2014

Annual Report 2014

Kia Motors Slovakia s.r.o.

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Content

1 Foreword

Last year, Kia Motors Slovakia celebrated its 10th anniversary of being established in Slovakia. On that occasion, the company organized a ceremonial concert of the Slovak Sinfonietta Zilina. It was our honor that many important representatives of the national and local authorities accepted the invitation to be a part of it.

This year, we have another milestone ahead of us, which is the production of the 2,000,000th car. Since the launch of volume production in 2006, more than 1.9 million cars and 2.6 million engines have been manufactured. For the second time in a row, we were able to fully use the production capacity of the plant and to increase the volume of production. We manufactured 323,720 cars and 493,141 engines for our customers last year. The achieved production results please us even more as we have recorded a continuous production growth since 2010. Thanks to the above mentioned facts, we have ranked top among the most significant producers, exporters, and employers in the Slovak Republic in recent years.

From the company's point of view, I can evaluate the previous year as successful despite the not so favorable situation on the automotive market. We managed to launch production of the product-enhanced versions of the SUV model Kia Sportage and the family car Kia Venga. On top of that, our plant was evaluated as the best within the Hyundai Motor Group. We received numerous awards, such as: National Productivity Award, award for Human Resources leading organization, or the Slovak Gold Exclusive. As the only car maker in Slovakia, we were awarded the Safety Enterprise certificate by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

Individual models manufactured in our plant were also received very positively. In the J.D. Power customer survey, model Kia Sportage won the first place in Germany and Kia Venga became a winner in its respective category in the United Kingdom. The model Kia cee'd GT became a winner in the comparison test in Germany. The various prestigious awards our plant as well as our models were honored with are a confirmation that the road we had chosen is the right one. Big thanks for all of the accomplished results and success go mainly to our employees for their creativity, enthusiasm and huge effort. Thanks to our employees and our unique innovation system, we have been able to achieve the highest quality of all of the products for our customers.

Eek-Hee Lee
President and CEO
Kia Motors Slovakia

Kia Motors Slovakia

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 engines. The registered capital is in the amount of 433,322,934.01 EUR. Eek-Hee Lee and Seung-Jong Hong were the company executives in 2014.

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.

Kia cee'd of lower middle class manufactured in three car body versions, the SUV model Kia Sportage, and from 2011 also the MPV model Kia Venga complete the current production portfolio of the company.

Kia Motors Corporation

KMC is a maker of quality vehicles for the dynamic young-at-heart people. The company was founded in 1944 and is Korea's oldest manufacturer of motor vehicles. Over 3 million Kia vehicles a year are produced at 10 manufacturing and assembly operations in five countries which are then sold and serviced through a network of distributors and dealers covering around 150 countries. Kia Motors Corporation is the daughter company of the Hyundai Motor Group, whose production of over 8 million cars in 2014 belongs to the top global companies on the world market. KMC is the major sponsor of the Australian Open and an official automotive partner of FIFA – the governing body of the FIFA World Cup™ as well as Eurotop partner of UEFA. Kia Motors Corporation's brand slogan "The Power to Surprise" represents the company's global commitment to surprise the world by providing exciting and inspiring experiences that go beyond expectations.

Product Line-Up

Kia cee'd

The Kia cee'd family of the C-segment has successfully applied itself with European customers ever since 2006. For the first half of 2015, a product-enhanced version of its second generation is planned. A unique and carefully designed look by chief designer Peter Schreyer and his European team is characteristic for all variations of the Kia cee'd family. The outstanding design of Kia cee'd product line-up was acknowledged with another prestigious "Good Design Award". Kia cee'd is manufactured in three body versions: five-door hatchback, three-door sporty pro_ cee'd, and the family Sportswagon.

The cee'd model line-up brings European customers the latest state-of-the-art technologies, which make ride comfortable and entertaining at the same time. At the moment, each of the body versions is available in two gasoline engines: 1.4L (73 kW) and 1.6L (99 kW), as well as two diesel engines: 1.4L (66 kW) and 1.6L (94 kW). For those who enjoy a sporty ride, two high-performance versions are available: Kia cee'd GT and Kia pro_ cee'd GT powered by 1.6L turbocharged GDI engine delivering 150 kW.

Kia Sportage

Last year, the SUV model Kia Sportage was Kia's most sold model in Europe. The volume production of its product-enhanced version was launched in October 2014 bringing customers an improved driving experience and higher comfort. The third generation of the popular SUV model stole hearts of the demanding German customers last year when it won the customer satisfaction survey organized by J.D. Power.

The model Sportage continues to be sold in a front-wheel drive version with a six-speed manual gearbox in combination with diesel 1.7L (85 kW) and gasoline 1.6L (99 kW) engines. The all-wheel drive variant comes with diesel 2.0L (100 or 135 kW) or gasoline 2.0L (122 kW) engines. For 2.0L engines, a six-speed automatic gearbox is available.

Kia Venga

The spacious mini MPV designed and produced exclusively for European customers completes the product line-up rolling off the production lines at Kia Motors Slovakia. Thanks to its inimitable blend of style, practicality and performance, Kia Venga succeeded in the "What Car?" study organized by J.D. Power in the mini MPV segment. Results of another survey carried out among 15,000 motorists in the UK put Kia Venga first again in the mini MPV category. In October 2014, a product-enhanced version was revealed to the public at the international motor show in Paris giving the model a new face and more modern interior. Currently, the model comes with two gasoline 1.4L (66 kW) and 1.6L (92 kW) as well as two diesel 1.4L (66 kW) and 1.6L (85 kW) engines.

Engines

Last year, Kia in Slovakia produced 493,141 engines, slightly increasing the year-on-year engine production. Almost half of the engines headed to the sister automobile manufacturing plant Hyundai Motor Manufacturing Czech in Nosovice in the Czech Republic. The most demanded was the gasoline 1.6L engine making up 22% of all customer orders. The gasoline engines constituted for over 50% of the total engine production. The plant is currently assembling four types of gasoline engines: 1.4L and 1.6L MPI, S-CVVT, D-CVVT as well as 1.6L GDI engines. The company also produces 1.4L, 1.6L, 1.7L, and 2.0L diesel engines.

Key Events in Kia Motors Slovakia History

2004	March	Investment Agreement signed between Kia Motors Corporation and the Slovak Republic
	April	Groundbreaking ceremony held in Zilina
	October	Launch of construction
2005	December	Completion of plant construction
2006	January	Installation of production technologies
	June	Launch of trial production of vehicles
	December	Launch of cee'd volume production
2007	June	Launch of volume production of SUV Sportage
	September	Production of the 100,000th car
	November	Obtained the international Environmental Management ISO 14001 certificate
2008	November	Acquired the international Quality Management ISO 9001 certificate
2009	July	Production launch of 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 generation Kia Sportage
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 and 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
2014	January	Volume production launch of new Kia Sportage
	March	Harmony concert on the occasion of the 10th anniversary of foundation of Kia Motors Slovakia
	October	Launch of volume production of new Kia Venga

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 Company Headquarters where he became responsible for strategic planning and global production management. As a highly skilled professional, he became the President and CEO of Kia Motors Slovakia in December 2011. He 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 Company 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. From July 2013 till January 2015, 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.

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. From January 2000, Mr. Shim worked for Kia Motors Corporation. He came to Slovakia in 2010 and has been responsible for the production at Kia Motors Slovakia since 2011.

Seong-Gyu Lee

Vice President responsible for the Administration Group

In 1992, Mr. Lee successfully completed his studies at the Korean University in Seoul specializing in agriculture economy. He began his career in Hyundai Motor Company with the production planning team right after finishing the university. From 2001 to 2009, he was responsible for employee relations, followed by sales in the upcoming four years. From 2013, he was in charge of human resources. Mr. Lee has worked at Kia Motors Slovakia since November 2014 as Vice President of the Administration Group.

