Annual Report 2021

Movement that inspires


Movement that inspires

Contents

1. Foreword by the President

The problems caused by the pandemic and its consequences in 2021 negatively influenced our factory as well as the whole automotive industry. Initial issues were compounded by other global issues in the automotive industry, such as lack of semiconductors, fragility and vulnerability of transport and logistics (especially for JIT & JIS systems) and many others. Nevertheless, Kia Slovakia managed to increase the production of vehicles to 307,600 units year-on-year, representing an increase of 14.7% compared to 2020, and we even slightly exceeded our business plan. The number of produced engines recorded a year-on-year growth of 65% to more than 444,000 engines. Since the start of production in December 2006, the cumulative number of vehicles has crossed over 4 million automobiles and the number of engines produced has exceeded 6 million units.

We continued to produce the Ceed Sportswagon PHEV and XCeed PHEV electrified models, joined by the hybrid version (HEV) of the latest, fifth-generation Sportage at the end of the year. The electrified models accounted for almost 10% of our production last year. The mild-hybrid versions of the Sportage and Ceed models accounted for 17.8%. Therefore, produced e-Mobility vehicles accounted for 27.4% of our production quantity. The most-produced model of our factory in 2021 remained the Kia Sportage; its share in total production was 52%.

Compared to the previous year 2020, the increase in the production of powertrains was almost 65%. Our success has benefited, in particular, from the modification that took place in the autumn of 2020. Since then we have been able to produce new-generation of gasoline engines. The share of produced petrol engines was almost 80%.

I am delighted that thanks to the Ceed and Sportage models manufactured in Teplička nad Váhom, in 2021 the Kia Brand managed to increase its market share in Europe to the historically highest value of 4,3%. The Ceed model line produced exclusively at our plant was the best-selling Kia model in Europe in 2021 and the popular Sportage SUV came in second place.

Many thanks to all Kia Slovakia employees who, despite the difficult situation, were able to meet the set goals and implement new projects with their responsible approach to anti-pandemic measures and as well as their commitment to new challenges. Thanks also to our business partners, suppliers, and customers, without whom we would not meet our goals.

2. History of Kia Slovakia

2004
March
Investment Agreement between Kia Corporation and the Slovak Republic

October
Plant construction launched

2006
December
cee'd

2007
June
Sportage production

November
ISO 14001 certificate

2008
November
ISO 9001 certificate

2010
June
3rd generation Sportage

2011
September
Engine shop II

October
Venga

2012
April
cee'd 2nd generation

December
OHSAS 18001 certificate

2013
May
cee'd GT and pro_ cee'd GT

2014
October
National Productivity Award 2013

November
Slovak Gold Exclusive quality certificate

2015
November
4th generation Sportage

2016
November
Slovak National Quality Award 2016

2017
April
Via Bona Slovakia Award (Responsible Large Company category)

2018
May
Ceed 3rd generation

November
Slovak National CSR Award 2018

2019
August
XCeed

December
Ceed Sportswagon PHEV

2020
January
XCeed PHEV

August
New generation of gasoline engines

2021
January
Official introduction of new Kia (logo, slogan, strategy)

November
5th generation Kia Sportage

3. Kia Slovakia

Company profile

On March 18, 2004, Kia officially confirmed the construction of Kia's first European car plant in Slovakia. One hundred percent owner of Kia Slovakia s. r. o. (furthermore as "Kia Slovakia" or "Company") is Kia Corporation. Its main activity has been producing motor vehicles and engines since December 2006. The registered capital of the company amounts to EUR 433,322,934.01. The executives of Kia Slovakia in 2021 were Seok Bong Kim, Kyong Jae Lee and Tae Jin Kim.

The production plant began rebranding in 2021 after the new Kia logo was introduced worldwide. The brand will go beyond vehicle production and create sustainable mobility solutions for customers in line with the new strategy. In addition to these efforts, Kia will simultaneously promote sustainable production using clean energy and recyclable materials. In May 2021, the trade name of Kia Motors Slovakia s.r.o. changed to Kia Slovakia s. r. o. The aim is to help the Kia brand expand into new business areas and accelerate the development of next-generation green vehicles. The trade name change also means further progress in making the brand more attractive to the public.

In 2021, the factory produced a lower-middle-class Kia Ceed model in four body modifications and a Kia Sportage crossover. In the summer of 2021, the series production of the innovated Kia Ceed line was successfully launched. It brought extensive improvements in design, technology, powertrains and a more visible new Kia logo. The manufacturing plant marked a significant production milestone in its history with the four millionth vehicle. At the end of 2021, Kia Slovakia began to produce the fifth generation of Sportage model, defining new standards for SUV vehicles.

