2013 ANNUAL REPORT

Kia Motors Slovakia s.r.o.

Kia Motors Slovakia s.r.o.
Sv. Jana Nepomuckeho 1282/1
013 01 Teplicka nad Vahom
Slovakia

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

Contents

1. Foreword 5

2. Kia Motors Slovakia

Company Profile 6

Company Management 8

Kia Motors Slovakia in 2013 9

Goals and Forecast for 2014 9

Production Process 10

3. Sustainable Development

Environmental Aspects 14

Human Resources 15

Obligations to the Slovak Republic 15

Corporate Social Responsibility 15

Corporate Philosophy 17

4. Quality Management System 18

5. Financial Overview 18

6. Yearly Closing 20

KIA

1. Foreword

Kia Motors Slovakia has become one of the most significant automakers in Slovakia ever since its establishment ten years ago. The manufacturing facility near Zilina produces cars of the highest quality for the ever-expanding net of European dealers. The latest technologies and sophisticated design are used in every product offered to our customers.

Over one and a half million customers have been convinced about the quality of our cars manufactured at Kia Motors Slovakia since December 2006. In February 2013, volume production of the second-generation 3-door Kia pro_cee'd was launched. At the end of May, we also introduced the first sports version of Kia cee'd in 3-door (pro_cee'd GT) and 5-door version of cee'd GT. The 3-shift production continued throughout the whole year of 2013.

The basic pillars of our company are quality, flexibility and productivity, which motivate our employees to reach outstanding results while helping to fulfill strategic goals of the company. Throughout the whole year, the management focused on active communication with employees as well as supporting their professional and personal growth via various internal and external education programs.

Kia Motors Slovakia belongs to the biggest exporters in Slovakia, having a positive impact on the Slovak economy. It is also a responsible partner in the region where it operates. Every year, we prepare a detailed plan of CSR activities in accordance with the global principles of Kia Motors Corporation targeted at disabled sportsmen, equal opportunities for minor groups, increasing the environmental stability and safety, education, culture, and volunteering of our employees.

Eek-Hee Lee
President and CEO
of Kia Motors Slovakia

2. Kia Motors Slovakia

Company Profile

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

The volume production at Kia Motors Slovakia started in December 2006 with the 5-door version of the cee'd model. In June 2007, the SUV model Sportage was added in the production, followed by the family wagon cee'd_sw in July, and the 3-door sporty pro_cee'd in October of the same year. In 2013, the high performance cee'd GT and pro_ cee'd GT were launched too.

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

Kia Motors Corporation

KMC is a maker of quality vehicles for the young-at-heart. KMC is emerging as one of the world's elite car companies with the focus on the complete regeneration of its product line-up. In 2013, the company manufactured globally over 2,746,000 cars and achieved a 1.4% year-on-year increase, respectively. KMC employs a total of 48,000 people. KMC operates under Hyundai Motor Group which is one of the five largest automakers in the world for 2013.

Product Line-Up

Plant size	Site: 166 ha	
Buildings:	56.8 ha	
Yearly capacity	300,000 cars 450,000 engines	
Production	Cars	2013 - 313,000
		2006 - 2013 - 1,588,000
	Engines	2013 - 491,000
		2006 - 2013 - 2,174,000

Kia cee'd, cee'd_sw and pro_cee'd

The model Kia cee'd has longed for attention of the European customers since 2006. In April 2012, volume production of its second generation was launched; its characteristics being a unique and ingenious look from Kia Chief Design Officer Peter Schreyer and his European team. The model cee'd yields the latest state-of-the-art technologies to its European customers, thanks to which a drive in this car most certainly counts as a comfortable and entertaining one. A unique design of cars from the cee'd line-up was recognized in prestigious European design competition "Red Dot Award"; all body versions of Kia cee'd claimed their award for 2013. The sovereign dominance of Kia design was acknowledged with the "Best of the Best" title for the 3-door Kia pro_ cee'd. Customers are now able to purchase two high-performance GT models equipped with a turbocharged 1.6L T-GDI engine with the maximum power of 150kW.

Kia Sportage

A compact SUV model Kia Sportage stands out with its timeless design along with all the attributes of SUV vehicles linked with comfort and versatility so typical for limousines. The third generation of this customer-favorite SUV has been manufactured in our facility since 2010. The model has been awarded a number of titles and awards including "Car of the Year" in Slovakia in 2011, "Red Dot Award" and the prestigious "iF product design award". The current version is available with 1.6L (99kW) and 2.0L (120kW) gasoline engines or three diesel engines: 1.7L (85kW) and 2.0L (100kW or 135kW).

Kia Venga

Spacious mini MPV is designed specifically for Europe and is the third model rolling off the production lines at Kia Motors Slovakia. It belongs to the top in the mini MPV segment due to its inimitable blend of style, practicality and performance. Kia Venga is truly a universal vehicle taking full advantage of its compact sizing to accommodate even the most demanding customers. The model is available with two gasoline engines 1.4L (66kW) and 1.6L (92kW) as well as three diesel engines 1.4L (57kW and 66kW) and 1.6L (85kW).

Engines

Several types of gasoline engines (MPI, S-CVVT a D-CVVT) are assembled at Kia Motors Slovakia: 1.4L, 1.6L, and 1.6L engine with direct injection GDI. The company also produces 1.4L, 1.6L, 1.7L, and 2.0L diesel engines.

Key Events in Kia Motors Slovakia History:

Year	Month	Event
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 new 5-door cee'd
	September	Third work shift in Engine shop
	December	Production of the 500,000th car
2010	**January**	Launch of volume production of SUV Hyundai ix35
	March	Launch of construction of Engine shop II
	June	Production launch of new Kia Sportage generation
2011	**May**	The 1,000,000th engine production
	September	Launch of volume production in Engine shop II
	October	Production launch of Kia Venga
2012	**January**	The 1,000,000th car production
	April	Launch of all new cee'd production
	August	Launch of all new cee'd Sportswagon production
	December	Acquired the international Occupational Health & Safety Management System certificate OHSAS 18001
2013	**February**	Production launch of new pro_ cee'd
	May	Launch of high powered versions cee'd GT and pro_ cee'd GT
	August	Production of the 2,000,000th engine

Company Management

Eek-Hee Lee

President and CEO

Eek-Hee Lee studied at the University of Ulsan, South Korea, and successfully graduated in the field of mechanical engineering in 1979. He started his career with 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 where he became responsible for strategic planning and global production management. As a highly skilled professional, in December 2011, he became the President and CEO of Kia Motors Slovakia. He is authorized to act solely as a statutory body of Kia Motors Slovakia.

Seung-Jong Hong

Chief Financial Officer, Head of Business Management Group

Seung-Jong Hong graduated from the Korea University in Seoul, South Korea, in 1992. The same year, he began his career with Hyundai Motor in the cost control and overseas factory management teams. In 2010, Seung-Jong Hong joined Kia Motors Corporation and held a job in the cost planning team. Since July 2013, he has worked as the Head of the Business Management Group of Kia Motors Slovakia. Mr Hong acts solely as a statutory body of Kia Motors Slovakia as well.