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 Group since 1985. He came to Slovakia in March 2011. Since then, he has worked as Vice President and Head of the Procurement Group.

In-Yong Seong

Vice President responsible for the Quality Group

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 and development team at 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 the Quality Group in 2012. In-Yong Seong left the company in August 2014 and this position hasn't been taken by the end of 2014.

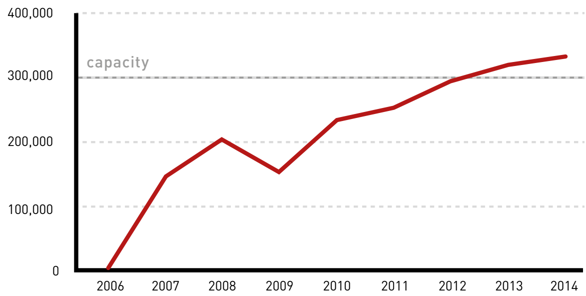
Kia Motors Slovakia in 2014

Kia Motors Slovakia yet again surpassed itself when 323,720 cars rolled off the production lines and 493,141 engines were produced in 2014. The most popular model was Kia Sportage, while the most requested engine was the gasoline 1.6L version. In the 2014/2015 school year, Kia has cooperated with numerous secondary vocational schools and universities. Kia, with its state-of-the-art technologies, opened up the gates for 73 students from the Zilina region to put their theoretical knowledge to practice. Seven secondary school and six university students took up an opportunity to participate in a scholarship program.

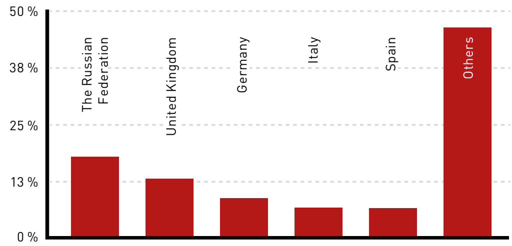
The key model of last year's production was once more the SUV model Kia Sportage with approximately 55% share of the overall production. The model cee'd, which has been a significant member of the company product portfolio since 2006, followed with 36%. The family car Kia Venga concluded with 9% of the total production. The biggest export markets of 2014 remained Russia (18%), United Kingdom (13%), Germany (9%), Italy (6%), and Spain (6%).

Kia plant in Slovakia produced over 493,141 engines last year, which slightly exceeded the number of engines manufactured in 2013. Almost half of the engines were exported to the sister company Hyundai Motor Manufacturing Czech in the Czech Republic. The most demanded was the 1.6L gasoline engine that 22% of customers had ordered for their car. Gasoline engines constituted for over 50% of the total amount of produced engines.

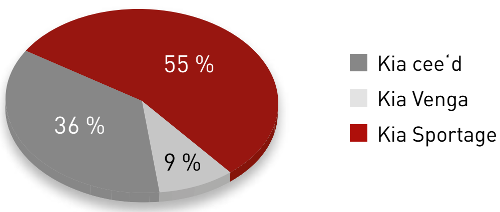
Overview of production in 2006 - 2014



Export of cars in 2014



Production in 2014



Goals and Forecast for 2015

Outstanding production results from previous years as well as ongoing increase of Kia's European market share justify Kia Motors Slovakia to set ambitious plans for 2015. By fulfilling last year's production plan, the plant contributed to the achievement of the overall production results of Kia Motors Corporation and Hyundai Motor Group.

The current development of economic situation in Russia suggests that we will face new challenges in 2015, ones we might not be able to influence directly. The stagnating Russian economy and the long-term weakening ruble have caused a decrease of interest in a purchase of imported cars by our Russian customers. If the unfavorable situation in Russia continues, it will be very important for us to increase our share on other markets in Europe and elsewhere. We will make every effort to achieve our goal.

Due to adverse geopolitical development, Kia Motors Slovakia has also decided to make the product line-up even more attractive. In 2015, we will therefore vigorously develop large-scale investment activities directly related to the preparation of technologies for the production of new models. Launch of a volume production of an enhanced Kia cee'd line-up is scheduled for the first half of 2015. Volume production of the fourth generation Kia Sportage is set for the other half of 2015. Planned investment activities in the engine shop are mainly linked with modifications of the production program, which aims to manufacture engines complying with the Euro 6 emission standard. In the upcoming year, production of a new type of turbocharged 1.6L T-GDI engine will be launched. Despite the uncertain development on the automotive market, we expect to fully use the plant's production capacity in 2015, and to manufacture more cars and engines than in 2014.

In the area of human resources policy, we will seek to maintain employment at a similar level as in 2014. We intend to continue to further develop the skills of our employees at all levels and a strong emphasis will be placed on health at work and safety management system. The next recertification audit of the environmental management system according to international standard ISO 14001 is scheduled during the year 2015.

Production process

Press shop

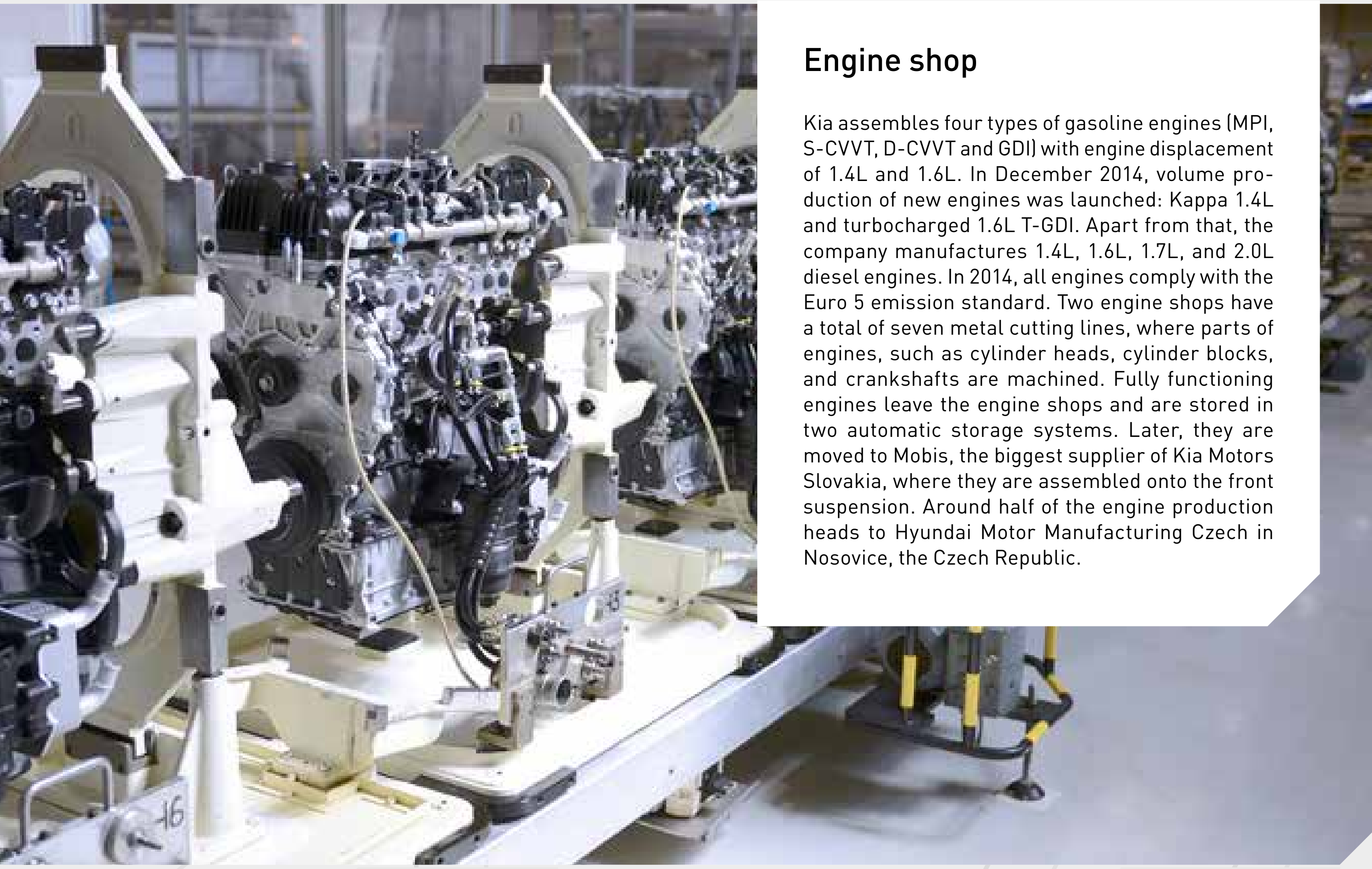
The production process of a car starts at the press shop. A blanking and testing lines are present, where press dies are tested, adjusted and repaired. The most important section of the press shop is the two press lines, which produce 83 various types of panels at the moment. The production capacity of the press shop is over five million panels per year. It takes 20 seconds to complete one panel. The quality of the pressed panels is, apart from a unique 3D optical inspection system, checked continually by trained quality controllers at the end of each press line. The auto palletizing system loads pressed panels onto pallets using four robots at the end of each press line, which are then, based on demand, further supplied by forklifts straight to specific production lines in the body shop. 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 364 robots used for welding as well as loading and conveying of car body components. The production of the body shop is highly flexible and allows for manufacture of up to eight different car bodies on the same production line. All three car bodies of Kia cee'd model, Sportage and Venga are 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 coating by a protective substance. A total of 77 robots participate in the sealer and paint applications. Kia Motors Slovakia is committed to being environmentally friendly so only water-soluble paints are used. During 2014, we offered our customers 14 colors for cee'd, 13 colors for Sportage, and 10 colors for Venga to choose from.



