction of emissions – The target is reducing of greenhouse gases and fugitive organic substances. Use of higher amount of green technologies and improvement of management system.

III. Waste as new source – Waste is a material and energy of the future, therefore it is our priority not only to dispose it but also find ways how to re-use it, recycle, or energetically use. We support the so-called circular economy to preserve the value of the products and materials as long as possible and minimize the amount of waste.

The core of the environmental policy is an established certified system of environmental management according to ISO 14001 standard which has been continuously improved by the company and in 2017 it was successfully certified to new version of the regulation. The system of environmental management hereby undertakes the company to follow the legal requirements, continuous improvement of environmental protection, regular evaluation of environmental performance, and to increase the environmental awareness of all employees. Regular monitoring and evaluation of water, energies and material consumption is an important part of the system together with the amount of produced waste, waste water and emissions calculated per produced car and acceptance of environmental targets to improve these indicators.

Kia Motors Slovakia is minimizing the impact of its activities on the environment not only throughout the production process but also within production and development of cars. The use of state-of-the-art technologies is a proof supplemented by systematic monitoring of the impact of production on the environment and certificates for the models produced in our factory such as LCA – Lifecycle Considering According to ISO 14040 and Integration of Environmental Aspects into the proposal and development of product according to ISO 14062.

The company is a member of various national and international environmental groups such as Legislation Committee of Automotive Industry Association of the Slovak Republic, membership in working groups of ACEA (industry emissions, process chemicals, REACH), and others. Active participation in those groups gives us the possibility to object prepared legislation and simultaneously prepare for the most important changes.

One example of successful cooperation with involved parties was the conference "Research and Protection of Mala Fatra". The event was organized on the occasion of the 50th anniversary of Mala Fatra protection and took place in the Training Centre of Kia Motors Slovakia, which was also a partner of the conference.

The goal of Kia Motors Slovakia is permanent improvement of environmental management of the factory, because environmental protection is one of the keys to successful entrepreneurship.

Human Resources

As of December 31, 2017, the plant employed 3,755 people, while the average age reached 35.6 years. The human resources policy at Kia Motors Slovakia stands on the following basic pillars: employee care, transparent communication with employees, highly competitive remuneration system, wide range of benefits usable in free time as well as improvement of conditions for employees. Since 2005, a unique concept of counselling rooms so-called Harmony rooms have been utilized. Harmony rooms are located directly in production shops, through which employees have an opportunity to actively participate in improvement of the working environment and relationships in the workplace. Every year the company organizes events for its employees and their family members. The most significant ones being Kia Open Day and Parents' Day. In order to increase the level of care for its employees and offer assistance in overcoming personal difficulties, the company support the new program of psychological counselling available from December 2016. The idea behind the concept is to help employees conquer any stress related to their person and achieve harmony.

In 2017, KMS in cooperation with the consulting firm PricewaterhouseCoopers Slovensko implemented a project that set up a new salary system for administration and production.

Education of Employees

Kia Motors Slovakia has, since its inception, focused on the personal and professional growth of its employees, which the company considers a key to its success. In 2017, production and administrative employees attended 1,274 different types of trainings, including trainings required by law. The goal of all trainings was to improve their skills and increase their expertise as well as strengthen the work and management competencies. Throughout the last year, 9,914 Kia Motors Slovakia's employees were trained for 59,380 hours altogether.

Kia Motors Slovakia also organizes trainings in cooperation with the parent company Kia Motors Corporation. The main objective is to acquire necessary skills and technical knowledge required for production of new models. In 2017, 288 employees attended trainings in South Korea. For employees with best work results Kia organizes a motivational program Kia Spirit Up! every year in South Korea; last year, 60 of them participated in the program. Kia Motors Slovakia has its own Training Centre in the village of Gbelany.

Safety and Occupational Health in 2017

In 2017, several activities in the field of occupational health were carried out focusing on prevention against health damage of employees, especially through medical exams, field evaluation factors of work and workplaces as well as ergonomics. The company participated in the "Safety Culture Award" competition in 2017, focusing on the overall state of Safety and Health at Work ("OSH") in the company. Among the top Czech and Slovak companies, Kia Motors Slovakia was at the forefront. From the prevention of injuries, "Golden Kia Rules of Safety" were created to eliminate the most common risks in production. This way, Kia Motors Slovakia strives to enrich employees with basic safety principles during work.

This year, Kia Motors Slovakia created and launched internal HSE (Health, Safety, Environment) portal for leading employees which provides them with all the necessary information in fields of safety, chemistry, health protection, first aid, and to solve various issues online.

Regarding the working environment and microclimate conditions in working place, Kia Motors Slovakia invested 700,000 EUR in the first phase of the project that were used for the installation of air conditioning units in the production shops. This installation significantly improved working conditions of working employees during the summer days. In 2018, the project will continue with the second phase. In field of ergonomics Kia Motors Slovakia focused on specification of unified rotation of positions on production lines and work places for all shifts so the work load from the point of affecting work factors and workplace was distributed equally and healthiest for the employees and simultaneously will prevent work that would exceed the legislation limits. Leading employees and their subordinates labelled difficultness from the point of production. By those measures we decreased the number of potentially difficult positions in Assembly from 107 to 35. The results were presented within the Czech-Slovak conference Ergonomics 2017 organized by the Slovak Ergonomic Company which granted award in the field of ergonomics for the year 2017 to Kia Motors Slovakia. In 2017, a significant investment was approved for the construction of health and rehabilitation centre that will focus on strengthening of loadbearing and movement with help of physiotherapy exercises or by use of modern curative procedures.

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. Investment reports about the fulfilment of obligations connected with the drawing of state aid are prepared on a regular basis and provided to the Ministry of Economy of the Slovak Republic. Kia settled all due claims and due liabilities towards all state authorities by December 31, 2017.

Compliance with Ethical Rules

Within the business, Kia Motors Slovakia has undertaken to act in accordance with all ethical rules and regulations. For this purpose, it has set up a separate organizational unit responsible for providing assistance in the interpretation of ethical issues and their solutions, which helps not only the company itself but also every employee on such issues as ethical principles of business, anti-corruption measures, conflict of interest management, gift policy, personal data protection, whistleblowing system or conduct under the competition rules. The goal is to create an effective "Compliance and Audit" program to minimize the risks in strengthening the reputation of ethically and socially responsible company toward its customers and business partners. Therefore, it does not only rely on the theoretical level with its counselling and training program for its employees and business partners, but it also directly develops its own activities aimed at identifying potential risks and proposing measures aimed at achieving the objectives set by the company.

Impact of Kia Motors Slovakia on environment, social affairs and employment is described in separate paragraphs.

Cooperation with Schools

Kia Motors Slovakia has cooperated actively with secondary vocational schools in the Zilina region since 2007. Since then it has enabled more than 700 students to obtain practical experience in its production facilities. In the 2017/2018 school year, 41 students finished vocational practical training in the Kia plant.

