The Power to Surprise

2015 ANNUAL REPORT

Kia Motors Slovakia s.r.o.

Kia Motors Slovakia s.r.o.
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FOREWORD

With the arrival of year 2015, Kia Motors Slovakia s.r.o. began its second decade journey of its operation in the Slovak Republic. It leaves behind the first decade accomplishments and brings new challenges and goals lying ahead of us. The company managed to successfully achieve its set goals by maximizing the effort of all employees and by using passion and creativity in reaching our targets. We standardized the best attained results and then made them our basic stones to build up on.

Last year was a year of a number of milestones. In April, we manufactured the 2,000,000th car and the 3,000,000th engine in July. We introduced new game players including the product enhanced cee'd in June, cee'd GT line in August and the fourth generation Sportage in November. For the third year in a row, we were able to utilize the full production capacity and to increase the number of manufactured units. We assembled 338,020 cars and 582,238 engines. Both figures represent the highest production data as of yet.

Outstanding company performance resulted in achieving plentiful of accolades both from internal as well as external sources. Kia Motors Slovakia received the Platinum Award for Excellence within HYUNDAI MOTOR GROUP for best performance for the fourth time in a row. PricewaterhouseCoopers presented us with the Leading HR Organization in the automotive industry in Slovakia for the third time consecutively. The Financial Administration also handed over to us a Merkur 2015 award for paying the highest corporate income tax in Slovakia for the third time in a row. All of these awards prove that we are on the right business path and that our commitment to fulfilling our vision is enormous.

The automotive market in the European Union was favorable and grew again last year. On the other hand, the situation in Russia was quite the opposite. It posed a difficult situation but we managed to cover the drop there with new markets and growth on the already established markets, especially in the Southern Europe. Since the launch of volume production in 2006, we produced over 2,250,000 cars and more than 3,250,000 engines.

I would like to give my thanks to all of the Kia Motors Slovakia s.r.o. employees for putting in their effort and enthusiasm without which the success of the company would be hard to achieve. That, in combination with our unique Core Factor innovation system, makes us the competitive car maker that we strive to be. I would also like to thank our business partners for continuous valuable partnership, collaboration and support. With their assistance, our products are available in the highest possible quality. And for the years to come, I hope that by challenging the impossible, we will obtain the best possible.

Eek-Hee Lee
President and CEO
Kia Motors Slovakia

KIA MOTORS SLOVAKIA

COMPANY PROFILE

Kia Motors Slovakia

On March 18, 2004, Kia Motors Corporation officially confirmed the construction of its first European automotive plant in Slovakia. Kia Motors Slovakia s.r.o. (hereinafter referred to as "Kia Motors Slovakia") is a company 100% owned by Kia Motors Corporation. The main activity is the production of motor vehicles including engines. The registered capital is in the amount of 433,322,934.01 EUR. In 2015, the company executives were Eek-Hee Lee, Seung-Jong Hong (until March 2015), and Jun-Gyu Lee (from March 2015).

The volume production at Kia Motors Slovakia started in December 2006 with a 5-door version of the cee'd model. In June 2007, an SUV model Sportage was added to production, followed by a family wagon cee'd_sw in July and a 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. In 2014, Kia Motors Slovakia introduced a product enhanced Kia Venga. In June 2015, the company commenced production of the all-new Kia cee'd, which was followed by its GT Line edition. In November of last year, volume production of the fourth generation of Kia Sportage was launched.

The 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

Kia Motors Corporation 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 180 countries. Kia today has around 50,000 employees worldwide and annual revenues of nearly 44 billion USD. It is the major sponsor of the Australian Open and an official automotive partner of FIFA - the governing body of the FIFA World Cup™. 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, cee'd_sw a pro_cee'd

The Kia cee'd family of the C-segment has successfully applied itself with European customers ever since 2006. Kia cee'd comes in three body versions: 5-door hatchback, 3-door sporty pro_cee'd, and family Sportswagon. From the first half of 2015, a product enhanced version of its second generation has been manufactured. The modern cee'd is now available in a new GT Line that attracts customers with its sporty look and dynamic attributes of the GT version. The GT Line also comes in three body versions. Although the all-new Kia cee'd has only been on the Slovak market for a short period of time, it was presented with a "Fleet Car of the Year" award in October in the category of referent cars organized by ALD Fleet Awards 2015.

The cee'd 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). The new 1.0L T-GDI (73 kW or 88 kW) is now available, too. 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 gasoline engine delivering 150 kW.

Kia Sportage

Last year, the SUV model Kia Sportage was Kia's most sold model in Europe. In November 2015, production of the all-new fourth generation with improved driving experience and higher comfort was launched. It already managed to acquire all five stars in the Euro NCAP safety rating. For customers expecting sportier drive, a new GT Line edition is also available. It provides the versatility of the standard with more attractive exterior and exciting driving attributes.

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

Kia Venga

The spacious mini MPV designed and produced only for European customers completes the product line-up rolling off the production lines at Kia Motors Slovakia. Venga as well as cee'd are both produced exclusively in the Slovak plant. It passed strict reliability and durability tests and is also a product with stable position in the automotive market. The current version, as well as all other Kia models, is offered with the longest warranty in the industry. 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) in addition to two diesel 1.4L (66 kW) and 1.6L (85 kW) engines.

Engines

Last year, Kia Motors Slovakia produced 582,238 engines reaching a record 18% year-on-year growth. Almost half of the engines headed to the sister car manufacturing plant Hyundai Motor Manufacturing Czech in the Czech Republic. The most demanded was the diesel 1.7L engine making up 22% of all customer orders. Diesel engines constituted over 50% of the total engine production. The plant is currently assembling 1.4L and 1.6L as well as 1.6L T-GDI gasoline engines. The company also produces 1.4L, 1.6L, 1.7L, and 2.0L diesel engines.

Key Events in Kia Motors Slovakia's History

2004	
March	Investment Agreement signed between Kia Motors Corporation and the Slovak Republic
April	Groundbreaking ceremony held in Teplicka nad Vahom
October	Launch of plant construction
2005	
December	Completion of plant construction
2006	
January	Installation of production technologies
June	Launch of trial production of vehicles
December	Start of volume production of 5-door cee'd
2007	
June	Launch of volume production of SUV Sportage
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 and cee'd_sw
September	Third work shift in Engine shop
December	Production of the 500,000th car
2010	
January	Launch of volume production of Hyundai ix35
June	Production launch of all-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 Venga
2012	
January	The 1,000,000th car production
April	Launch of production of second generation of cee'd
August	Start of production of second generation cee'd Sportswagon
December	Acquired the international Occupational Health and Safety Management System certificate OHSAS 18001
2013	
February	Production launch of second generation 3-door 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	
March	Concert on the occasion of the 10th anniversary of foundation of Kia Motors Slovakia
October	Production launch of product enhanced Venga
2015	
April	Production of the 2,000,000th car
June	Launch of production of product enhanced cee'd
July	Production of the 3,000,000th engine
November	Start of production of the fourth generation Sportage

COMPANY MANAGEMENT

Eek-Hee Lee
President and Chief Executive Officer

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. Since 2004, Mr. Lee began to work for the Hyundai Motor Company Headquarters where he became responsible for strategic planning and global production management.

As a highly skilled professional, he became the President and CEO of Kia Motors Slovakia in December 2011. He is authorized to act solely as a statutory body of Kia Motors Slovakia.