Engine shop

Kia assembles four types of gasoline engines (MPI, S-CVVT, D-CVVT and GDI) with engine displacement of 1.4L and 1.6L. In December 2014, volume production of new engines was 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. In 2014, all engines comply with the Euro 5 emission standard. Two engine 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 Hyundai Motor Manufacturing Czech in Nosovice, the Czech Republic.

Assembly shop

The assembly shop is the largest of all production halls. Its area covers 100,000 m^2 and the hall is almost 450 meters long. Upon entry, every car body is placed on the so-called skillet, which adjusts the height of the car body for easier and more convenient approach for operators. The assembly shop can be divided into four parts. The car completion starts with assembling of electrical cables and minor interior as well as exterior car parts followed by the assembly of chassis components. The whole process is finalized with the assembly of all necessary components, such as windshield and rear window, wheels, and seats. Car doors are completed on a separate production line. Filling of all required liquids and fuel is done at the end of assembly lines. After starting a car for the first time, it leaves the production line on its own wheels. It is followed by a check-up of mounted components and settings. In 2014, new modifications were carried out to ensure assembly of new models and the increase of production capacity.

3 Sustainable development

Throughout the whole manufacturing process, Kia Motors Slovakia takes environment into consideration and aims to minimize the impact of its activities on the environment. The effect of production process on environmental components is regularly monitored and evaluated.

An Environmental Management System was implemented and certified according to the international standard ISO 14001 in 2007. Its recertification was held in 2012 and the next recertification audit will be executed in 2015. This system commits the company to comply not only with the required legislation, but also to the constant improvement of environmental protection, regular evaluation of environmental performance, and raise in environmental awareness of all employees. An important part of the system is regular monitoring and evaluation of the consumption of water, energy, materials as well as the amount of waste, waste waters and emissions over the period of one car production, and acceptance of environmental goals for their reduction.

The production plant is located in the second-degree protected water source area therefore a network of boreholes had been built before the launch of 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 modern technologies used in the production plant, Kia Motors Slovakia uses state-of-the-art technologies for environmental protection, such as modern system of exhausts in the assembly shop and equipment for decomposition of volatile organic compounds created by painted bodies drying in the paint shop. All industrial waste water from the production plant is treated in the waste water treatment plant at physical and chemical levels. Afterwards, the water is further biologically treated at the city waste water treatment plant in Hricov.

The waste management system is well established in all production shops to ensure waste prevention, correct waste separation, and high level of waste recovery. Attention is also paid to a selection of used materials in the production process, so there is an evaluation of new chemical impact on environment and health of employees prior to its usage.

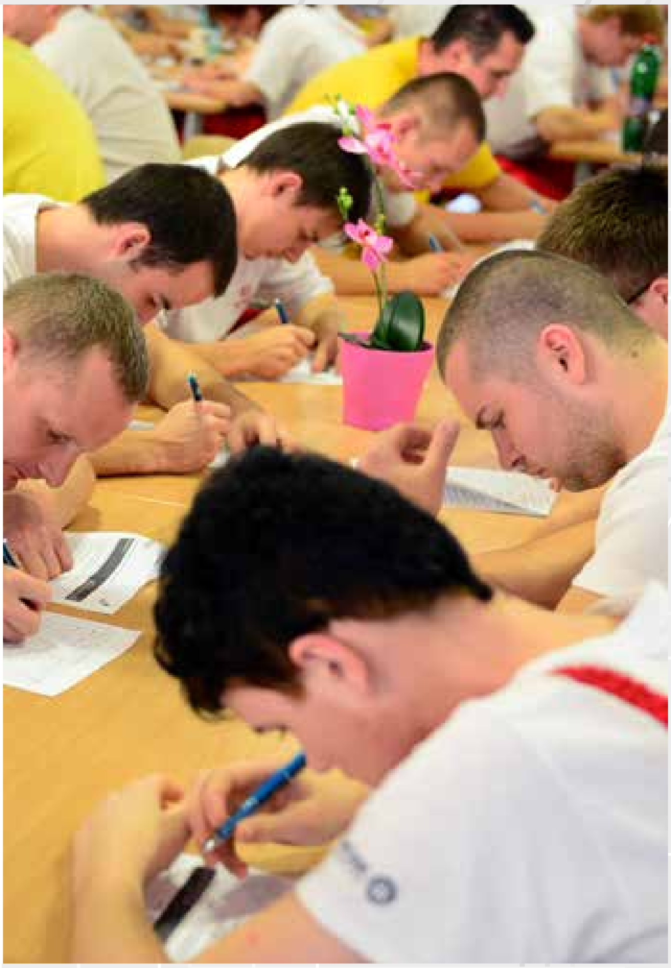
The goal of Kia Motors Slovakia is to proceed in the development of environmental management because environmental protection is a key to a successful business and sustainable development.

Human Resources

As of December 31, 2014, the plant employed a total of 3,526 people, while the average age reached 35 years. Kia in Slovakia provides a rich social program, which includes a direct bus service to work from the whole Zilina region. Additional benefits include discounts on car purchase as well as housing allowance for selected employees. The company also annually rewards its best employees for their exceptional work performance. Kia Motors Slovakia encourages sports and leisure activities of its employees through direct financial support. Other benefits provided by the plant include: financial remuneration that is higher than the average in the region, variable pay after completing one year in the company, half-yearly financial bonuses (55% of the basic salary for summer bonus and 50 to 80% of the basic salary for Christmas bonus), quarterly motivational bonus of up to 30% of the basic salary, company cultural and sporting events, meal tickets, Christmas coupon, voluntary flu vaccination, financial contribution for regular blood donors, childbirth and marriage bonuses, contribution on the occasion of work anniversaries as well as one-off financial support in the event of an incident (e.g. environmental disaster or social situation).

