2012 ANNUAL REPORT

Kia Motors Slovakia s.r.o.

Kia Motors Slovakia s.r.o
Sv. Jana Nepomuckeho 1282/1
01301 Teplicka nad Vahom
Slovakia

Tel.: +421 41 515 0111
Fax: +421 41 515 0901
Internet: http://www.kia.sk

Contents


F402

1. Foreword

Kia from its beginning started to develop its activities in the Slovak Republic and within the period of nine years it became one of the most important car producers in this country. Kia Motors Slovakia in Teplicka nad Vahom is a key tool for Kia Motors Corporation how to succeed in the European market where it delivers high quality cars to an expanding network of European dealers. Our products provide the latest technology, sophisticated design and innovative services to our customers.

Since the launch of volume production in December 2006, cars made in Kia have convinced about their qualities more than one million customers. In April 2012, we started volume production of the second generation Kia cee‘d, which is crucial model for the plant produced exclusively in Slovakia. Three-shift operation was launched at the beginning of 2012.

The key resources of Kia Motors Slovakia to reach its defined strategic goals are its employees who do their best in order to reach the excellent results in terms of quality, flexibility and productivity. In 2012, the company also continued focusing on active collaboration and communication with employees, and supported their professional and personal development as well as growth through various internal and external training activities.

In Slovakia, Kia is one of the main long-term drivers in the economy as well as a responsible and respectable corporate citizen in the community we live in. We are glad that our company brings benefits not only to the Zilina region but to the whole Slovakia as well. Kia has been among the leading Slovak producers and exporters for several years in a row. We would like to positively influence the community and be responsible member of society. The company prepares detailed plan of Corporate Social Responsibility activities on annual basis. The plan follows global priorities of Kia Motors Corporation focused on mobility and environmental field.

Considering the above, herewith I submit you our annual report for year 2012.

Eek-Hee Lee
President and CEO of Kia Motors Slovakia

2. Kia Motors Slovakia

Company Profile

On March 18, 2004, Kia Motors Corporation (hereinafter "KMC") officially confirmed the construction of its first European automotive plant in Slovakia. Kia Motors Slovakia is a company 100% owned by KMC. The main activity is production of motor vehicles including the engines. The registered capital is in the amount of EUR 433,322,934.01. The current company executives are Mr. Eek-Hee Lee and Mr. Jung-Pil Kuk.

The volume production at Kia Motors Slovakia started in December 2006 with the 5-door version of the model cee'd. Year 2007 presented the first year of volume production during which the company smoothly introduced three new models in one year: the SUV model Kia Sportage in June, the family cee'd_sw in July and the 3-door sporty pro_cee'd in October.

The annual capacity of Kia Motors Slovakia plant is 300,000 cars. There are three models produced at Kia Motors Slovakia, cee'd, the C-segment car, SUV model Kia Sportage; and MPV model Kia Venga.

Kia Motors Corporation

KMC is a maker of quality vehicles for the young-at-heart. KMC is emerging as one of the world's elite car companies with focus on the ongoing complete regeneration of its product line-up. In 2012, the company world widely produced a total of 2,710,000 cars and reached annual revenues of USD 39 billion with 47,000 employees. KMC operates under Hyundai Motor Group, as at end of the year 2012 one of the largest carmakers in the world.

Plant size	Site: 166 ha	Buildings: 56.8 ha
Capacity	300,000 cars per year and 450,000 engines per year	
Products	Cars	Kia cee'd – 5-door version 
		Kia cee'd_sw 
		Kia pro_cee'd 
		Kia Sportage 
		Kia Venga 
	Engines	Gasoline: 1.4 L and 1.6 L
		Diesel: 1.4 L, 1.6 L, 1.7 L and 2.0 L
Production	Cars	2012 – 292,050
		2006 - 2012 – 1,275,000
	Engines	2012 – 464,467
		2006 - 2012 – 1,683,000

Key events in Kia Motors Slovakia history:

2004	**March**	Investment Agreement signed between Kia Motors Corporation and the Slovak Republic
	April	Groundbreaking ceremony held in Zilina
	October	Launch of construction
2005	**December**	Completion of plant construction
2006	**January**	Installation of production technologies
	June	Launch of trial production of vehicles
	December	Launch of cee'd volume production
2007	**June**	Launch of volume production of SUV Sportage
	September	Production of the 100,000th car
	November	Obtained the international Environmental Management ISO 14001 certificate
2008	**November**	Acquired the international Quality Management ISO 9001 certificate
2009	**July**	Production launch of the 5-door cee'd with new facelift
	September	The third work shift in Engine shop
	December	Production of the 500,000th car
2010	**January**	Launch of volume production of SUV Hyundai ix35
	March	Launch of construction of Engine shop II
	June	Production launch of new Kia Sportage
2011	**May**	The 1,000,000th engine production
	September	Launch of volume production of Engine shop II
	October	Production launch of Kia Venga
2012	**January**	The 1,000,000th car production
	April	Launch of all new cee'd production
	August	Launch of all new cee'd Sportswagon production
	December	Acquired the international Occupational Health & Safety Management system certificate OHSAS 18001

Company Management

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 carrier within Hyundai Group in 1981. After several years he joined the car production plant in Ulsan as a Director of Production Management until 2004. Later, Mr. Lee began to work for Hyundai Motor Headquarters. In December 2011, he became the President and CEO of Kia Motors Slovakia. He is authorized to act solely as a statutory body of Kia Motors Slovakia.

Jung-Pil Kuk
Chief Financial Officer,
Head of Business
Management Group

Jung-Pil Kuk graduated from Sung Sil University in Seoul, South Korea in 1981 in the field of administration. In 1987, he started to work for Kia Motors Corporation in Seoul. He also worked as a Head of the Plant Accounting team. In July 2009, he joined Kia Motors Slovakia and he is in charge of the Head of Business Administration Group. Mr. Jung-Pil Kuk acts solely as a statutory body of Kia Motors Slovakia as well.

Kyo-Man Song
Vice president responsible
for the Administration Group

Kyo-Man Song studied at Changwon University in Kyungnam, South Korea, and successfully graduated in the field of business and management in 1985. He started to work for Hyundai Mobis in 1987. He joined Kia Motors Slovakia in 2010 and he has been Vice president of the Administration Group. Before he joined Kia Motors Slovakia, he was in charge of the General Affairs Group and Employee Relations Group at the headquarters of Kia Motors Corporation in Seoul, South Korea, from 1999. During his career with Kia, he also gained experience in the field of human resources.

Dong-Wan Ko
Vice president responsible
for the Procurement Group

With a Master's Degree in Electrical Engineering at Korea University in South Korea, he has worked for Hyundai Motor Company for 28 years (since 1985). He came to Slovakia in March 2011 and since then he has worked as a director and Head of the Procurement Group.

Kook-Hyun Shim
Vice president responsible
for the Production Group

Kook-Hyun Shim graduated from Dankook University in South Korea in 1982 specialized in mechanical engineering. He started his professional career in Hyundai Motor Company in 1984. Since January 2000 he has been working for Kia Motors Corporation. He came to Slovakia in 2010. Since 2011 he has been responsible for the production at Kia Motors Slovakia

In-Yong Seong
Vice president responsible
for the Quality Division

In-Yong Seong studied at Korea University in Seoul, South Korea, and successfully graduated in the field of metal materials engineering in 1986. He started his professional career within the Metal Research & Development team in Kia Motors Corporation in 1986. In 2010 he started to work for Kia Motors Slovakia as the Head of Quality Management Department and he became Vice president of Quality Division in 2012.

Kia Motors Slovakia in 2012

In 2012, Kia Motors Slovakia (Kia) produced 292,050 cars and assembled 464,467 engines. The plant has achieved this record number thanks to the volume production launch of new models such as Kia cee'd and Sportswagon manufactured in a three-shift operation. Kia has run the three-shift operation since January 2012 and currently employs around 3,700 people.