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

In 1991, Jun-Gyu Lee graduated from Sogang University in Seoul, South Korea, specializing in business administration. Three years later, he started to work for Hyundai Motor in foreign capital management team. In 2010, Jun-Gyu Lee joined Kia Motors Corporation and worked with the overseas subsidiary management team. Mr. Lee has been working at Kia Motors Slovakia since March 2015 as CFO and the Head of Business Management Division. Mr. Jun-Gyu Lee is authorized to act solely on behalf of the company.

Kook-Hyun Shim
Vice President responsible for Production Division

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 was responsible for production at Kia Motors Slovakia from 2011 until November 2015. Until the end of the year, his position was not filled.

Seong-Gyu Lee
Vice President responsible for Administration Division

In 1992, Mr. Lee successfully completed his studies at Korea University in Seoul specializing in agricultural economics. 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 Division.

Dong-Wan Ko
Vice President responsible for Procurement Division

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. Until the end of 2015, he held a position of Vice President of the Procurement Division.

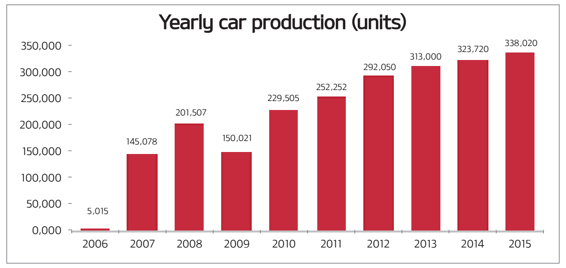
Hae-Jeong Seo
Vice President responsible for Quality Management Division

In 1991, Mr. Seo successfully completed his studies at Chonbuk University in Jeonju specializing in metal materials. In the same year, he began working for Kia Motors Corporation in the manufacturing plant in Gwangju with the engine and transmission quality management. After 20 years with Kia Motors Corporation, he came to Slovakia in 2011 as the Head of Quality Management department. Mr. Seo was appointed Vice President of the Quality Management Division in January 2015.

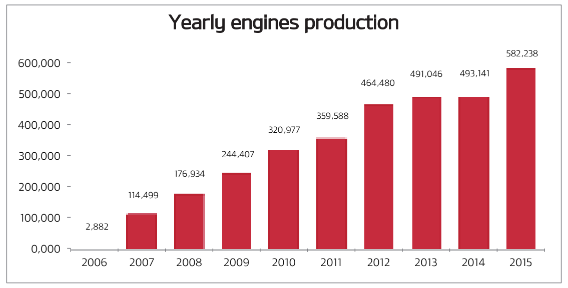
Seung-Jong Hong
Chief Financial Officer, Head of Business Management Division

Seung-Jong Hong graduated from Korea University in Seoul, South Korea, in 1992. In 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 worked as a CFO and the Head of Business Management Division of Kia Motors Slovakia. Mr. Hong acted solely as a statutory body of Kia Motors Slovakia until the end of February 2015.

KIA MOTORS SLOVAKIA IN 2015



Kia Motors Slovakia yet again surpassed itself when 338,020 cars rolled off the production line, which presents a 4% increase. In comparison with 2014, the engine production also recorded a rise of 18% with 582,238 engines. The most popular model was Kia Sportage, while the most requested engine was diesel 1.7L. The investment in the amount of 117 million EUR was primarily aimed at launching of volume production of new models. In June, Kia Motors Slovakia introduced a product enhanced version of cee'd and the fourth generation of the popular model Kia Sportage in November. The automaker also reported a number of significant milestones when the jubilee two-millionth car and the three-millionth engine were manufactured during the past year.



Volume production of the fourth generation Sportage was successfully commenced at the end of last year. This SUV model, which is growing more and more popular with customers, constituted 58% of the overall production. The cee'd took almost a third of all manufactured cars while the versatile Venga took the remaining 9%. The cars constructed in Slovakia covered 56% of all Kia sales in Europe. The biggest share proceeded to Russia (14%) followed by Great Britain (14%), Germany (8%), Spain (8%), and Italy (6%).

Diesel engines composed around 50% of the total engine production. Almost half of all engines Kia Motors Slovakia traditionally exported to its sister company Hyundai Motor Manufacturing Czech.

GOALS AND FORECAST FOR 2016

Effective utilization of the production capacity and continuous growth of production over the past six years have lead Kia Motors Slovakia to establish ambitious plans for the year 2016, too. Production and sales targets of the automobile concern HYUNDAI MOTOR GROUP (hereinafter referred to as "HMG"), which the only Kia manufacturing facility in Europe is part of, are set to more than 8 million vehicles in 2016. By fulfilling it, HMG would reaffirm its position of the top five car producers in the world.

The prognosis of sales in markets is not favorable in near future. The stagnating Russian economy and the long-term weakening of ruble have caused a decline of interest in buying cars in the Russian Federation. Due to the ongoing recession and unstable development, sales in other Eastern European countries are also questionable. Previous attempts to diversify exports to the Middle East and North Africa have not only encountered political instability in the region, but a slump in oil prices, too. This was then negatively reflected in the reduced purchasing power of local population.

Kia Motors Slovakia's answer to the expected adverse developments in most key markets is an upgrade of the product portfolio. In the past year, a product enhanced Kia cee'd, its sporty GT Line edition as well as the fourth generation of Kia Sportage were introduced. Planned investment activities in 2016 are mainly related to adjustments of production lines to produce new engines to be included in vehicles of lower middle class. During the year, new 1.4L gasoline Kappa and Gamma engines as well as 1.6L diesel engines will gradually be launched. Despite the uncertain advancement of the critical markets, Kia Motors Slovakia expects that thanks to the new models, the production capacity of its plant will yet again be reached.

In terms of human resources policy, Kia Motors Slovakia plans to maintain the employment on a similar level as in 2015. It will also continue to increase the qualification standard of its employees. The main educational focus remains on technical skills and management competencies, which should contribute to improving the performance of individuals and the entire company. A new dual education system shall commence in the school year of 2016/2017. Its graduates should ensure a sufficient amount of qualified labor in the future of which there is a big shortage on the labor market.

Last year, the company did not have any registered work accidents whose treatment would require more than three working days. At the same time, the company's work injuries dropped by 47% year-on-year. The results achieved in the field of occupational health confirm the long-term positive trend and strong emphasis on improving safety of employees at work. During 2016, a regular recertification audit of the safety management system OHSAS 18001 is scheduled.

The company information belongs to the most valuable assets so in 2013 the company introduced the Kia Motors Slovakia Information Security Management System according to the ISO 27001 standard. The required level of information security was examined by one of the world's leading certification bodies - DNV GL. In June 2016, a recertification audit is scheduled, which will repeatedly verify compliance with safety rules in all departments at Kia Motors Slovakia.