Kook-Hyun Shim

Vice president responsible for the Production Group

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

Kyo-Man Song

Vice president responsible for the Administration Group

Kyo-Man Song studied at Changwon University in Kyungnam, South Korea, and successfully graduated in the field of business and management in 1985. He began to work for Hyundai Mobis in 1987. Mr. Song joined Kia Motors Slovakia in 2010 and has been the Vice president of the Administration Group since then. 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, from 1999. During his career with Kia, he has also gained experience in the field of human resources.

Dong-Wan Ko

Vice president responsible for the Procurement Group

With a Master's Degree in electrical engineering from Korea University in South Korea, he has worked for Hyundai Motor Company for 29 years (since 1985). He came to Slovakia in March 2011 and since then he has worked as a Vice President and Head of the Procurement Group.

In-Yong Seong

Vice president responsible for the Quality Division

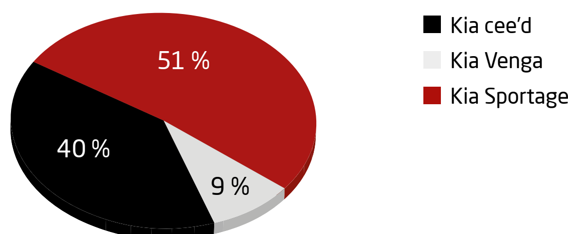
In-Yong Seong studied at Korea University in Seoul, South Korea, and successfully graduated in the field of metal materials engineering in 1986. He set out his professional career with the Metal Research & Development team in Kia Motors Corporation in 1986. In 2010, he began to work for Kia Motors Slovakia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

Kia Motors Slovakia in 2013

In 2013, Kia Motors Slovakia manufactured 313,000 vehicles. The plant continued to increase the attractiveness of its product line-up when pro_ cee'd as well as sports versions of Kia cee'd in 3-door pro_ cee'd GT and 5-door cee'd GT entered the volume production.

From the total number of manufactured vehicles, Kia Sportage represented approximately half of the production (160,278 units). At the same time, Kia produced 123,016 units of Kia cee'd (40%) in three body versions (5-door hatchback, Sportswagon, 3-door pro_ cee'd), and 29,706 units of Kia Venga (9%). Last year, the plant exported most of its cars to Russia (22%), Great Britain (13%), Germany (9%), France (5%), Italy (5%), and other European countries.

Production in 2013



Overview of production in 2006-2013

In 2013, Kia Motors Slovakia also produced 491,046 engines; 48% of units were exported to its sister carmaker Hyundai Motor Manufacturing Czech in Czech Republic. Last year, Kia delivered 235,256 (48%) gasoline and 255,790 (52%) diesel engines. A 1.6L gasoline engine became the most manufactured type (20%).

The company pays high attention to its information protection. This effort was confirmed through the Information Security Management System certificate ISO 27001 the company received in August 2013.

Goals and Forecast for 2014

In 2013, Kia Motors Slovakia adopted a new management policy based on innovation, systematization and collaboration. The challenge for 2014 will be an introduction and implementation of such policy into everyday lives of all employees. The main goal is to create a stable work environment along with systematization of work procedures and manuals. Another important factor is collaboration based on effective communication and cooperation among superiors and subordinates as well as between teams and departments.

In 2014, the company plans to further broaden its investments. During the company winter holiday, final adjustments on the production lines were made, necessary for manufacturing of the new model. The launch of volume production of product enhanced Kia Sportage is planned for the first quarter of 2014. Introduction of new engine types such as 1.4L Kappa and 1.6L turbocharged T-GDI is set for the second half of the year. Kia Motors Slovakia expects to achieve similar volume of manufactured units as in 2013; the production plan is established at 310,000 vehicles.

In the field of personal policy, Kia Motors Slovakia aspires to maintain the employment rate of around the same amount of employees as last year. The company will continue to increase qualifications of its employees on all management as well as operational levels, and will place great emphasis on the Occupational Health and Safety Management system.

In terms of the environment, the Safety and Environment team will also advance employees' education and implementation in the new legislation regarding the environmental protection; the company will further follow the Quality Management system.

Press shop

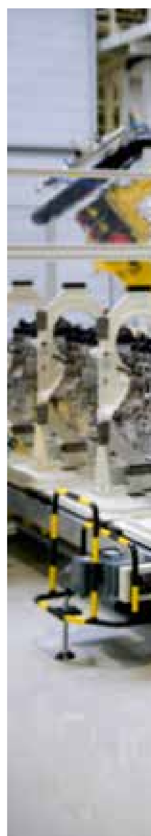
The production process of a car starts at the press shop. Apart from the blanking line where the steel coil enters and the panels are cut, the testing line where the adjusted forms are tested and set up, there are two main press lines. Currently, they produce 77 various panel types. The production capacity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