In the 2017/2018 school year, Kia continues in the dual education system. In total, 45 students from the Secondary Vocational Engineering School in Kysucke Nove Mesto will graduate in the following specializations: Mechanical specialist of car production, Programmer of machining and welding tools and devices, and Mechanic – mechatronic. The students have not only been receiving practical experience with the most attractive employer in the Zilina region, they are also going to be guaranteed a working position after their graduation.

Four secondary school students and two university students have joined the scholarship program at Kia Motors Slovakia in the 2017/2018 school year. Conditions for obtaining scholarships were excellent study results and practical vocational training during their studies.

Philanthropy

In 2017, Kia Motors Slovakia continued to realize its intention to be a responsible partner for organizations and inhabitants of the Zilina Self-Governing Region by supporting various philanthropic activities. The company supported 132 projects via Kia Motors Slovakia Foundation in the total amount of 1,8 mil. EUR (for more information, please see the 2017 Annual Report of Kia Motors Slovakia Foundation). The company also donated a financial amount of 366,000 EUR for direct realization of projects. The primary fields of support in 2017 were education, sport, development of cycling in region, revitalization of greenery, reconstruction of the hospital. Support of mobility, development of education and sports with focus on children and youth remain as targets of the foundation in 2018.

A significant part of the corporate responsibility of Kia Motors Slovakia is the company's volunteering program: blood donation and support of 20 non-profit organizations via volunteering. In 2017, Kia volunteers worked for 2,537 hours altogether. In the same year, 70 of our employees participated in the largest volunteering event in Slovakia titled Our City, which benefited various organizations in the Zilina region in one day. In 2017, Kia Motors Slovakia Foundation in cooperation with the National Blood Transfusion Service organized three blood donations for administrative employees. Voluntary blood donations have been organized in Kia Motors Slovakia since 2007.

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 new management philosophy and horizontal principles that stress trust based, on-site, and transparent management. Effective as of March 1, 2014, Kia Motors Slovakia established a system for handling motions and investigation of allegations of unethical behaviour of the company employees.

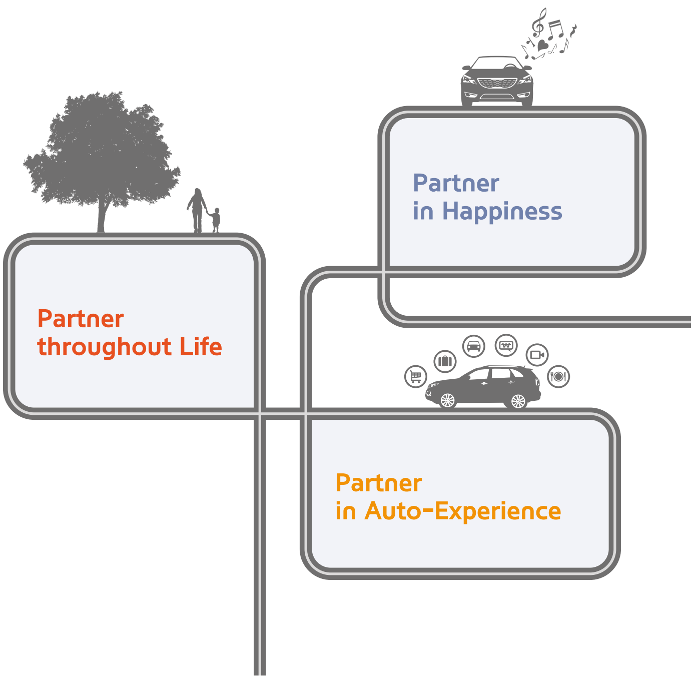
Kia Motors fulfils corporate philosophy representing the values which have to be kept, the direction we want to take, and a clear vision of our future. Endowed with an intrinsic passion for success, we pledge to work together toward our new vision and aspiration for 2020. A company's management philosophy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

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

Together for a better future.

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

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

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

5. QUALITY MANAGEMENT SYSTEM

The main goal for Kia Motors Slovakia and all its employees is the way of continuous improvement and increase of customer satisfaction. High level of quality is secured by qualified and skilled employees within the whole production process, starting with preparation and planning of the production, car production itself up to cross-operation quality control and final checks of completed cars prepared for dispatch to customers. It is necessary to constantly modernize technological equipment including test track, flexibly respond to issues and continuously educate all employees of the quality department so customers will always get safe, reliable, and high quality cars. In 2017, the quality department had 422 employees.

Besides the quality of products Kia Motors Slovakia focuses on improvement of supportive processes management. Quality Management System in Kia Motors Slovakia was introduced in 2008 by DNV GL Business Assurance – independent auditor and in 2017 it was re-certified according to ISO 9001:2015. Continuous improvement of all processes within the company helps to improve quality, productivity, secures company growth, and improves competitiveness on the car market.

Národná cena Slovenskej republiky za kvalitu

VÍŤAZ
2016

6. Financial Overview

Income Statement

In TEUR

	2017	2016
Revenue	5,184,666	5,566,181
Cost of sales	– 4,658,230	-5,031,643
Gross profit	**526,436**	**534,538**
Administrative and selling expenses	-235,073	-272,912
Operating profit	**291,363**	**261,626**
Interest costs	-1,036	-1,968
Interest income	1,194	1,379
Other financial (expense)/income, net	-145	-4,220
Net finance costs	**13**	**-4,809**
Other operating income/(expenses), net	-25,047	23,356
Profit before taxes	**266,329**	**280,173**
Current and deferred income tax	-56,458	-66,182
Total comprehensive income for the year	**209,871**	**213,991**

Statement of changes in share capital

In TEUR

Capital increasing	Amount	Contributions of capital	EUR
Balance as of 1.1.2017	433,323		EUR
Balance as of 31.12.2017	433,323		EUR

Balance sheet

In TEUR

	31 December 2017	31 December 2016
Assets		
Non-current assets	722,192	714,785
Current assets	1,373,655	1,528,412
Total assets	**2,095,847**	**2,243,197**
Equity		
Issued capital	433,323	433,323
Legal reserve fund and accumulated profit	467,195	467,462
Total equity	**900,518**	**900,785**
Liabilities		
Non-current liabilities	570,255	667,083
Current liabilities	625,074	675,329
Total liabilities	**1,195,329**	**1,342,412**
Total equity and liabilities	**2,095,847**	**2,243,197**

Distribution of profit

The general meeting will decide on the distribution of profit in the amount of 209,871 TEUR for the year 2017 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 March 2018.