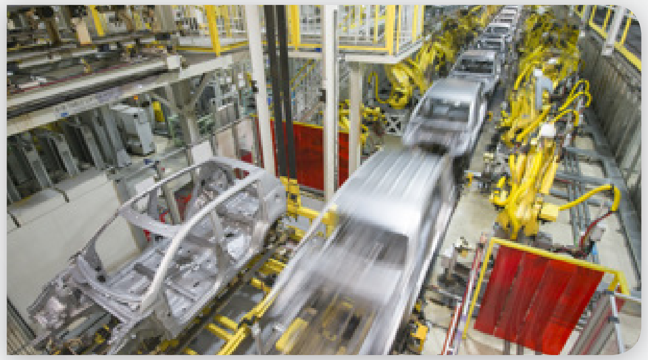
PRODUCTION PROCESS

Press shop

The production process of a car starts in the press shop. The most important are the two press lines along with a blanking line that 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 (in three or four technological steps). Quality of pressed panels is, apart from the unique 3D optical scanner with an ability to identify possible defects on surface of a pressed panel, also 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 individual production lines in the body shop. Only 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 automation ratio in the body shop is 100%. For individual processes related to welding, 364 robots are used while two of them serve educational purposes. Production in the body shop is highly flexible and allows for manufacture of up to eight different car bodies on the same production line without any need of line modification. All three car bodies of cee'd, Sportage and Venga are thus completed on one line.



Paint shop

The total length of a conveyor system, on which a car body passes through individual phases of the production process in the paint shop including buffer zones, is 7.5km. In the pre-treatment and electrochemical coating processes, a unique 360° rotation-dipping system is used which ensures a full coating of a protective substance. A total of 80 robots are used in sealer and paint applications. Kia Motors Slovakia is committed to being environmentally friendly so water-soluble paints are used, too. Currently, 14 colors for cee'd, 13 colors for Sportage, and 10 colors for Venga are offered to our customers.

Engine shop

In two engine shops, Kia assembles four types of gasoline engines (MPI, S-CVVT, D-CVVT and GDI) with engine displacement of 1.4L and 1.6L. In 2015, a new 2.0L diesel engine was introduced along with a 1.6L (T-GDI) turbocharged gasoline engine. Apart from those, the company also assembles 1.4L, 1.6L, and 1.7L diesel engines. In 2015, all engines exported to the European Union complied with the Euro 6 emission standard while engines exported to Russia complied with the Euro 5 emission standard. The 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 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.

Assembly shop

The assembly shop is the largest of all production halls. Its area covers 100,000m² and is almost 450m long. The assembly shop can be divided into four sections. Car assembly begins with mounting of basic wiring, cables, and smaller interior and exterior car components followed by a chassis assembly. The entire process is finished with fitting of windshield and rear window, tires, seats and other inevitable car parts. Each car body is placed on an adjustable platform that allows for height alteration of cars for better access by operators during assembly. Car doors are completed on a separate door line. Filling of all required fluids 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. The process continues with wheel alignment, light adjustment, assistance check and a static driving test. Afterwards, all cars are tested on a test track, which is 3.5km long. Each car manufactured at Kia Motors Slovakia is tested there before being distributed to customers. After the test track, cars return to the assembly shop for more testing including water test, touch-up and electronics. All cars are then moved to the Vehicle Processing Center for distribution to customers.

SUSTAINABLE DEVELOPMENT

ENVIRONMENTAL ASPECTS

Throughout the whole manufacturing process, Kia Motors Slovakia takes environment into consideration and aims to minimize the impact of its activities on it. The effect of the 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 2015. This system commits us to comply not only with the required legislation, but also to a constant improvement of environmental protection, regular evaluation of environmental performance and growth 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 body 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 town 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 human health 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, 2015, the plant employed a total of 3,646 people, while the average age reached 35 years. Kia Motors Slovakia provides a rich social program, which includes a direct bus service to work from the whole Zilina region. Additional benefits include discount on car purchase as well as housing allowance for selected employees. The company also annually rewards its best employees for their exceptional work performance. Besides, the company provides other benefits including meal ticket contribution, Christmas coupons, optional flu vaccination, financial contribution to 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), and a new contribution for a purchase of school supplies for first graders in elementary or secondary schools. Kia Motors Slovakia also supports sport and free-time activities of its employees via direct financial aid. Among other employee benefits provided by the company are 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, bonus for achieving production target (in 2015, a bonus of 763 EUR was paid), contribution to supplementary pension insurance in the amount of 12 EUR/monthly, and company cultural and sporting events.

EDUCATION

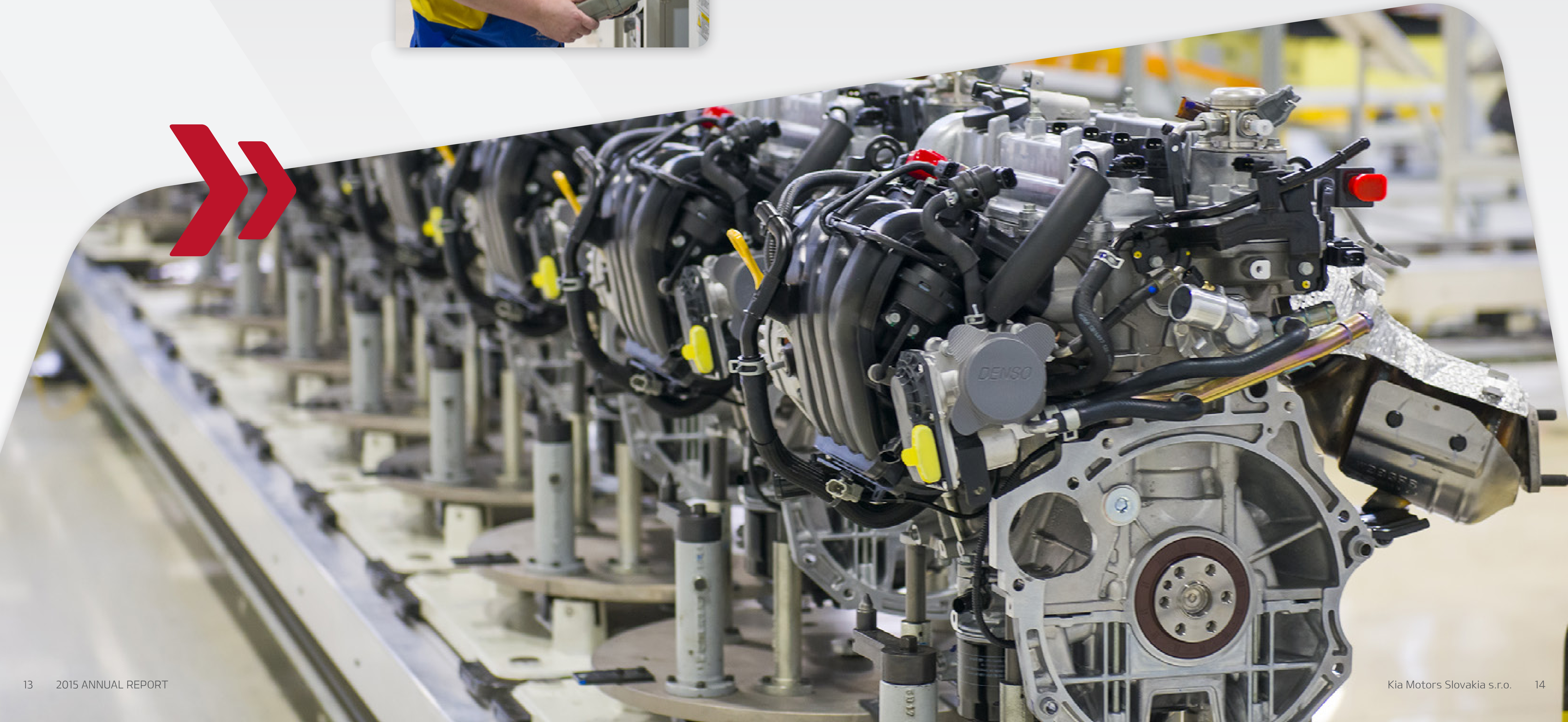
Kia Motors Slovakia has, since its inception, focused on personal and professional growth of its employees. Last year, production and administrative employees attended 290 different types of trainings, including trainings required by law. The goal of all trainings was to improve their skills and increase their expertise as well as strengthen the work and management competencies. Kia Motors Slovakia also organizes trainings in cooperation with the parent company Kia Motors Corporation. The main objective is to acquire necessary skills and technical knowledge required for production of new models. In 2015, 228 employees attended trainings in South Korea. Throughout the year 2015, Kia Motors Slovakia's employees were trained for 51,750 hours altogether. 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 in South Korea; last year, 59 staff members participated in the program. Kia Motors Slovakia has its own Training Center in the village of Gbelany.