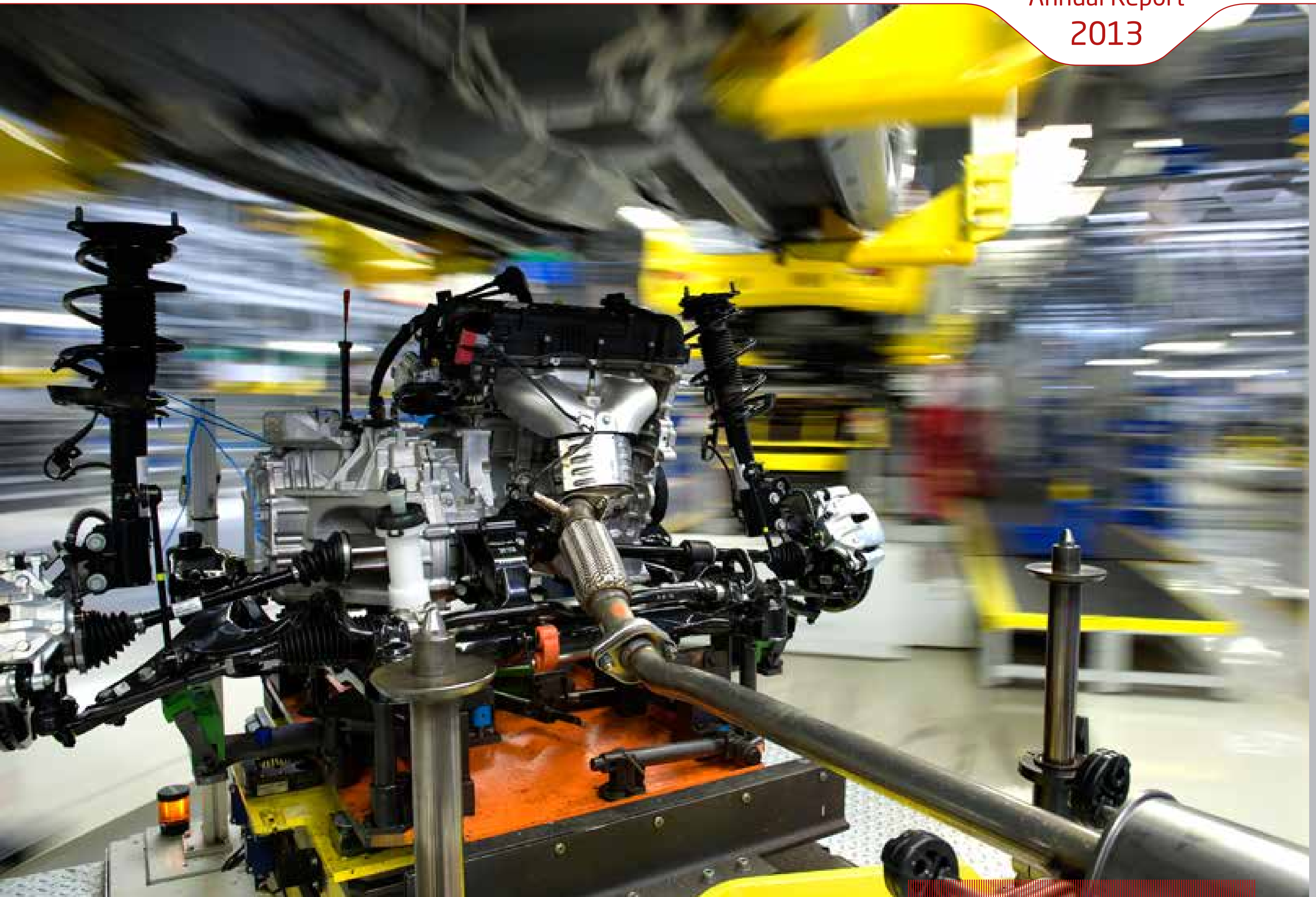
Body shop

The welding process continues in the body shop. The welding automation ratio in the body shop is 100%. There are 344 robots used for welding as well as loading and conveying of car parts. The production of the body shop is highly flexible and allows us to manufacture up to eight different car bodies on the same production line. Since January 2011 the car bodies of Kia cee'd model (all three car body versions), Sportage and Venga have been completed on one line.

Paint shop

The total length of the conveyor system, on which a car body passes through individual phases of the production process in the paint shop including buffer zones, is 7.5 km. In the pre-treatment and electrochemical coating processes, a unique 360˚ rotation-dipping system is used which ensures the coating of a protective substance. A total of 77 robots participate in the sealer and paint applications. However, Kia Motors Slovakia is committed to being environmentally friendly so only water-soluble paints are used. During 2013, we offered to our customers 14 colors for the cee'd model, 13 colors for the Sportage model and 10 colors for the Venga model.





Engine shop

Kia assembles several types of gasoline engines (MPI, S-CVVT, D-CVVT) with engine displacement of 1.4L and 1.6L, as well as 1.6L GDI with direct injection. In December 2014, volume production of new engines is set to be launched: Kappa 1.4L and turbocharged 1.6L T-GDI. Apart from that, the company manufactures 1.4L, 1.6L, 1.7L and 2.0L diesel engines. This year, almost all diesel engines will meet the Euro 6 emission standard. Two engines shops have a total of seven metal cutting lines where parts of engines, such as cylinder heads, cylinder blocks and crankshafts, are machined. Fully functioning engines leave the engine shops and are stored in two automatic storage systems. Later, they are moved to Mobis, the biggest supplier of Kia Motors Slovakia, where they are assembled onto the front suspension. Around half of the engine production heads to the Czech manufacturing facility Hyundai Motor Manufacturing Czech in Nosovice, the Czech Republic.

Assembly shop

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

3. Sustainable Development

Environmental Aspects

Throughout the whole manufacturing process, Kia Motors Slovakia takes environment into consideration and aims for a production of environmentally friendly vehicles. The complete production process is regularly monitored.

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

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

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

Human Resources

As of December 31, 2013, Kia Motors Slovakia employed 3,579 active employees. Highly qualified employees are the key to the success of the company. Kia has thus invested a lot of time and means into education of its employees. Apart from basic common entry courses, employees undergo various courses and training programs in Slovakia as well as abroad. So far, a total of 1,364 employees have participated in training programs in its Headquarter Kia Motors Corporation in South Korea; the aim is to brush up knowledge and skills in their field of expertise. In 2013, 5,820 employees took part in training activities; some of them attended more than one. Overall, 210 different types of courses were carried out. Altogether, Kia employees spent 62,000 hours of educating themselves.

Obligations to the Slovak Republic

Kia Motors Slovakia follows and fulfills 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 fulfillment of obligations connected with the drawing of state aid are prepared on a regular basis and provided to the Ministry of Economy of the Slovak Republic. Kia settled all due claims and due liabilities towards all state authorities by December 31, 2013.

Corporate Social Responsibility

Kia Motors Slovakia supports various philanthropic activities in the region. Their goals differ, but the main focus is on disabled sportsmen, equal opportunities for minor groups, increasing the environmental stability and safety, education, culture, and volunteering of employees. In 2013, the company contributed to the implementation of philanthropic activities with direct financing including donations in the total amount of EUR 524,381.26. Moreover, the company in cooperation with the Pontis Foundation helped to realize projects focused on environment, mobility and education using the tax assignment financed through Kia Foundation Fond.

Volunteering

Volunteering activities of Kia Motors Slovakia employees represent one of the largest projects of the company philanthropy. In 2013, altogether 600 volunteers stepped forward with the regular help in the city of Zilina in more than 20 partnership organizations, or various projects as well as public fundraising. Kia Motors Slovakia strives to support activities focused not only on manual but mental assistance as well, where know-how of employees in the field of information technologies, human resources, and communication can help with the advancement of individual organizations. The employees' attitude comes from their self-motivation as they are able to see the world from another angle. They realize how much work they have done to help others. The employees are those who bring change and benefit those who appreciate their help. Along with volunteering, Kia Motors Slovakia also assists financially while purchasing supplies necessary for the realization of the project, or activity. The company also organized five collections of material goods.

Mobility

The projects related to building and marking of new cycling paths were those which had the biggest financial support. In cooperation with the Zilina self-governing region, the second part of the project BikeKIA was successfully accomplished. The link between the Zilina Dam and the cycling paths built in 2012 was finalized. Also, in collaboration with the Zilina city, Kia Motors Slovakia improved the conditions and safety of bikers on the local roads. The financial support was used for marking bike routes, repairing cycling paths, and increasing a number of bike shelters. Kia Motors Slovakia also perceives mobility as a support of athletes (Proficio team) and skiers (Paraski team) with special needs. At the beginning of the year, Kia became a general partner of the exceptionally successful mentally challenged sportsmen who brought home 17 medals from the Special World Winter Games in South Korea.

Environment and safety

In 2013, Kia Motors Slovakia allocated EUR 30,000 for revitalization of the Zilina city park. Thanks to the grant, the city park "Studnicky" was enlarged, cleaned; and new trees were planted. The company together with the Regional Police Headquarters in Zilina donated 1,100 high reflective vests, collars and straps in the amount of EUR 3,000 to pre-school children.

Youth and Education

During summer holidays, the third year of the English Daily Camp took place in the Training Center in Gbelany. More than two hundred children from the neighboring villages as well as children of employees were able to improve their language skills. Lecturers aimed at boosting their imagination and creativity, too. One-week camp was comprised of a theoretical part and interactive language games. The company also carried out the fourth year of Kia Innovation Award contest for secondary school students with the topic "The safety, environment and marketing". An important aspect according to the professional committee taken into consideration was the practical usage of the project.

Corporate Philosophy

Since its establishment, Hyundai Motor Group (Group) has been guided by its philosophy and values, and has flourished by keeping these intact in the organization. In 2011, Kia Motors Slovakia adopted the corporate philosophy and believes that its growth into a global company could not have been possible without our new management philosophy and horizontal principles that stressed trust-based, on-site, and transparent management. The new philosophy represents the values we must keep, the direction we want to take, and a clear vision of our future. Endowed with an intrinsic passion for success, we pledge to work together toward our new vision and aspiration for 2020.

