2011 ANNUAL REPORT

Kia Motors Slovakia s.r.o.

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1. Foreword

Kia from its beginning started to develop its activities in the Slovak Republic and within a period of seven years it has become 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 on 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.

The year 2011 brought a lot of important accomplishments as well as new challenges in the company history. In 2011, we produced more than 252,000 vehicles and over 359,500 engines. Since the launch of volume production in December 2006, the vehicles manufactured at Kia Motors Slovakia have met the high demanding needs of quality among more than 980,000 customers overall. Last year in October, we launched the volume production of a new model, Kia Venga, a multipurpose family vehicle.

Furthermore, the construction of the new engine shop was completed and its volume production was launched in September. Due to the fact that the three-shift operation was planned for the beginning of 2012 we also recruited around 700 new employees. Kia Motors Slovakia directly employed more than 3,600 people as of December 31, 2011.

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 2011, 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 of 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 a responsible member of society. The company prepares a detailed plan of Corporate Social Responsibility activities on annual basis. The plan follows the global priorities of Kia Motors Corporation focused on the mobility and environmental field.

Considering the above, herewith I submit you our annual report for year 2011.

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. Its main activity is the production of motor vehicles including 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.

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 the 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 (since October 2011).

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 2011, the company produced worldwide a total of 2,500,000 cars and reached annual revenues of USD 39 billion with 47,000 employees. KMC operates under the Hyundai Motor Group, as at end of the year 2011 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 and 1.7 L
Production	Cars	2011 – 252,252
		2006 - 2011 – 983,078
	Engines	2011 – 359,578
		2006 - 2011 – 1,219,277

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 facelifted 5-door cee'd
	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
	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

Company Management

Eek-Hee Lee
President and CEO

Kook-Hyun Shim
Vice-President of the Production Group

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 the 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 the statutory body of Kia Motors Slovakia.

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

Kyo-Man Song
Vice-President of the Administration Group

Jung-Pil Kuk
Chief Financial Officer, Kia Motors Slovakia

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 had been in charge of the General Affairs Group and Employee Relations Group at the headquarters of Kia Motors Corporation in Seoul, South Korea, since 1999. During his career with Kia, he also has gained experience in the field of human resources.

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.

Kia Motors Slovakia in 2011

In 2011, Kia Motors Slovakia focused its attention on the adjustment of the production lines and the launch of volume production of the MPV model Kia Venga and the preparation for a new model. Kia Motors Slovakia produced in total 252,252 vehicles in 2011.

With its own engine shop, Kia Motors Slovakia is the only car engine producer in Slovakia. Five different types of engines are produced – 1.4 L and 1.6 L gasoline, and 1.4 L, 1.6 L and 1.7 L diesel. Last year, a total of 359,578 engines were produced, posting a year-on-year increase of 12%. In 2011, the production of the engine shop II was launched. Production capacity of the new engine shop is 150,000 engines per year. Thus the overall engine production reaches 450,000 units per year.

Kia in Slovakia is one of the biggest employers in the Zilina region while employing more than 3,600 employees. In 2011, Kia hired around 700 new employees due to the third-shift operation launch.

The company supported philanthropic activities from its own sources in a total amount of EUR 400,000. Almost half of the financial sources were allocated to the environment. More than one tenth was used for safety development in the Zilina City and neighbouring villages. The remaining amount was used for the support of youth, education and several cultural events.

Furthermore, the company had set several aims that were supposed to be achieved in 2011 in the field of quality. One of the most important was following the quality rules in accordance with national and European legislation and ISO 9001 norm. A re-certification audit was made in Kia Motors Slovakia to obtain the renewal of the certificate that confirms the functionality and development of the quality management system.

Goals and Expansion Forecast for 2012

The year 2012 will bring many new positive challenges such as the third-work-shift launch at the beginning of the year; later on the second generation of cee'd volume production as well. An additional 80 employees are planned to be recruited into the engine production in January 2012. The new employees will be trained to ensure a transition from a 2-shift operation to a 3-shift operation without any difficulties. They will need all the necessary information and skills which are required for work with state-of-the-art technologies. Our suppliers will also hire several thousands of employees, thanks to whom we have secured the parts supplies.

Moreover, the company plans to develop its investments in 2012 as well. During the winter company holiday in 2011 the lines for production of a new model were prepared. The launch of volume production of the second generation of Kia cee'd model, 5-door hatchback, is scheduled for the second quarter of 2012. The production lines will be prepared for the production of the wagon body version, which will be introduced in the second half of the year. The company also plans the production of a new engine in the first half of the year. Kia Motors Slovakia expects to record car production growth in 2012 and will be prepared for the utilization of its full capacity.