Company management

Seok Bong Kim
Executive

Seok Bong Kim began his career at Kia Corporation in 1990. Before joining Kia Slovakia, he worked for thirty years at the Gwangju plant in South Korea. He was head of the Assembly and Quality Department and managed the Gwangju 1 plant from 2018 to 2020. Since January 2021, he holds the position of president and CEO of Kia Slovakia. Mr. Seok Bong Kim is authorized to act independently on behalf of the Company.

Tae Jin Kim
Executive

In 1995, Tae Jin Kim joined Kia Corporation's accounting department. Before joining Kia Slovakia as Chief Financial Officer and Head of Finance in 2019, Tae Jin Kim served as Head of Corporate Management at Kia Deutschland and as Chief Financial Officer at Kia Austria. Tae Jin Kim is authorized to act independently on behalf of the Company.

Kyong Jae Lee
Executive

Kyong Jae Lee worked at Hyundai Motor Manufacturing Alabama from 2002 to 2006. His professional growth was further developed at the Hyundai Motor Manufacturing Czech plant until 2012 and subsequently at the South Korean factory in Ulsan. From 1 December 2018, he was appointed President and CEO of the company and from March 2019, he was authorized to act independently on behalf of the Company.

Kia Corporation

Kia is a global brand with a vision to create sustainable mobility solutions for consumers, communities, and companies worldwide. Founded in 1944, Kia has provided mobility solutions for over 75 years. With 52,000 employees worldwide, sales in more than 190 markets, and manufacturing facilities in six countries, the company now sells approximately three million vehicles a year. In 2021, the brand underwent a complete brand transformation based on a long-term strategy called Plan S. Together with the brand's new "Movement that inspires" slogan, the company has a strategy that allows it to go beyond vehicle manufacturing and create sustainable mobility solutions for customers. By removing the word "Motors" from its name (formerly "Kia Motors Corporation"), Kia will expand into new and emerging business areas by creating innovative mobility products and services to improve customers' daily lives.

Kia Europe

Kia EU is the regional headquarter located in Frankfurt, Germany and the sales, marketing and service point of Kia in Europe. Kia Europe is the sales, marketing, and service branch of the Kia Group in Europe based in Frankfurt, Germany. In 2021, it operated in 39 different markets. The brand's sales increased by 20.6% year-on-year in 2021 (502,677 vehicles sold) and managed to increase its market share to 4.3%. Kia aims to offer a fully electrified fleet of cars in Europe by 2035, with 11 battery electric vehicles (BEV) added by 2026. Seven of these BEVs will be based on Kia's dedicated global modular platform E-GMP.

Kia Slovakia in 2021

- Export: 87 countries
- 307,600 produced and sold cars
- 444,144 engines produced
- 244,448 engines sold
- Sportage 53%, Ceed 47%
- Exports (based on sales): Germany 12,6%, The United Kingdom 11,8%, Russia 9,3%, Spain 8,8%, Poland 6,6%
- Sales: 5,539,330 TEUR

Goals and forecast for 2022

In 2022, Kia plans to increase its sales to 3.15 million automobiles worldwide and continues the overall transformation of the brand based on a long-term strategy called Plan S with a participation of Kia Slovakia. ACEA anticipates that in 2022 the automotive industry will continue to be affected by pandemics and parts shortages. The impact on the car market caused by the coronavirus pandemic, rising raw material and energy prices, high inflation, the logistic and geopolitical situation, exchange rate risks, the availability of labor force and other unpredictable factors remain. Vehicle sales in the EU will continue to be strongly affected by regulations related to achieving carbon neutrality and manufacturers' efforts to achieve fleet CO2 emissions. For Kia Slovakia, significant factors will be situation on the largest export markets and the sales of the all-new fifth-generation Kia Sportage, gradually available in the electrified PHEV variant. The business plan of Kia Slovakia predicts the production of 306,500 passenger cars in 2022. During the year, flexible utilization of the plant's capacity is expected with the current model's output and further effectivity improvement of long-term and new processes. Production of the PHEV version of the Sportage model is scheduled to begin in 2022 together with the product-enhanced version of the XCeed model and several activities related to increasing automation, reducing emissions and using of clean energy.