Education

Kia Motors Slovakia has since its inception focused on personal and professional growth of its employees. Last year, production and administrative staff attended 285 different types of training, including trainings required by law. The goal of the training was to improve their skills and increase their expertise as well as strengthening of work and management competencies. The big challenge of 2014 was the retraining of production workers in the company core values. Kia Motors Slovakia also organized trainings in cooperation with the parent company Kia Motors Corporation directly in the Korean headquarters. The main objective was to acquire necessary skills and technical knowledge required for the production of new models. At the same time, the parent company organized trainings focused on the basic company values. In 2014, 174 employees attended trainings in South Korea. Throughout the year 2014, 7,927 hours were spent on training employees. Kia considers the personal and professional growth of employees a key to its success. For employees with best work results, Kia organizes a motivational program Kia Pride every year; last year, 62 staff members participated in the program. The company has its own Education and Training Center in the Gbelany village, which is approximately 3 km away from the production plant.



Safety first

In the year 2014, the company focused on a number of activities in order to increase the level of safety and fire protection in the plant. Two external audits were carried out; one implemented by the company headquarters while the other by the external company DNV-GL. Throughout the year, two fire drills took place in cooperation with the Zilina Regional Directorate for Fire and Emergency Management, one in the press shop and the other in the assembly shop. The company Fire brigade obtained a new fire engine, a simulator for training in fire fighting, and automatic external defibrillators in both production and non-production areas. In November, Kia Motors Slovakia was presented with a prestigious "Safety Enterprise" award by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

The largest planned investment for 2015 is the introduction of a Logout/Tagout system at the maintenance department, which aims to protect workers against the risk of accidents caused by the operation and maintenance of equipment not disconnected from power. Also, a more efficient use of internal transportation, implementation of software for designated technical devices, as well as undergoing of recertification audit of OHSAS 18001 are to take place in the upcoming year. At the same time, the company will continue to motivate its employees to act responsibly in terms of safety via OHS award presented by the President of Kia Motors Slovakia.

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, 2014.

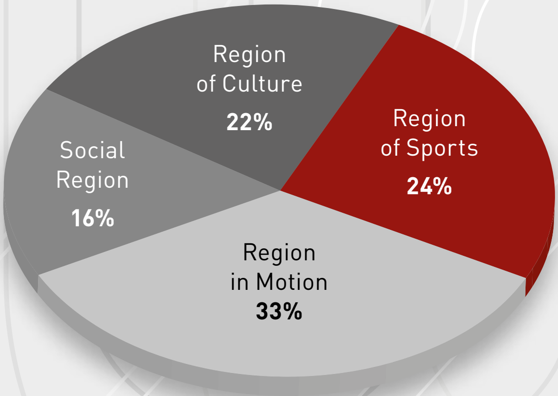

KIA MOTORS

Corporate Social Responsibility

In 2014, Kia Motors Slovakia continued to support various philanthropic activities and remained involved in the improvement and promotion of the Zilina region. The output of the plant grows each year and so do the financial contributions the company allocates between those who need it the most. The company primarily focuses on projects that are directed towards self-realization of disabled athletes, equal opportunities for minority populations, increased environmental stability, safety, education, culture, sports development, and employee volunteering activities. In 2014, the company directly contributed to the implementation of philanthropic projects with the amount of 344,512.92 EUR and through the Kia Motors Slovakia Foundation Fund in the Pontis Foundation with the amount of 717,457.32 EUR.

Grant programs

In 2014, Kia Motors Slovakia, in cooperation with the Pontis Foundation, announced four grant programs, one of which addressed organizations directly (**Social Region**), while the remaining three were employee grant programs. In order to obtain such grant, it was mandatory that an employee of the company recommended the project. The grant **Region in Motion** aimed primarily to promote road safety, education in the road safety, and rebuilding of paths and hiking trails. The grant **Region of Sports** allowed for the football series for the youth and adults to happen, restore playing fields, replenish sports clubs with sports equipment, and organize a chess tournament. The last grant - **Region of Culture**, with recommendations of our employees, focused on several historical events through restoration and reconstruction of monuments. Various theatrical performances, including Etnofilm International Film Festival, received financial support via grants from the Kia Motors Slovakia Foundation Fund in the Pontis Foundation.



Volunteering

The tradition of company volunteering continued in 2014 via many projects in the 23 partner organizations, in which a total of 414 volunteers participated. Ekocentrum Zazriva, helping children at the Regional Autistic Center as well as reconstruction of the New Synagogue Kunsthalle in Zilina were among the most popular organizations for volunteering jobs. Throughout the year, a total of four collections was arranged, where, apart from a financial collection for the League Against Cancer, clothing for low-income families and cups and scarves for a not-for-profit organization Jasidielna were gathered. The company yet again joined in the national volunteering project titled "Our City" with almost 90 Kia volunteers. Kia wishes to continue in the company volunteering project and will aim to involve as many employees as possible.

CSR activities and environment

Taking care of environment is another significant aspect of CSR activities at Kia Motors Slovakia. In 2014, BikeKIA went on - the bike-path building project that the company has been a supporter of ever since its launch. Through the Green City project, the company handed over a city park "Sad na Studnickach" to be used by the citizens of Zilina, where a significant greenery was extended right in the downtown area. Kia Motors Slovakia also funded Ekotopfilm, the international film festival regarding the sustainable development. The company decided to assist the village of Terchova and Vratna Valley with a financial support of 15,000 EUR that was used to help eliminate damages caused by a natural disaster that had happened in July 2014.

School and Education

A new project of reconstruction of schools in Zilina was launched by alteration of the Nursery School on Gemerska street, Karpatska Elementary School, and the 8-grade Secondary School on Varsavska street. The project will continue with remodeling of other schools in the region. This year, Kia Motors Slovakia organized the 5th year of Kia Innovation Award. For the first time in its history, we aimed to involve university students from the whole of Slovakia. Four universities entered the contest with ten projects. The winners of the Kia Innovation Award were Daniel Siekela and Dominik Malec of the Alexander Dubcek University of Trencin with a project dealing with a tracked off-road driven by electric power. After many successful English summer camps, the company organized its first year of the English spring camp for 55 children of our employees and children from neighboring villages. Children aged 10 to 15 practised their language skills through active listening, conversations in English, interactive games and engaging activities on daily basis over their school holiday at the Training Center in Gbelany.

Corporate Philosophy

Since its establishment, Hyundai Motor Group (hereinafter "HMG") has been guided by its philosophy and values, and has flourished by keeping these intact in the organization. In 2011, Kia Motors Slovakia adopted the corporate philosophy and believes that its growth into a global company could not have been possible without our new management philosophy and horizontal principles that stress trust-based, on-site, and transparent management. Effective as of March 1, 2014, Kia Motors Slovakia established a system for handling motions and investigation of allegations of unethical behavior of the company employees. The company fulfills corporate philosophy representing the values which have to be kept, the direction we want to take, and a clear vision of our future. Endowed with an intrinsic passion for success, we pledge to work together toward our new vision and aspiration for 2020.

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

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

CUSTOMER

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

CHALLENGE

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

COLLABORATION

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

PEOPLE

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

GLOBALITY

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

4 Quality Management System

Customer satisfaction is a top priority for Kia Motors Slovakia and all its employees. Qualified and educated employees ensure the highest quality level throughout the whole production process, from the very beginning of the production planning through car production all the way to final quality control of newly manufactured vehicles prepared for export to our customers. Almost 400 employees ensure the quality of vehicles during the manufacturing process to deliver only safe and reliable cars of high quality.