A company's **management philosophy** is the answer to why the Group exists, and is a tenet that should be deeply embedded in the minds and actions of employees.

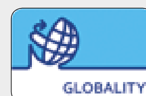
The five **core values** we have defined as part of our new corporate philosophy are principles that have existed in us throughout our history, and are principles that all employees promise to further foster in our organization.

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

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

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

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

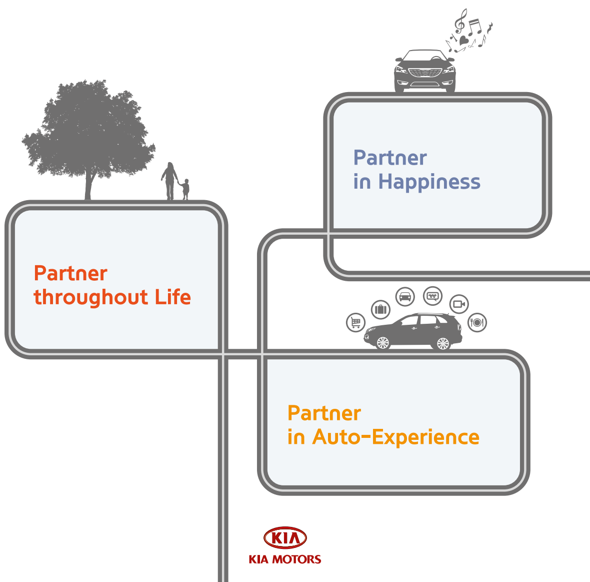


We respect the diversity of cultures and customs and strive to become a respected global corporate citizen - **globality**.

Together for a better future.

VISION 2020

Lifetime partner in automobiles and beyond



4. Quality Management System

Customer satisfaction is a top priority for Kia Motors Slovakia and all its employees. Qualified and educated employees ensure the requested quality throughout the whole production process, from the very beginning to the final quality control of newly manufactured vehicles. Almost 400 employees cater for the quality of vehicles, representing more than 10% of the total number of employees in the manufacturing facility.

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 in accordance with the standard ISO 9001:2008 confirm our long term commitment to focus on quality of our products and oblige us to continuous improvement of all processes.

5. Financial Overview

Income Statement

In TEUR	2013	2012
Revenue	4 447 259	3 928 629
Cost of sales	-3 866 438	-3 488 645
Gross profit	**580 821**	**439 984**
Administrative and selling expenses	-278 537	-250 226
Other operating income / (expenses), net	246	-3 582
Operating profit	**302 530**	**186 176**
Interest costs	-5 406	-13 279
Interest income	2 373	6 633
Other financial (expense) / income, net	-1 956	-1 008
Net finance costs	**-4 989**	**-7 654**
Profit before taxes	**297 541**	**178 522**
Current and deferred income tax	-70 858	-31 184
Income tax credit	4 174	8 124
Total comprehensive income for the year	**230 857**	**155 462**

Statement of changes in share capital

In TEUR

Capital increasing	Amount	Contributions of capital	EUR/SKK
Balance as of 1.1.2013	433 323		EUR
Balance as of 31.12.2013	**433 323**		**EUR**

Balance sheet

In TEUR	31 December 2013	31 December 2012
Assets		
Non-current assets	798 430	841 083
Current assets	1 102 150	1 020 192
Total assets	**1 900 580**	**1 861 275**
Equity		
Issued capital	433 323	433 323
Legal reserve fund and accumulated profit	387 221	304 053
Total equity	**820 544**	**737 376**
Liabilities		
Non-current liabilities	349 752	367 802
Current liabilities	730 284	756 097
Total liabilities	**1 080 036**	**1 123 899**
Total equity and liabilities	**1 900 580**	**1 861 275**

Statement of changes in share capital

The general meeting will decide on the distribution of profit in the amount of 230 857 TEUR for the year 2013 accounting period. The proposal presented by the statutory body to the general meeting is as follows:

- contribution to reserve fund in the amount of 11 543 TEUR
- distribution of the remaining amount will be decided on general meeting.

The general meeting will be held in March 2014.

6. Yearly Closing

Statement of financial position as at 31 December 2013

In TEUR	Note	31 December 2013	31 December 2012
Assets			
Property, plant and equipment	*10*	694 189	726 794
Intangible assets	*11*	4 137	4 299
Prepaid royalty expense	*17*	64 850	85 242
Finance lease receivable	*12*	7 093	13 355
Deferred tax assets	*13*	28 161	11 393
Total non-current assets		**798 430**	**841 083**
Inventories	*14*	278 189	292 394
Trade and other accounts receivables	*15*	674 083	617 252
Cash and cash equivalents	*16*	104 288	83 863
Prepaid expenses	*17*	20 463	20 685
Intercompany loan receivable	*18*	18 866	0
Finance lease receivable	*12*	6 261	5 998
Total current assets		**1 102 150**	**1 020 192**
Total assets		**1 900 580**	**1 861 275**
Equity			
Issued capital	*19*	433 323	433 323
Legal reserve fund	*19*	18 611	10 838
Accumulated profit		368 610	293 215
Total equity		**820 544**	**737 376**
Liabilities			
Interest-bearing loans and borrowings	*20*	101 154	151 827
Provisions	*21*	248 598	215 975
Total non-current liabilities		**349 752**	**367 802**
Interest-bearing loans and borrowings	*20*	50 836	165 126
Trade and other accounts payables	*22*	497 798	483 646
Provisions	*21*	144 637	85 647
Income tax payable		37 013	21 678
Total current liabilities		**730 284**	**756 097**
Total liabilities		**1 080 036**	**1 123 899**
Total equity and liabilities		**1 900 580**	**1 861 275**

Statement of cash flows for the year ended 31 December 2013

In TEUR

Cash flows from operating activities	Note	2013	2012
Profit for the year		230 857	155 462
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets	*10,11*	102 379	99 791
Amortisation of state aid related to property, plant and equipment	*6,10*	-8 678	-11 177
Scrap of property retirement		0	2 756
Interest costs	*8*	5 406	13 279
Interest income	*8*	-2 373	-6 633
Warranty provisions charges	*21*	121 838	118 539
Other provision charges, net of actual costs	*21*	20 072	2 819
Release of prepaid royalty	*6*	20 392	18 514
Tax expense	*9*	66 684	23 060
Gain on sale of property, plant and equipment		-68	-230
Operating profit before changes in working capital items		**556 509**	**416 180**
Decrease / (increase) in inventories	*14*	14 205	-1 059
(Increase) / decrease in trade and other receivables and prepaid expenses	*15,17*	-61 377	78 940
Increase in trade and other payables	*22*	14 152	24 371
Cash generated from operating activities		**523 489**	**518 432**
Interest paid from financing receivables, overdrafts and other		-213	-3 559
Interest received from on bills of exchange and bank deposits		6 044	3 167
Tax paid		-68 117	-15 641
Warranty claims net of supplier chargebacks	*21*	-50 297	-40 325
Net cash generated from operating activities		**410 906**	**462 074**
Cash flows from investing activities			
Acquisition of property, plant and equipment	*10*	-59 847	-118 722
Acquisition of intangible assets	*11*	-1 178	-2 179
Borrowing costs capitalized to property, plant and equipment	*10*	0	-58
Additional payment for lump sum royalty	*17*	0	-117 693
Receipt of finance lease payments including interest	*12*	6 714	6 713
Provision of intercompany loan	*18*	-18 866	0
Proceeds from sale of non-current assets		212	833
Subsidies for acquisition of property, plant and equipment	*10*	0	-3
Net cash (used for) investing activities		**-72 825**	**-231 109**
Cash flows from financing activities			
Finance lease payments including interests	*20*	-4 609	-4 638
Repayment of long term bank loans	*20*	-65 903	-53 679
Payment of dividend		-147 689	0
Repayment of short term loan	*20*	0	-19 000
(Repayment) of short term loan to financing receivables	*20*	-95 936	-164 474
Refund of prepaid transaction costs	*17*	0	2 668
Interest paid on long term bank loans		-3 519	-6 724
Net cash (used for) financing activities		**-317 656**	**-245 847**
Net increase / (decrease) in cash and cash equivalents		20 425	-14 882
Cash and cash equivalents at beginning of the period	*16*	83 863	98 745
Cash and cash equivalents at end of the period	*16*	**104 288**	**83 863**