Product line

Kia Sportage

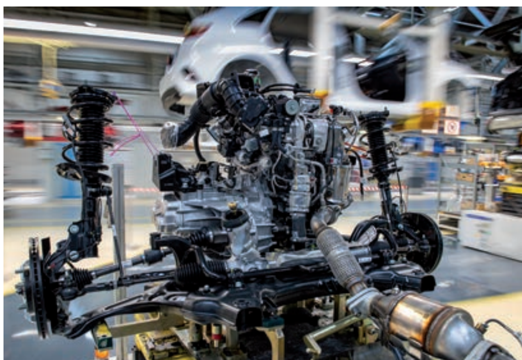
In 2021, the Kia Sportage became the second best-selling Kia model in Europe, selling 105,018 units, what presents a significant ratio of total 162,737 units sold totally last year. The fourth-generation was put into mass production in May 2018 and more than a million pieces were produced in Kia Slovakia at all. It was gradually replaced in production by its fifth generation at the end of 2021. The latest generation of the Sportage model is specific; it is a special European version; this has happened for the first time during its 28-year history. This version is available to customers in Europe, the Middle East, and Africa. Kia Slovakia also produces electrified versions of the latest Sportage model - mild-hybrid (MHEV) and hybrid (HEV). Plug-in hybrid (PHEV) models will go into production in 2022. The newest generation of the Sportage combines a sleek, vibrant yet modern exterior with a premium interior. Some models have got an integrated curved display that allows the driver to take advantage of the latest in connectivity. The new Sportage model is built on a new architecture and benefits from technologies developed within the top design programs for Europe. It has made it possible to create a vehicle with a wheelbase, dimensions, and proportions ideal for European roads.

Kia Ceed, Ceed Sportswagon, ProCeed, and XCeed

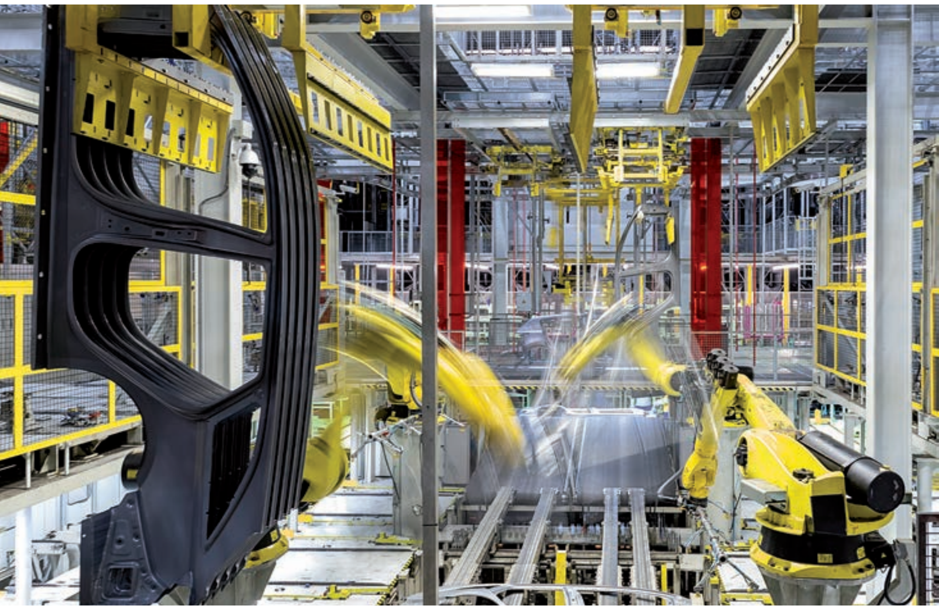
The Ceed model line has been successfully competing for European customers in the lower-middle-class category since 2006. It is a model that has been designed, engineered, and manufactured in Europe. The Ceed family models became the best-selling Kia model in Europe between 2020 and 2021. Despite the pandemic and its negative impact, European sales of Ceed models increased by 17% year-on-year to 144,863 units. Series production of the third generation of the Ceed model began in May 2018; the XCeed body version has been produced as a plug-in hybrid since the beginning of 2020. In 2021, the product enhanced Ceed line was launched, including the new Kia logo.

Engines

In 2021, Kia Slovakia produced 444,144 engines. Over the past year, petrol engines accounted for up to 80% of the total volume produced in 2021. The plant produced gasoline engines with a capacity of 1.5 and 1.6 liters and diesel engines with a capacity of 1.6 liters.



Manufacturing process



Press shop
1 cutting line
2 pressing lines
86 types of panels
Panel production: 20 seconds
Capacity: 5,280,000 panels per year

Body shop
Welding automation: 100%
386 robots
Capacity up to 8 different body types

Paint shop
360° rotary-immersion system
Length of the conveyor system: 7.8 km
106 robots
14 color shades

Assembly shop

Area of 13 football fields
277 workstations
1.6 km long test track

Engine shops

2 production halls
2 petrol engines
1 diesel engine
7 metalworking lines
2 assembly lines

4. Sustainable development

Environmental area - Environmental protection

Kia Slovakia's environmental policy is based on Kia Corporation's corporate policy principles communicated at the end of 2020, where people and the environment are a priority. The primary vision is to minimize polluting emissions, save energy and actively implement environmentally friendly technologies in all production areas.

The basis of our environmental policy is an established and certified environmental management system according to the ISO 14001 standards. The company is constantly improving it. In 2017, it was certified for a new revision of this standard. In 2021, the Environmental Management System was successfully recertified, which obliges the company to comply with legal requirements and improve environmental protection continuously, regularly assess environmental performance and increase the environmental awareness of all employees. An essential part of the system is the regular monitoring and evaluation of water, energy, and materials consumption, waste, wastewater, emissions per vehicle produced, and the adoption of environmental targets to improve these indicators.