Due to 292,000 manufactured vehicles Kia has recorded a 15-percent year-on-year increase in 2012. More than 120,600 units of the Kia cee'd model (41 per cent), around 136,500 units of the SUV Kia Sportage (47 per cent) and over 34,900 units of the Kia Venga (12 per cent) have found their way to their owners. In 2012, Kia Sportage was the mostly produced model and achieved a 34-per cent year-on-year increase compared to the previous year.

In 2012, Kia Motors Slovakia produced more than 464,000 engines and posted a 29-per cent year-on-year increase. Diesel engines represented 45 per cent and gasoline units 55 percent from the overall production. A 1.6–liter diesel engine became the most produced type with more than 99,000 produced units which represented 21 per cent of the total engine production.

The company places huge emphasis on employees' health and safety in the workplace. This effort was confirmed through the international Occupational Health & Safety Management system certificate OHSAS 18001 the company received in December 2012.

Goals and Expansion Forecast for 2013

Kia Motors Slovakia has accepted a new management policy for the year 2013. Innovations, systematization and collaboration represent its main pillars. This year management will focus on creativity through innovations focused on quality, productivity and costs. The goal is to create a stable work environment. Therefore management will be more systemized. Another important factor is collaboration based on effective communication and cooperation among superiors and subordinates among teams as well as departments.

Further, the company plans to develop its investments in 2013 as well. During the company winter holiday in 2012 the lines for the production of a new model were prepared. The launch of volume production of the new Kia pro_cee'd model is scheduled for the first quarter 2013. The company also plans the production of the high powered vehicles such the Kia cee'd hatchback and pro_cee'd in the first 6 months of the year. Kia Motors Slovakia expects to keep the same production volume in 2013 and the plan is set to produce 290,000 vehicles.

In the field of personal policy the efforts of Kia Motors Slovakia will be to ensure the employment rate of around 3,800 people. The company will continue in increasing the qualifications of its employees on all management as well as operational levels; and will place huge emphasis on the Occupational Health and Safety Management system.

In terms of the environment, the Facility and Environment team will also continue in employees' education and implementation of new legislation connected with environmental protection, and the company will also follow the Quality Management System.

Production Process

Press shop

The production process of a car starts at the press shop. Apart from the blanking line where the steel coil enters and the panels are cut, the testing line where the adjusted forms are tested and set up, there are two main press lines. Currently, they produce 77 various panel types. The production capacity of the press shop is up to 5 million panels per year. One panel is completely stamped within 20 seconds. The quality of the produced panels is checked by using a unique 3D optical inspection system that can distinguish even the smallest defects on the surface. The auto palletizing system loads manufactured parts onto pallets using four robots at each production line which are further supplied to the body shop by forklifts. Only the side panels of car body are transferred by an electric monorail system into the automatic storage area having a capacity of 7,000 panels.

Body shop

The production of a car further continues in the body shop, where dimensionally accurate and safe car bodies, also identical in shape, are made by putting together and welding the sub-assemblies such the floor, left and right side structure, and roof assembly. The welding automation ratio in the body shop is 100%. There are 344 robots used for welding as well as loading and conveying of car parts. The production of the body shop is highly flexible and allows us to manufacture up to 8 different car bodies on the same production line.

Paint shop

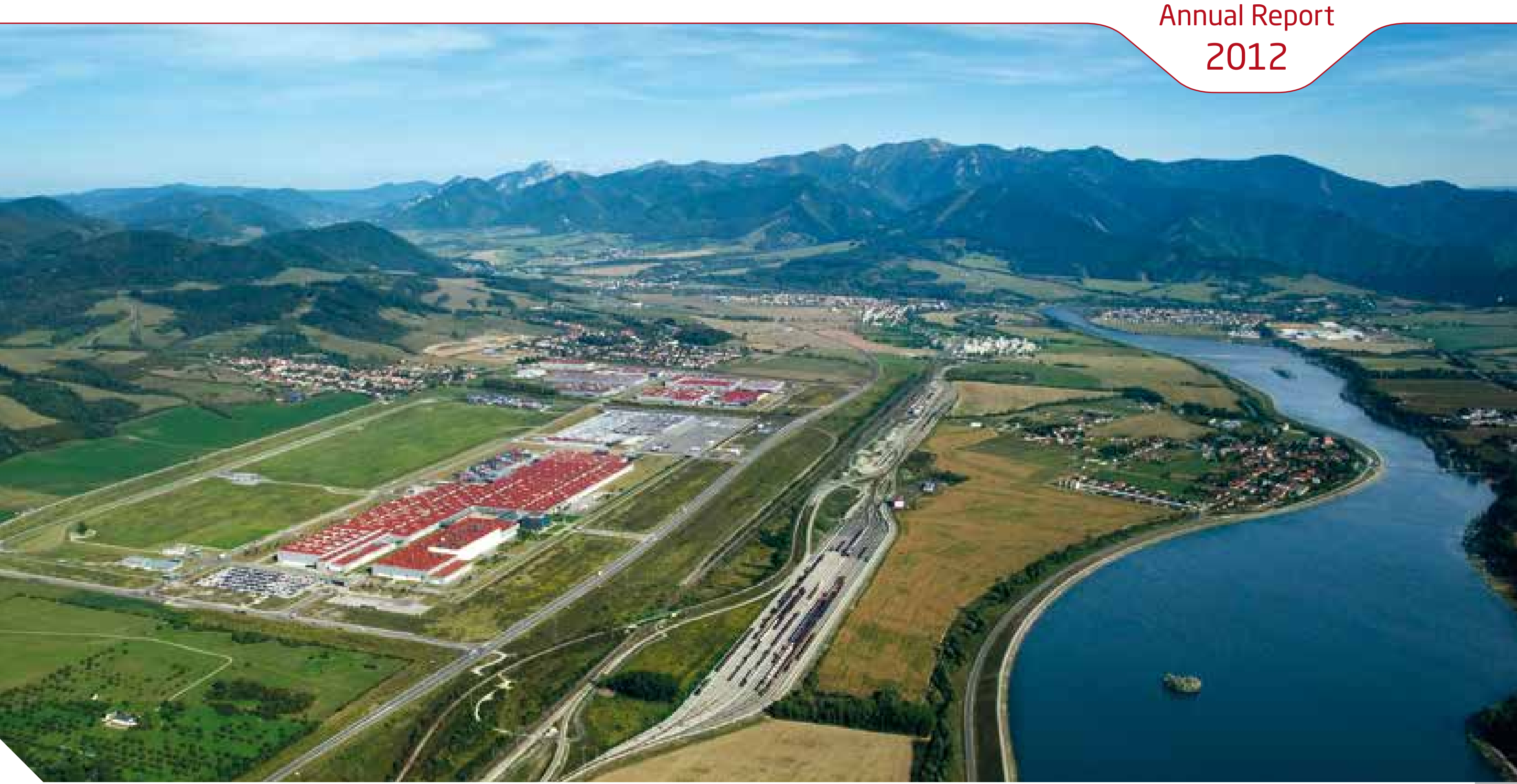
The total length of the conveyor system, on which a body passes through individual phases of the production process in the paint shop including buffer zones, is 7.5 km. In the pre-treatment and electrochemical coating processes, a unique 360° rotation-dipping system is used, which ensures the coating of a protective substance. A total of 48 robots participate in the sealer and paint applications. However, Kia Motors Slovakia is committed to being environmentally friendly so only water-soluble paints are used. During 2012 we offered to our customers 12 colours for the cee'd model, 10 colours for the Sportage model and 10 colours for the Venga model.