Statement of comprehensive income for the year ended 31 December 2013

In TEUR

	Note	2013	2012
Revenue	*5*	4 447 259	3 928 629
Cost of sales	*6*	-3 866 438	-3 488 645
Gross profit		**580 821**	**439 984**
Administrative and selling expenses	*7*	-278 537	-250 226
Other operating income / (expenses), net		246	-3 582
Operating profit		**302 530**	**186 176**
Interest costs		-5 406	-13 279
Interest income		2 373	6 633
Other financial (expense) / income, net		-1 956	-1 008
Net finance costs	*8*	**-4 989**	**-7 654**
Profit before taxes		**297 541**	**178 522**
Current and deferred income tax	*9*	-70 858	-31 184
Income tax credit	*9*	4 174	8 124
Profit for the year		**230 857**	**155 462**
Other comprehensive income		-	-
Total comprehensive income for the year		**230 857**	**155 462**

Statement of changes in equity for the year ended 31 December 2013

In TEUR

	Note	Share capital	Legal reserve fund	Retained earnings	Total
		(Note 19)	*(Note 19)*		
Balance as of 1 January 2012		**433 323**	**7 407**	**141 184**	**581 914**
Total comprehensive income for the year		0	0	155 462	155 462
Legal reserve fund transfer		0	3 431	-3 431	0
Balance as of 31 December 2012	*19*	**433 323**	**10 838**	**293 215**	**737 376**
Balance as of 1 January 2013		**433 323**	**10 838**	**293 215**	**737 376**
Total comprehensive income for the year		0	0	230 857	230 857
Legal reserve fund transfer		0	7 773	-7 773	0
Dividend distribution	*19*	0	0	-147 689	-147 689
Balance as of 31 December 2013		**433 323**	**18 611**	**368 610**	**820 544**

Notes to the financial statements for the year ended 31 December 2013

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. Jana Nepomuckeho 1282/1
Teplicka nad Vahom 013 01
Slovakia

These financial statements have been prepared as at 31 December 2013 and for the year then ended and were prepared and authorized for issue by the Company's directors on 24 January 2014. Financial statements can be modified until the approval of the General Assembly.

The Financial Statements have been prepared as ordinary financial statements in accordance with Article 17 (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2013 to 31 December 2013.

The Statutory Financial Statements of the Company as at 31 December 2012, i.e. for the preceding accounting period, were approved by the shareholders at the Company's general meeting on 15 February 2013 and were filed together with the audited annual report in the collection of deeds of the Commercial Register on 27 February 2013. The balance sheet and income statement for the preceding period were published in the commercial bulletin No. 60/2013 on 26 March 2013.

The Company's bodies:

Directors: Eek-Hee Lee
Jung-Pil Kuk (till 4 August 2013)
Seung-Jong Hong (from 5 August 2013)

Information about the ultimate parent

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

2. Statement of compliance

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

3. Basis of preparation

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

Functional currency

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

Reclassification of comparative figures

The sale of scrap is classified since 1 January 2013 as revenue, on this basis the previous year sale of scrap in the amount of TEUR 9 503 have been reclassified from other operating income, to sales. The change has not impact to equity or net profit of previous year 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). 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. Non monetary grants received are recorded at fair value upon receipt date.

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

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

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

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

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

i. Lump sum royalty

Prepaid lump sum royalties are initially recorded as prepayments and are 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). The lump sum royalty reduces the overall royalty calculated on the basis described below:

ii. Running royalty

Royalties represent regular expenses derived from the entity's revenue for sale of cars (until 2012: on the basis of number of cars produced), and are recorded as cost of goods sold (refer to the Note 6).

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

Trade, other receivables, finance receivables and intercompany loans provided 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). Trade receivable is offset with trade liability and presented on the net basis in financial position when and only when, there is currently a legal enforceable right to set off and there is an intention to settle the receivables and liabilities on the net basis or to realize them simultaneously, this represents a voluntary early adoption of Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.)

f) Bills of Exchange and related borrowings

The Company finances some of its receivable with four 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 15) 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 8). 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 8).

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

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

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

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

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

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

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

j) Interest-bearing borrowings

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

k) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The suppliers warrant for a part of warranty provision and they bear the risk of failure of their parts. The cash outflows for warranty provision would be offset with cash inflows from recharges of portion of the provision and therefore the warranty provision is presented net of suppliers chargebacks 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. Trade payable is offset with trade receivable and presented on the net basis in financial position when and only when, there is currently a legal enforceable right to set off and there is an intention to settle the liabilities and receivables on the net basis or to realize them simultaneously.

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

The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2013 and have not been applied in preparing these financial statements:

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2014; Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.) This Standard is to be applied retrospectively when there is a change in control conclusion.
  The amendments are not relevant to the entity's financial statements, since the entity does not have any investees.
- IFRS 11 Joint Arrangements (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)
  The amendments are not relevant to the entity's financial statements, since the entity does not have any investees.
- IFRS 12 Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively, except not required to present comparative information for unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied. Earlier application is permitted.)
  The amendments are not relevant to the entity's financial statements, since the entity does not have interests in other entities.
- IAS 27 (2011) Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early.)
  The amendments are not relevant to the entity's financial statements, since the entity does not issue separate and consolidated financial statements.
- IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early.).
  The entity does not expect the amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (Effective for annual periods beginning on or after 1 January 2014; early adoption is permitted; to be applied retrospectively subject to transitional provisions.)
  The amendments are not relevant to the entity's financial statements, since the entity does not have any investees.
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)
  The Entity does not expect the new Standard will have a material impact on the financial statements.
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13.)
- The entity does not expect the new standard to have any impact on the financial statements, since the entity does not apply hedge accounting.

5. Revenue

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

In TEUR	2013	2012
Revenue from sale of cars to EU countries excluding Slovakia	2 265 765	2 263 243
Revenue from sales of cars to non EU countries	1 711 674	1 188 897
Sale of engines, spare parts and waste	429 083	425 247
Revenue from sale of cars to Slovakia	40 737	51 242
Total	**4 447 259**	**3 928 629**

6. Cost of sales

In TEUR	2013	2012
Material consumption	3 399 715	3 188 627
Depreciation and amortization (refer to Note 10,11)	101 878	99 261
Personnel expenses	78 818	76 564
Energy consumption	25 276	25 125
Running royalty charge	180 518	28 727
Royalty charge (refer to Note 17)	20 391	18 515
Amortization of government grants (refer to Note 10)	-8 678	-11 177
Other cost of sales	68 520	63 003
Total	**3 866 438**	**3 488 645**

The Company had on average 3 649 employees, out of what were 2 managers (in 2012: 3 739, out of that 2 managers).