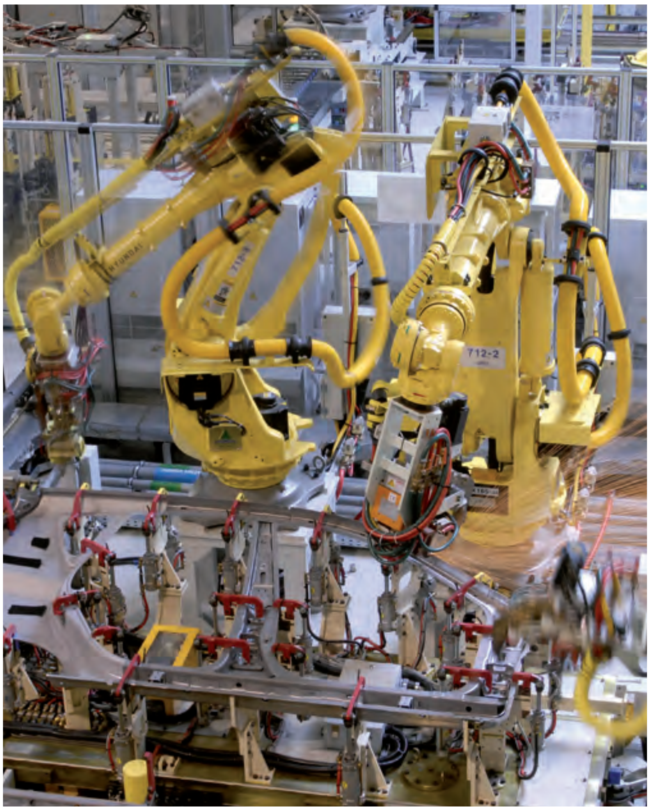
In the field of personal policy the efforts of Kia Motors Slovakia will keep the employment rate of more than 3,600 people. The company will try to increase the qualifications of its employees at management as well as operation levels.

In terms of environment, the Facility and Environment team will also continue with 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 adjusted forms are tested and set up, there are two main press lines. Currently, they produce more than 67 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 then further supplied to the body shop by forklifts. Only the side panels of a car body are transferred by an electric monorail system into the automatic storage area which has 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 of sub-assemblies such as the floor, left and right side structure, and roof assembly. The welding automation ratio in the body shop is 100%. There are 339 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 full coating of a protective substance. A total of 48 robots participate in the sealer and paint applications. However, Kia Motors Slovakia wants to behave environmentally friendly, thus only waterborne paints are used. During 2011 we offered to our customers 12 colours for the model cee'd, 10 colours for the Sportage model, 9 for Hyundai ix35 and 10 colours for model Venga.

Engine shops

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) 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 to the front suspension.

Assembly shop

The assembly shop is the biggest shop of all the production halls. Its size represents 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 are the final lines where the front and rear windscreens, wheels, seats and other necessary components are assembled as well as the car is completed. Inspection of the individual assembled parts and the liquids filling 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.

The Environmental Management system according to the international standard ISO 14001 was implemented and certified in 2007. Its re-certification was held in 2010. As a part of it, Kia Motors Slovakia monitors the consumption of water, energy, material as well as the amount of scrap and emissions in terms 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 successful business and sustainable development.

The production plant is located in a second degree protected water source area so therefore a network of boreholes were constructed before starting plant construction to monitor the impact of the work and later the impact of the production plant operation on the underground water sources. Apart from the state-of-the-art technologies used in the production plant, Kia Motors Slovakia uses the latest available technologies for environment protection such as the 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 the right waste separation. Attention is also focused on the selection of used materials in the production process. We use only water-borne primers and base coats in the paint shop and waxes with a minimum content of volatile organic compounds for the final car treatment.

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 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 claims and liabilities towards all state authorities for the year 2011.

Human Resources

As at December 31, 2011, Kia Motors Slovakia employed 3,631 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 special education and a training program based on the 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 903 employees in total have participated in training courses with the parent company in Korea. The aim of the course is to brush up the 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 2,600 employees (some of them attended several trainings) in 2011. They spent 26,439 hours training which represents over 10 hours of training per one participating person. Overall, we undertook 159 different types of trainings.

Corporate Social Responsibility

Kia Motors Slovakia is a responsible corporate citizen. The company established the Kia Foundation Fund with the Pontis Foundation in the second half of 2008 with the aim to improve the quality of life in the Zilina region. Kia Motors Slovakia also uses its own financial sources to execute philanthropic projects. The general CSR strategy includes the field of mobility, environmental protection and safety and also youth and education. The company focused its attention also on the volunteering of employees.

Environment
Thanks to the support of Kia Motors Slovakia one of the city parks in Zilina was revitalized through the so called Green City project. In addition, another project Community gardens helped to establish and finish four green zones in Bajzova, Jarna and Nitrianska streets and in a suburban area of Bytcica. They will be used by inhabitants for relaxation and sports activities. Thanks to Kia, the village Teplicka nad Vahom established a new 300-meter cycling path and together with Nededza, Gbelany, Krasnany, Mojs and Varin villages executed other projects which solve current environmental and safety open issues. Kia also continued in the partnership with the most important environmental festival about sustainable development – Ekotopfilm.

Safety
With the aim to increase the safety of pedestrians focused on children and youth, Kia Motors Slovakia invested in safety marking at places considered as critical and dangerous. The project focused on pedestrian crossings near elementary schools that are used daily by children going to and coming from schools. Pedestrians' safety was thus increased in Teplicka nad Vahom, Gbelany, Krasnany, Varin and Zilina City (in Predmestka and St. Cyril and Method streets). Safety increase was realized using warning signs.