SAFETY AT WORK IN 2015

In the year 2015, the company focused on a number of activities in order to increase the level of safety and fire protection in the plant. One of the most significant projects was a successful launch of the Lock out/Tag out system that improved safety of employees during maintenance works on technical equipment. Two external audits were carried out; one implemented by the company headquarters while the other, so-called recertification, by an external company DNV GL, when Kia Motors Slovakia successfully confirmed the claim of the OHSAS 18001 certificate. In the past year, the plant reached an important milestone in the field of work accidents. Kia achieved an ambitious target - zero registered work accidents, which recorded a drop of 47% year-on-year, which suggests a high level of safety in the plant. The company plans to maintain the trend in this year, too. Helpful is the President's Safety Award through which employees feel motivated to act safely when at work. In safety, the company plans to invest mainly in protection of employees' health in 2016. Its aim is to launch a rehabilitation program for employees.

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, 2015.



CORPORATE SOCIAL RESPONSIBILITY

In 2015, organizations and residents of the Zilina region were yet again able to rely on Kia Motors Slovakia as a responsible partner in supporting various philanthropic endeavors. Through the Kia Motors Slovakia Foundation Fund in the Pontis Foundation, the company contributed a record amount of 1,738,573.10 EUR while the direct company support for implementation of philanthropic projects was 75,000 EUR. The company focused primarily on promoting projects that were directed towards self-realization of disabled athletes, equal opportunities for minority groups of the population, increased environmental stability and security, health, education, culture, sport development and volunteering activities. The largest project of last year was the start of reconstruction of Zilina University Hospital, where the reconstruction works on four departments began with the help of financial support as well as the company volunteers. From 2016, funding of philanthropic activities is going to be taken over by the Kia Motors Slovakia Foundation.

Grant programs

In the past year, Kia Motors Slovakia in cooperation with the Pontis Foundation executed five grant programs. Social Region was designated for organizations focusing on social assistance and the remaining four programs could only be supported with a recommendation of Kia Motors Slovakia's employees. Safe Region was mainly oriented to promote road safety education in the area, for example by building traffic playgrounds or alteration of paths and hiking trails. Sporty Region allowed for beautification of sports grounds, replenishing of equipment at sports clubs but also an endorsement of the less preferred sports, which find it very difficult to obtain financial aid. Cultural Region aimed to draw on support of several historical events, refurbishing of cultural monuments, or buying historical clothes and costumes. New for the year 2015 was the Educational Region program with a condition to devise and complete an educational project implementing innovative ways with the help of new ideas and the use of modern technologies.

Volunteering

A significant part of the corporate responsibility of Kia Motors Slovakia is the company's volunteering program. Blood donations, employees supporting 20 non-profit organizations via volunteering, or help in the reconstruction of the New Synagogue and Zilina University Hospital - those were the primary activities of the company volunteers. Overall, 503 employees worked together for almost 2,300 hours. Painting, construction, planting trees, reconstruction, and assistance in shelters are all activities that were the most popular. Also in 2015, the employees of Kia Motors Slovakia participated in the largest volunteering event in Slovakia titled Our City, which benefited many places and institutions in one day. Kia Motors Slovakia wants to continue with the company's volunteering project and involve as many employees as possible.

Schools and Education

In 2015, Kia Motors Slovakia in cooperation with the Pontis Foundation prepared various educational activities for children and youth from the neighbouring villages. Altogether, 200 children aged from 6 to 15 participated in them. One of the projects carried out for the first time was a ski school. The school took place during the spring holiday in two ski resorts - Valcianska and Vratna vallies. During summer holiday, Kia Motors Slovakia launched a new 2-year project titled Children English University. Children were able to achieve a "Small Bachelor" title and if interested in attending the second year, a title of "Small Engineer" may be attained. Apart from the above mentioned projects, the plant executed two language camps last year - spring and summer. A one-week camp focused on development of language skills via interactive learning methods as well as physical activities which are complementary to the learning. The advantage was taken up by 169 children. Kia Motors Slovakia in cooperation wih the Pontis Foundation also organized the sixth year of Kia Innovation Award for students from the secondary technical schools from the regions of Zilina and Trencin. The students' job was to develop a project with their teachers on the following topics: car safety, environment and cars, and new technologies in cars. Eight schools with nine projects joined the contest. The winners were the students from the Secondary Technical School of St. Jozef Robotnik in Zilina with the project on innovative technology of the hybrid powered trailer that solves an issue of slow trucks on roads.

CORPORATE PHILOSOPHY

Since its establishment, HYUNDAI MOTOR GROUP has been guided by its philosophy and values, and has flourished by keeping these intact in the organization. In 2011, Kia Motors Slovakia adopted the corporate philosophy and believes that its growth into a global company could not have been possible without our new management philosophy and horizontal principles that stress trust-based, on-site, and transparent management. Effective as of March 1, 2014, Kia Motors Slovakia established a system for handling motions and investigation of allegations of unethical behavior of the company employees. Kia Motors 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 HYUNDAI MOTOR 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.

GLOBALITY

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.

PEOPLE

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

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 only deliver safe and reliable cars of high quality to our customers.

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 distributed in the European Union comply with the Euro 6 emission standard. Engines exported to Russia comply with the Euro 5 emission standard. Moreover, all vehicles manufactured in the plant received top crash test safety ranking – five stars – in Euro NCAP.

Apart for product quality, focus is turned to improvement of a 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 2015, a historically highest value of customer satisfaction with quality of our vehicles was recorded, which confirms the company's constant improvement of all processes to achieve maximum customer satisfaction.

FINANCIAL OVERVIEW

Income Statement

In TEUR	2015	2014
Revenue	5,073,403	4,586,708
Cost of sales	-4,464,096	-3,943,345
Gross profit	**609,307**	**643,363**
Administrative and selling expenses	-303,184	-283,556
Operating profit	**306,123**	**359,807**
Interest costs	-2,200	-3,349
Interest income	2,831	2,059
Other financial (expense)/income, net	-9,869	589
Net finance costs	**-9,238**	**-701**
Other operating income/(expenses), net	-26,647	3,782
Profit before taxes	**270,238**	**362,888**
Current and deferred income tax	-60,100	-80,472
Total comprehensive income for the year	**210,138**	**282,416**

Statement of changes in share capital

Capital increasing	Amount	Contributions of capital	EUR/SKK
Balance as of 1. 1. 2015	433,323		EUR
Balance as of 31. 12. 2015	433,323		EUR

Balance sheet

In TEUR	31 December 2015	31 December 2014
Assets		
Non-current assets	730,533	738,514
Current assets	1,459,483	1,144,576
Total assets	**2,190,016**	**1,883,090**
Equity		
Issued capital	433,323	433,323
Legal reserve fund and accumulated profit	418,347	381,447
Total equity	**851,670**	**814,770**
Liabilities		
Non-current liabilities	497,530	350,409
Current liabilities	840,816	717,911
Total liabilities	**1,338,346**	**1,068,320**
Total equity and liabilities	**2,190,016**	**1,883,090**

Distribution of profit

The general meeting will decide on the distribution of profit in the amount of 210,138 TEUR for the year 2015 accounting period. The proposal presented by the statutory body to the general meeting is as follows:

- No contribution to reserve fund.
- Distribution of the remaining amount will be decided in general meeting.