Engine shop

We produce several concepts of gasoline engines (MPI, S-CVVT, D-CVVT) with volumes (1.4 L, 1.6 L) including 1.6 GDI engine and diesel engines with volumes (1.4 L, 1.6 L, 1.7 L, 2.0 L) in only two engine shops in Slovakia. We also produce engines for the Hyundai Motor Manufacturing Czech production plant in Nosovice, the Czech Republic. In both engine shops a total of 7 metal cutting lines operate and produce cylinder blocks, cylinder heads and crank shafts. There are also 2 assembly lines. Fully functioning engines leave the engine shop and are stored in 2 automatic storage systems. Later, they are moved to Mobis, the biggest supplier of Kia Motors Slovakia where they are assembled onto the front suspension.

Assembly shop

The assembly shop is the biggest shop of all the production halls. Its size covers 100,000 m^2 and the hall is almost 450 meters long. Under each car there is a so called skillet which can move the car body to a specific height for the convenience of operators. The assembly shop can be divided into four parts. The car completion starts with the assembling of electric cables and minor interior as well as exterior car parts followed by the assembly of chassis parts. In the third part of the assembly shop there are the final lines where the front and rear glass, wheels, seats and other necessary components are assembled as well as the car is completed. Inspection of the individual assembled parts and the inserting of the required liquids followed by tests and adjustments of lights as well as the breaking system is provided at the end of the assembly line.



3. Sustainable Development

Environmental Aspects

Kia Motors Slovakia realizes its responsibility to the environment so it focuses its attention on the production of environmentally friendly cars and monitors the impact on the environment during the whole production process.

An Environmental Management system according to the international standard ISO 14001 was implemented and certified in 2007. Its re-certification was held in 2012. As a part of it, Kia monitors the consumption of water, energy, material as well as the amount of scrap and emissions over the period of one car production and accepts savings measures. The aim of Kia Motors Slovakia is to proceed in the development of environmental management because environment protection is a key to a successful business and sustainable development.

The production plant is located in the second degree protected water source area so therefore a network of boreholes were constructed before starting plant construction to monitor the impact of work and later the impact of the production plant operation on underground water sources. Apart from the state-of-the-art technologies used in the production plant, Kia Motors Slovakia uses state-of-the-art technologies for environment protection such as a modern system of exhausts in the assembly shop. All industrial waste water from the production plant is treated in the water treatment plant (WTP) at physical and chemical levels, and then the water is further biologically treated at the WTP in Hricov.

The waste management system is well-established in all production shops to ensure correct waste separation. Attention is also focused on the selection of used materials in the production process. We use only water-soluble primers and base coats in the paint shop and waxes with a minimum content of volatile organic compounds for the final car treatment.

Human Resources

As at December 31, 2012, Kia Motors Slovakia employed 3,662 active employees. Highly qualified employees are the key to the success of the company. Kia has thus invested in training programs where each employee acquires a special education and training program based on position and job description. The company has been providing education in form of basic common entry courses, special programs and trainings for blue-collar workers in Slovakia as well as abroad since 2005. So far 1,274 employees in total have participated in training courses with the parent company in Korea. The aim of the course is to brush up employees' knowledge and skills in their field of expertise. Furthermore, various training activities organized within the project under the support from the European Social Fund with the Operational Program Employment and Social Inclusion were attended by almost 12,802 attendees (some of them attended several trainings) in 2012. They spent 7,759 hours training. Overall, we performed 180 different types of trainings.

Obligations to the Slovak Republic

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. 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 has settled all due claims and due liabilities towards all state authorities by 31 December 2012.

Corporate Social Responsibility

Kia as a responsible citizen in the region supports corporate social responsibility which is primarily focused on the support of self-realization of handicapped people, fair opportunities for minority groups of people, enhancing environmental stability and safety, education, culture as well as the support of volunteering activities. In 2012 the company contributed to philanthropic projects with direct financial help and with various individual donations to the amount of more than EUR 517,000. Also Kia in cooperation with the Pontis Foundation realized projects focused on environment, mobility support and education in the value more of than EUR 172,000.

Environment and safety

Kia donated EUR 34,000 to Zilina Green Park for its revitalization and for the creation of new resting areas. The major reconstruction and reclamation works has just recently been completed, the pedestrian paths have been built and the park is waiting for its official opening in the spring. With the aim to increase the safety of pedestrians and children commuting to schools, Kia has also invested into safety markings at dangerous road crossings near schools. The project covers so far 11 places.

Mobility

Kia has supported the building and marking of new cycling paths in the Zilina region in cooperation with the Zilina self-governing region and several non-profit organizations. Within the BikeKIA project focused on the building of a new cycling path between Strecno and Budatin castles, a new bridge over the bio corridor was placed and the cycling path will be open to the public in the spring of 2013. Also thanks to the Employee grant program focused on Mobility, the regional centre for autistic people has been able to reconstruct a traffic playground and provide a new way of traffic interaction for mentally disabled people.

Youth and Education

For the second year Kia organized the English Daily Camp for 130 children from neighbouring villages to improve their language skills and support their imagination and creativity. A one-week camp offered a theoretical part and interactive language games. The company also supported the 2nd year of a competition for children from primary schools – Basic schools competition and for the third year a contest for secondary schools students – Kia Innovation Award.

Volunteering

Kia supports additional volunteering work by its employees on a monthly basis. Altogether 396 employees participated in various volunteering activities in 2012 focused on help where it is necessary. Animal shelters, foster homes, cycling associations or environmental organizations, all these organizations warmly welcome kind and determined volunteers. Further, the company organizes Blood donation days directly at the factory. In 2012 a total number of 59 employees donated blood. Moreover, the company organized volunteering collections of clothes, meal tickets and toys for families in unfortunate social conditions and charities, which take care of the homeless.

Corporate Philosophy

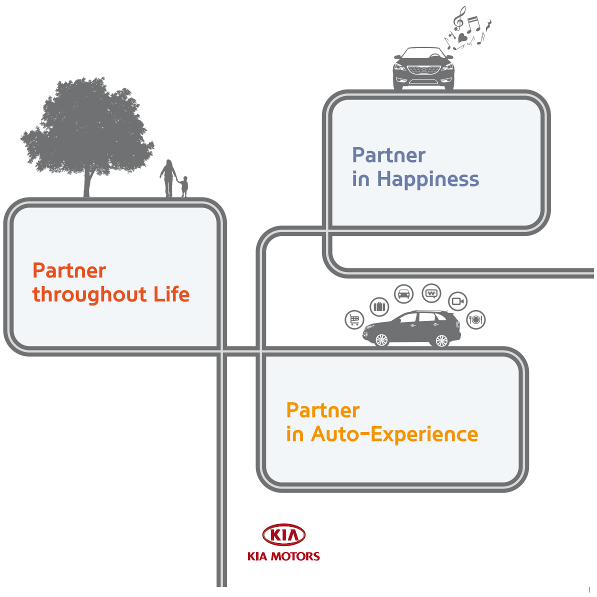
Since its establishment, Hyundai Motor Group has been guided by its philosophy and values, and has flourished by keeping these intact in the organization. In 2011, Kia Motors Slovakia adopted the corporate philosophy and believes that its growth into a global company could not have been possible without our new management philosophy and horizontal principles that stressed trust-based, on-site, and transparent management. The new philosophy represents the values we must keep, 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 Group exists, and is a tenet that should be deeply embedded in the minds and actions of employees.

Together for a better future

VISION 2020

Lifetime partner in automobiles and beyond



The five **core values** we have 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.

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

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

4. Quality Management System

Customer satisfaction is of top priority and importance for Kia Motors Slovakia and all its employees. Qualified and educated employees ensure the requested quality at all production process levels, from the quality control of the supplied parts and material, through quality control during the production process in each production shop until the final quality control of the assembled cars. Overall 363 employees, which accounts for around 10% of all employees, ensure the quality control of the produced vehicles and engines.