7. Yearly Closing

Statement of financial position as at 31 December 2017

in TEUR

	Note	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	11	571,107	568,861
Intangible assets	12	3,733	4,044
Reclaim receivable	14	60,437	62,395
Prepaid royalty expense	13	–	4,904
Deferred tax assets	13	86,915	74,581
Total non-current assets		**722,192**	**714,785**
Inventories	16	353,530	307,866
Trade and other accounts receivable	17	914,800	885,156
Cash and cash equivalents	18	45,817	53,939
Prepaid expenses	13	6,008	19,774
Intercompany loan receivable	19	52,360	259,891
Income tax receivable		1,140	1,786
Total current assets		**1,373,655**	**1,528,412**
Total assets		**2,095,847**	**2,243,197**
Equity			
Issued capital	20	433,323	433,323
Legal reserve fund	20	43,332	43,332
Accumulated profit		423,863	424,130
Total equity		**900,518**	**900,785**
Liabilities			
Interest-bearing loans and borrowings	21	104,283	190,396
Provisions	14	465,972	476,687
Total non-current liabilities		**570,255**	**667,083**
Interest-bearing loans and borrowings	21	86,119	16,064
Trade and other accounts payable	22	353,204	443,452
Provisions	14	185,751	215,813
Total current liabilities		**625,074**	**675,329**
Total liabilities		**1,195,329**	**1,342,412**
Total equity and liabilities		**2,095,847**	**2,243,197**

Statement of cash flows for the year ended 31 December 2017

in TEUR

Cash flows from operating activities	Note	2017	2016
Profit for the year		209,871	213,991
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets, net of amortisation of state aid	11,12	103,295	105,102
Value adjustment for inventories		-3,114	80
Retirement of property, plant and equipment		583	92
Interest costs	8	1,036	1,968
Interest income	8	-1,194	-1,379
Unrealized FX losses		2,775	1,152
Unrealized FX gains		-1,186	-14,936
Warranty provisions charges	14	79,099	117,568
Release of prepaid royalty	6	19,616	19,616
Tax expense	10	56,458	66,182
(Gain on) / loss from sale of property, plant and equipment		-580	-599
Operating profit before changes in working capital items		**466,659**	**508,837**
(Increase)/Decrease in inventories	16	-42,550	8,990
(Increase)/Decrease in trade and other receivables and prepaid expenses	13,17	-29,547	95,849
(Decrease)/Increase in trade and other payables	22	-90,225	-245,855
(Decrease)/Increase of other provisions	14	-50,569	52,083
Cash generated from operating activities		**253,768**	**419,904**
Interest paid from financing receivables, overdrafts and other		0	-387
Interest received from bills of exchange and bank deposits		893	1,236
Tax paid		-68,146	-46,192
Warranty claims paid	14	-106,357	-92,054
Reclaims collected	14	36,333	22,980
Net cash generated from operating activities		**116,491**	**305,487**
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	-105,673	-26,201
Acquisition of intangible assets	12	-1,309	-1,712
Receipt of finance lease payments including interest		0	559
Collection/(Provision) of intercompany loan	19	207,531	-160,217
Proceeds from sale of non-current assets		1,750	1,247
Interest received from intercompany loan		323	368
Net cash generated from/(used for) investing activities		**102,622**	**-185,956**
Cash flows from financing activities			
Finance lease payments including interests		0	-3,491
Repayment of long term bank loans		-16,250	-26,250
Payment of dividend		-210,138	-164,876
Interest paid on long term bank loans		-847	-1,262
Receipt of long term bank loan		0	95,000
Net cash (used for) financing activities		**-227,235**	**-100,879**
Net (decrease) / increase in cash and cash equivalents		-8,122	18,652
Cash and cash equivalents at beginning of the period	18	53,939	35,287
Cash and cash equivalents at end of the period	18	**45,817**	**53,939**

Statement of comprehensive income for the year ended 31 December 2017

in TEUR

	Note	2017	2016
Revenue	5	5,184,666	5,566,181
Cost of sales	6	- 4,658,230	-5,031,643
Gross profit		**526,436**	**534,538**
Administrative and selling expenses	7	-235,073	-272,912
Operating profit		**291,363**	**261,626**
Interest costs		-1,036	-1,968
Other finance costs		-5,807	-12,424
Interest income		1,194	1,379
Other finance income		5,662	8,204
Net finance income/(costs)	8	**13**	**-4,809**
Other operating (expense)/income	9	-25,047	23,356
Profit before taxes		**266,329**	**280,173**
Current and deferred income tax	10	-56,458	-66,182
Profit for the year		**209,871**	**213,991**
Other comprehensive income		0	0
Total comprehensive income for the year		**209,871**	**213,991**

Statement of changes in equity for the year ended 31 December 2017

in TEUR

	Note	Share capital	Legal reserve fund	Retained earnings	Total
		(Note 20)	(Note 20)		
Balance as of 1 January 2016		**433,323**	**43,332**	**375,015**	**851,670**
Total comprehensive income for the year		0	0	213,991	213,991
Dividend distribution		0	0	-164,876	-164,876
Balance as of 31 December 2016	20	**433,323**	**43,332**	**424,130**	**900,785**
Balance as of 1 January 2017		433,323	43,332	424,130	900,785
Total comprehensive income for the year		0	0	209,871	209,871
Dividend distribution		0	0	-210,138	-210,138
Balance as of 31 December 2017	20	**433,323**	**43,332**	**423,863**	**900,518**

Notes to the financial statements for the year ended 31 December 2017

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 2017 and for the year then ended and were prepared and authorized for issue by the Company's directors on 26 January 2018. Financial statements can be modified until the approval of the General Assembly.

The Financial Statements have been prepared as ordinary financial statements in accordance with Article 17 (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2017 to 31 December 2017.

The Financial Statements of the Company as at 31 December 2016 including the auditor's report on the audit of the financial statements as at 31 December 2016 and the annual report including the supplement auditor's report on the audit of the compliance of the annual report with the financial statements were filed in the Register of Financial Statements on 28 June 2017.

On 31 March 2017 the general meeting appointed KPMG Slovensko spol. s r.o. as the auditor of the Financial Statements for the period from 1 January 2017 to 31 December 2017.

The Company's bodies:
Directors Eek Hee Lee (till 27 February 2017)
Dae Sik Kim (from 27 February 2017)
Jun Gyue Lee

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 – Provision for warranty and reclaim assets
- Note 28 – Accounting estimates and judgements

Changes in recognition of warranty reclaims

In financial year 2017, projected reimbursement claims totaling EUR 84 million arising from supplier warranty coverage were reclassified from Warranty Provision to Warranty Reclaim Asset. The prior year figures were adjusted in accordance with IAS 8, refer to the table below. These changes resulted from the warranty cycle maturing and thus providing more precise data on historical warranty costs.