Automobiles produced at Kia Motors Slovakia meet the high demands of the European Union and countries they are exported to. All engines assembled into our products comply with the Euro 5 emission standard. Currently, we are preparing for production of engines that comply with the Euro 6 emission standard. Moreover, all vehicles manufactured in the plant received top crash test safety ranking – five stars – in the Euro NCAP.

Apart for product quality, we also focus on improvement of management system. The Quality Management System of Kia Motors Slovakia was recertified by an independent certification body DNV-GL according to ISO 9001:2008 in 2014. In the same year, we also recorded a historicly highest value of customer satisfaction with quality of our vehicles, which confirms our constant improvement of all processes to achieve maximum customer satisfaction.

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Financial Overview

Income Statement

In TEUR	2014	2013
Revenue	4 586 708	4 447 259
Cost of sales	(3 943 551)	(3 866 438)
Gross profit	**643 157**	**580 821**
Administrative and selling expenses	(283 562)	(278 537)
Other operating income / (expenses), net	600	246
Operating profit	**360 195**	**302 530**
Interest costs	(3 349)	(5 406)
Interest income	2 059	2 373
Other financial (expense) / income, net	3 983	(1 956)
Net finance costs	**2 693**	**(4 989)**
Profit before taxes	**362 888**	**297 541**
Current and deferred income tax	(80 472)	(70 858)
Income tax credit	-	4 174
Total comprehensive income for the year	**282 416**	**230 857**

Statement of changes in share capital

Capital increasing	Amount in TEUR	Contributions of capital	Currency
Balance as of 1.1.2014	433 323		EUR
Balance as of 31.12.2014	433 323		EUR

Balance sheet

In TEUR	31 December 2014	31 December 2013
Assets		
Non-current assets	738 514	798 430
Current assets	1 144 576	1 102 150
Total assets	**1 883 090**	**1 900 580**
Equity		
Issued capital	433 323	433 323
Legal reserve fund and accumulated profit	381 447	387 221
Total equity	**814 770**	**820 544**
Liabilities		
Non-current liabilities	**350 409**	**349 752**
Current liabilities	**717 911**	**730 284**
Total liabilities	**1 068 320**	**1 080 036**
Total equity and liabilities	**1 883 090**	**1 900 580**

Statement of changes in share capital

The general meeting will decide on the distribution of profit in the amount of 282 416 TEUR for the year 2014 accounting period. The proposal presented by the statutory body to the general meeting is as follows:

- contribution to reserve fund in the amount of 13 178 TEUR,
- distribution of the remaining amount will be decided on general meeting.

The general meeting will be held in the first quarter of 2015.

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Yearly Closing

Statement of financial position as at 31 December 2014

In TEUR	Note	31 December 2014	31 December 2013
Assets			
Property, plant and equipment	*10*	637 123	694 189
Intangible assets	*11*	4 425	4 137
Prepaid royalty expense	*12*	44 458	64 850
Finance lease receivable	*13*	557	7 093
Deferred tax assets	*14*	51 951	28 161
Total non-current assets		**738 514**	**798 430**
Inventories	*15*	282 094	278 189
Trade and other accounts receivables	*16*	740 826	674 083
Cash and cash equivalents	*17*	49 787	104 288
Prepaid expenses	*12*	20 551	20 463
Intercompany loan receivable	*18*	44 782	18 866
Finance lease receivable	*13*	6 536	6 261
Total current assets		**1 144 576**	**1 102 150**
Total assets		**1 883 090**	**1 900 580**
Equity			
Issued capital	*19*	433 323	433 323
Legal reserve fund	*19*	30 154	18 611
Accumulated profit		351 293	368 610
Total equity		**814 770**	**820 544**
Liabilities			
Interest-bearing loans and borrowings	*20*	60 853	101 154
Provisions	*21*	289 556	248 598
Total non-current liabilities		**350 409**	**349 752**
Interest-bearing loans and borrowings	*20*	40 353	50 836
Trade and other accounts payables	*22*	465 646	497 798
Provisions	*21*	191 665	144 637
Income tax payable		20 247	37 013
Total current liabilities		**717 911**	**730 284**
Total liabilities		**1 068 320**	**1 080 036**
Total equity and liabilities		**1 883 090**	**1 900 580**

Statement of cash flows for the year ended 31 December 2014

In TEUR	Note	2014	2013
Cash flows from operating activities			
Profit for the year		282 416	230 857
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets	10,11	111 306	102 379
Value adjustment for receivable		20 623	-
Amortisation of state aid related to property, plant and equipment	6,10	(8 199)	(8 678)
Scrap of property on retirement		487	-
Interest costs	8	3 349	5 406
Interest income	8	(2 059)	(2 373)
Warranty provisions charges	21	138 034	121 838
Other provision charges, net of actual costs	21	23 440	20 072
Warranty provision reversal	21	(11 160)	-
Release of prepaid royalty	6	20 392	20 392
Tax expense	9	80 472	66 684
Gain on sale of property, plant and equipment		(305)	(68)
Operating profit before changes in working capital items		**658 796**	**556 509**
Decrease / (increase) in inventories	15	(24 528)	14 205
(Increase) / decrease in trade and other receivables and prepaid expenses	12,16	(66 968)	(61 377)
(Decrease) / increase in trade and other payables	22	(32 205)	14 152
Cash generated from operating activities		**535 095**	**523 489**
Interest paid from financing receivables, overdrafts and other		-	(213)
Interest received from on bills of exchange and bank deposits		1 284	6 044
Tax paid		(121 027)	(68 117)
Warranty claims net of supplier chargebacks	21	(62 328)	(50 297)
Net cash generated from operating activities		**353 024**	**410 906**
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(45 708)	(59 847)
Acquisition of intangible assets	11	(1 719)	(1 178)
Receipt of finance lease payments including interest	13	6 713	6 714
Provision of intercompany loan	18	(25 916)	(18 866)
Proceeds from sale of non-current assets		918	212
Interest received from intercompany loan		459	140
Net cash (used for) investing activities		**(65 253)**	**(72 825)**
Cash flows from financing activities			
Finance lease payments including interests	20	(4 507)	(4 609)
Repayment of long term bank loans	20	(47 189)	(65 903)
Payment of dividend		(288 190)	(147 689)
(Repayment) of short term loan to financing receivables	20	-	(95 936)
Interest paid on long term bank loans		(2 386)	(3 519)
Net cash (used for) financing activities		**(342 272)**	**(317 656)**
Net increase / (decrease) in cash and cash equivalents		(54 501)	20 425
Cash and cash equivalents at beginning of the period	17	104 288	83 863
Cash and cash equivalents at end of the period	17	**49 787**	**104 288**

Statement of comprehensive income for the year ended 31 December 2014

In TEUR	Note	2014	2013
Revenue	5	4 586 708	4 447 259
Cost of sales	6	(3 943 551)	(3 866 438)
Gross profit		**643 157**	**580 821**
Administrative and selling expenses	7	(283 562)	(278 537)
Other operating income, net		600	246
Operating profit		**360 195**	**302 530**
Interest costs		(3 349)	(5 406)
Interest income		2 059	2 373
Other financial income / (expense), net		3 983	(1 956)
Net finance costs	8	**2 693**	**(4 989)**
Profit before taxes		**362 888**	**297 541**
Current and deferred income tax	9	(80 472)	(70 858)
Income tax credit	9	-	4 174
Profit for the year		**282 416**	**230 857**
Other comprehensive income		-	-
Total comprehensive income for the year		**282 416**	**230 857**