Automobiles produced at Kia Motors Slovakia meet the high demanding needs of the European Union. The Quality Management System of Kia Motors Slovakia has been certified by the independent certification body Det Norske Veritas according to ISO 9001. The certification by the renowned company, as well as the certificate according the standard ISO 9001:2008 confirm our long term commitment to focus on quality of our products and oblige us to the continuous improvement of all processes.

5. Financial Overview

Income Statement

in TEUR	2012	2011
Sales	3 919 126	3 328 383
Cost of sales	(3 488 645)	(3 038 876)
Gross profit	**430 481**	**289 507**
Administrative and selling expenses, net	(250 226)	(215 514)
Other operating income / (expenses), net	5 921	12 931
Operating profit	**186 176**	**86 924**
Interest costs	(13 279)	(17 635)
Interest revenue	6 633	11 627
Other financial income / (costs), net	(1 008)	276
Net finance costs	**(7 654)**	**(5 732)**
Profit before taxes	**178 522**	**81 192**
Current Income tax	(31 184)	(15 332)
Income tax credit	8 124	2 771
Profit for the year/other comprehensive income	**155 462**	**68 631**

Balance sheet

in TEUR	31 December 2012	31 December 2011
Assets		
Non-current assets	841 083	724 108
Current assets	1 020 192	1 154 813
Total assets	**1 861 275**	**1 878 921**
Equity		
Issued capital	433 323	433 323
Retained earnings and legal reserve fund	304 053	148 591
Total equity	**737 376**	**581 914**
Liablities		
Total non-current liabilities	**367 802**	**373 168**
Total current liabilities	**756 097**	**923 839**
Total liabilities	**1 123 899**	**1 297 007**
Total equity and liabilities	**1 861 275**	**1 878 921**

Statement of changes in share capital

in TEUR

Capital increasing	Amount (EUR)	Contributions of capital	EUR/SKK
Balance as of 1.1.2012	433 323		EUR
Balance as of 31.12.2012	**433 323**		**EUR**

Distribution of profit

The general meeting of the parent company (Kia Motors Corporation) will decide on the distribution of profit in the amount of 155 462 TEUR for the year 2012 accounting period. The proposal presented by the statutory body to the general meeting is as follows:

- contribution to legal reserve fund in the amount of 7 773 TEUR
- remaining part of the net profit of the Company for the year 2012 in the amount of 147 689 TEUR shall be paid to the parent company.

The general meeting will be held in February 2013.

6. Yearly Closing

Statement of financial position as at 31 December 2012

in TEUR

	Note	31 December 2012	31 December 2011
Assets			
Property, plant and equipment	*11*	726 794	698 079
Intangible assets	*12*	4 299	4 024
Prepaid royalty expense	*18*	85 242	2 652
Finance lease receivable	*13*	13 355	19 353
Deferred tax assets	*14*	11 393	-
Total non-current assets		**841 083**	**724 108**
Inventories	*15*	292 394	291 335
Trade and other accounts receivables	*16*	617 252	693 633
Cash and cash equivalents	*17*	83 863	155 120
Prepaid expenses	*18*	20 685	8 979
Finance lease receivable	*13*	5 998	5 746
Total current assets		**1 020 192**	**1 154 813**
Total assets		**1 861 275**	**1 878 921**
Equity			
Issued capital	*19*	433 323	433 323
Legal reserve fund		10 838	7 407
Accumulated profit		293 215	141 184
Total equity		**737 376**	**581 914**
Liabilities			
Interest-bearing loans and borrowings	*20*	151 827	221 817
Provisions	*21*	215 975	151 351
Total non-current liabilities		**367 802**	**373 168**
Interest-bearing loans and borrowings	*20*	165 126	392 460
Trade and other accounts payables	*22*	483 646	459 275
Provisions	*21*	85 647	69 238
Income tax payable		21 678	2 866
Total current liabilities		**756 097**	**923 839**
Total liabilities		**1 123 899**	**1 297 007**
Total equity and liabilities		**1 861 275**	**1 878 921**

Statement of cash flows for the year ended 31 December 2012

in TEUR

Cash flows from operating activities	Note	2012	2011
Profit for the year		155 462	68 631
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets	*11,12*	99 791	106 964
Value adjustment for receivables		-	(30)
Amortisation of state aid related to property, plant and equipment	*6,11*	(11 177)	(14 486)
Scrap of property on retirement	*8*	2 756	-
Interest costs	*9*	13 279	17 635
Interest income	*9*	(6 633)	(11 627)
Warranty provisions charges	*21*	118 539	112 031
Other provision charges, net of actual costs	*21*	2 819	(480)
Release and write down of prepaid royalty	*6,8*	18 514	16 926
Tax expense	*10*	23 060	12 561
Gain on sale of property, plant and equipment	*8*	(230)	(2 990)
Operating profit before changes in working capital items		**416 180**	**305 135**
(Increase) in inventories	*15*	(1 059)	(26 933)
Decrease in trade and other receivables and prepaid expenses	*16,18*	78 940	208 967
Increase / (decrease) in trade and other payables	*22*	24 371	(53 812)
Cash generated from operating activities		**518 432**	**433 357**
Interest paid from financing receivables, overdrafts and other		(3 559)	(8 631)
Interest received from on bills of exchange and bank deposits		3 167	8 162
Tax paid		(15 641)	(18 314)
Warranty claims net of supplier chargebacks	*21*	(40 325)	(31 649)
Net cash generated from operating activities		**462 074**	**382 925**
Cash flows from investing activities			
Acquisition of property, plant and equipment	*11*	(118 722)	(177 845)
Acquisition of intangible assets	*12*	(2 179)	(1 460)
Borrowing costs capitalized to property, plant and equipment	*11*	(58)	(1 575)
Additional payment for royalty	*18*	(117 693)	(4 657)
Receipt of finance lease including interest	*13*	6 713	3 357
Proceeds from sale of non-current assets		833	12 338
Subsidies for acquisition of property, plant and equipment	*11*	(3)	(334)
Net cash (used for) investing activities		**(231 109)**	**(170 176)**
Cash flows from financing activities			
Finance lease payments including interests	*20*	(4 638)	(1 295)
Repayment of long term bank loans	*20*	(53 679)	(40 554)
Repayment of short term bank loans	*20*	(19 000)	(10 000)
(Repayment) of short term loan to financing receivables	*20*	(164 474)	(38 224)
Refund of prepaid transaction costs	*18*	2 668	-
Interest paid on long term bank loans		(6 724)	(7 719)
Net cash (used for) financing activities		**(245 847)**	**(97 792)**
Net increase in cash and cash equivalents		(14 882)	114 957
Cash and cash equivalents at beginning of the period	*17*	98 745	(16 212)
Cash and cash equivalents at end of the period	*17*	**83 863**	**98 745**

Statement of comprehensive income for the year ended 31 December 2012

in TEUR	Note	2012	2011
Revenue	*5*	3 919 126	3 328 383
Cost of sales	*6*	(3 488 645)	(3 038 876)
Gross profit		**430 481**	**289 507**
Administrative and selling expenses	*7*	(250 226)	(215 514)
Other operating income, net	*8*	5 921	12 931
Operating profit		**186 176**	**86 924**
Interest costs		(13 279)	(17 635)
Interest income		6 633	11 627
Other financial (expense) / income, net		(1 008)	276
Net finance costs	*9*	**(7 654)**	**(5 732)**
Profit before taxes		**178 522**	**81 192**
Current Income tax	*10*	(31 184)	(15 332)
Income tax credit	*10*	8 124	2 771
Profit for the year		**155 462**	**68 631**
Other comprehensive income		-	-
Total comprehensive income for the year		**155 462**	**68 631**

Statement of changes in equity for the year ended 31 December 2012

in TEUR	Note	Share capital *(Note 19)*	Legal reserve fund *(Note 19)*	Retained earnings	Total
Balance as of 1 January 2011		**433 323**	**5 261**	**74 699**	**513 283**
Total comprehensive income for the year		-	-	68 631	68 631
Legal reserve fund transfer		-	2 146	(2 146)	-
Balance as of 31 December 2011	*19*	**433 323**	**7 407**	**141 184**	**581 914**
Balance as of 1 January 2012		**433 323**	**7 407**	**141 184**	**581 914**
Total comprehensive income for the year		-	-	155 462	155 462
Legal reserve fund transfer		-	3 431	(3 431)	-
Balance as of 31 December 2012	*19*	**433 323**	**10 838**	**293 215**	**737 376**

Notes to the financial statements for the year ended 31 December 2012

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.
IČO: 35 876 832
DIČ: 2021787801
Sv. Jána Nepomuckého 1282/1
Teplička nad Váhom 013 01
Slovensko

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

These financial statements have been prepared as at 31 December 2012 and for the year then ended and were prepared and authorized for issue by the Company’s directors on 24 January 2013. The financial statements can be amended up until the approval by General meeting.