The general meeting will be held in March 2016.

YEARLY CLOSING

Statement of financial position as at 31 December 2015

in TEUR	Note	31 December 2015	31 December 2014
Assets			
Property, plant and equipment	11	646,953	637,123
Intangible assets	12	3,882	4,425
Prepaid royalty expense	13	24,519	44,458
Finance lease receivable	14	–	557
Deferred tax assets	15	55,179	51,951
Total non-current assets		**730,533**	**738,514**
Inventories	16	316,936	282,094
Trade and other accounts receivables	17	946,068	740,826
Cash and cash equivalents	18	35,287	49,787
Prepaid expenses	13	19,783	20,551
Intercompany loan receivable	19	99,674	44,782
Finance lease receivable	14	557	6,536
Income tax receivable		41,178	–
Total current assets		**1,459,483**	**1,144,576**
Total assets		**2,190,016**	**1,883,090**
Equity			
Issued capital	20	433,323	433,323
Legal reserve fund	20	43,332	30,154
Accumulated profit		375,015	351,293
Total equity		**851,670**	**814,770**
Liabilities			
Interest-bearing loans and borrowings	21	111,448	60,853
Provisions	22	386,082	289,556
Total non-current liabilities		**497,530**	**350,409**
Interest-bearing loans and borrowings	21	29,434	40,353
Trade and other accounts payables	23	689,300	465,646
Provisions	24	122,082	191,665
Income tax payable		–	20,247
Total current liabilities		**840,816**	**717,911**
Total liabilities		**1,338,346**	**1,068,320**
Total equity and liabilities		**2,190,016**	**1,883,090**

Statement of cash flows for the year ended 31 December 2015

in TEUR	Note	2015	2014
Cash flows from operating activities			
Profit for the year		210,138	282,416
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets, net of amortisation of state aid	11, 12	107,109	103,107
Value adjustment for inventories		(17,598)	20,623
Scrap of property on retirement		255	487
Interest costs	8	2,200	3,349
Interest income	8	(2,831)	(2,059)
Unrealized FX losses		20,607	–
Unrealized FX gains		(258)	–
Warranty provisions charges	22	145,150	138,034
Other provision charges, net of actual costs	22	(44,644)	23,440
Warranty provision reversal	22	(3,500)	(11,160)
Release of prepaid royalty	6	20,715	20,392
Tax expense	10	60,100	80,472
Gain on sale of property, plant and equipment		554	(305)
Operating profit before changes in working capital items		**497,997**	**658,796**
(Increase) in inventories	16	(17,244)	(24,528)
(Increase) in trade and other receivables and prepaid expenses	13, 17	(225,845)	(66,968)
(Decrease)/increase in trade and other payables	23	223,665	(32,205)
Cash generated from operating activities		**478,573**	**535,095**
Interest paid from financing receivables, overdrafts and other		–	–
Interest received from on bills of exchange and bank deposits		2,267	1,284
Tax paid		(124,753)	(121,027)
Warranty claims net of supplier chargebacks	22	(70,063)	(62,328)
Net cash generated from operating activities		**286,024**	**353,024**
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(116,606)	(45,708)
Acquisition of intangible assets	12	(887)	(1,719)
Receipt of finance lease payments including interest	14	6,713	6,713
Provision of intercompany loan	19	(54,892)	(25,916)
Proceeds from sale of non-current assets		287	918
Interest received from intercompany loan		623	459
Net cash (used for) investing activities		**(164,762)**	**(65,253)**
Cash flows from financing activities			
Finance lease payments including interests	21	(4,189)	(4,507)
Repayment of long-term bank loans	21	(36,719)	(47,189)
Payment of dividend		(173,238)	(288,190)
Interest paid on long-term bank loans		(1,616)	(2,386)
Receipt of long-term bank loan	21	80,000	–
Net cash (used for) financing activities		**(135,762)**	**(342,272)**
Net (decrease) in cash and cash equivalents		(14,500)	(54,501)
Cash and cash equivalents at beginning of the period	18	49,787	104,288
Cash and cash equivalents at end of the period	18	**35,287**	**49,787**

Statement of comprehensive income for the year ended 31 December 2015

in TEUR	Note	2015	2014
Revenue	5	5,073,403	4,586,708
Cost of sales	6	-4,464,096	-3,943,345
Gross profit		**609,307**	**643,363**
Administrative and selling expenses	7	-303,184	-283,556
Operating profit		**306,123**	**359,807**
Interest costs		-2,200	-3,349
Interest income		2,831	2,059
Other financial income/(expense), net		-9,869	589
Net finance costs	8	**-9,238**	**-701**
Other operating (expenses)/income	9	-26,647	3,782
Profit before taxes		**270,238**	**362,888**
Current and deferred income tax	10	-60,100	-80,472
Profit for the year		**210,138**	**282,416**
Other comprehensive income		-	-
Total comprehensive income for the year		**210,138**	**282,416**

Statement of changes in equity for the year ended 31 December 2015

in TEUR	Note	Share capital (Note 20)	Legal reserve fund (Note 20)	Retained earnings	Total
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		-	-	-288,190	-288,190
Balance as of 31 December 2014	20	**433,323**	**30,154**	**351,293**	**814,770**
Balance as of 1 January 2015		**433,323**	**30,154**	**351,293**	**814,770**
Total comprehensive income for the year		-	-	210,138	210,138
Legal reserve fund transfer		-	13,178	-13,178	-
Dividend distribution		-	-	-173,238	-173,238
Balance as of 31 December 2015	20	**433,323**	**43,332**	**375,015**	**851,670**

Notes to the financial statements for the year ended 31 December 2015

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 2015 and for the year then ended and were prepared and authorized for issue by the Company’s directors on 22 January 2016. 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 2015 to 31 December 2015.

The Financial Statements of the Company as at 31 December 2014 including the auditor’s report on the audit of the financial statements as at 31 December 2014 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 29 June 2015.

On 20 January 2015, the general meeting appointed KPMG Slovensko spol. s r.o. as the auditor of the Financial Statements for the period from 1 January 2015 to 31 December 2015.

The Company’s bodies:

Directors:

Eek-Hee Lee
Jun-Gyu Lee (since 1 March 2015)
Seung-Jong Hong (until 1 March 2015)

Information about the ultimate parent

The Company is consolidated into the financial statements of Kia Motors Corporation, 12, Heolleung-ro, Seocho-gu, Seoul, South 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 22 – Provision for warranty repairs.

4. Significant accounting policies

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

a) Foreign currency

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

b) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade receivable is offset with trade liability and presented on the net basis in financial position when and only when, there is currently a legal enforceable right to set off and there is an intention to settle the receivables and liabilities on the net basis or to realize them simultaneously.

f) Trade receivables and related borrowings
According to the agreement with five 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 29.