7. Administrative and selling expenses

In TEUR	2013	2012
Warranty charges (refer to Note 21)	121 838	118 539
Logistics services	149 147	124 695
Personnel expenses	3 592	3 038
Marketing services	644	515
Depreciation and amortization (refer to Note 10, 11)	501	530
Other operating expenses	2 815	2 909
Total	**278 537**	**250 226**

8. Net finance costs

In TEUR	2013	2012
Interest expense, long term bank loans	-4 338	-7 949
Interest expense, short term bank loans	0	-6
Interest expense, leases	-615	-782
Interest expense, overdraft	-1	-30
Interest expense on bank loans related to financing Bills of Exchange	-452	-4 512
	-5 406	**-13 279**
Interest income, other	1 370	1 244
Interest income on Bills of Exchange from related parties	863	5 389
Interest income intercompany loan	140	0
	2 373	**6 633**
Net interest expense	**-3 033**	**-6 646**
Foreign exchange losses	-6 519	-4 987
Foreign exchange gains	4 563	3 979
Net foreign exchange (losses)	**-1 956**	**-1 008**
Net finance costs	**-4 989**	**-7 654**

Interests on Bills of Exchange and related borrowings

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

9. Income tax

In TEUR	2013	2012
Current tax expense		
Period income tax charge	-87 847	-42 317
Tax relief benefit	4 174	8 124
Adjustment to prior year income tax	221	-260
	-83 452	-34 453
Deferred tax expense		
-Decrease) / Increase in tax rate	-1 651	3 403
Origination and reversal of temporary differences	18 419	7 990
	16 768	11 393
Total income tax expense	**-66 684**	**-23 060**

Reconciliation of effective tax rate

In TEUR	2013	%	2012	%
Profit before tax	297 541		178 522	
Income tax using the domestic corporation tax rate	-68 434	-23.0%	-33 919	-19.0%
Increase in tax rate	-1 651	-0.5%	3 403	1.8%
Tax relief benefit	4 174	1.4%	8 124	4.6%
Effect of deferred tax charge resulted from the changes in estimated current tax of previous year	-299	-0.1%	12	0.0%
Tax non-deductible expenses and other items	-695	-0.3%	-420	-0.2%
Change in estimates related to prior year	221	0.1%	-260	-0.1%
Income tax charge for the year	**-66 684**	**-22.4%**	**-23 060**	**-12.9%**

Income tax credit

The Company is entitled to government grant in the form of a tax relief in the total amount of TEUR 15 070, which can be utilized as a reduction of corporate income tax rate in the period from 2011 to 2015. Certain conditions are attached to the utilization of tax relief. Management concluded that it is probable those conditions will be met and therefore in 2013 they utilized also the remaining part of the tax relief in the amount of TEUR 4 174 (2012: TEUR 8 124; 2011: TEUR 2 772).

10. Property, plant and equipment

In TEUR	Lands and Buildings	Machinery and equipment	Other	Investments in progress	Total
Cost					
Balance at 1 January 2012	260 424	878 930	6 780	65 367	1 211 501
Acquisitions	13 293	95 007	637	9 843	118 780
Transfer	3 483	55 616	27	-59 126	0
Disposals	0	-68 676	-175	0	-68 851
Balance at 31 December 2012	**277 200**	**960 877**	**7 269**	**16 084**	**1 261 430**
Balance at 1 January 2013	277 200	960 877	7 269	16 084	1 261 430
Acquisitions	0	0	0	59 847	59 847
Transfer	4 183	53 235	644	-58 062	0
Disposals	-48	-3 994	-172	0	-4 214
Balance at 31 December 2013	**281 335**	**1 010 118**	**7 741**	**17 869**	**1 317 063**
Depreciation and impairment losses					
Balance at 1 January 2012	36 407	380 583	5 401	0	422 391
Depreciation charge for the period	8 705	88 441	741	0	97 887
Disposals	0	-65 317	-175	0	-65 492
Balance at 31 December 2012	**45 112**	**403 707**	**5 967**	**0**	**454 786**
Balance at 1 January 2013	**45 112**	**403 707**	**5 967**	**0**	**454 786**
Depreciation charge for the period	9 132	91 110	797	0	101 039
Disposals	-48	-3 903	-172	0	-4 123
Balance at 31 December 2013	**54 196**	**490 914**	**6 592**	**0**	**551 702**
Government grants acquisition costs					
Balance 1 January 2012	35 890	119 858	0	0	155 748
Additions	0	-4	0	0	-4
At 31 December 2012	35 890	119 854	0	0	155 744
Additions	1 627	-1 627	0	0	0
At 31 December 2013	**37 517**	**118 227**	**0**	**0**	**155 744**
Government grants amortization					
Balance 1 January 2012	5 559	59 158	0	0	64 717
Amortization	1 279	9 898	0	0	11 177
At 31 December 2012	6 838	69 056	0	0	75 894
Amortization	1 277	7 401	0	0	8 678
At 31 December 2013	**8 115**	**76 457**	**0**	**0**	**84 572**
Carrying amounts					
At 1 January 2012	193 686	437 647	1 379	65 367	698 079
At 31 December 2012	203 036	506 372	1 302	16 084	726 794
At 31 December 2013	**197 737**	**477 434**	**1 149**	**17 869**	**694 189**

Insurance

Property, plant and equipment is insured against damage up to TEUR 1 660 174 (2012: TEUR 1 648 189).

Leases

The Company leases parking lot from related party under finance lease. The net book value of the parking lot at 31 December 2013 amounts to TEUR 1 529 (2012: TEUR 1 588).

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 2013 amounts to TEUR 10 738 (2012: 14 529).

Borrowing costs capitalized

No borrowing costs (2012: TEUR 58) were capitalized to construction in progress. The Company used an average borrowing rate for 2012 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).

11. Intangible assets

In TEUR	**Information technologies and software**
Cost	
Balance at 1 January 2012	17 854
Acquisitions	2 179
Disposals	-14
Balance at 31 December 2012	**20 019**
Balance at 1 January 2013	20 019
Acquisitions	1 178
Balance at 31 December 2013	**21 197**
Amortization and impairment losses	
Balance at 1 January 2012	13 830
Amortization for the year	1 904
Disposal	-14
Balance at 31 December 2012	**15 720**
Balance at 1 January 2013	15 720
Amortization for the year	1 340
Disposal	0
Balance at 31 December 2013	**17 060**
Carrying amounts	
At 1 January 2012	4 024
At 31 December 2012	**4 299**
At 1 January 2013	4 299
At 31 December 2013	**4 137**

12. 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 TEUR	Minimum lease payments	Interest	Present value of minimum lease payments	Finance lease
	31 December 2013	**31 December 2013**	**31 December 2013**	**31 December 2013**
Less than one year	6 713	452	6 261	5 998
Between one and five years	7 272	179	7 093	13 355
	13 985	**631**	**13 354**	**19 353**