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 2012 to 31 December 2012.

The Statutory Financial Statements of the Company as at 31 December 2011, i.e. for the preceding accounting period, were approved by the shareholders at the Company’s general meeting on 16 May 2012 and were filed together with the audited annual report in the collection of deeds of the Commercial Register on 15 June 2012. The balance sheet and income statement for the preceding period were published in the commercial bulletin No. 126/2012 on 2. July 2012

The Company’s bodies:

Directors	Eek-Hee Lee
	Jung-Pil Kuk

Information about the ultimate parent

The Company is consolidated into the financial statements of Kia Motors Corporation, Yangjae-Dong, Seocho-gu 231, 137-938 Seoul, Korea, which is the Company’s parent, which is further consolidated in the group financial statements of Hyundai Motor Company Yangjae-Dong, Seocho-gu 231, 137-938 Seoul, Korea, an ultimate controlling parent. These consolidated financial statements are available for public use in Soul, South 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 21 – Provision for warranty repairs

4. Significant accounting policies

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

a) Foreign currency

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

b) Property, plant and equipment

i. Owned assets

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

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. 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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 30 years
- machinery and equipment 3-15 years
- moulds 5 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

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. The grants received are recorded 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.

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 5 years

d) Royalties

The Company pays a lump sum and running royalty to its parent Company for the production of cars.

i. Lump sum royalty

Prepaid lump sum royalties are initially recorded as prepayments and are amortized on a straight-line basis over the period for which the royalty has been paid. Amortization cost is recorded as cost of goods sold (refer to Note 6).

ii. Running royalty

Running royalties represent regular expenses derived from the number of cars produced, and are recorded as cost of goods sold (refer to the Note 6).

e) Trade and other accounts receivables including finance lease receivable

Trade and other receivables are recognized initially at fair value, subsequent to initial recognition they are stated at their amortized cost using the effective interest rate method, less impairment losses (see accounting policy i).

f) Bills of Exchange and related borrowings

The Company finances some of its receivable with two customers, related parties, through external banks. The Company presents bills of exchange from customers to the bank in exchange for cash, which is classified as loan received from the bank. The customers are required to pay its liabilities directly to the banks, while the Company remains liable until the liability is fully paid by customer. The Company also remains liable to the bank if the customer do not pay its liability.

The Bills of exchange from related party are recorded as trade and other accounts receivables (refer to the Note 16) and the loans as a short term borrowings (refer to the Note 20).

The interest on the bank loan is paid by the Company and is recorded as an interest expenses on bank loans related to financing of Bills of Exchange (refer to Note 9). According to the agreement with these customers, the Company charges the customer a fixed 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 9).

g) 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 costs 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.

h) 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.

i) Impairment

Financial assets

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.

j) 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.

k) 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 cars contain parts manufactured by third party suppliers. Hence suppliers typically warrant for these parts, the estimated receivables from warranties of these suppliers are deducted from the warranty provision (refer to Note 28).

l) Trade and other payables

Trade and other payables are recognized initially at fair value. Subsequent to initial recognition they are stated at amortized cost.

m) 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 also 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.

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.

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

Interest paid from the long term bank loan, short term bank loan and 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) 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 provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. 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.

p) 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.

q) 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 deduction of depreciation expense over the useful life of the assets to which they relate (refer to Note 4, b.v.).

r) New standards

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2012 and have not been applied in preparing these financial statements:

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities – effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods; to be applied retrospectively.).

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements – effective for annual periods beginning on or after 1 January 2014; Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.). This Standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 11 Joint Arrangements – effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.

IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted.

IFRS 13 Fair Value Measurement – effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income – effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.

Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets – effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.

IAS 19 (2011) Employee Benefits – effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.

IAS 27 (2011) Separate Financial Statements – effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early.

IAS 28 (2011) Investments in Associates and Joint Ventures amendments – effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities – effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – effective for annual periods beginning on or after 1 January 2013. It applies prospectively to production stripping costs incurred on or after the beginning of the earliest period presented. Earlier application is permitted.)

The entity does not expect the Amendments to the standards and the Interpretations not yet effective to have any impact on the financial statements since they do not apply to the entity.

5. Revenue

Revenue is principally represented by sale of cars (Cee'd, new Cee'd, ix35, Venga and Sportage model) and sale of engines to another production plant. The breakdown by key products and geographical area is as follows:

In thousands of euro	2012	2011
Revenue from sale of cars to EU countries excluding Slovakia	2 263 243	2 046 876
Revenue from sales of cars to non EU countries	1 188 897	899 116
Sale of engines and spare parts	415 744	332 272
Revenue from sale of cars to Slovakia	51 242	50 119
Total	**3 919 126**	**3 328 383**

6. Cost of sales

In thousands of euro	2012	2011
Material consumption	3 188 627	2 769 368
Depreciation and amortization (refer to Note 11,12)	99 261	106 412
Personnel expenses	76 564	64 289
Energy consumption	25 125	20 045
Running royalty charge	28 727	28 539
Lump sum royalty charge (refer to Note 18)	18 515	13 401
Amortization of government grants (refer to Note 11)	(11 177)	(14 486)
Other cost of sales	63 003	51 308
Total	**3 488 645**	**3 038 876**

The Company had on average 3 739 employees, out of what were 2 managers (in 2011: 3 158, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	2012	2011
Warranty charges (refer to Note 21)	118 539	112 031
Logistics services	124 695	96 081
Personnel expenses	3 038	3 019
Marketing services	515	1 051
Depreciation and amortization (refer to Note 11,12)	530	552
Other operating expenses	2 909	2 780
Total	**250 226**	**215 514**

8. Other operating income

In thousands of euro	2012	2011
Sale of scrap material	9 503	10 783
Government grants received for job creation and education	(58)	463
Write off lump sum royalty (Note 18)	-	(3 525)
Scrap of property on retirement	(2 756)	-
Gain from sale of machinery and equipment	230	2 990
Other operating (expense) / income, net	(998)	2 220
Total	**5 921**	**12 931**

9. Net finance costs

in thousands of euro	2012	2011
Interest expense, long term bank loans	(7 949)	(8 185)
Interest expense, short term bank loans	(6)	(638)
Interest expense, leases	(782)	(246)
Interest expense, overdraft	(30)	(322)
Interest expense on bank loans related to financing Bills of Exchange	(4 512)	(8 244)
	(13 279)	**(17 635)**
Interest income, other	1 244	825
Interest income on Bills of Exchange from related parties	5 389	10 802
	6 633	**11 627**
Net interest expense	**(6 646)**	**(6 008)**
Foreign exchange losses	(4 987)	(3 539)
Foreign exchange gains	3 979	3 815
Net foreign exchange gains	**(1 008)**	**276**
Net finance costs	**(7 654)**	**(5 732)**

Interests on Bills of Exchange and related borrowings

The Company finances some of its receivable with two customers, related parties, through external banks (refer to Note 4,f). The interest on the bank loan is paid by the Company and is recorded as interest expense on bank loans related to financing Bills of Exchange. According to the agreement with these customers, the Company charges the customer a fixed 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 24).