	Note	31 December 2016 as reported	Adjustments	31 December 2016 adjusted
Assets				
Property, plant and equipment	11	568,861		568,861
Intangible assets	12	4,044		4,044
Reclaim receivable	14	–	62,395	62,395
Prepaid royalty expense	13	4,904		4,904
Deferred tax assets	15	74,581		74,581
Total non-current assets		**652,390**	**62,395**	**714,785**
Inventories	16	307,866		307,866
Trade and other accounts receivable	17	863,791	21,365	885,156
Cash and cash equivalents	18	53,939		53,939
Prepaid expenses	13	19,774		19,774
Intercompany loan receivable	19	259,891		259,891
Income tax receivable		1,786		1,786
Total current assets		**1,507,047**	**21,365**	**1,528,412**
Total assets		**2,159,437**	**83,760**	**2,243,197**
Equity				
Issued capital	20	433,323		433,323
Legal reserve fund	20	43,332		43,332
Accumulated profit		424,130		424,130
Total equity		**900,785**		**900,785**
Liabilities				
Interest-bearing loans and borrowings	21	190,396		190,396
Provisions	14	414,292	62,395	476,687
Total non-current liabilities		**604,688**	**62,395**	**667,083**
Interest-bearing loans and borrowings	21	16,064		16,064
Trade and other accounts payable	22	443,452		443,452
Provisions	14	194,448	21,365	215,813
Total current liabilities		**653,964**	**21,365**	**675,329**
Total liabilities		**1,258,652**	**83,760**	**1,342,412**
Total equity and liabilities		**2,159,437**	**83,760**	**2,243,197**

4. Significant accounting policies

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 i). 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.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

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 i).

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) Royalties

The Company pays royalty to its parent Company for the production and sale of cars.

i. Lump sum royalty

Prepaid lump sum royalties are initially recorded as prepayments and are expensed proportionally over the period for which the royalty has been paid to cost of goods sold (refer to Note 6). The lump sum royalty reduces the running royalty calculated on the basis described below.

ii. Variable royalty payments

Royalties represent regular expense calculated from the entity's revenue for sale of cars multiplied by an agreed percentage (until 2012: on the basis of number of cars produced), and are recorded as cost of goods sold (refer to the Note 6). The amount of variable royalty recorded is reduced by the portion of lump sum royalty expense.

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

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

The Company charges certain customers a variable interest rate for the agreed portion of financed period, which is recorded as interest income on Bills of Exchange 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
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

Non-financial assets
The carrying amounts of the Company's assets, other than inventories (see accounting policy b, c and e) and deferred tax assets (see accounting policy o) 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 from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods. A significant element of the Company's revenue is with related parties (see Note 24).

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For majority of customers the risks and rewards usually transfer when the product is delivered to first carrier. Generally the cars sold to the customers have no rights of return.

The transportation revenues are part of billed FOB price to customers. The revenue from transportation remain within the revenues from sale of cars and are recorded on the gross basis, as the Company is fully exposed to risks related with organization of transportation services, the Company acts as a principal.

m) Government grants

Government grants are initially recognized in the balance sheet when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are initially recognized as deferred revenue and it is released to the income statement as other operating income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Company for the acquisition costs of property, plant and equipment are initially recognized as a deduction of property, plant and equipment and are amortized, 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 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 finance 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 f) and other interest paid and received are presented in cash flows from operating activities.

o) Other operating income and expense

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

p) Income tax

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

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

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

q) Employee benefits

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

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

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

r) New standards not yet adopted

The following new standards, amendments and interpretations are not yet effective for the annual reporting period ended 31 December 2017 and have not been applied in preparing these financial statements:

Standards and interpretations adopted by the European Union
IFRS 9 Financial Instruments

IFRS 9 has been issued in July 2014 and is effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement and are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for trade receivables and lease.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Company performs an impact analysis of the new standard on the statement of financial position and preliminary concluded, that the new standard would require to record a value adjustment to all accounts receivable. The most significant financial instruments are trade receivables and loans, which are held by the Company to collect the contractual cash flows, principal and interests. Therefore the Company preliminary concluded that the Company will continue to recognize the financial assets under Held-to-Collect business model at amortized costs.

As at 31 December 2017 the receivables, loans and equity would decrease following adoption of this standard. The financial impact is currently being evaluated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 has been issued on 28 May 2014 and is effective for the periods beginning on or after 1 January 2018. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be recognised separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Clarifications to IFRS 15 Revenue from Contracts with Customers is not yet endorsed by the EU but IFRS 15 Revenue from Contracts with Customers including Effective Date of IFRS 15 have been endorsed by the EU.

During 2017, the Company worked together with the Group and set up a project team to assess the impact of the new standard on the KMS financial statements. The project is still ongoing and the project team reached preliminary conclusions before year end, which are still subject to discussion and assessment.

Based on preliminary conclusions the major impact would be in the accounting for extended warranty provision and in presentation of transportation expenses.

Warranty as a separate performance obligation

The project team considered that the extended warranty period above 5 years represents due to its length a separate performance obligation, as it is considered a service type warranty under IFRS 15. The revenues and warranty provision related to year 6 and 7 should be deferred. The Company is analysing the appropriate transition method and based on initial conclusions, the standard will not be applied to revenue contracts completed before 31 December 2017.
Presentation of logistics costs

Under new IFRS 15, the logistics costs would be reclassified from SGA expenses to costs of goods sold.

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:
- 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).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Company is currently assessing the impact of the new standard on its financial statements.

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 insurer provider.

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

The effective date has not yet been determined by the IASB, however earlier adoption is permitted.
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.

Standards and interpretations, not yet adopted by the European Union
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

Effective for annual periods beginning on or after 1 January 2018, to be applied prospectively. Early application is permitted. The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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 because the Company does not enter into share-based payment transactions.

Amendments to IAS 40 Transfers of Investment Property

Effective for annual periods beginning on or after 1 January 2018, to be applied prospectively.

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The Company does not expect that the amendments will have a material impact on the financial statements because the Company does not have investment property.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it), on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Company uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

Effective for annual reporting periods beginning on or after 1 January 2019, to be applied retrospectively. Earlier application is permitted.

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

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.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Effective for annual periods beginning on or after 1 January 2019, to be applied retrospectively. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The amendments enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss.

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amount of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract".

The Company has not prepared any analysis on the impact of the amendments on its financial statements yet.

IFRS 17 Insurance contracts

Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted for entities 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.

The new standard introduces the following:
- Separate presentation of underwriting and finance results.
- Premium volumes will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue.
- Accounting for options and guarantees will be more consistent and transparent.

The Company does not expect the standard to have any impact on the financial statements since it is not an insurance provider.

IFRIC 23 — Uncertainty over Income Tax Treatments

Effective for annual reporting periods beginning on or after 1 January 2019.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

The Company does not expect that the interpretation, when initially applied, will have material impact on the financial statements.

Annual improvements to IFRSs 2014 – 2016 Cycle

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after 1 January 2018; to be applied retrospectively. None of these amendments are expected to have a significant impact on the financial statements of the Company.