13. Deferred tax assets

In TEUR	31 December 2013	31 December 2012
Property, plant and equipment -including government grants)	-49 665	-49 417
Warranty provision	81 287	68 528
Other items	-260	-191
Other provisions	4 971	645
Subtotal for temporary difference	**36 333**	**19 565**
Unrecognized deferred tax asset	-8 172	-8 172
Deferred tax asset	**28 161**	**11 393**

14. Inventories

In TEUR	31 December 2013	31 December 2012
Raw materials and consumables	230 099	245 073
Work in progress and semi-finished goods	20 647	17 783
Finished goods	27 443	29 538
	278 189	**292 394**

15. Trade and other accounts receivables

In TEUR	31 December 2013	31. December 2012
Trade account receivables	506 150	361 736
Value adjustment to receivable	-12	0
Bill of exchange of related party receivable (refer to accounting policy 4,f)	0	95 936
Value added tax receivable	163 075	154 099
Advance payment made	985	871
Other receivables	3 885	4 610
	674 083	**617 252**

The breakdown by currency is as follows:

In TEUR	31 December 2013	%	31 December 2012	%
EUR	626 435	92.9%	555 241	90,0%
USD	8 452	1.3%	0	0.0%
AUD	1 297	0.2%	0	0.0%
GBP	37 899	5.6%	62 011	10,0%
	674 083	**100.0%**	**617 252**	**100,0%**

66% or TEUR 443 273 (as at 31 December 2012: 70% or TEUR 436 462) of trade and other receivables are due from companies within the Hyundai Motor Group. The Company has not incurred any significant historical impairment losses.

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

As at 31 December 2013 (as at 31 December 2012: nil) the Company off set gross trade and other accounts receivables of TEUR 60 820 with the gross the trade and other accounts payables of TEUR 23 215 with certain partner and presented them as net receivable of TEUR 37 605.

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

In TEUR	31 December 2013	31 December 2012
Bank balances	104 287	83 861
Vouchers	1	2
Cash and cash equivalents	**104 288**	**83 863**
Bank overdrafts (refer to Note 20)	0	0
Cash and cash equivalents as presented in Cash flow Statement	**104 288**	**83 863**

17. Prepaid expenses

In TEUR	31 December 2013	31 December 2012
Non-current assets:		
Lump sum royalty prepaid	85 242	105 633
less: current portion	-20 392	-20 391
Total	**64 850**	**85 242**
Current assets:		
Lump sum royalty prepaid	20 392	20 391
Prepaid bank interests on financing Bills of Exchange of related party	0	172
Other prepayments	71	122
Total	**20 463**	**20 685**

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

In TEUR	Royalty cars
Initial payments	
Balance at 1 January 2012	64 544
Additional payments made in the year	117 693
Disposal for the year	-59 887
Balance at 31 December 2012	**122 350**
Balance at 1 January 2013	122 350
Balance at 31 December 2013	**122 350**
Amortization	
Balance at 1 January 2012	58 089
Amortization for the year (Refer to Note 6	18 515
Disposal for the year	-59 887
Balance at 31 December 2012	**16 717**
Balance at 1 January 2013	16 717
Amortization for the year (Refer to Note 6	20 391
Balance at 31 December 2013	**37 108**
Carrying amounts	
At 1 January 2012	6 455
At 31 December 2012	**105 633**
At 1 January 2013	105 633
At 31 December 2013	**85 242**

Following is the overview of lump sum royalty prepayments:

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

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 of statement of comprehensive income as the costs for running royalty (refer to Note 6).

18. Intercompany loan receivable

The intercompany loan receivables represent the positive balance on the cash pool account of the Group, where KMS borrowed its available cash.

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 2013 (31 December 2012: 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 24 721 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 TEUR	31 December 2013	31 December 2012
Non-current liabilities		
Long term bank loans	93 782	140 416
Lease liability	7 372	11 411
Long term bank loans	**101 154**	**151 827**
Current liabilities		
Short term portion of the long term bank loan	46 634	65 074
Lease liability	4 075	4 032
Short term loans on Bill of exchange to related party (refer to accouting policy 4 f)	0	95 936
Accrued interest and other	127	84
Short term bank loans	**50 836**	**165 126**

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. The tranche of the loan with the fixed interest rate was repaid during 2013.

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 TEUR	Future minimum lease payments	Interest	Present value of minimum lease payments	Finance lease
	31 December 2013	**31 December 2013**	**31 December 2013**	**31 December 2012**
Less than one year	4 509	434	4 075	4 032
Between one and five years	7 680	308	7 372	11 411
	12 189	**742**	**11 447**	**15 443**

21. Provisions

In TEUR	Warranty	Other	Total
Balance at 1 January 2012	219 731	858	220 589
Provisions charges -(refer to Note 7)	118 539	3 677	122 216
Actual costs, net of supplier chargebacks	-40 325	-858	-41 183
Balance at 31 December 2012	**297 945**	**3 677**	**301 622**
Balance at 1 January 2013	297 945	3 677	301 622
Provisions charges -(refer to Note 7)	121 838	23 264	145 102
Actual costs, net of supplier chargebacks	-50 297	-3 192	-53 489
Balance at 31 December 2013	**369 486**	**23 749**	**393 235**

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

In TEUR	31 December 2013	31 December 2012
Non-current	248 598	215 975
Current	144 637	85 647
Balance at the reporting date	**393 235**	**301 622**

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 TEUR	31 December 2013	31 December 2012
Trade payables including accruals	470 965	473 750
Employee related liabilities	5 987	6 098
Other payables	5 083	1 680
Advance payment received	14 854	1 351
Payroll withholding taxes	909	767
	497 798	**483 646**

The breakdown by currencies is as follows:

In TEUR	31 December 2013 Balance recalculated to EUR	%	31 December 2012 Balance recalculated to EUR	%
EUR	495 767	99.6%	482 308	99.7%
USD	1 656	0.3%	1 259	0.3%
GBP	0	0	30	0.0%
JPY	375	0.1%	49	0.0%
	497 798	**100.0%**	**483 646**	**100.0%**

70% or TEUR 349 237 (as at 31 December 2012: 76% or TEUR 366 639) of trade and other payables are due to companies within the Hyundai Motor Group.

As at 31 December 2013 (as at 31 December 2012: nil) the Company off set gross trade accounts payables of TEUR 186 486 with the gross the trade accounts receivables of TEUR 23 215 with certain partner and presented them as net receivable of TEUR 163 271.

23. Capital commitments and contingencies

Capital commitments

At 31 December 2013 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 22 110 (31 December 2012: TEUR 9 474).

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 527 (2012: TEUR 362).

Other related party transactions

Other related parties are part of the Hyundai Motor Group and also the parent Company Kia Motors Corporation, the managing Company.