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 25).

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 related to changes in the bank balances and loans.

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

Interest paid from the long term bank loan, short term bank loan and finance lease liabilities are presented in the cash flows from financing activities. Interest received from finance lease receivable is presented in cash flows from investing activities. Interest paid on overdrafts, interest paid and received from financing receivables (see accounting policy f) and other interest paid and received are presented in cash flows from operating activities.

o) Other operating income and expense
Other operating income and expenses comprise the foreign exchange gains and losses that stem from the collection of payment of trade and other accounts receivables and payables as well as translation of receivables and payables denominated in foreign currency at balance sheet date. Further the Company presents in this caption the one off transactions, such as gain and loss on sales of the non current assets, scrap of non-current assets and other items.

p) Income tax
Income tax expense comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

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

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

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

r) 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.).

s) New standards
The following new Standards and Interpretations are not yet effective for the annual period ended 31 December 2015 and have not been applied in preparing these financial statements:

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

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

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

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

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

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

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The standard has not been adopted by the European Union yet. The Company is currently assessing the impact of the new standard on its financial statements.

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

The standard has not been adopted by the European Union yet. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 14 Regulatory deferral accounts (Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)

IFRS 14 is a new Standard which permits an entity that is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in its subsequent financial statements.

The entity does not expect the Standard to have any impact on the financial statements since it does have any regulatory deferral account balances.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.
Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The entity does not expect this amendment to have a material impact to the entity

Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Entity expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Entity.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

Revenue-based depreciation banned for property, plant and equipment
The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets
The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Entity's financial statements as the Entity does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture (Effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted.)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no bearer plants.

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[1] 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.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

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.

Amendments to IAS 27: Equity method in the separate financial statements (Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.)

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Entity does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity does not have subsidiaries, associates or joint ventures.

Annual Improvements to IFRSs
The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, 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 (cee'd, Venga, Sportage 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	2015	2014
Revenue from sales of cars to EU countries excluding Slovakia	2,918,333	2,589,636
Revenue from sales of cars to non EU countries	1,491,306	1,484,975
Sale of engines, spare parts and waste	611,066	421,749
Revenue from sale of cars to Slovakia	52,698	90,348
Total	**5,073,403**	**4,586,708**

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

6. Cost of sales

In TEUR	2015	2014
Material consumption	3,952,284	3,438,846
Depreciation and amortization (refer to Notes 11, 12)	113,914	110,802
Personnel expenses	87,898	82,856
Energy consumption	22,961	23,446
Creation of inventory provision	3,025	20,623
Running royalty charge	202,402	187,856
Royalty charge	20,715	20,392
Amortization of government grants (refer to Note 11)	-7,300	-8,199
Other cost of sales	68,197	66,723
Total	**4,464,096**	**3,943,345**

During 2015 the Company used whole inventory provision for inventories recorded in 2014.

The Company had on average 3,590 employees, out of that were 2 managers (in 2014: 3,547, out of that 2 managers). As at 31 December 2015, the Company had 3,646 employees, out of that 2 managers (as at 31 December 2014: 3,526, out of that 2 managers).

7. Administrative and selling expenses

In TEUR	2015	2014
Logistics services	152,763	149,692
Warranty charges (refer to Note 22)	141,650	126,874
Personnel expenses	3,869	3,979
Marketing services	1,156	320
Depreciation and amortization (refer to Note 11, 12)	495	504
Other operating expenses	3,251	2,187
Total	**303,184**	**283,556**

8. Net finance costs

In TEUR	2015	2014
Interest expense, long-term bank loans	-1,960	-2,918
Interest expense, leases and other	-240	431
	-2,200	-3,349
Interest income, other	1,717	873
Interest income on Bills of Exchange from related parties	491	727
Interest income intercompany loan	623	459
	2,831	**2,059**
Net interest expense	**631**	**-1,290**
Foreign exchange losses	-14,252	-7
Foreign exchange gains	4,383	596
Net foreign exchange (losses)/gains	**-9,869**	**589**
Net finance costs	**-9,238**	**-701**

Interests on trade receivables and related borrowings
According to the agreement with five customers, related parties, the Company charges the customer a fixed interest rate for the agreed portion of financed period, which is recorded as interest income on trade receivables from related parties (refer to Note 25).

9. Other operating (expense)/income, net

In TEUR	31 December 2015 (unaudited)	31 December 2014 (unaudited)
Governments grants received for job creation and education	-44	-
Scrap of property on retirement	-255	-487
Foreign exchange gains	38,369	7,974
Foreign exchange losses	-65,689	-4,580
(Loss)/gain from sale of property	-554	462
Other operating income	1,526	413
Net other operating (expense)/income	**-26,647**	**3,782**

10. Income tax

in TEUR	2015	2014
Current tax expense		
Period income tax charge	-63,339	-104,262
Adjustment to prior year income tax	11	-
	-63,328	-104,262
Deferred tax expense		
Origination or (reversal) of temporary differences	3,228	23,790
	3,228	23,790
Total income tax expense	**-60,100**	**-80,472**

Reconciliation of effective tax rate

in TEUR	2015	%	2014	%
Profit before tax	270,238		362,888	
Income tax using the domestic corporation tax rate	-59,452	-22.00%	-79,835	-22.00%
Tax non-deductible expenses and other items	-659	-0.24%	-639	-0.18%
Change in estimates related to prior year	11	0.00%	2	0.00%
Income tax charge for the year	**-60,100**	**-22.24%**	**-80,472**	**-22.18%**

11. Property, plant and equipment

in TEUR	Lands and Buildings	Machinery and equipment	Other	Investments in progress	Total
Cost					
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**
Balance at 1 January 2015	284,115	1,059,342	7,962	5,037	1,356,456
Acquisitions	-	-	-	116,606	116,606
Transfer	1,831	116,309	753	-118,893	-
Disposals	-	-19,672	-301	-	-19,973
Balance at 31 December 2015	**285,946**	**1,155,979**	**8,414**	**2,750**	**1,453,089**
Depreciation and impairment losses					
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**
Balance at 1 January 2015	63,425	585,211	6,959	-	655,595
Depreciation charge for the period	9,320	103,012	648	-	112,980
Disposals	-	-18,576	-301	-	-18,877
Balance at 31 December 2015	**72,745**	**669,647**	**7,306**	**-**	**749,698**
Government grants acquisition costs					
Balance at 1 January 2014	37,517	118,227	-	-	155,744
Additions	765	-	-	-	765
At 31 December 2014	38,282	118,227	-	-	156,509
Additions	-	-	-	-	-
At 31 December 2015	**38,282**	**118,227**	**-**	**-**	**156,509**
Government grants amortization					
Balance at 1 January 2014	8,115	76,457	-	-	84,572
Amortization	1,291	6,908	-	-	8,199
At 31 December 2014	9,406	83,365	-	-	92,771
Amortization	1,317	5,983	-	-	7,300
At 31 December 2015	**10,723**	**89,348**	**-**	**-**	**100,071**
Carrying amounts					
At 1 January 2014	197,737	477,434	1,149	17,869	694,189
At 31 December 2014	191,814	439,269	1,003	5,037	637,123
At 31 December 2015	**185,642**	**457,453**	**1,108**	**2,750**	**646,953**

Insurance
Property, plant and equipment are insured against damage up to TEUR 1,616,292 (2014: TEUR 1,618,883).