Youth and Education
Thanks to organized competitions the main themes of environment and safety were also presented at all education levels. The pupils of Zilina City and neighbouring villages' elementary schools worked on car models from waste or prepared safety traffic videos in the competition "Environment and safety from the Elementary Schools' Point of View". Secondary school students prepared projects which decrease pollution or increase safety in "Kia Innovation Award" competition. The best students received valuable prizes, schools were donated financial grants for the purchase of educational tools. University students could compete for scholarships which could be used to cover costs connected with their thesis. The summer vacation was used for the organization of the summer English daily camp where children were allowed to communicate with native English speakers and thus break their fear in communicating in a foreign language. The Regional Library in Zilina as well as the libraries in neighbouring villages Teplicka nad Vahom, Nededza, Gbelany, Krasnany, Mojs and Varin received financial support for the purchase of books and technical equipment. They can thus interest more young readers.

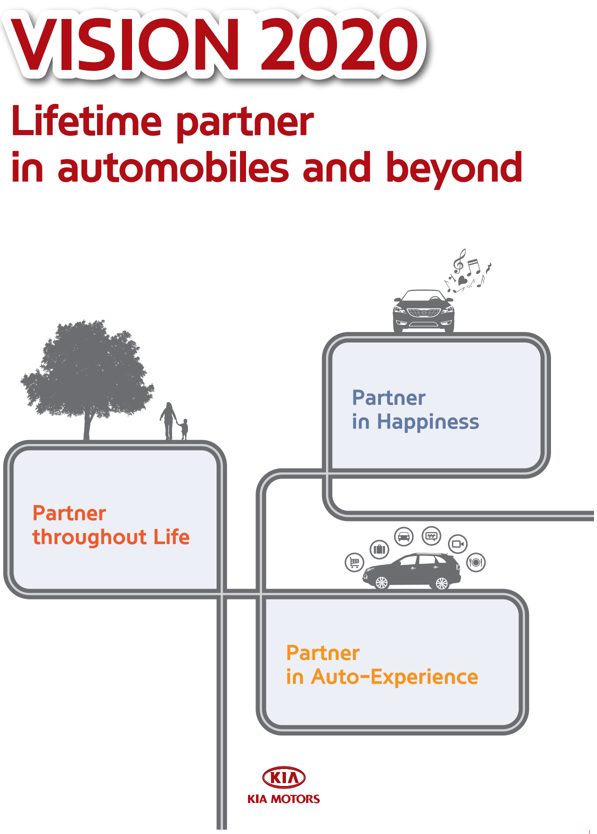
Volunteering
Kia Motors Slovakia started to support volunteering among its employees in 2011. Together 85 employees worked 576 working hours in four partnership non-profit organizations. Other 78 employees including top management of the company participated in the biggest volunteering event in Slovakia – Our City – organized by Pontis foundation and worked 312 hours. Over 50 employees donated the most valuable liquid during organized Blood Donation Days directly at the Kia Motors Slovakia plant.

The employees could also recommend a school, village or non-profit organization which prepared a project in the field of mobility in the Employee Grant Program. Thanks to this program, the traffic playgrounds in Turcianske Teplice or Vlachy villages were established or a special room for work with glass was equipped in the elderly shelter in Horelica. Kia Employees helped with the reconstruction of the chapel in the Krasnany village, 16 of them worked 64 volunteering hours. Teplicka nad Vahom was supported by 8 employees who reconstructed the kindergarten within 64 hours. Other 27 employees spent 108 working hours accompanying children from the shelter in Bytca. In total 284 employees of Kia Motors Slovakia spent 1,124 working hours and became thus Kia volunteers.


KIA
KIA MOTORS

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. Kia Motors Slovakia has also 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.

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.

CUSTOMER

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

CHALLENGE

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

COLLABORATION

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

PEOPLE

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

GLOBALITY

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 349 employees, which is 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 to the ISO 9001:2008 standard confirm our long term commitment to focus on the quality of our products and oblige us in the continuous improvement of all processes.

5. Financial Overview

Income Statement

In thousands of euro	2011	2010
Revenue	3 328 383	2 888 748
Cost of sales	(3 038 876)	(2 678 405)
Gross profit	**289 507**	**210 343**
Administrative and selling expenses	(215 514)	(164 752)
Other operating income	12 931	10 728
Operating profit	**86 924**	**56 319**
Interest costs	(17 635)	(20 089)
Interest revenue	11 627	14 651
Other financial income	276	666
Net finance costs	**(5 732)**	**(4 772)**
Profit before taxes	**81 192**	**51 547**
Current Income tax	(15 332)	(8 627)
Income tax credit	2 771	
Profit for the year	**68 631**	**42 920**

Balance sheet

In thousands of euro	31 December 2011	31 December 2010
Assets		
Non-current assets	724 108	640 415
Current assets	1 154 813	1 184 323
Total assets	**1 878 921**	**1 824 738**
Equity		
Issued capital	433 323	433 323
Retained earnings and legal reserve fund	148 591	79 960
Total equity	**581 914**	**513 283**
Liablities		
Total non-current liabilities	373 168	361 394
Total current liabilities	923 839	950 061
Total liabilities	**1 297 007**	**1 311 455**
Total equity and liabilities	**1 878 921**	**1 824 738**

Statement of changes in share capital

in TEUR

Capital increasing	Amount (EUR)	Contributions of capital	EUR/SKK
Balance as of 1.1.2011	433 323		EUR
Balance as of 31.12.2011	**433 323**		**EUR**

Distribution of profit/loss

in TEUR

Description	Proposed for the Decision to Sole Partner of KMS
contribution to reserve fund	3 432
transfer to accumulated profits from previous years	65 199
Total net profit/loss for the year 2011	**68 631**

The general meeting will decide on the distribution of profit in the amount of 68 631 TEUR for the year 2011 accounting period. The proposal presented by the statutory body to the general meeting is as follows:

- contribution to reserve fund in the amount of 3 432 TEUR
- transfer to accumulated profits from previous years 65 199 TEUR.