10. Income tax

in thousands of euro	2012	2011
Current tax expense		
Period income tax charge	(42 317)	(14 868)
Tax relief benefit	8 124	2 771
Adjustment to prior year income tax	(260)	(464)
	(34 453)	(12 561)
Deferred tax expense		
Increase in tax rate	3 403	-
Origination and reversal of temporary differences	7 990	-
	11 393	-
Total income tax expense	**(23 060)**	**(12 561)**

Reconciliation of effective tax rate

in thousands of euro	2012	%	2011	%
Profit before tax	178 522		81 192	
Income tax using the domestic corporation tax rate	(33 919)	(19,0%)	(15 426)	(19.0%)
Increase in tax rate	3 403	1,9%	-	-
Tax relief benefit	8 124	4,5%	2 771	3.4%
Recognition of previously unrecognized deferred tax asset	12	0,0%	1 226	1.5%
Tax non-deductible expenses and other items	(420)	(0,2%)	(668)	(0.8%)
Change in estimates related to prior year	(260)	(0,1%)	(464)	(0.6%)
Income tax charge for the year	**(23 060)**	**(12,9%)**	**(12 561)**	**(15.5%)**

Income tax credit

The Company in entitled to government grant in the form of a tax relief in the total amount of TEUR 15 070, which can be utilized as a reduction of corporate income tax rate in the period from 2011 to 2015. Certain conditions are attached to the utilization of tax relief. Management concluded that it is probable those conditions will be met and therefore they utilized part of the tax relief in the amount of TEUR 8 124 (2011: TEUR 2 771). No deferred tax asset for the remaining portion of the income tax credit of TEUR 4 175 has been recorded on the basis that the future taxable profits are uncertain.

The applicable corporate income tax rate will increase in the following accounting period from 19% to 23%. This increase has been reflected in the deferred tax calculation.

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 2011	226 836	780 406	5 588	51 682	1 064 512
Acquisitions	14 322	126 584	1 364	56 106	198 376
Transfer	19 266	23 137	18	(42 421)	-
Disposals	-	(51 197)	(190)	-	(51 387)
Balance at 31 December 2011	**260 424**	**878 930**	**6 780**	**65 367**	**1 211 501**
Balance at 1 January 2012	260 424	878 930	6 780	65 367	1 211 501
Acquisitions	13 293	95 007	637	9 843	118 780
Transfer	3 483	55 616	27	(59 126)	-
Disposals	-	(68 676)	(175)		(68 851)
Balance at 31 December 2012	**277 200**	**960 877**	**7 269**	**16 084**	**1 261 430**
Depreciation and impairment losses					
Balance at 1 January 2011	28 365	298 123	5 003	-	331 491
Depreciation charge for the period	8 042	96 305	588	-	104 935
Disposals	-	(13 845)	(190)	-	(14 035)
Balance at 31 December 2011	**36 407**	**380 583**	**5 401**	**-**	**422 391**
Balance at 1 January 2012	36 407	380 583	5 401	-	422 391
Depreciation charge for the period	8 705	88 441	741	-	97 887
Disposals		(65 317)	(175)	-	(65 492)
Balance at 31 December 2012	**45 112**	**403 707**	**5 967**	**-**	**454 786**
Government grants acquisition costs					
Balance 1 January 2011	35 890	120 192	-	-	156 082
Additions	-	(334)	-	-	(334)
At 31 December 2011	35 890	119 858	-	-	155 748
Additions	-	(4)	-	-	(4)
At 31 December 2012	**35 890**	**119 854**	**-**	**-**	**155 744**
Government grants amortization					
Balance 1 January 2011	4 300	45 931	-	-	50 231
Amortization	1 259	13 227	-	-	14 486
At 31 December 2011	5 559	59 158	-	-	64 717
Amortization	1 279	9 898	-	-	11 177
At 31 December 2012	**6 838**	**69 056**	**-**	**-**	**75 894**
Carrying amounts					
At 1 January 2011	166 881	408 022	585	51 682	627 170
At 31 December 2011	**193 686**	**437 647**	**1 379**	**65 367**	**698 079**
At 31 December 2012	**203 036**	**506 372**	**1 302**	**16 084**	**726 794**

Work performed by the entity and capitalized to property, plant and equipment

Acquisitions to property, plant and equipment includes no vehicles (2011: eleven vehicles amounting to TEUR 123).

11. Property, plant and equipment (continued)

Insurance
Property, plant and equipment is insured against damage up to TEUR 1 648 189 (2011: TEUR 1 459 703).

Leases
The Company leases parking lot from related party under finance lease. The net book value of the parking lot at 31 December 2012 amounts to TEUR 1 588 (2011: TEUR 1 647).

From 2011 the Company leases material moulds for production of Venga model from related party under finance lease. The net book value of the moulds at 31 December 2012 amounts to TEUR 14 529 (2011: 18 438).

Borrowing costs capitalized
The borrowing costs in the amount of TEUR 58 (2011: TEUR 1 575) were capitalized to construction in progress. The Company used an average borrowing rate of 3.5%.

Amortization of government grants
The amortization of government grants related to property, plant and equipment is recorded in cost of goods sold (refer to Note 6).

12. Intangible assets

in thousands of euro	Information technologies and software
Cost	
Balance at 1 January 2011	16 394
Acquisitions	1 460
Balance at 31 December 2011	**17 854**
Balance at 1 January 2012	17 854
Acquisitions	2 179
Disposals	(14)
Balance at 31 December 2012	**20 019**
Amortization and impairment losses	
Balance at 1 January 2011	11 801
Amortization for the year	2 029
Balance at 31 December 2011	**13 830**
Balance at 1 January 2012	13 830
Amortization for the year	1 904
Disposal	(14)
Balance at 31 December 2012	**15 720**
Carrying amounts	
At 1 January 2011	4 593
At 31 December 2011	**4 024**
At 1 January 2012	4 024
At 31 December 2012	**4 299**

13. Finance lease receivable

Finance lease receivable represents present value of future payments from related party for a five years lease of moulds. The outstanding finance lease payments are as follows:

in thousands of euro	Minimum lease payments	Interest	Present value of minimum lease payments	Finance lease
	31 December 2012	**31 December 2012**	**31 December 2012**	**31 December 2011**
Less than one year	6 713	715	5 998	5 746
Between one and five years	13 986	631	13 355	19 353
	20 699	**1 346**	**19 353**	**25 099**

14. Deferred tax assets

in thousands of euro	31 December 2012	31 December 2011
Property, plant and equipment (including government grants)	(49 417)	(33 491)
Warranty provision	68 528	41 749
Other items	454	(74)
Subtotal for temporary difference	**19 565**	**8 184**
Unrecognized deferred tax asset	(8 172)	(8 184)
Deferred tax asset	**11 393**	**-**

15. Inventories

in thousands of euro	31 December 2012	31 December 2011
Raw materials and consumables	245 073	229 881
Work in progress and semi-finished goods	17 783	32 355
Finished goods	29 538	29 099
	292 394	**291 335**

16. Trade and other accounts receivables

in thousands of euro	31 December 2012	31 December 2011
Trade account receivables	366 934	335 398
Value adjustment to receivable	-	(36)
Bill of exchange of related party receivable (refer to accounting policy 4,f)	95 936	260 410
Value added tax receivable	154 099	96 569
Other receivables	283	1 292
Trade account receivables	**617 252**	**693 633**

16. Trade and other accounts receivables (continued)

The breakdown by currency is as follows:

in thousands of euro	31 December 2012	%	31 December 2011	%
EUR	555 241	90.0%	622 772	89.8%
GBP	62 011	10.0%	70 861	10.2%
	617 252	**100.0%**	**693 633**	**100.0%**

70% or TEUR 434 880 (as at 31 December 2011: 82% or TEUR 566 327) 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.