Annual improvements to IFRSs 2015 – 2017 Cycle

The improvements introduce amendments to four standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after 1 January 2019; to be applied retrospectively.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

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

5. Revenue

Revenue is principally represented by sale of cars (cee'd, Venga and Sportage model) and sale of engines to another production plant, a related party. The breakdown by key products and geographical area is as follows:

In thousands of euro	**2017**	**2016**
Revenue from sales of cars to EU countries excluding Slovakia	3,231,017	3,468,552
Revenue from sales of cars to non EU countries	1,388,478	1,397,301
Sale of engines, spare parts and others	505,148	636,877
Revenue from sale of cars to Slovakia	60,023	63,451
Total	**5,184,666**	**5,566,181**

6. Cost of sales

In thousands of euro	**2017**	**2016**
Material consumption	4,125,567	4,497,322
Depreciation and amortization (refer to Note 11,12)	109,085	110,927
Personnel expenses	103,756	92,037
Energy consumption	20,968	22,229
Royalty charge	19,616	19,616
Running royalty charge	214,360	226,849
Creation of inventory provision	0	89
Amortization of government grants (refer to Note 11)	-6,290	-6,319
Other cost of sales	71,168	68,893
Total	**4,658,230**	**5,031,643**

The Company had on average 3,682 employees, out of that were 2 managers (in 2016: 3,605, out of that 2 managers). As at 31 December 2017 the Company had 3,755 employees, out of that 2 managers (as at 31 December 2016: 3,625, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	**2017**	**2016**
Logistics services	143,490	138,233
Warranty charges net of warranty reclaim asset (refer to Note 14)	79,099	117,568
Personnel expenses	4,606	4,264
Marketing services	387	6,766
Depreciation and amortization (refer to Note 11,12)	500	494
Other expenses	6,991	5,587
Total	**235,073**	**272,912**

8. Net finance costs

In thousands of euro	2017	2016
Interest expense, long term bank loans	-1,036	-1,513
Interest expense, leases and other	0	-68
Interest expense overdraft	**0**	**-6**
Interest expense from financing receivables	0	-381
	-1,036	**-1,968**
Interest income, bank balance	**629**	**747**
Interest income on trade receivables from related parties	**242**	**264**
Interest income intercompany loan	323	368
	1,194	**1,379**
Net interest income/(expense)	**158**	**-589**
Foreign exchange losses	-5,807	-12,424
Foreign exchange gains	5,662	8,204
Net foreign exchange (losses)/gains	**-145**	**-4,220**
Net finance income/(costs)	**13**	**-4,809**

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 24).

9. Other operating income/(expense), net

In thousands of euro	2017	2016
Foreign exchange gains operating	18,181	50,929
Gain from sale of property	630	678
Other operating income	1,608	2,087
Other operating income	**20,419**	**53,694**
Foreign exchange losses operating	-43,913	-29,091
Scrap of property on retirement	-583	-92
Other operating expenses	-970	-1,155
Other operating expense	**-45,466**	**-30,338**
Total other operating (expense)/income	**-25,047**	**23,356**

10. Income tax

In thousands of euro	2017	2016
Current tax expense		
Period income tax charge	-68,815	-73,387
Adjustment to prior year income tax	23	-12,197
Deferred tax expense		
Origination and reversal of temporary differences	12,334	19,402
Total income tax expense	**-56,458**	**-66,182**

Reconciliation of effective tax rate

In thousands of euro	2017	%	2016	%
Profit before tax	266,329		280,173	
Income tax using the domestic corporation tax rate	-55,929	-21,00%	-61,638	-22,00%
Effect of decrease in the tax rate (from 22% to 21%)	0	0	-3,941	-1,41%
Tax non-deductible expenses and other items	-532	-0,20%	-601	-0,21%
(Over)/underprovided to prior year	3	0,00%	-2	-0,00%
Income tax charge for the year	**-56,458**	**-21,20%**	**-66,182**	**-23.62%**

The statutory tax rate decreased in December 2016 from 22% to 21% and is applicable effective from 1 January 2017.

11. Property, plant and equipment

In thousands of euro	Lands and Buildings	Machinery and equipment	Other	Investments in progress	Total
Cost					
Balance at 1 January 2016	285,946	1,155,979	8,414	2,750	1,453,089
Acquisitions	0	0	0	26,200	26,200
Transfer	2,555	23,636	654	-26,845	0
Disposals	0	-14,628	-208	0	-14,836
Balance at 31 December 2016	**288,501**	**1,164,987**	**8,860**	**2,105**	**1,464,453**
Balance at 1 January 2017	288,501	1,164,987	8,860	2,105	1,464,453
Acquisitions	0	0	0	105,673	105,673
Transfer	2,017	17,252	168	-19,437	0
Disposals	0	-15,858	-162	0	-16,020
Balance at 31 December 2017	**290,518**	**1,166,381**	**8,866**	**88,341**	**1,554,106**
Depreciation and impairment losses					
Balance at 1 January 2016	72,745	669,647	7,306	0	749,698
Depreciation charge for the period	9,397	99,911	641	0	109,949
Disposals	0	-13,969	-205	0	-14,174
Balance at 31 December 2016	**82,142**	**755,589**	**7,742**	**0**	**845,473**
Balance at 1 January 2017	82,142	755,589	7,742	0	845,473
Depreciation charge for the period	9,515	97,998	501	0	108,014
Disposals	0	-14,156	-161	0	-14,317
Balance at 31 December 2017	**91,657**	**839,431**	**8,082**	**0**	**939,170**
Government grants acquisition costs					
Balance 1 January 2016	38,282	118,227	0	0	156,509
At 31 December 2016	38,282	118,227	0	0	156,509
At 31 December 2017	**38,282**	**118,227**	**0**	**0**	**156,509**
Government grants amortization					
Balance 1 January 2016	10,723	89,348	0	0	100,071
Amortization	1,317	5,002	0	0	6,319
At 31 December 2016	12,040	94,350	0	0	106,390
Amortization	1,317	4,973	0	0	6,290
At 31 December 2017	**13,357**	**99,323**	**0**	**0**	**112,680**
Carrying amounts					
At 1 January 2016	185 642	457 453	1 108	2 750	646 953
At 31 December 2016	180 117	385 521	1 118	2 105	568 861
At 31 December 2017	**173 936**	**308 046**	**784**	**88 341**	**571 107**

Insurance
Property, plant and equipment are insured against damage up to TEUR 1,108,793 (2016: TEUR 1,064,762).