Statement of changes in equity for the year ended 31 December 2014

In TEUR	Note	Share capital (Note 19)	Legal reserve fund (Note 19)	Legal reserve	Total
Balance as of 1 January 2013		**433 323**	**10 838**	**293 215**	**737 376**
Total comprehensive income for the year		-	-	230 857	230 857
Legal reserve fund transfer		-	7 773	(7 773)	-
Dividend distribution		-	-	(147 689)	(147 689)
Balance as of 31 December 2013	19	**433 323**	**18 611**	**368 610**	**820 544**
Balance as of 1 January 2014		**433 323**	**18 611**	**368 610**	**820 544**
Total comprehensive income for the year		-	-	282 416	282 416
Legal reserve fund transfer		-	11 543	(11 543)	-
Dividend distribution	19	-	-	(288 190)	(288 190)
Balance as of 31 December 2014		**433 323**	**30 154**	**351 293**	**814 770**

Notes to the financial statements for the year ended 31 December 2014

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

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

These financial statements have been prepared as at 31 December 2014 and for the year then ended and were prepared and authorized for issue by the Company's directors on 23 January 2015. 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 2014 to 31 December 2014.

The Financial Statements of the Company as at 31 December 2013 including the auditor's report on the audit of the financial statements as at 31 December 2013 and the annual report including the supplement auditor's report on the audit of the compliance of the annual report with the financial statements were filed in the Register of Financial Statements on 26 June 2014.

On 13 March 2014, the general meeting appointed KPMG Slovensko spol. s r.o. as the auditor of the Financial Statements for the period from 1 January 2014 to 31 December 2014.

The Company's bodies:

Directors: Eek-Hee Lee
Seung-Jong Hong

Mr. Jun-Gyu Lee executes certain Director's responsibilities based on the power of attorney dated 30 December 2014, for example he approves and signs the Financial Statements.

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.

Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 21 – Provision for warranty repairs.

4. Significant accounting policies

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

a) Foreign currency

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

b) Property, plant and equipment

i. Owned assets

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii. Subsequent costs

The Company recognizes in the carrying amount of an item of property or plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

iii. Leased assets

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value or the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

iv. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

-

- buildings 30 years,
- machinery and equipment 3-15 years,
- moulds 5 years.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Expenditure on repairs or maintenance of property and equipment incurred to restore or maintain future economic benefits expected from the assets is recognized as an expense when incurred. Depreciation methods and useful lives, as well as residual values, are reassessed at the reporting date.

v. Government grants

The Company is entitled to receive government grants related to the acquisition costs of property, plant and equipment if certain conditions are fulfilled. The conditions are stipulated in the Investment Agreement between the Company and the Slovak Republic or in decisions issued by the 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).

Emission quotas purchased or granted by the Slovak Republic are measured at costs respectively the market value at the grant date.

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:

- sofware 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.

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 16) and the loans as a short term borrowings (refer to the Note 20).

The interest on the bank loan is paid by the Company and is recorded as an interest expenses on bank loans related to financing of Bills of Exchange (refer to Note 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

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

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

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

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

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

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

j) Interest-bearing borrowings

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

k) Provisions

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

A provision for warranties is recognized when the underlying products or services are sold. The 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 related 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 2014 and have not been applied in preparing these financial statements:

- IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.). The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the entity's accounting policy regarding levies imposed by governments.

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.). The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are: set out in the formal terms of the plan; linked to service; and independent of the number of years of service. The entity does not expect the Amendment to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

[1] Post-employment defined benefit plans or other long-term employee defined benefit plans

Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

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

5. Revenue

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

In TEUR	*2014*	*2013*
Revenue from sale of cars to EU countries excluding Slovakia	2 589 636	2 265 765
Revenue from sales of cars to non EU countries	1 484 975	1 711 674
Sale of engines, spare parts and waste	421 749	429 083
Revenue from sale of cars to Slovakia	90 348	40 737
Total	**4 586 708**	**4 447 259**

6. Cost of sales

In TEUR	*2014*	*2013*
Material consumption	3 438 846	3 399 715
Depreciation and amortization (refer to Note 10,11)	110 802	101 878
Personnel expenses	82 856	78 818
Energy consumption	23 446	25 276
Creation of inventory provision	20 623	-
Running royalty charge	187 856	180 518
Royalty charge (refer to Note 17)	20 392	20 391
Amortization of government grants (refer to Note 10)	(8 199)	(8 678)
Other cost of sales	66 929	68 520
Total	**3 943 551**	**3 866 438**

The Company had on average 3,547 employees, out of which 2 were managers (in 2013: 3,649, out of that were 2 managers). As at 31 December 2014, the Company had 3,526 employees, out of which 2 were managers (as at 31 December 2013: 3,579, out of which 2 were managers).

7. Administrative and selling expenses

In TEUR	*2014*	*2013*
Logistics services	149 692	149 147
Warranty charges (refer to Note 21)	126 874	121 838
Personnel expenses	3 979	3 592
Marketing services	320	644
Depreciation and amortization (refer to Note 10,11)	504	501
Other operating expenses	2 193	2 815
Total	**283 562**	**278 537**

8. Net finance costs

In TEUR	2014	2013
Interest expense, long term bank loans	(2 918)	(4 338)
Interest expense, leases and other	(431)	(616)
Interest expense on bank loans related to financing Bills of Exchange	-	(452)
	(3 349)	**(5 406)**
Interest income, other	873	1 370
Interest income on Bills of Exchange from related parties	727	863
Interest income intercompany loan	459	140
	2 059	**2 373**
Net interest expense	(1 290)	(3 033)
Foreign exchange losses	(4 587)	(6 519)
Foreign exchange gains	8 570	4 563
Net foreign exchange (losses)	3 983	(1 956)
Net finance costs	**2 693**	**(4 989)**

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	2014	2013
Current tax expense		
Period income tax charge	(104 262)	(87 847)
Tax relief benefit	-	4 174
Adjustment to prior year income tax	-	221
	(104 262)	(83 452)
Deferred tax expense		
(Decrease) / Increase in tax rate	-	(1 651)
Origination and reversal of temporary differences	23 790	18 419
	23 790	16 768
Total income tax expense	**(80 472)**	**(66 684)**

Reconciliation of effective tax rate

In TEUR	2014	%	2013	%
Profit before tax	362 888		297 541	
Income tax using the domestic corporation tax rate	(79 835)	(22%)	(68 434)	(23.0%)
(Decrease) in tax rate	-		(1 651)	(0.5%)
Tax relief benefit	-		4 174	1.4%
Effect of deferred tax charge resulted from the changes in estimated current tax of previous year	-		(299)	(0.1%)
Tax non-deductible expenses and other items	(639)	(0.18%)	(695)	(0.3%)
Change in estimates related to prior year	2		221	0.1%
Income tax charge for the year	**(80 472)**	**(22.18%)**	**(66 684)**	**(22.4%)**

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, utilized as a reduction of corporate income tax rate in the period from 2011 to 2013. Certain conditions are attached to the utilization of tax relief. Management concluded that the Company complies with these conditions. The remaining part of the tax relief in the amount of TEUR 4 174 was utilized in 2013.