17. Cash and cash equivalents (as presented in the Balance Sheet and Statement of Cash flows)

in thousands of euro	31 December 2012	31 December 2011
Bank balances	83 861	155 119
Vouchers	2	1
Cash and cash equivalents	**83 863**	**155 120**
Bank overdrafts (refer to Note 20)	-	(56 375)
Cash and cash equivalents as presented in Cash flow Statement	**83 863**	**98 745**

18. Prepaid expenses

in thousands of euro	31 December 2012	31 December 2011
Non-current assets:		
Lump sum royalty prepaid	105 633	6 455
less: current portion	(20 391)	(3 803)
Total	**85 242**	**2 652**

in thousands of euro	31 December 2012	31 December 2011
Current assets:		
Lump sum royalty prepaid	20 391	3 803
Prepaid bank interests on financing Bills of Exchange of related party	172	1 223
Prepaid transaction costs to undrawn loans	-	3 865
Other prepayments	122	88
Total	**20 685**	**8 979**

18. Prepaid expenses (continued)

Following is the overview of lump sum royalty prepayments:

in thousands of euro	Year	Royalty prepaid (TEUR)	Amortization period (months)
Royalty for new Sportage car model	2010	4 657	72
Royalty for new Cee'd car model	2012	117 693	72

Overview of movement in lump sum royalty prepayments are set out in the table below:

in thousands of euro	Royalty cars
Initial payments	
Balance at 1 January 2011	67 973
Additional payments made in the year	1 271
Disposal for the year	(4 700)
Balance at 31 December 2011	**64 544**
Balance at 1 January 2012	64 544
Additional payments made in the year	117 693
Disposal for the year	(59 887)
Balance at 31 December 2012	**122 350**
Amortization	
Balance at 1 January 2011	45 863
Amortization for the year	13 401
Disposal for the year	(1 175)
Balance at 31 December 2011	**58 089**
Balance at 1 January 2012	58 089
Amortization for the year (Refer to Note 6)	18 515
Disposal for the year	(59 887)
Balance at 31 December 2012	**16 717**
Carrying amounts	
At 1 January 2011	22 110
At 31 December 2011	**6 455**
At 1 January 2012	6 455
At 31 December 2012	**105 633**

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

18. Prepaid expenses (continued)

Disposal in 2011

During 2011 the Company wrote off the remaining lump sum royalty prepayment related to car model transferred to another production plant. The net value disposed amount to TEUR 3 525 and is recorded as reduction of other operating income (Refer to Note 8).

19. Capital and reserves

Share capital

The Company's authorized total authorized and issued share capital amounted to TEUR 433 323 as of 31 December 2012 (31 December 2011: TEUR 433 323). The share capital is fully paid up. The sole shareholder of the Company exercise full voting rights and has rights to receive dividends.

Legal reserve fund

The Company is obliged by Slovak law to create a legal reserve totalling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has not yet reached yet the maximum balance, a further distribution amounting to TEUR 32 494 from the Company's profits is required in the future. The legal reserve fund can only be used to cover the Company's losses.

20. Interest-bearing loans and borrowings

in thousands of euro	31 December 2012	31 December 2011
Non-current liabilities		
Long term bank loans	140 416	206 409
Lease liability	11 411	15 408
Long term bank loans	**151 827**	**221 817**
Current liabilities		
Short term portion of the long term bank loan	65 074	52 810
Bank overdrafts (refer to Note 17)	-	56 375
Short term bank loans	-	19 000
Lease liability	4 032	3 865
Short term loans on Bill of exchange to related party (refer to accounting policy 4 f)	95 936	260 410
Accrued interest	84	-
Short term bank loans	**165 126**	**392 460**

The long term bank loans are fully covered by a guarantee provided by Kia Motors Corporation, the Company's parent company.

All the loans presented above bears the variable interest rate, except for a tranche of long term bank loan with carrying value of TEUR 18 717 (31 December 2011: TEUR 38 328), which has a fixed rate interest.

20. Interest-bearing loans and borrowings (continued)

Finance lease

Finance lease liability represents present value of payments to related parties for five year lease of parking lot and another five year lease of moulds and are payable as follows:

in thousands of euro	Future minimum lease payments	Interest	Present value of minimum lease payments	Finance lease
	31 December 2012	**31 December 2012**	**31 December 2012**	**31 December 2011**
Less than one year	4 839	807	4 032	3 865
Between one and five years	13 764	2 353	11 411	15 408
	18 603	**3 160**	**15 443**	**19 273**

21. Provisions

in thousands of euro	Warranty	Other	Total
Balance at 1 January 2011	139 349	1 338	140 687
Provisions charges (refer to Note 7)	112 031	858	112 889
Actual costs, net of supplier chargebacks	(31 649)	(1 338)	(32 987)
Balance at 31 December 2011	**219 731**	**858**	**220 589**
Balance at 1 January 2012	219 731	858	220 589
Provisions charges (refer to Note 7)	118 539	3 677	122 216
Actual costs, net of supplier chargebacks	(40 325)	(858)	(41 183)
Balance at 31 December 2012	**297 945**	**3 677**	**301 622**

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

in thousands of euro	31 December 2012	31 December 2011
Non-current	215 975	151 351
Current	85 647	69 238
Balance at the reporting date	**301 622**	**220 589**

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.

22. Trade and other accounts payables

in thousands of euro	31 December 2012	31 December 2011
Trade payables including accruals	475 101	447 347
Employee related liabilities	6 098	5 700
Other payables	1 680	5 571
Payroll withholding taxes	767	657
	483 646	**459 275**

The breakdown by currencies is as follows:

in thousands of euro	31 December 2012 Balance recalculated to EUR	%	31 December 2011 Balance recalculated to EUR	%
EUR	482 308	99.7%	457 934	99.7%
USD	1 259	0.3%	1 249	0.3%
GBP	30	0.0%	16	0.0%
JPY	49	0.0%	76	0.0%
	483 646	**100.0%**	**459 275**	**100,0%**

23. Capital commitments and contingencies

Capital commitments

At 31 December 2012 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 9 474 (31 December 2011: TEUR 40 472).

Contingences

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.

24. Related parties (continued)

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 362 (2011: TEUR 419).

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	2012	2011
in thousands of euro		
Revenues	722	834
Warranty provision chargebacks	4 692	4 851
Purchases of material	(228 275)	(499 343)
Acquisitions of property, plant and equipment	(15 896)	(23 727)
Purchase of services	(5 040)	(3 525)
Prepaid royalty	(117 693)	(1 271)
Running royalties charge	(28 727)	(25 299)

Transactions with other companies	2012	2011
in thousands of euro		
Revenues	3 680 868	3 167 394
Revenues from sale of property	-	12 249
Revenues from sale of property through finance lease	-	27 881
Interest income from lease interests	967	575
Warranty provision chargebacks	7 353	4 896
Purchase of material	(1 772 945)	(1 281 718)
Acquisitions of property, plant and equipment	(26 677)	(41 598)
Acquisitions of property, plant and equipment through finance lease	-	(18 956)
Purchase of services	(93 571)	(69 438)
Warranty charges	(43 972)	(37 307)
Running royalty charge	-	(3 240)
Interest expense on finance lease	(782)	(246)
Interest income from refunded interest expense from financing receivables	5 127	10 334

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	2012	2011
in thousands of euro		
Pohľadávky z obchodného styku	1 582	141
Záväzky z obchodného styku	(138 793)	(118 134)

24. Related parties (continued)

Assets and liabilities arising from transactions with other group companies	2012	2011
in thousands of euro		
Trade accounts receivable	338 944	305 917
Trade accounts receivable – Bills of Exchange of related party	95 936	260 410
Finance lease receivable	19 353	25 099
Finance lease liability	(15 443)	(19 273)
Trade accounts payable	(227 846)	(193 535)

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, except for the finance lease receivable and finance lease liability, which matures according to the repayment calendar within five years 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.