12. Intangible assets

In thousands of euro	Information technologies and software	Emission rights	Assets under construction	Total
Cost				
Balance at 1 January 2016	23,476	196	128	23,800
Acquisition	0	0	1,844	1,844
Transfers	1,472	210	-1,682	0
Disposals	-383	-225	0	-608
Balance at 31 December 2016	**24,565**	**181**	**290**	**25,036**
Balance at 1 January 2017	24,565	181	290	25,036
Acquisition	0	0	1,441	1,441
Transfers	1,180	132	-1,312	0
Disposals	-322	-174	0	-496
Balance at 31 December 2017	**25,423**	**139**	**419**	**25,981**
Amortization and impairment losses				
Balance at 1 January 2016	19,772	0	0	19,772
Amortization for the year	1,472	0	0	1,472
Disposals	-383	0	0	-383
Balance at 31 December 2016	**20,861**	**0**	**0**	**20,861**
Balance at 1 January 2017	20,861	0	0	20,861
Amortization for the year	1,570	0	0	1,570
Disposals	-322	0	0	-322
Balance at 31 December 2017	**22,109**	**0**	**0**	**22,109**
Government grants acquisition costs				
Balance at 1 January 2016	0	146	0	146
Acquisitions	0	131	0	131
Disposals	0	146	0	146
Balance at 31 December 2016	0	131	0	131
Acquisitions	0	132	0	132
Disposals	0	124	0	124
Balance at 31 December 2017	**0**	**139**	**0**	**139**
Carrying amounts				
At 1 January 2016	3,704	50	128	3,882
At 31 December 2016	**3,704**	**50**	**290**	**4,044**
At 1 January 2017	3,704	50	290	4,044
At 31 December 2017	**3,314**	**0**	**419**	**3,733**

13. Prepaid expenses

In thousands of euro	31 December 2017	31 December 2016
Non-current assets:		
Lump sum royalty prepaid	4,904	24,520
less: current portion	-4,904	-19,616
	0	**4,904**

In thousands of euro	31 December 2017	31 December 2016
Current assets:		
Lump sum royalty prepaid	4,904	19,616
Other prepayments	1,104	158
	6,008	**19,774**

Following is an overview of lump sum royalty prepayments:

In thousands of euro	Year	Royalty prepaid (TEUR)	Amortization period (months)
Royalty for current cee'd car model	2012	117,693	72

The Company pays lump sum royalty and variable royalty according to royalty agreements. These agreements secure the Company a right to produce and sell cars and engines in the production plant. The amortization of royalty prepayments is recorded in cost of goods sold, in the same line of the statement of comprehensive income as the costs for variable royalty (refer to Note 6).

14. Provisions and reclaim assets

In thousands of euro	Warranty	Other	Total
Balance at 31 December 2016*	**637,872**	**54,628**	**692,500**
Provisions charges (refer to Note 7)	116,150	2,536	118,686
Use	-106,358	-53,105	-159,463
Balance at 31 December 2017	**647,664**	**4,059**	**651,723**

* Balance as at 31.12.2016 adjusted – please refer to Note 3

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

In thousands of euro	31 December 2017	31 December 2016*
Non-current	465,972	476,687
Current	185,751	215,813
Balance at the reporting date	**651,723**	**692,500**

* Balance as at 31.12.2016 adjusted – please refer to Note 3

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 Sales, general and administrative expenses, refer to Note 7, on a net basis. For sensitivity analysis, refer to Note 28.

Other provisions

Other provision were recorded for estimated cash outflows resulted from past events incurred during 2017 and it is expected they will be used in 2018 except for provision for long-term employee benefits.

Reclaim asset

In thousands of euro	**Reclaim**
Balance at 31 December 2016*	**83,760**
Reclaim charges (refer to Note 7)	37,051
Use	-36,333
Balance at 31 December 2017	**84,478**

* Balance as at 31.12.2016 adjusted - please refer to Note 3

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

In thousands of euro	**31 December 2017**	**31 December 2016***
Non-current	60,437	62,395
Current	24,041	21,365
Balance at the reporting date	**84,478**	**83,760**

* Balance as at 31.12.2016 adjusted - please refer to Note 3

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 2017 the amount of estimated reclaims, that has been assessed as being virtually certain, represents TEUR 84,478 (as at 31 December 2016: TEUR 83,760).

15. Deferred tax assets

In thousands of euro	**31 December 2017**	**31 December 2016**
Property, plant and equipment	-49,919	-53,851
Warranty provision net of reclaim asset	136,009	116,364
Other provisions	0	11,735
Other items	825	333
Deferred tax asset	**86,915**	**74,581**

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

16. Inventories

In thousands of euro	**31 December 2017**	**31 December 2016**
Raw materials and consumables	265,847	250,609
Less value adjustment	0	-2,431
Work in progress and semi-finished goods	58,591	31,900
Less value adjustment	0	-234
Finished goods	29,092	28,471
Less value adjustment	0	-449
	353,530	**307,866**

Insurance

Inventory is insured against damage up to TEUR 190,223 (2016: TEUR 178,250).

17. Trade and other accounts receivable

In thousands of euro	31 December 2017	31 December 2016*
Trade accounts receivable	727,215	684,105
Other receivables	10,895	4,865
Financial	**738,110**	**688,970**
Value added tax receivable	152,624	173,747
Reclaim asset (refer to Note 14)	24,041	21,365
Advance payment made	25	1,074
Non-financial	**176,690**	**196,186**
	914,800	**885,156**

* Balance as at 31.12.2016 adjusted – please refer to Note 3

The breakdown by currency is as follows:

In thousands of euro	31 December 2017	%	31 December 2016	%
EUR	300,684	40.7%	343,882	49.9%
GBP	196,882	26.7%	87,596	12.7%
RUB	193,660	26.2%	195,020	28.3%
CZK	18,993	2.6%	–	0.0%
SEK	10,400	1.4%	25,531	3.7%
USD	6,485	0.9%	26,904	3.9%
PLN	6,363	0.9%	10,037	1.5%
HUF	4,643	0.6%	–	0.0%
	738,110	**100%**	**688,970**	**100.0%**

68% or TEUR 623,376 (as at 31 December 2016: 67% or TEUR 580,587) 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 2017 the Company offset gross trade and other accounts receivable of TEUR 37,570 (as at 31 December 2016: TEUR 53,360) with the gross trade and other accounts payable of selected business partners of TEUR 19,969 (31 December 2016: TEUR 27,257) with certain partners and presented them as net receivable of TEUR 17,601 (31 December 2016: TEUR 26,103).

18. Cash and cash equivalents

In thousands of euro	31 December 2017	31 December 2016
Bank balances	45,816	53,938
Vouchers	1	1
Cash and cash equivalents	**45,817**	**53,939**

Cash and cash equivalents in the amount of TEUR 36,820 are denominated in foreign currencies (31 December 2016: TEUR 18,165).

19. 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.

20. Capital and reserves

Share capital

The Company's total authorized and issued share capital amounted to TEUR 433,323 as of 31 December 2017 (31 December 2016: 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.

21. Interest-bearing loans and borrowings

In thousands of euro	31 December 2017	31 December 2016
Non-current liabilities		
Long term bank loans	104,283	190,396
Long term bank loans	**104,283**	**190,396**

Current liabilities		
Short term portion of the long term bank loan	86,113	16,052
Accrued interest and other	6	12
Short term bank loans	**86,119**	**16,064**

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

All the loans presented above bear the variable interest rate.