The general meeting will be held after April 2012.

6. Yearly Closing

Statement of financial position as at 31 December 2011

In thousands of euro	Note	31 December 2011	31 December 2010
Assets			
Property, plant and equipment	11	698 079	627 170
Intangible assets	12	4 024	4 593
Prepaid royalty expense	18	2 652	8 652
Finance lease receivable	13	19 353	-
Deferred tax assets	14	-	-
Total non-current assets		**724 108**	**640 415**
Inventories	15	291 335	264 402
Trade and other accounts receivables	16	693 633	899 598
Cash and cash equivalents	17	155 120	1 575
Prepaid expenses	18	8 979	18 748
Finance lease receivable	13	5 746	-
Total current assets		**1 154 813**	**1 184 323**
Total assets		**1 878 921**	**1 824 738**
Equity			
Issued capital	19	433 323	433 323
Legal reserve fund	19	7 407	5 261
Accumulated profit		141 184	74 699
Total equity		**581 914**	**513 283**
Liabilities			
Interest-bearing loans and borrowings	20	221 817	260 464
Provisions	21	151 351	100 930
Total non-current liabilities		373 168	361 394
Interest-bearing loans and borrowings	20	392 460	385 216
Trade and other accounts payables	22	459 275	516 469
Provisions	21	69 238	39 757
Income tax payable		2 866	8 619
Total current liabilities		**923 839**	**950 061**
Total liabilities		**1 297 007**	**1 311 455**
Total equity and liabilities		**1 878 921**	**1 824 738**

Statement of cash flows for the year ended 31 December 2011

In thousands of euro	Note	2011	2010
Cash flows from operating activities			
Profit for the year		68 631	42 920
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets	11,12	106 964	118 167
Value adjustment for receivables		(30)	-
Amortisation of state aid related to property, plant and equipment	6,11	(14 486)	(19 669)
Interest costs	9	17 635	20 089
Interest income	9	(11 627)	(14 651)
Warranty provisions charges	21	112 031	81 628
Other provision charges, net of actual costs	21	(480)	1 338
Release and write down of prepaid royalty	6,8	16 926	15 438
Tax expense	10	12 561	8 627
Gain on sale of property, plant and equipment	8	(2 990)	(50)
Operating profit before changes in working capital items		305 135	253 837
(Increase) in inventories	15	(26 933)	(101 802)
Decrease / (Increase) in trade and other receivables and prepaid expenses	16,18	208 967	(150 824)
(Decrease) / increase in trade and other payables	22	(53 812)	162 499
Cash generated from operating activities		433 357	163 710
Interest paid from financing receivables, overdrafts and other		(8 631)	(9 668)
Interest received from on bills of exchange and bank deposits		8 162	14 651
Tax paid		(18 314)	(6)
Warranty claims net of supplier chargebacks	21	(31 649)	(24 811)
Net cash generated from operating activities		382 925	143 876
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(177 845)	(164 557)
Acquisition of intangible assets	12	(1 460)	(818)
Borrowing costs capitalized to property, plant and equipment	11	(1 575)	-
Additional payment for royalty		(4 657)	(4 700)
Receipt of finance lease including interest		3 357	-
Proceeds from sale of non-current assets		12 338	175
Subsidies for acquisition of property, plant and equipment	11	(334)	30 050
Net cash generated from (used for) investing activities		(170 176)	(139 850)
Cash flows from financing activities			
Finance lease payments including interests		(1 295)	(422)
Repayment of long term bank loans	20	(40 554)	(92 612)
Repayment of short term bank loans	20	(10 000)	(34 500)
(Repayment) / receipt of short term loan to financing receivables	20	(38 224)	2 991
Prepaid transaction costs	18	-	(4 899)
Interest paid on long term bank loans		(7 719)	(9 439)
Receipt of loan term bank loans	20	-	150 000
Net cash provided by (used for) financing activities		(97 792)	11 119
Net increase in cash and cash equivalents		114 957	15 145
Cash and cash equivalents at beginning of the period	17	(16 212)	(31 357)
Cash and cash equivalents at end of the period	17	98 745	(16 212)

Statement of comprehensive income for the year ended 31 December 2011

In thousands of euro	Note	2011	2010
Revenue	5	3 328 383	2 888 748
Cost of sales	6	(3 038 876)	(2 678 405)
Gross profit		**289 507**	**210 343**
Administrative and selling expenses	7	(215 514)	(164 752)
Other operating income	8	12 931	10 728
Operating profit		**86 924**	**56 319**
Interest costs		(17 635)	(20 089)
Interest income		11 627	14 651
Other financial income, net		276	666
Net finance costs	9	**(5 732)**	**(4 772)**
Profit before taxes		**81 192**	**51 547**
Current Income tax	10	(15 332)	(8 627)
Income tax credit	10	2 771	
Profit for the year		**68 631**	**42 920**
Other comprehensive income		-	-
Total comprehensive income for the year		**68 631**	**42 920**

Statement of changes in equity for the year ended 31 December 2011

In thousands of euro	Note	Share capital	Legal reserve fund	Retained earnings	Total
		(Note 19)	(Note 19)		
Balance as of 1 January 2010		**433 323**	**3 964**	**33 076**	**470 363**
Total comprehensive income for the year		-	-	42 920	42 920
Legal reserve fund transfer		-	1 297	(1 297)	-
Balance as of 31 December 2010	19	**433 323**	**5 261**	**74 699**	**513 283**
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**

Notes to the financial statements for the year ended 31 December 2011

1. General information about the Company

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

The Company's registered address is:

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

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

These financial statements have been prepared as at 31 December 2011 and for the year then ended and were prepared and authorized for issue by the Company's directors on 24 January 2012.