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 2015 amounts to TEUR 3,551 (2014: TEUR 6,948).

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

12. Intangible assets

In TEUR	Information technologies and software	Emission rights	Assets under construction	Total
Cost				
Balance at 1 January 2014	20,741	161	295	21,197
Acquisitions	–	–	1,873	1,873
Transfers	1,853	155	-2,008	–
Disposals	–	-161	–	-161
Balance at 31 December 2014	**22,594**	**155**	**160**	**22,909**
Balance at 1 January 2015	22,594	155	160	22,909
Acquisition	–	–	1,083	1,083
Transfers	882	233	-1,115	–
Disposals	–	-192	–	-192
Balance at 31 December 2015	**23,476**	**196**	**128**	**23,800**
Amortization and impairment losses				
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**
Balance at 1 January 2015	18,343	–	–	18,343
Amortization for the year	1,429	–	–	1,429
Balance at 31 December 2015	**19,772**	**–**	**–**	**19,772**
Government grants acquisition costs				
Balance at 31 December 2014	–	141	–	141
Acquisitions	–	196	–	196
Disposals	–	-191	–	-191
Balance at 31 December 2015	**–**	**146**	**–**	**146**
Carrying amounts				
At 1 January 2014	3,681	161	295	4,137
At 31 December 2014	**4,251**	**14**	**160**	**4,425**
At 1 January 2015	4,251	14	160	4,425
At 31 December 2015	**3,704**	**50**	**128**	**3,882**

13. Prepaid expenses

in TEUR	31 December 2015	31 December 2014
Non-current assets:		
Lump sum royalty prepaid	44,135	64,850
less: current portion	-19,616	-20,392
Total	**24,519**	**44,458**

In TEUR	31 December 2015	31 December 2014
Current assets:		
Lump sum royalty prepaid	19,616	20,392
Other prepayments	167	159
Total	**19,783**	**20,551**

Following is an overview of lump sum royalty prepayments:

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

The Company pays lump sum royalty and 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 the statement of comprehensive income as the costs for running royalty (refer to Note 6).
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).

14. 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 2015	31 December 2015	31 December 2015	31 December 2014
Less than one year	559	2	557	6,536
Between one and five years	–	–	–	557
	559	**2**	**557**	**7,093**

15. Deferred tax assets

In TEUR	31 December 2015	31 December 2014
Property, plant and equipment (including government grants)	-48,907	-49,618
Warranty provision	111,236	95,486
Other items	831	-150
Other provisions	191	14,405
Subtotal for temporary difference	**63,351**	**60,123**
Unrecognized deferred tax asset	-8,172	-8,172
Deferred tax asset	**55,179**	**51,951**

16. Inventories

in TEUR	31 December 2015	31 December 2014
Raw materials and consumables	267,936	256,844
Less impairment provision	–	-14,000
Work in progress and semi-finished goods	20,443	15,156
Less impairment provision	-299	-1,799
Finished goods	31,582	30,717
Less impairment provision	-2,726	-4,824
	316,936	**282,094**

Impairment provision was created as a result of the expected drop in revenues from sold cars to Russian region as a result of depreciation of RUB/EUR foreign exchange rate.

Movements of impairment provision for inventory are set out in the table below:

in TEUR	Raw material	WIP and semi-finished goods	Finished goods	Total
Balance at 1 January 2014	–	–	–	–
Creation of provision	14,000	1,799	4,824	20,623
Use of provision	–	–	–	–
Release of provision	–	–	–	–
Balance at 31 December 2014	**14,000**	**1,799**	**4,824**	**20,623**
Balance at 1 January 2015	14,000	1,799	4,824	20,623
Creation of provision	–	299	2,726	3,025
Use of provision	-14,000	-1,799	-4,824	-20,623
Release of provision	–	–	–	–
Balance at 31 December 2015	**–**	**299**	**2,726**	**3,025**

17. Trade and other accounts receivables

in TEUR	31 December 2015	31 December 2014
Trade account receivables	719,185	584,124
Value added tax receivable	222,471	153,038
Other receivables	4,295	2,886
Financial	**945,951**	**740,048**
Advance payment received	117	778
Non-financial	**117**	**778**
	946,068	**740,826**

The breakdown by currency is as follows:

in TEUR	31 December 2015	%	31 December 2014	%
EUR	641,206	67.8%	655,016	88.5%
RUB	152,182	16.1%	–	–
AUD	0	0.0%	13,454	1.8%
GBP	93,345	9.9%	54,947	7.4%
USD	59,167	6.2%	14,490	2.0%
NZD	51	0.0%	2,141	0.3%
	945,951	**100.0%**	**740,048**	**100.0%**

70% or TEUR 657,809 (as at 31 December 2014: 68% or TEUR 505,213) 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 2015, the Company off set gross trade and other accounts receivables of TEUR 73,793 (as at 31 December 2014: TEUR 49,382) with the gross trade and other accounts payables of selected business partners of TEUR 30,557 (31 December 2014: TEUR 21,255) with certain partners and presented them as net receivable of TEUR 43,236 (31 December 2014: TEUR 28,127).

18. Cash and cash equivalents

in TEUR	31 December 2015	31 December 2014
Bank balances	35,286	49,786
Vouchers	1	1
Cash and cash equivalents	**35,287**	**49,787**

Cash and cash equivalents in the amount of EUR 27,072 thousand are denominated in RUB.

19. Intercompany loan receivable

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

20. Capital and reserves

Share capital
The Company's authorized total authorized and issued share capital amounted to TEUR 433,323 as of 31 December 2015 (31 December 2014: TEUR 433,323). The share capital is fully paid up. The sole shareholder of the Company exercise full voting rights and has rights to receive dividends.

Legal reserve fund
The Company is obliged by Slovak law to create a legal reserve totaling a minimum of 5% of net profit (annually) and up to a maximum of 10% of registered share capital. As the fund's balance has already reached the maximum balance, no further distribution from the Company's profits is required by law. The legal reserve fund can only be used to cover the Company's losses.

21. Interest-bearing loans and borrowings

in TEUR	31 December 2015	31 December 2014
Non-current liabilities		
Long-term bank loans	111,448	57,430
Lease liability	–	3,423
Long term bank loans	**111,448**	**60,853**
Current liabilities		
Short term portion of the long-term bank loan	25,982	36,352
Lease liability	3,423	3,949
Accrued interest and other	29	52
Short term bank loans	**29,434**	**40,353**

Certain 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.

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 2015	31 December 2015	31 December 2015	31 December 2014
Less than one year	3,491	68	3,423	3,949
Between one and five years	–	–	–	3,423
	3,491	**68**	**3,423**	**7,372**

22. Provisions

in TEUR	Warranty	Other	Total
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	-11,160	-21,914	-33,074
Balance at 31 December 2014	**434,032**	**47,189**	**481,221**
Balance at 1 January 2015	**434,032**	**47,189**	**481,221**
Provisions charges (refer to Note 7)	145,150	1,768	146,918
Actual costs, net of supplier chargebacks	-70,063	-46,412	-116,475
Provision reversed (refer to Note 7)	-3,500	–	-3,500
Balance at 31 December 2015	**505,619**	**2,545**	**508,164**

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

in TEUR	31 December 2015	31 December 2014
Non-current	386,082	289,556
Current	122,082	191,665
Balance at the reporting date	**508,164**	**481,221**

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.