Transactions with the parent company	2013	2012
In TEUR		
Revenues	84	722
Warranty provision chargebacks	2 327	4 692
Purchases of material	-136 180	-228 275
Acquisitions of property, plant and equipment	-630	-15 896
Purchase of services	-1 696	-5 040
Lump sum royalty prepaid	0	-117 693
Payment of dividends	-147 689	0
Running royalties charge	-180 518	-28 727

Transactions with other companies	2013	2012
In TEUR		
Revenues	3 858 033	3 650 463
Interest income from lease interest	715	967
Warranty provision chargebacks	7 736	7 353
Purchase of material	-1 956 017	-1 772 945
Acquisitions of property, plant and equipment	-6 672	-26 677
Purchase of services	-114 387	-93 571
Warranty charges	-54 700	-43 972
Interest from intercompany loan	142	0
Interest expense on finance lease	-615	-782
Interest income from refunded interest from financing receivables	703	5 127

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

Assets and liabilities arising from transactions with the parent company	31 December 2013	31 December 2012
In TEUR		
Trade accounts receivables and prepayments	22	1 582
Trade accounts payables	-59 620	-138 793

Assets and liabilities arising from transactions with other group companies	2012	2011
In TEUR		
Trade accounts receivable	443 253	338 944
Trade accounts receivable – Bills of Exchange of related party	0	95 936
Intercompany loan receivable	18 866	0
Finance lease receivable	13 355	19 353
Finance lease liability	-11 446	-15 443
Trade accounts payable	-289 617	-227 846

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.

87% (1-12/2012 94%) 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. 88% (in 2012: 95%) of the outstanding trade receivables balance is due from customers in Hyundai Motor Group who cooperates with the entity since its incorporation of tax office for VAT. No impairment provision has been recorded to either due or past due balance of this receivable as management assessed these credits with high quality on the basis of historical collection. In the past the Company recovered its VAT balance within 2 months from the balance sheet date, on this basis it expects low collection risk.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers outside the Hyundai Motor Group requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

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

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

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

The Company's management is monitoring whether they have sufficient resources to 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 2013 the current ratio reached management target of 1.51 (as at 31 December 2012: 1.35).

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

31 December 2013

In TEUR	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	More than 5 years
Trade and other receivables	*15*	674 083	674 083	0	0	0	0
Intercompany loan receivable	*18*	18 866	18 866	0	0	0	0
Finance lease receivable, including interests	*12*	13 986	3 357	3 357	7 272	0	0
Cash and cash equivalents	*16*	104 288	104 288	0	0	0	0
Interest bearing loans and borrowings, excl. unamortized costs	*20*	-153 479	-25 692	-25 571	-70 341	-22 500	-9 375
Interests		-6 921	-1 486	-1 412	-3 068	-775	-180
Transaction costs	*20*	1 617	300	255	635	334	93
Trade and other accounts payables	*22*	-497 798	-497 798	0	0	0	0
Warranty provision	*21*	-369 486	-60 786	-60 786	-142 627	-74 777	-30 510
Other provisions	21	-23 749	-23 065	0	0	0	-684
Income tax payable		-37 013	0	-37 013	0	0	0
		-275 606	**192 067**	**-121 170**	**-208 129**	**-97 718**	**-40 656**

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

31 December 2012

In TEUR	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	More than 5 years
Trade and other receivables	*15*	617 252	617 252	0	0	0	0
Finance lease receivable, including interests	*12*	20 699	3 358	3 356	13 426	559	-
Cash and cash equivalents	*16*	83 863	83 863	0	0	0	0
Interest bearing loans and borrowings, excl. unamortized costs	*20*	-319 401	-131 436	-34 522	-91 895	-45 923	-15 625
Interests		-11 499	-2 128	-2 129	-4 985	-1 824	-433
Transaction costs	*20*	2 448	416	416	922	465	229
Trade and other accounts payables	*22*	-483 646	-483 646				
Warranty provision	*21*	-297 945	-40 985	-40 985	-127 365	-62 447	-26 163
Other provisions	21	-3 677	-3 677	0	0	0	0
Income tax payable		-21 678	0	-21 678	0	0	0
		-413 584	**43 017**	**-95 542**	**-209 897**	**-109 170**	**-41 992**

Market risk

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

Currency risk

The Company is exposed to foreign currency risk in sales and purchases in other currency that the functional currency, i.e. GBP and USD. The total exposures which arise from the currency risk are immaterial, as 89% (2012: 89%) of revenues and 99% (2012: 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 1 895 (2012: TEUR 3 134) and strengthening of USD by 5% against EUR would increase equity and net profit by TEUR 340 (2012: a decrease of TEUR 64). The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Interest rate risk

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

An increase or decrease of interest rate (EURIBOR, LIBOR) by 100 basis points, considering all other factors remain unchanged, would cause a decrease or an increase of profitability by TEUR 2 138 (2012: TEUR 3 739).

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 TEUR	2013	2012
Total liabilities	1 080 036	1 123 899
Less available cash	-104 288	-83 863
Total liabilities less cash	975 748	1 040 036
Total equity	820 544	737 376
Adjusted debt/equity ratio	1.2	1.4

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 2013 as well as at 31 December 2012.

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 2013 amounted to TEUR 369 486 (31 December 2012: TEUR 297 945) as disclosed in note 21. The Company provides a warranty coverage period of five years on it's cee'd, new cee'd, Sportage, new Sportage, Venga and ix35 models. In addition, for Kia vehicles sold in the European Union and other selected countries a further two years warranty coverage period is provided on engines and transmissions. All warranty coverage periods are subject to a maximum mileage of 150,000 kilometers. Warranty conditions may differ from above mentioned according to specific model or market.

The provision represent the estimated warranty costs, which we calculate based on historical experience with consideration given to the expected level of future warranty repairs, the expected number of units to be affected and the estimated average repaid costs per unit and each country. The products contain parts manufactured by third party suppliers. 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 the model products, especially SUV models new cee'd are new first produced in 2010 and 2012, respectively, as well as the period of the warranty coverage is above that previously provided by the Kia Motors Corporation. The policy is to continuously monitor the adequacy of warranty provisions. Therefore warranty charges are maintained at an amount deemed adequate to cover estimated future warranty claims. Actual claims in the future may differ from the original estimates, which may result in material revisions of the warranty charges.

The warranty model is also with a trend line for group of countries, which represents expected level of warranty costs in year 2 to year 7 as a percentage of year 1. This is our best estimate which was based on historical experiences from claims incurred in different models of Kia Motors Corporation. 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 32 821 (31 December 2012: TEUR 26 466).

These financial statements were approved on 24 January 2014.

Seung-Jong Hong
CFO

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

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

Report on Audit of Consistency

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

To the Owner 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 2013, presented under Note 6 of the annual report. We have issued an independent auditor's report on the financial statements on 24 January 2014 with the following wording:

Independent Auditor's Report

To the Owner 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 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising the summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of the financial statements that give a true and fair view 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

IČO/Registration number: 31 348 238

Evidenčné číslo licencie auditora: 96

Licence number of statutory auditor: 96

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013 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 2014
Bratislava, Slovak Republic

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

Responsible auditor:
Ľuboš Vančo
License SKAU No. 745

Report on the Audit of Consistency of the annual report with the financial statements (Supplement to the auditor's report)

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

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

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

We have reviewed the consistency of the information presented in the annual report in the Notes 1 – 5 with the information presented in the financial statements as of 31 December 2013. 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 in the Notes 1 – 5 is consistent, in all material respects, with the financial statements as of 31 December 2013, presented under Note 6 of the annual report.

17 February 2014
Bratislava, Slovak Republic

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

Responsible auditor:
Ľuboš Vančo
License SKAU No. 745

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Kia Motors Slovakia s.r.o.
Sv. Jana Nepomuckeho 1282/1
013 01 Teplicka nad Vahom
Slovakia

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