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 2011 to 31 December 2011.

The Statutory Financial Statements of the Company as at 31 December 2010, i.e. for the preceding accounting period, were approved by the shareholders at the Company's general meeting on 26 May 2011 and were filed together with the audited annual report in the collection of deeds of the Commercial Register on 21 June 2011. The balance sheet and income statement for the preceding period were published in the commercial bulletin No. 168/2011 on 31 August 2011.

The Company's bodies:

Directors	Myung-Chul Chung (until 31 December 2011)
	Eek-Hee Lee (from 31 December 2011)
	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.

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.

Reclassification of comparative figures

The amount of TEUR 12 606 was reclassified from short term and long term lump sum royalty to trade and other accounts payables and TEUR 1 357 from lump sum royalty expense to running royalty charge as a result of a change in the contract for reimbursing of royalty charges between the Company and the parent. The contract terms were adjusted after authorization of 2010 financial statements. The reclassification does not impact the 2010 equity nor the 2010 net profit and was recorded to enhance the comparison of current year results with prior period.

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 and engines.

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

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

All impairment losses are recognized in profit or loss.

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

Non-financial assets

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

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

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

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

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

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

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. For further description 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 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

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011. Management do believe these standards will not have significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

5. Revenue

Revenue is principally represented by sale of cars (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	2011	2010
Revenue from sale of cars to EU countries excluding Slovakia	2 046 876	1 874 812
Revenue from sales of cars to non EU countries	899 116	701 404
Sale of engines and spare parts	332 272	295 623
Revenue from sale of cars to Slovakia	50 119	16 909
Total	**3 328 383**	**2 888 748**

6. Cost of sales

In thousands of euro	2011	2010
Material consumption	2 769 368	2 420 157
Depreciation and amortization (refer to Note 11,12)	106 412	117 661
Personnel expenses	64 289	56 410
Energy consumption	20 045	20 182
Running royalty charge	28 539	21 863
Lump sum royalty charge (refer to Note 18)	13 401	14 081
Amortization of government grants (refer to Note 11)	(14 486)	(19 669)
Other cost of sales	51 308	47 720
Total	**3 038 876**	**2 678 405**

The Company had on average 3 158 employees, out of what were 2 managers (in 2010: 2 889, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	2011	2010
Warranty charges (refer to Note 21)	112 031	81 628
Logistics services	96 081	76 229
Personnel expenses	3 019	2 783
Marketing services	1 051	541
Depreciation and amortization (refer to Note 11,12)	552	506
Other operating expenses	2 780	3 065
Total	**215 514**	**164 752**

8. Other operating income

In thousands of euro	2011	2010
Sale of scrap material	10 783	7 803
Government grants received for job creation and education	463	458
Write off lump sum royalty (Note 18)	(3 525)	-
Gain from sale of machinery and equipment	2 990	50
Other operating income	2 220	2 417
Total	**12 931**	**10 728**

Part of machinery and equipment, the moulds used for production of car model, had been transferred to another production entity in 2011. The Company recorded a gain from sale of property on this transfer.

9. Net finance costs

In thousands of euro	2011	2010
Interest expense, long term bank loans	(8 185)	(7 072)
Interest expense, short term bank loans	(638)	(2 629)
Interest expense, leases	(246)	(102)
Interest expense, overdraft	(322)	(368)
Interest expense on bank loans related to financing Bills of Exchange	(8 244)	(9 918)
	(17 635)	(20 089)
Interest income, other	825	42
Interest income on Bills of Exchange from related parties	10 802	14 609
	11 627	14 651
Net interest expense	**(6 008)**	**(5 438)**
Foreign exchange losses	(3 539)	(3 013)
Foreign exchange gains	3 815	3 679
Net foreign exchange gains	**276**	**666**
Net finance costs	**(5 732)**	**(4 772)**

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 an interest expenses 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	2011	2010
Current tax expense		
Period income tax charge	(14 868)	(8 627)
Tax relief benefit	2 771	-
Adjustment to prior year income tax	(464)	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax expense	**(12 561)**	**(8 627)**

Reconciliation of effective tax rate

In thousands of euro	2011	%	2010	%
Profit before tax	81 192		51 547	-
Income tax using the domestic corporation tax rate	(15 426)	(19.0%)	(9 794)	(19.0%)
Tax relief benefit	2 771	3.4%	-	-
Recognition of previously unrecognized deferred tax asset	1 226	1.5%	1 688	3,3%
Tax non-deductible expenses and other items	(668)	(0.8%)	(521)	(1,0%)
Under (over) provided prior year	(464)	(0.6%)	-	-
Income tax charge for the year	**(12 561)**	**(15.5%)**	**(8 627)**	**(16,7%)**

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 out of which one will be assessed only in December 2012. 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 2 771 in 2011. No deferred tax asset has been recorded to the remaining income tax credit on the basis that the future taxable profits are uncertain.