23. Trade and other accounts payables

in TEUR	31 December 2015	31 December 2014
Trade payables including accruals	662,407	451,514
Employee related liabilities	9,743	6,762
Other payables	10,282	3,840
Payroll withholding taxes	1,533	1,137
Financial	**683,965**	**463,253**
Advance payment received	5,335	2,393
Non-financial	5,335	2,393
	689,300	**465,646**

The breakdown by currencies is as follows:

in TEUR	31 December 2015 Balance recalculated to EUR	%	31 December 2014 Balance recalculated to EUR	%
EUR	681,449	99.6%	460,931	99.4%
USD	2,027	0.3%	2,090	0.5%
RUB	479	0.1%	-	0.0%
JPY	10	0.0%	232	0.1%
	683,965	**100.0%**	**463,253**	**100.0%**

75% or TEUR 516,862 (as at 31 December 2014: 71% or TEUR 328,201) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2015, the Company offset gross trade accounts payables of TEUR 312,624 (as at 31 December 2014: TEUR 176,644) with the gross trade accounts receivables of TEUR 30,557 (as at 31 December 2014: TEUR 21,255) with certain partners and presented them as net receivable of TEUR 282,067 (as at 31 December 2014: TEUR 155,389).

24. Capital commitments and contingencies

Capital commitments
At 31 December 2015, the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 9,379 (31 December 2014: TEUR 20,327).

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

25. 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 532 (2014: TEUR 586).

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:

in TEUR	2015	2014
Revenue	1,559	-
Warranty provision chargebacks	1,309	2,124
Purchases of material	-92,687	-47,774
Acquisitions of property, plant and equipment	-15,272	-2,706
Purchase of services	-3,765	-1,547
Payment of dividends	-173,238	-288,190
Running royalties charge	-202,402	-187,856

Transactions with other companies

in TEUR	2015	2014
Revenues	4,410,200	4,043,533
Revenue from sale of property	21	-
Interest income from lease interest	177	452
Warranty provision chargebacks	8,240	6,314
Purchase of material	-2,476,026	-2,109,981
Acquisitions of property, plant and equipment	-22,275	-13,751
Purchase of services	-145,381	-128,433
Warranty charges	-71,562	-63,130
Interest from intercompany loan	625	462
Interest expense on finance lease	-240	-431
Interest income from refunded interest from financing receivables	491	727

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

in TEUR	2015	2014
Trade accounts receivables and prepayments	1	211
Trade accounts payables	-75,924	-51,156

Assets and liabilities arising from transactions with other group companies

in TEUR	2015	2014
Trade accounts receivable	657,808	505,002
Intercompany loan receivable	99,674	44,782
Finance lease receivable	557	7,093
Finance lease liability	-3,423	-7,372
Trade accounts payable	-440,938	-277,045

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.

26. 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% (1-12/2014: 88%) 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. 91% (in 2014: 86%) 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 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 2015, the current ratio reached management target of 1.74 (as at 31 December 2014: 1.59).

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

31 December 2015

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	17	945,951	945,951	–	–	2	24
Intercompany loan receivable	19	99,674	99,674	–	–	–	–
Finance lease receivable, including interests	14	559	559	–	–	–	–
Cash and cash equivalents	18	35,287	35,287	–	–	–	–
Interest bearing loans and borrowings, excl. unamortized costs	21	-141,548	-15,164	-14,509	-102,500	-9,375	–
Interests		-2,200	-591	-561	-906	-142	–
Transaction costs	21	695	143	125	335	92	–
Trade and other accounts payables	23	-683,965	-683,965				
Warranty provision	22	-505,619	-61,751	-58,654	-222,553	-131,574	-31,087
Other provisions	22	-2,545	-1,676	–	–	–	(869)
Income tax payable		41,178	–	41,178	–	–	–
		-212,533	**318,441**	**-32,421**	**-325,624**	**-140,997**	**-31,932**

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	17	740,048	740,048	–	–	–	–
Intercompany loan receivable	19	44,782	44,782	–	–	–	–
Finance lease receivable, including interests	14	7,272	3,357	3,356	559	–	–
Cash and cash equivalents	18	49,787	49,787	–	–	–	–
Interest bearing loans and borrowings, excl. unamortized costs	21	-102,216	-25,548	-15,120	-45,923	-12,500	-3,125
Interests		-3,679	-930	-877	-1,475	-371	-26
Transaction costs	21	1,062	207	160	466	216	13
Trade and other accounts payables	23	-463,253	-463,253	–	–	–	–
Warranty provision	22	-434,032	-72,626	-72,626	-166,163	-96,342	-26,275
Other provisions	22	-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**

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

Currency risk
The Company is exposed to foreign currency risk in sales and purchases in other currency that the functional currency, i.e. GBP, USD, NZD and RUB. The total exposures which arise from the currency risk are monitored on revenue side, as 71% (2014: 89%) of revenues and 99% (2014: 99%) of purchases are denominated in euro and management is not hedging the exposures on FX fluctuations. In addition management has exposure in RUB currency on the bank account. The total exposure is stated in Note 9 Other operating income.

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

A strengthening and weakening of GBP, USD, NZD, JPY and RUB by 5% against EUR at 31 December 2015 would have increased/(decreased) equity and net profit by the amounts shown below.

In TEUR	Impact on profit and equity – strengthening of foreign currency		Impact on profit and equity – weakening of foreign currency	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
GBP	4,915	2,892	-4,447	-2,617
USD	3,010	653	-2,723	-590
NZD	3	113	-2	-102
RUB	9,409	-	-8,513	-
JPY	-1	-	-	-

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 1,165 (2014: TEUR 1,184). 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	2015	2014
Total liabilities	1,338,346	1,068,320
Less available cash	-35,287	-49,787
Total liabilities less cash	1,303,059	1,018,533
Total equity	851,670	814,770
Adjusted debt/equity ratio	1.5	1.3

27. 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.

28. 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 2015 as well as at 31 December 2014.

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.

29. 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 2015 amounted to TEUR 505,619 (31 December 2014: TEUR 434,032) as disclosed in note 22. The Company provides a warranty coverage period of five years on its cee'd, new cee'd, Sportage, new Sportage, Venga and Hyundai ix35 models. In addition, for Kia vehicles sold in the European Union and other selected countries a further two-year 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 SUV models new cee'd are new first produced in 2010 and 2012, respectively, as well as the period of the warranty coverage is above that previously provided by the Kia Motors Group. The policy is to continuously monitor the adequacy of warranty provisions. Therefore warranty charges are maintained at an amount deemed adequate to cover estimated future warranty claims. Actual claims in the future may differ from the original estimates, which may result in material revisions of the warranty charges.

The warranty model is also with a trend line for group of countries, which represents expected level of warranty costs in year 2 to year 7 as a percentage of year 1. This is our best estimate which was based on historical experiences from claims incurred in different models of Kia Motors Group. The calculation of warranty provision is sensitive to the changes in the warranty trend line the estimated value of future warranty claims. An increase or decrease of the warranty trend line by 10% would increase or decrease the warranty provision by TEUR 44,914 (31 December 2014: TEUR 38,555). The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

These financial statements were approved on 22 January 2016.

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 2015, presented in the Note 6 of the annual report. We have issued an independent auditors' report on the financial statements 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 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising the summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 2015 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.

22 January 2016
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 2015. 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 2015, presented in the Note 6 of the annual report.

25 February 2016
Bratislava, Slovak Republic

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