10. Property, plant and equipment

In TEUR	*Lands and bwuildings*	*Machinery and equipment*	*Other*	*Investments in progress*	*Total*
Cost					
Balance at 1 January 2013	277 200	960 877	7 269	16 084	1 261 430
Acquisitions	-	-	-	59 847	59 847
Transfer	4 183	53 235	644	-58 062	-
Disposals	(48)	(3 994)	(172)	-	(4 214)
Balance at 31 December 2013	**281 335**	**1 010 118**	**7 741**	**17 869**	**1 317 063**
Balance at 1 January 2014	281 335	1 010 118	7 741	17 869	1 317 063
Acquisitions	-	-	-	46 473	46 473
Transfer	2 780	56 079	446	-59 305	-
Disposals	-	(6 855)	(225)	-	(7 080)
Balance at 31 December 2014	**284 115**	**1 059 342**	**7 962**	**5 037**	**1 356 456**
Depreciation and impairment losses					
Balance at 1 January 2013	45 112	403 707	5 967	-	454 786
Depreciation charge for the period	9 132	91 110	797	-	101 039
Disposals	(48)	(3 903)	(172)	-	(4 123)
Balance at 31 December 2013	**54 196**	**490 914**	**6 592**	**-**	**551 702**
Balance at 1 January 2014	54 196	490 914	6 592	-	551 702
Depreciation charge for the period	9 229	100 202	592	-	110 023
Disposals	-	(5 905)	(225)	-	(6 130)
Balance at 31 December 2014	**63 425**	**585 211**	**6 959**	**-**	**655 595**
Government grants acquisition costs					
Balance 1 January 2013	35 890	119 854	-	-	155 744
Additions	1 627	(1 627)	-	-	-
At 31 December 2013	37 517	118 227	-	-	155 744
Additions	765	-	-	-	765
At 31 December 2014	**38 282**	**118 227**	**-**	**-**	**156 509**
Government grants amortization					
Balance 1 January 2013	6 838	69 056	-	-	75 894
Amortization	1 277	7 401	-	-	8 678
At 31 December 2013	8 115	76 457	-	-	84 572
Amortization	1 291	6 908	-	-	8 199
At 31 December 2014	**9 406**	**83 365**	**-**	**-**	**92 771**
Carrying amounts					
At 1 January 2013	203 036	506 372	1 302	16 084	726 794
At 31 December 2013	197 737	477 434	1 149	17 869	694 189
At 31 December 2014	**191 814**	**439 269**	**1 003**	**5 037**	**637 123**

Insurance
Property, plant and equipment is insured against damage up to TEUR 1 618 883 (2013: TEUR 1 660 174).

Leases
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 2014 amounts to TEUR 6 948 (2013: TEUR 10,738).

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	Emission rights	Assets under construction	Total
Cost				
Balance at 1 January 2013	19 922	-	97	20 019
Acquisitions	-	-	1 178	1 178
Transfers	819	161	(980)	-
Balance at 31 December 2013	**20 741**	**161**	**295**	**21 197**
Balance at 1 January 2014	20 741	161	295	21 197
Acquisition	-	-	1 873	1 873
Transfers	1 853	155	(2 008)	-
Disposals	-	(161)	-	(161)
Balance at 31 December 2014	**22 594**	**155**	**160**	**22 909**
Amortization and impairment losses				
Balance at 1 January 2013	15 720	-	-	15 720
Amortization for the year	1 340	-	-	1 340
Balance at 31 December 2013	**17 060**	-	-	**17 060**
Balance at 1 January 2014	17 060	-	-	17 060
Amortization for the year	1 283	-	-	1 283
Balance at 31 December 2014	**18 343**	-	-	**18 343**
Government grants acquisition costs				
Balance at 31 December 2013	-	-	-	-
Acquisitions	-	141	-	141
Balance at 31 December 2014	-	**141**	-	**141**
Carrying amounts				
At 1 January 2013	4 202	-	97	4 299
At 31 December 2013	**3 681**	**161**	**295**	**4 137**
At 1 January 2014	3 681	161	295	4 137
At 31 December 2014	**4 251**	**14**	**160**	**4 425**

12. Prepaid expenses

In TEUR	31 December 2014	31 December 2013
Non-current assets:		
Lump sum royalty prepaid	64 850	85 242
less: current portion	(20 392)	(20 392)
Total	**44 458**	**64 850**

In TEUR	31 December 2014	31 December 2013
Current assets:		
Lump sum royalty prepaid	20 392	20 392
Prepaid bank interests on financing Bills of Exchange of related party	-	-
Other prepayments	159	71
Total	**20 551**	**20 463**

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).

13. Finance lease receivable

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

In TEUR	Minimum lease payments	Interest	Present value of minimum lease payments	Finance lease
	31 December 2014	**31 December 2014**	**31 December 2014**	**31 December 2013**
Less than one year	6 713	177	6 536	6 261
Between one and five years	559	2	557	7 093
	7 272	**179**	**7 093**	**13 354**

14. Deferred tax assets

In TEUR	31 December 2014	31 December 2013
Property, plant and equipment (including government grants)	(49 618)	(49 665)
Warranty provision	95 486	81 287
Other items	(150)	(260)
Other provisions	14 405	4 971
Subtotal for temporary difference	**60 123**	**36 333**
Unrecognized deferred tax asset	(8 172)	(8 172)
Deferred tax asset	**51 951**	**28 161**

15. Inventories

In TEUR	31 December 2014	31 December 2013
Raw materials and consumables	256 844	230 099
Less impairment provision	*(14 000)*	-
Work in progress and semi-finished goods	15 156	20 647
Less impairment provision	*(1 799)*	-
Finished goods	30 717	27 443
Less impairment provision	*(4 824)*	-
	282 094	**278 189**

Impairment provision was created as a result of expected drop in the revenues to certain customer, where the billing currency changed effective as of 1 January 2015 and therefrom management estimates to incur losses from the sale of inventories in 2015.

16. Trade and other accounts receivables

In TEUR	31 December 2014	31 December 2013
Trade account receivables	584 124	506 150
Value adjustment to Receivable	-	(12)
Value added tax receivable	153 038	163 075
Other receivables	2 886	3 885
Financial	**740 048**	**673 098**
Advance payment received	778	985
Non-financial	**778**	**985**
	740 826	**674 083**

The breakdown by currency is as follows:

In TEUR	31 December 2014	%	31 December 2013	%
EUR	655 016	88.5%	625 450	92.9%
USD	14 490	2.0%	8 452	1.3%
NZD	2 141	0.3%	-	-
AUD	13 454	1.8%	1 297	0.2%
GBP	54 947	7.4%	37 899	5.6%
	740 048	**100.0%**	**673 098**	**100.0%**

68% or TEUR 505 213 (as at 31 December 2013: 66% or TEUR 443 273) 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 2014 the Company off set gross trade and other accounts receivables of TEUR 49 382 (as at 31 December 2013: TEUR 60 820) with the gross trade and other accounts payables of TEUR 21 255 (31 December 2013: TEUR 23 215) with certain partners and presented them as net receivable of TEUR 28 127 (31 December 2013: TEUR 37 065).