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 2010	209 821	647 250	5 276	39 517	901 864
Acquisitions	16 956	99 219	220	48 162	164 557
Transfers	59	35 846	92	(35 997)	-
Disposals	-	(1 909)	-	-	(1 909)
Balance at 31 December 2010	**226 836**	**780 406**	**5 588**	**51 682**	**1 064 512**
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**
Depreciation and impairment losses					
Balance at 1 January 2010	21 256	191 401	3 906	-	216 563
Depreciation charge for the period	7 109	107 935	1 097	-	116 141
Disposals	-	(1 213)	-	-	(1 213)
Balance at 31 December 2010	**28 365**	**298 123**	**5 003**	**-**	**331 491**
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**
Government grants acquisition costs					
Balance at 1 January 2010	29 001	97 030	-	-	126 031
Additions	6 889	23 162	-	-	30 051
Balance at 31 December 2010	35 890	120 192	-	-	156 082
Additions	-	(334)	-	-	(334)
Balance at 31 December 2011	**35 890**	**`119 858**	**-**	**-**	**155 748**
Government grants amortization					
Balance at 1 January 2010	3 034	27 528	-	-	30 562
Amortization	1 266	18 403	-	-	19 669
Balance at 31 December 2010	4 300	45 931	-	-	50 231
Amortization	1 259	13 227	-	-	14 486
Balance at 31 December 2011	**5 559**	**59 158**	**-**	**-**	**64 717**
Carrying amounts					
At 1 January 2010	162 599	386 345	1 370	39 517	589 831
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**

Work performed by the entity and capitalized to property, plant and equipment
Acquisitions to property, plant and equipment includes eleven vehicles produced amounting to TEUR 123 (2010: eighty four vehicles amounting to TEUR 1 050).

Insurance
Property, plant and equipment is insured against damage up to TEUR 1 459 703 (2010: TEUR 1 317 833).

Leases
The Company leases parking lot from related party under finance lease. The net book value of the parking lot at 31 December 2011 amounts to TEUR 1 647 (2010: TEUR 1 706).

In 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 2011 amounts to TEUR 18 438.

Borrowing costs capitalized
The borrowing costs in the amount of TEUR 1 575 were capitalized to construction in progress in 2011. 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 2010	15 576
Acquisitions	818
Balance at 31 December 2010	**16 394**
Balance at 1 January 2011	16 394
Acquisitions	1 460
Balance at 31 December 2011	**17 854**
Amortization and impairment losses	
Balance at 1 January 2010	9 775
Amortization for the year	2 026
Balance at 31 December 2010	**11 801**
Balance at 1 January 2011	11 801
Amortization for the year	2 029
Balance at 31 December 2011	**13 830**
Carrying amounts	
At 1 January 2010	5 801
At 31 December 2010	**4 593**
At 1 January 2011	4 593
At 31 December 2011	**4 024**

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 2011	31 December 2011	31 December 2011	31 December 2010
Less than one year	6 713	967	5 746	-
Between one and five years	20 699	1 346	19 353	-
	27 412	**2 313**	**25 099**	**-**

14. Deferred tax assets

In thousands of euro	31 December 2011	31 December 2010
Property, plant and equipment (including government grants)	(33 491)	(17 076)
Warranty provision	41 749	26 476
Other items	(74)	10
Subtotal for temporary difference	**8 184**	**9 410**
Unrecognized deferred tax asset	(8 184)	(9 410)
Deferred tax asset	**-**	**-**

15. Inventories

In thousands of euro	31 December 2011	31 December 2010
Raw materials and consumables	229 881	210 824
Work in progress and semi-finished goods	32 355	24 707
Finished goods	29 099	28 871
	291 335	**264 402**

16. Trade and other accounts receivables

In thousands of euro	31 December 2011	31 December 2010
Trade account receivables	335 398	471 547
Value adjustment to Receivable	(36)	(6)
Bill of exchange of related party receivable (refer to accounting policy 4,f)	260 410	298 634
Value added tax receivable	96 569	102 984
Government grants receivables	-	25 416
Other receivables	1 292	1 023
	693 633	**899 598**

16. Trade and other accounts receivables (continued)

The breakdown by currency is as follows:

In thousands of euro	31 December 2011	%	31 December 2010	%
EUR	625 367	90.16%	833 144	92.6%
GBP	68 266	9.84%	66 454	7.4%
	693 633	**100.0%**	**899 598**	**100.0%**

86% (as at 31 December 2010: 82%) 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 2011	31 December 2010
Bank balances	155 119	1 574
Vouchers	1	1
Cash and cash equivalents	**155 120**	**1 575**
Bank overdrafts (refer to Note 20)	(56 375)	(17 787)
Cash and cash equivalents as presented in Cash flow Statement	**98 745**	**(16 212)**