22. Trade and other accounts payable

In thousands of euro	31 December 2017	31 December 2016
Trade payables including accruals	323,270	420,043
Employee related liabilities	10,937	10,080
Other payables	3,359	7,715
Payroll withholding taxes	1,357	1,143
Financial	**338,923**	**438,981**
Advance payment received	14,281	4,471
Non-financial	**14,281**	**4,471**
	353,204	**443,452**

The breakdown by currencies is as follows:

In thousands of euro	31 December 2017 Balance recalculated to EUR	%	31 December 2016 Balance recalculated to EUR	%
EUR	336,688	99.4%	436,452	99.4%
USD	1,123	0.3%	1,880	0.4%
RUB	1,112	0.3%	649	0.2%
	338,923	**100%**	**438,981**	**100.0%**

59% or TEUR 210,047 (as at 31 December 2016: 66% or TEUR 291,325) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2017 the Company offset gross trade accounts payable of TEUR 168,845 (as at 31 December 2016: TEUR 249,007) with the gross trade accounts receivable of TEUR 19,969 (as at 31 December 2016: TEUR 27,257) with certain partners and presented them as net payable of TEUR 148,876 (as at 31 December 2016: TEUR 221,750).

23. Capital commitments and contingencies

Capital commitments
At 31 December 2017 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 15,095 (31 December 2016: TEUR 12,545).

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

24. 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, who is entitled to exercise the control over entities identified by the Company as related parties. 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 expense in the income statement and in total amount to TEUR 607 (2016: TEUR 666).

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	**2017**	**2016**
In thousands of euro		
Revenue	17	38
Warranty claim chargebacks	9,404	4,226
Purchases of material	-90,846	-75,982
Acquisition of property, plant and equipment	-16,016	-64
Purchase of services	-1,760	-635
Dividends	-210,138	-164,876
Running royalties charge	-214,360	-226,850

Transactions with other companies in Hyundai Group	**2017**	**2016**
In thousands of euro		
Revenues	4,432,173	4,620,280
Revenue from sale of property	1,579	1,239
Interest income from lease interest	0	2
Warranty claim chargebacks	21,679	14,365
Purchase of material	-2,656,746	-2,761,397
Acquisition of property, plant and equipment	-11,554	-7,839
Purchase of services	-136,212	-149,871
Warranty claims	-87,218	-76,672
Interest from intercompany loan	326	371
Interest expense on finance lease	0	-68
Interest income on trade receivables from related parties	242	264

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	**2017**	**2016**
In thousands of euro		
Trade accounts receivable and prepayments	3,825	4
Trade accounts payable	-31,299	-11,680

Assets and liabilities arising from transactions with other group companies	**2017**	**2016**
In thousands of euro		
Trade accounts receivable	619,551	580,583
Intercompany loan receivable	52,360	259,891
Trade accounts payable	-178,748	-279,645

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.

25. 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.

85% (1-12/2016: 83%) 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. 86% (in 2016: 84%) of the outstanding trade receivables balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation of tax office for VAT. No impairment allowance has been recorded to either due or past due balance of this receivable as historically no credit losses incurred.

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.

Ageing of financial receivables

In thousands of euro	**2017**	**2016**
Not due	634,430	670,192
Past due 0-3 months	103,680	18,723
Past due 4-6 months	-	-
Past due 7-12 months	-	55
More than 12 months	-	-
Total receivables	**738,110**	**688,970**

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 2017 the current ratio reached management target of 2.20 (as at 31 December 2016*: 2.26). (* Balance as at 31.12.2016 adjusted - please refer to Note 3)

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

31 December 2017

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	21	-190,625	-83,125	-3,125	-104,375	0	0
Interests		-745	-274	-268	-203	0	0
Transaction costs	21	229	76	61	92	0	0
Trade and other accounts payable	22	-338,923	-338,923	0	0	0	0
Subtotal financial liabilities		**-530,064**	**-422,246**	**-3,332**	**-104,486**	**0**	**0**
Trade and other receivables	17	738,110	738,110	0	0	0	0
Value added tax receivable	17	152,624	152,624	0	0	0	0
Intercompany loan receivable	19	52,360	52,360	0	0	0	0
Cash and cash equivalents	18	45,817	45,817	0	0	0	0
Warranty provision	14	-647,664	-89,711	-94,606	-308,544	-132,728	-22,075
Reclaim asset	14	84,477	11,701	12,340	40,245	17,312	2,879
Other provisions	14	-4,059	-1,434	0	0	0	-2,625
Income tax receivable/(payable)		1,140	0	1,140	0	0	0
Subtotal other assets and liabilities		**422,805**	**909,467**	**-81,126**	**-268,299**	**-115,416**	**-21,821**
		-107,259	**487,221**	**-84,458**	**-372,785**	**-115,416**	**-21,821**

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

31 December 2016*

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	21	-206,875	-13,125	-3,125	-187,500	-3,125	0
Interests		-1,578	-425	-414	-716	-23	0
Transaction costs	21	427	108	90	213	16	0
Trade and other accounts payable	22	-438,981	-438,981	0	0	0	0
Subtotal financial liabilities		**-647,007**	**-452,423**	**-3,449**	**-188,003**	**-3,132**	**0**
		-2,200	-591	-561	-906	-142	-
Trade and other receivables	17	688,970	688,970	0	0	0	0
Value added tax receivable	17	173,747	173,747	0	0	0	0
Intercompany loan receivable	19	259,891	259,891	0	0	0	0
Cash and cash equivalents	18	53,939	53,939	0	0	0	0
Warranty provision	14	-637,872	-81,362	-81,346	-292,911	-152,486	-29,767
Reclaim asset	14	83,760	10,683	10,682	38,463	20,023	3,909
Other provisions	14	-54,628	-53,105	0	0	0	-1,523
Income tax receivable/(payable)		1,786	0	1,786	0	0	0
Subtotal other assets and liabilities		**569,593**	**1,052,763**	**-68,878**	**-254,448**	**-132,463**	**-27,381**
		-77,414	**600,340**	**-72,327**	**-442,451**	**-135,595**	**-27,381**

* Balance as at 31.12.2016 adjusted - please refer to Note 3

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 64% (2016: 75%) of revenues and 99% (2016: 99%) of purchases are denominated in euro 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 euro 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 2017 (all other variables held constant) would have increased/(decreased) equity and net profit by the amounts shown below.

In thousands of EUR	**Impact on profit and equity – strengthening of foreign currency**		**Impact on profit and equity – weakening of foreign currency**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
RUB +/- 10%	24,239	21,600	-19,832	-17,675
GBP +/- 5%	10,362	5,462	-9,375	-4,942
CZK +/- 5%	1,000	0	-904	0
USD +/- 5%	670	1,364	-606	-1,234
SEK +/- 5%	547	1,373	-495	-1,243
PLN +/- 5%	541	553	-489	-501
HUF +/- 5%	244	0	-221	0

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 1,988(2016: TEUR 2,069).