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

In TEUR	31 December 2014	31 December 2013
Bank balances	49 786	104 287
Vouchers	1	1
Cash and cash equivalents	**49 787**	**104 288**
Bank overdrafts (refer to Note 20)	-	-
Cash and cash equivalents as presented in Cash flow Statement	**49 787**	**104 288**

18. Intercompany loan receivable

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

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 2014 (31 December 2013: 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 13 178 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 2014*	*31 December 2013*
Non-current liabilities		
Long term bank loans	57 430	93 782
Lease liability	3 423	7 372
Long term bank loans	**60 853**	**101 154**
Current liabilities		
Short term portion of the long term bank loan	36 352	46 634
Lease liability	3 949	4 075
Accrued interest and other	52	127
Short term bank loans	**40 353**	**50 836**

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 2014	**31 December 2014**	**31 December 2014**	**31 December 2013**
Less than one year	4 189	240	3 949	4 075
Between one and five years	3 491	68	3 423	7 372
	7 680	**308**	**7 372**	**11 447**

21. Provisions

In TEUR	*Warranty*	*Other*	*Total*
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**
Balance at 1 January 2014	**369 486**	**23 749**	**393 235**
Provisions charges (refer to Note 7)	138 034	46 505	184 539
Actual costs, net of supplier chargebacks	(62 328)	(1 151)	(63 479)
Provision reversed (refer to Note 7)	(11 160)	(21 914)	(33 074)
Balance at 31 December 2014	**434 032**	**47 189**	**481 221**

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

In TEUR	31 December 2014	31 December 2013
Non-current	289 556	248 598
Current	191 665	144 637
Balance at the reporting date	**481 221**	**393 235**

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 2014	31 December 2013
Trade payables including accruals	451 514	470 965
Employee related liabilities	6 762	5 987
Other payables	3 840	5 083
Payroll withholding taxes	1 137	909
Financial	**463 253**	**482 944**
Advance payment received	2 393	14 854
Non-financial	**2 393**	**14 854**
	465 646	**497 798**

The breakdown by currencies is as follows:

In TEUR	31 December 2014 Balance recalculated to EUR	%	31 December 2013 Balance recalculated to EUR	%
EUR	460 927	99.4%	480 913	99.6%
USD	2 090	0.5%	1 656	0.3%
KRW	1	0.0%	-	0.0%
HUF	3	0.0%	-	0.0%
JPY	232	0.1%	375	0.1%
	463 253	**100.0%**	**482 944**	**100.0%**

71% or TEUR 328 201 (as at 31 December 2013: 70% or TEUR 349 237) of trade and other payables are due to companies within the Hyundai Motor Group.

As at 31 December 2014 the Company offset gross trade accounts payables of TEUR 176 644 (as at 31 December 2013: TEUR 186 486) with the gross trade accounts receivables of TEUR 21 255 (as at 31 December 2013: TEUR 23 215) with certain partners and presented them as net receivable of TEUR 155 389 (as at 31 December 2013: TEUR 163 271).

23. Capital commitments and contingencies

Capital commitments

At 31 December 2014, the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 20 327 (as at 31 December 2013: TEUR 22 110).

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 586 (2013: TEUR 527).

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	*2014*	*2013*
In TEUR		
Revenues	-	84
Warranty provision chargebacks	2 124	2 327
Purchases of material	(47 774)	(136 180)
Acquisitions of property, plant and equipment	(2 706)	(630)
Purchase of services	(1 547)	(1 696)
Payment of dividends	(288 190)	(147 689)
Running royalties charge	(187 856)	(180 518)

Transactions with other companies	*2014*	*2013*
In TEUR		
Revenues	4 043 533	3 858 033
Interest income from lease interest	452	715
Warranty provision chargebacks	6 314	7 736
Purchase of material	(2 109 981)	(1 956 017)
Acquisitions of property, plant and equipment	(13 751)	(6 672)
Purchase of services	(128 433)	(114 387)
Warranty charges	(63 130)	(54 700)
Interest from intercompany loan	462	142
Interest expense on finance lease	(431)	(615)
Interest income from refunded interest from financing receivables	727	703

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 2014*	*31 December 2013*
In TEUR		
Trade accounts receivables and prepayments	211	22
Trade accounts payables	(51 156)	(59 620)

Assets and liabilities arising from transactions with other group companies	*31 December 2014*	*31 December 2013*
In TEUR		
Trade accounts receivable	505 002	443 253
Intercompany loan receivable	44 782	18 866
Finance lease receivable	7 093	13 354
Finance lease liability	(7 372)	(11 447)
Trade accounts payable	(277 045)	(289 617)

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.

88% (1-12/2013: 87%) of the Company's revenue is attributable to sales transactions with customers in the Hyundai Motor Group which are related parties. To date the Company has recovered all due amounts from Hyundai Motor Group customers. 86% (in 2013: 88%) 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 2014, the current ratio reached management target of 1.59 (as at 31 December 2013: 1.51).

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

31 December 2014

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	16	740 048	740 048	-	-	-	-
Intercompany loan receivable	18	44 782	44 782	-	-	-	-
Finance lease receivable, including interests	13	7 272	3 357	3 356	559	-	-
Cash and cash equivalents	17	49 787	49 787	-	-	-	-
Interest bearing loans and borrowings, excl. unamortized costs	20	(102 216)	(25 548)	(15 120)	(45 923)	(12 500)	(3 125)
Interests		(3 679)	(930)	(877)	(1 475)	(371)	(26)
Transaction costs	20	1 062	207	160	466	216	13
Trade and other accounts payables	22	(463 253)	(463 253)	-	-	-	-
Warranty provision	21	(434 032)	(72 626)	(72 626)	(166 163)	(96 342)	(26 275)
Other provisions	21	(47 189)	(23 987)	(22 426)	-	-	(776)
Income tax payable		(20 247)	-	(20 247)	-	-	-
		(227 665)	**251 837**	**(127 780)**	**(212 536)**	**(108 997)**	**(30 189)**

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	16	674 083	674 083	-	-	-	-
Intercompany loan receivable	18	18 866	18 866	-	-	-	-
Finance lease receivable, including interests	13	13 986	3 357	3 357	7 272	-	-
Cash and cash equivalents	17	104 288	104 288	-	-	-	-
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)	-	-	-	-
Warranty provision	21	(369 486)	(60 786)	(60 786)	(142 627)	(74 777)	(30 510)
Other provisions	21	(23 749)	(23 065)	-	-	-	(684)
Income tax payable		(37 013)	-	(37 013)	-	-	-
		(275 606)	**192 067**	**(121 170)**	**(208 129)**	**(97 718)**	**(40 656)**

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% (2013: 89%) of revenues and 99% (2013: 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 2 747 (2013: an increase of TEUR 1 895), strengthening of USD by 5% against EUR would increase equity and net profit by TEUR 580 (2013: an increase of TEUR 340), and strengthening of AUD by 5% against EUR would have increase equity and net profit by TEUR 673 (2013: an increase of TEUR 65). 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 1 184 (2013: TEUR 2 138).

The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Capital management

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

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

In TEUR	*2014*	*2013*
Total liabilities	1 068 320	1 080 036
Less available cash	(49 787)	(104 288)
Total liabilities less cash	1 018 533	975 748
Total equity	814 770	820 544
Adjusted debt/equity ratio	1.3	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 2014 as well as at 31 December 2013.

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 2014 amounted to TEUR 434 032 (31 December 2013: TEUR 369 486) as disclosed in Note 21. The Company provides a warranty coverage period of five years on its 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. These conditions may vary depending on respective model and 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 the SUV model and the new cee'd were first produced in 2010 and 2012, respectively, as well as the period of the warranty coverage is above that previously provided by 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 designed with a trend line for a group of countries, which represent 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 changes in the warranty trend line with 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 38 555 (31 December 2013: TEUR 32 821). The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

These financial statements were approved on 23 January 2015.

Jun-Gyu Lee
CFO

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Report on Audit of Consistency

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

(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 2014, presented in the Note 6 of the annual report. We have issued an independent auditors' report on the financial statements on 23 January 2015 with the following wording:

Independent Auditors' 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. (hereafter "the Company"), which comprise the statement of financial position as at 31 December 2014, 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.

Auditor's 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.
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 2014 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.

23 January 2015
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 auditors' report)

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

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

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

We have reviewed the consistency of the information presented in the annual report in the Notes 1 - 5 with the information presented in the financial statements as of 31 December 2014. 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 2014, presented in the Note 6 of the annual report.

11 Febraury 2015
Bratislava, Slovak Republic

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

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

Responsible auditor:
Ľuboš Vančo
License SKAU No. 745

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