94 % (1-12/2011 95%) 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. 95% (in 2011: 96%) of the outstanding trade and other receivables balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation respectively from the tax office for VAT receivable. No impairment provision has been recorded to either due or past due balance of this receivable as management assessed these credits with high quality on the basis of historical collection. In the past the Company recovered its VAT balance within 2 months from the balance sheet date, on this basis it expects low collection risk.

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.

25. Financial risk management (continued)

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 comprise of overdraft limits, short term facilities and limits to finance Bills of Exchange and available cash in comparison to the expected financial liabilities that become due in the following month. The Company treats its plans according to current situation and in compliance with its plans and predictions of future cash-flow situation.

The Company's management is monitoring whether they have sufficient resources to fulfil their obligations when they fall due. The management is monitoring liquidity through targeted current ratio of above 1.2 calculated as current assets divided with current liabilities. At 31 December 2012 the current ratio reached management target of 1.35 (as at 31 December 2011: 1.25).

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

31 December 2012

in thousands of euro	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Trade and other receivables	*16*	617 252	617 252	-	-	-	-
Finance lease receivable, including interests	*13*	20 699	3 358	3 356	13 426	559	-
Cash and cash equivalents	*17*	83 863	83 863	-	-	-	-
Interest bearing loans and borrowings, excl. unamortized costs	*20*	(319 401)	(131 436)	(34 522)	(91 895)	(45 923)	(15 625)
Interests	-	(11 499)	(2 128)	(2 129)	(4 985)	(1 824)	(433)
Transaction costs	*20*	2 448	416	416	922	465	229
Trade and other accounts payables	*22*	(483 646)	(483 646)	-	-	-	-
Warranty and other provisions	*21*	(301 622)	(44 662)	(40 985)	(127 365)	(62 447)	(26 163)
Income tax payable		(21 678)	-	(21 678)	-	-	-
		(413 584)	**43 017**	**(95 542)**	**(209 897)**	**(109 170)**	**(41 992)**

25. Financial risk management (continued)

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

31 December 2011

in thousands of euro	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Trade and other receivables	*16*	693 633	693 633	-	-	-	-
Finance lease receivable, including interests	*13*	27 412	3 357	3 357	13 426	7 272	-
Cash and cash equivalents	*17*	155 120	155 120	-	-	-	-
Interest bearing loans and borrowings, excl.unamortized costs	*20*	(616 671)	(364 575)	(28 754)	(121 126)	(70 341)	(31 875)
Interests	-	(26 092)	(4 241)	(4 241)	(11 097)	(4 897)	(1 616)
Transaction costs	*20*	2 394	435	435	1 079	290	155
Trade and other accounts payables	*22*	(459 275)	(459 275)	-	-	-	-
Warranty and other provisions	*21*	(220 589)	(35 049)	(34 190)	(92 427)	(45 647)	(13 276)
Income tax payable		(2 866)	(2 866)	-	-	-	-
		(446 934)	**(13 461)**	**(63 393)**	**(210 145)**	**(113 323)**	**(46 612)**

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 and USD. The total exposures which arise from the currency risk are immaterial, as 89% (2011: 93%) of revenues and 99% (2011: 99%) of purchases are denominated in euro and therefore is not subject to hedging or other kind of management monitoring.

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

A strengthening of GBP by 5% against EUR would have increased equity and net profit by TEUR 3 134 (2011: TEUR 3 414) and strengthening of USD by 5% against EUR would decrease equity and net profit by TEUR 64 (2011: TEUR 60). The sensitivities have been calculated from year end balances and therefore may not be representative of the future development.

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 or decrease of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by TEUR 3 739 (2011: TEUR 5 900). The sensitivities have been calculated from year end balances and therefore may not be representative of the future development.

25. Financial risk management (continued)

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:

	2012	2011
in thousands of euro		
Total liabilities	1 123 899	1 297 007
Less available cash	(83 863)	(155 120)
Total liabilities less cash	1 040 036	1 141 887
Total equity	737 376	581 914
Adjusted debt/equity ratio	1,4	2,0

26. Operational risk

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

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

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

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 2012 as well as at 31 December 2011.

The fair value of the portion of fixed rate Bank loan with a carrying amount of TEUR 18 717 (2011: TEUR 38 332) approximates its carrying amount.

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

he Company has a provision for warranty costs, which at 31 December 2012 amounted to TEUR 297 745 (31 December 2011: TEUR 219 731) as disclosed in note 21.The Company provides a warranty coverage period of five years on it's Cee'd, new Cee'd, new Sportage 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. All warranty coverage periods are subject to a maximum mileage of 150 000 kilometres.

The provision represent the estimated warranty costs, which is calculated based on historical experience with consideration given to the expected level of future warranty repairs, the expected number of units to be affected and the estimated average repaid costs per unit and each country. The products contain parts manufactured by third party suppliers. Hence suppliers typically warrant these parts, the estimated receivables from warranties of these suppliers are deducted from the provision.

The calculation of warranty provision is a critical accounting estimate because changes in the calculation can materially affect net income and requires the estimation of the frequency and amounts of future warranty claims, which are inherently uncertain. The uncertainties further include, but are not limited to, the fact that models, especially SUV models and new Cee'd were new first produced in 2010 and 2012, respectively, as well as the period of the warranty coverage is above that previously provided by the Kia 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 model is projected also with 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 the best estimate which was based on historical experiences from claims incurred in different models of Kia Group. The calculation of warranty provision is sensitive to the changes in the warranty trend line 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 26 466 (31 December 2011: TEUR 19 519). The sensitivities have been calculated from year end balances and therefore may not be representative of the future development.

These financial statements were approved on 24 January 2013.

Jung-Pil Kuk
CFO

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

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

Report on Audit of Consistency

of the annual report with the financial statements pursuant to Article 23 (5) of Act No. 540/2007 Coll. on Auditors, Audit and Oversight of Audit (Translation)

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

We have audited the financial statements of the company Kia Motors Slovakia s.r.o. as of 31 December 2012, presented under Note 6 of the annual report. We have issued an independent auditor's report on the financial statements on 24 January 2013 with the following wording:

Independent Auditor's Report

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

We have audited the accompanying financial statements of Kia Motors Slovakia s.r.o. ("the Company"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG Slovensko spol. s r.o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B

Commercial register of District court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238

Evidenčné číslo licencie audítora: 96

Licence number of statutory auditor: 96

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and 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.

24 January 2013
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 the Audit of Consistency of the annual report with the financial statements (Supplement to the auditor's report)

We have audited the consistency of the annual report with the financial statements in accordance with the Act on Accounting.

The accuracy of the annual report is the responsibility of the company's management. Our responsibility is to audit the consistency of the annual report with the financial statements, based on which we are required to issue an appendix to the auditor's report on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the information presented in the annual report, subject to presentation in the financial statements, is consistent, in all material respects, with the relevant financial statements.

We have reviewed the consistency of the information presented in the annual report on pages 1 – 19 with the information presented in the financial statements as of 31 December 2012. We have not audited any data or information other than the accounting information obtained from the financial statements and accounting books. We believe that the audit performed provides a sufficient and appropriate basis for our opinion.

In our opinion, the accounting information presented in the annual report on pages 1 – 19 is consistent, in all material respects, with the financial statements as of 31 December 2012, presented under Note 6 of the annual report.

6 February 2013
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ľuboš Vančo
License SKAU No. 745


F31

Kia Motors Slovakia s.r.o
Sv. Jana Nepomuckeho 1282/1
01301 Teplicka nad Vahom
Slovakia

Tel.: +421 41 515 0111
Fax: +421 41 515 0901
Internet: http://www.kia.sk