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	**2016**	**2015**
Total liabilities	1,195,329	1,342,413
Less available cash	-45,817	-53,939
Total liabilities less cash	1,149,512	1,288,474
Total equity	900,518	900,785
Adjusted debt/equity ratio	1,3	1,4

* Balance as at 31.12.2016 adjusted - please refer to Note 3

26. 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 harbor 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.

27. Fair values

Fair values versus carrying amounts
The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, finance lease payables, loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2017 as well as at 31 December 2016.

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

28. 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 2017 amounted to TEUR 647,664 (31 December 2016*: TEUR 637,872) and related reclaim asset of TEUR 84,478 (31 December 2016*: TEUR 83,760) as disclosed in note 14. The Company provides a warranty coverage period up to five years on its cee'd, Sportage, Venga and ix35 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 kilometers.

The provision represent the estimated warranty costs, which we calculate 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 repaid costs per unit and each country. The products contain parts manufactured by third party suppliers, who typically warranty for the parts that they produce and that are assembled in the car.

* Balance as at 31.12.2016 adjusted – please refer to Note 3

We believe the calculation of warranty provision is a critical accounting estimate because changes in the calculation can materially affect net income and require us 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 the models produced in our factory, especially SUV model of new Sportage QL first produced in 2016, are new, as well as the period of the warranty coverage is above that previously provided by the Kia Motors Group. The policy is to continuously monitor the adequacy of warranty provisions. Therefore warranty charges are maintained at an amount deemed adequate to cover estimated future warranty claims. Actual claims in the future may differ from the original estimates, which may result in material revisions of the warranty charges.

The warranty provision estimate was based on a trend line for group of countries, which represents expected level of warranty costs in year 2 to year 7 as a percentage of year 1. This is our best estimate which was based on historical experiences from claims incurred for different models of Kia Motors Group. The calculation of warranty provision is sensitive to the changes in the warranty trend line and to the estimated value of future warranty claims. An increase or decrease of the warranty trend line by 10% would increase or decrease the warranty provision by TEUR 57,532 (31 December 2016: TEUR 56,662). The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

The reclaim asset was calculated based on expected reimbursement of future warranty defects that would be collected from the suppliers. It has been estimated as expected recovery rate of the warranty provision. The actual recovery rate may change in the future. An increase or decrease in warranty recovery rate by 10% would increase or decrease the warranty reclaim asset by TEUR 8,448 (31 December 2016: TEUR 8,376).

These financial statements were approved on 26 January 2018.

Jun Guy Lee
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 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 Owners 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 2016 presented in Chapter 7 of the accompanying Annual Report. We have issued an independent auditors' report on the financial statements on 24 January 2017 with the following wording:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kia Motors Slovakia s.r.o.("the Company"), which comprise the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of the Statutory Body for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

KPMG

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

24 January 2017
Bratislava, Slovak Republic

Auditing company: KPMG Slovensko spol. s r.o. License SKAU No. 96	Responsible auditor: Ľuboš Vančo License SKAU No. 745

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

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

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

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

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

- the information given in the Annual Report for the year 2016 is consistent with the financial statements prepared for the same financial year; and

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

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

15 February 2017
Bratislava, Slovak Republic

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

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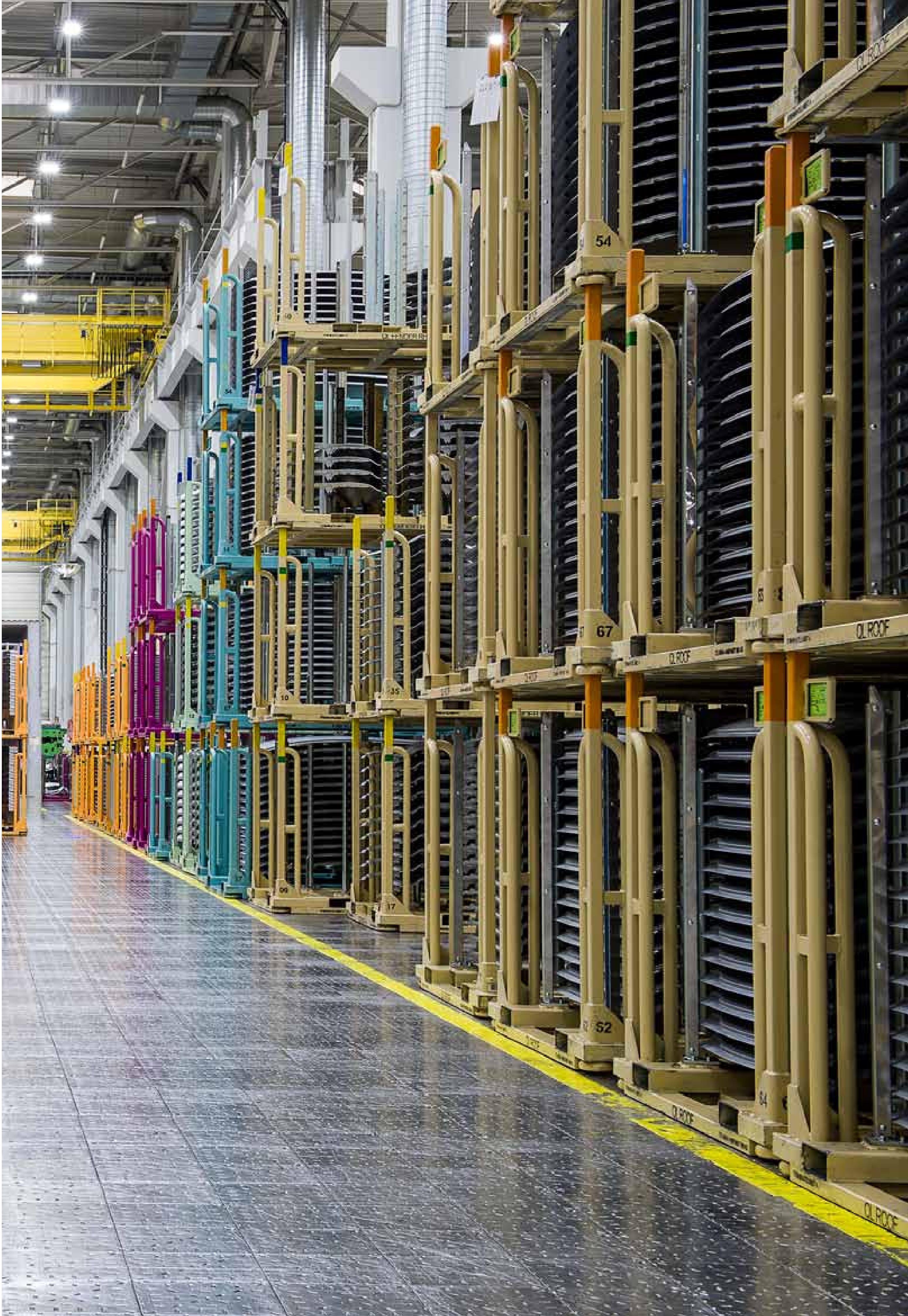
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The Power to Surprise

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