18. Prepaid expenses

In thousands of euro	31 December 2011	31 December 2010
Non-current assets:		
Lump sum royalty prepaid	6 455	22 110
less: current portion	(3 803)	(13 458)
Total	2 652	8 652
In thousands of euro	**31 December 2011**	**31 December 2010**
Current assets:		
Lump sum royalty prepaid	3 803	13 458
Prepaid bank interests on financing Bills of Exchange of related party	1 223	1 158
Prepaid transaction costs to undrawn loans	3 865	4 089
Other prepayments	88	43
Total	**8 979**	**18 748**

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 Cee'd car model	2006	54 887	64
Royalty for Cee'd face lift car model	2009	5 000	33
Royalty for new Sportage car model	2010	4 657	72

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

In thousands of euro	Royalty cars	Royalty engines	Total
Initial payments			
Balance at 1 January 2010	62 496	951	63 447
Additional payments made in the year	8 086	-	8 086
Disposal for the year	(2 609)	(951)	(3 560)
Balance at 31 December 2010	**67 973**	**-**	**67 973**
Balance at 1 January 2011	67 973	-	67 973
Additional payments made in the year	1 271	-	1 271
Disposal for the year	(4 700)	-	(4 700)
Balance at 31 December 2011	**64 544**	**-**	**64 544**
Amortization			
Balance at 1 January 2010	34 727	615	35 342
Amortization for the year	13 745	336	14 081
Disposal for the year	(2 609)	(951)	(3 560)
Balance at 31 December 2010	**45 863**	**-**	**45 863**
Balance at 1 January 2011	45 863	-	45 863
Amortization for the year (Refer to Note 6)	13 401	-	13 401
Disposal for the year	(1 175)	-	(1 175)
Balance at 31 December 2011	**58 089**	**-**	**58 089**
Carrying amounts			
At 1 January 2010	27 769	336	28 105
At 31 December 2010	**22 110**	**-**	**22 110**
At 1 January 2011	22 110	-	22 110
At 31 December 2011	**6 455**	**-**	**6 455**

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 and engines 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).

Disposal in 2010

During 2010 the Company finished the production of car model and the engine and therefore disposed the fully amortized lump sum royalty from the balance sheet.

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 2011 (31 December 2010: TEUR 433 323). The share capital is fully paid up.

The sole shareholder of the Company exercise full voting rights and has rights to receive dividends.

Legal reserve fund

The Company is obliged by Slovak law to create a legal reserve totaling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has not yet reached yet the maximum balance, a further distribution amounting to TEUR 35 925 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 2011	31 December 2010
Non-current liabilities		
Long term bank loans	206 409	259 445
Lease liability	15 408	1 019
Long term bank loans	**221 817**	**260 464**
Current liabilities		
Short term portion of the long term bank loan	52 810	39 448
Bank overdrafts (refer to Note 17)	56 375	17 787
Short term bank loans	19 000	29 000
Lease liability	3 865	347
Short term loans on Bill of exchange to related party (refer to accouting policy 4 f)	260 410	298 634
Short term bank loans	**392 460**	**385 216**

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 38 328 (31 December 2010: TEUR 57 947), 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 2011	**31 December 2011**	**31 December 2011**	**31 December 2010**
Less than one year	4 653	788	3 865	347
Between one and five years	16 762	1 354	15 408	1 019
	21 415	**2 142**	**19 273**	**1 366**

21. Provisions

In thousands of euro	Warranty	Other	Total
Balance at 1 January 2010	82 532	860	83 392
Provision charges (refer to Note 7)	81 628	1 338	82 966
Actual costs, net of supplier chargebacks	(24 811)	(860)	(25 671)
Balance at 31 December 2010	**139 349**	**1 338**	**140 687**
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**

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

In thousands of euro	31 December 2011	31 December 2010
Non-current	151 351	100 930
Current	69 238	39 757
Balance at the reporting date	**220 589**	**140 687**

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 2011	31 December 2010
Trade payables including accruals	447 347	486 734
Employee related liabilities	5 700	4 516
Other payables	5 571	24 674
Payroll withholding taxes	657	545
	459 275	**516 469**

The breakdown by currencies is as follows:

In thousands of euro	31 December 2011 Balance recalculated to EUR	%	31 December 2010 Balance recalculated to EUR	%
EUR	457 976	99.72%	515 226	99.76%
USD	1 208	0.26%	921	0.18%
GBP	16	0.00%	0	0.00%
JPY	75	0.02%	322	0.06%
	459 275	**100.00%**	**516 469**	**100%**

The entire balance of Trade and other account payables are denominated in EUR.

23. Capital commitments and contingencies

Capital commitments

At 31 December 2011 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 40 472 (31 December 2010: TEUR 62 051).

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.

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 419 (2010: TEUR 450).

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.

24. Related parties (continued)

In thousands of euro	2011	2010
Transactions with the parent company		
Revenues	5 685	1 562
Purchases of material	(499 343)	(363 142)
Acquisitions of property, plant and equipment	(23 727)	(8 959)
Purchase of services	(3 525)	(3 596)
Prepaid royalty	(1 271)	-
Running royalties charge	(25 299)	(13 278)

In thousands of euro	2011	2010
Transactions with other companies		
Revenues	3 172 201	2 814 338
Revenues from sale of property	12 338	-
Revenues from sale of property through finance lease	27 881	-
Purchase of material	(1 345 263)	(1 274 960)
Acquisitions of property, plant and equipment	(64 080)	(38 832)
Acquisitions of property, plant and equipment through finance lease	(18 956)	-
Purchase of services	(84 340)	(73 860)
Prepaid royalty	-	(4 700)
Running royalty charge	(3 240)	(7 195)
Interest income from refunded interest expense from financing receivables	10 334	14 100

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

In thousands of euro	2011	2010
Assets and liabilities arising from transactions with the parent company		
Trade accounts receivables and prepayments	141	502
Trade accounts payables	(118 134)	(150 387)

In thousands of euro	2011	2010
Assets and liabilities arising from transactions with other group companies		
Trade accounts receivable	304 063	451 207
Trade accounts receivable – Bills of Exchange of related party	260 410	298 634
Finance lease receivable	25 099	-
Finance lease liability	(19 273)	(1 366)
Trade accounts payable	(193 535)	(193 636)

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.

96 % (1-12/2010 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. 94% of the outstanding receivable balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation. 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.

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.

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.

26. Financial risk management Liquidity risk (continued)

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 fulfill their obligations when they fall due. The management is monitoring liquidity through targeted current ratio of above 1.2 calculated as current assets divided with current liabilities. At 31 December 2011 the current ratio reached management target of 1.25 (as at 31 December 2010: 1.25).

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	6-12 months	2-3 years	4-5 years	more than 5 years
Trade and other receivables	16	693 633	693 633	-	-	-	-
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)	-	-	-	-
		(250 891)	**21 097**	**(32 560)**	**(131 144)**	**(74 948)**	**(33 336)**

At 31 December 2011, the Company had undrawn long term loan facilities of TEUR 150 000 (31 December 2010: TEUR 150 000) and is available until 30 June 2012.

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

31 December 2010

In thousands of euro	Note	Carrying amount	6 months or less	6-12 months	2-3 years	4-5 years	more than 5 years
Trade and other receivables	16	899 598	899 598	-	-	-	-
Cash and cash equivalents	17	1 575	1 575	-	-	-	-
Interest bearing loans and borrowings, excl. unamortized costs	20	(648 919)	(365 870)	(20 449)	(120 311)	(84 164)	(58 125)
Interests	-	(32 557)	(4 229)	(4 229)	(13 747)	(6 955)	(3 397)
Transaction costs	20	3 239	512	512	1 348	622	245
Trade and other accounts payables	22	(516 469)	(516 469)	-	-	-	-
		(293 533)	**15 117**	**(24 166)**	**(132 710)**	**(90 497)**	**(61 277)**

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.

25. Financial risk management market risk (continued)

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 93% (2010: 92%) of revenues and 99% (2010: 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 3 414 (2010: TEUR 3 323) and strengthening of USD by 5% against EUR would decrease equity and net profit by TEUR 60 (2010: TEUR 46).

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 do 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 5 900 (2010: TEUR 5 700).

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

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

In thousands of euro	2011	2010
Total liabilities	1 297 007	1 311 455
Less available cash	(155 120)	(1 575)
Total liabilities less cash	1 141 887	1 309 880
Total equity	581 914	513 283
Adjusted debt/equity ratio	2.2	2.6

26. Operational risk

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

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

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

27. Fair values

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, finance lease receivables, trade and other payables, finance lease payables, loans and interest bearing borrowings with variable interest rate is approximated by their carrying amounts as at 31 December 2011 as well as at 31 December 2010.

The fair value of the portion of fixed rate Bank loan with a carrying amount of TEUR 38 332 (2010: TEUR 57 947) 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

The Company has a provision for warranty costs, which at 31 December 2011 amounted to TEUR 219 731 (31 December 2010: TEUR 139 349) as disclosed in note 21.The Company provides a warranty coverage period of five years on it's 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 kilometers.

The provision represent the estimated warranty costs, which we calculate based on historical experience with consideration give 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. Our 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.

We believe the calculation of warranty provision is a critical accounting estimate because changes in the calculation can materially affect net income and require us to estimate the frequency and amounts of future warranty claims, which are inherently uncertain. The uncertainties further include, but are not limited to, the fact that our SUV models are new first produced in 2010, respectively, as well as the period of the warranty coverage is above that previously provided by the Kia Group. Our policy is to continuously monitor the adequacy of warranty provisions. Therefore warranty charges are maintained at an amount we deem 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.

In our model we projected a trend line for group of countries, which represents expected level of warranty costs in year 2 to year 7 as a percentage of year 1. This is our best estimate which we based on our historical experiences from claims incurred in our different models. 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 19 519 (31 December 2010: TEUR 12 600).

These financial statements were approved on 24 January 2012.

Jung-Pil Kuk
CFO

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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

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 2011, presented on pages 20 - 45 of annual report. We have issued an independent auditors' report on the financial statements on 24 January 2012 with the following wording:

Independent Auditors' 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 2011, 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

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 2011 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 2012
Bratislava, Slovak Republic

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

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054

Responsible audit partner:
Kenneth Ryan

Report on the Audit of Consistency of the annual report with the financial statements

(Supplement to the auditors' 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 2011. 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 is consistent, in all material respects, with the financial statements as of 31 December 2011, presented on pages 20 - 45 of the annual report.

19 March 2012
Bratislava, Slovak Republic

Audit firm:
KPMG Slovensko spol. s r. o.
License SKAU No. 96

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

Nemečkay

Responsible auditor:
Peter Nemečkay
License UDVA No. 1054


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