Kia Slovakia's goal is to improve the plant's environmental management continuously. Several measures were introduced, which contributed to better sorting and minimization of waste, reducing emissions of volatile organic compounds, and saving electricity and natural gas.

Human resources

Kia Slovakia has maintained stable employment, as of December 31, 2021 representing 3,466 employees with their average age 39 years; the median length of time worked in Kia Slovakia reached 12 years. The pandemic year 2021 also marked the area of personnel policy. Awareness and protection of employees' health came to the fore. The company often took measures beyond the standard framework to protect employees' health. Kia Slovakia's human resources policy focused on employee care, transparent communication, a fair remuneration system, and performance appraisal for all employees. The company also offered a wide range of discounts and benefits available in leisure time. Kia Slovakia traditionally awarded the best employees and teams at the end of the year.

Through joint seminars and internal company-wide surveys, the company involved more employees in internal decision-making processes. Kia Slovakia actively uses the system of internal rotations, both for employees in production and employees in specialist or managerial positions. It is another way employees can develop, acquire new skills and learn about new processes in car production. In 2021, several dozen employees took advantage of this opportunity. In the field of improvement of management employee development, the company focused on creating new tools in their preparation. One of these tools is multi-level skills development center. It is a full-time educational program focused on situations every manager can face. Another developed and implemented tool for potential human development is an application of designed 360° feedback. The pilot implementation was targeted at the position of supervisors. Based on the feedback obtained, further individual development was set up for each supervisor.

In 2021, Kia Slovakia won the PwC Slovensko' award called Leading HR Organization - the organization with the best human resources management in the automotive sector in Slovakia.

Employee development and training in 2021

The year 2021 was marked by many changes, including employee training program. We have continued in a stabilization of employee development in the online environment and new development approaches. In 2021, the Education & Training Department and its internal customers jointly worked on knowledge and skills focused on performance and their values. Working with individuals and concentrating on self-knowledge was linked to teamwork and benefits for the company. Employees had the opportunity to participate in various development programs, such as coaching, mentoring, and focusing on their strengths and working with them, and training led by Kia Slovakia employees in the role of experts. The individual teams addressed their development needs from different angles, focusing on their needs and visions, and they participated in a pilot training focused on concentration to increase efficiency. The management staff also focused on team collaboration, including active discussion with external dignitaries. The program for production employees (Happy chair) has also changed, allowing them to focus more on their work, benefits for their team and private life. Kia Slovakia constantly strives to support creativity, innovation, and other perspectives to a common goal. In this innovative learning organization, applying the 70/20/10 method is critical and supports the preservation of knowledge in society.

During the past year, development activities were provided to more than 1,070 employees for 19,300 training hours without mandatory legal courses, the participation of which is evaluated regularly. In addition to the above, orientation programs, work-related training, competency development, language and computer courses were implemented.

Occupational health and safety in 2021

The year 2021 was held in the spirit of prevention and measures against the spread of Covid 19. At the beginning of the year, the company successfully implemented internal testing of all employees and suppliers, testing about 4,000 people every week. Therefore, the production of cars and engines was not endangered throughout 2021 due to the absence of Kia Slovakia employees. To increase coronavirus resistance, the Safety & Enviromental Department of Kia Slovakia, in cooperation with the Žilina self-governing region authorities, organized vaccination for employees and suppliers directly in the plant premises through the Vakci Zuzka mobile vaccination unit. Such mobile vaccination visited Kia Slovakia twice.

In the area of accidents, the factory copied the previous year, having one registered occupational injury with incapacity for more than three days and 40 registered occupational accidents without incapacity for work. Kia Slovakia managed these numbers thanks to significant safety investments, such as implementation of innovative safety devices in forklifts and logistics processes as well as installation of several manipulators and robots, replacing the manual performance of heavy work with loads. The launch of a healthy rotation based on HQS (Health and Quality System) calculations was implemented in the Assembly shop, ensuring our employees are less and less exposed to work in a risky position with physical exertion.

Responsible performance of duties

Kia Slovakia fulfills all obligations arising from generally binding legal regulations, meets contractual obligations towards business partners, and complies with the employer's obligations arising from employment relations. In 2021, the company did not incur an obligation to pay a contractual penalty due to non-compliance with contractual obligations. In addition, the labor inspection authorities did not find any breaches of labor relations.

The Company has internal processes to ensure legal, tax, and accounting assessments of legal documents and significant projects to ensure compliance with legal obligations and minimize risks. The company's management makes essential decisions after assessing their legal aspects.

The Company fulfills its obligations under the Statutory Audit Act, while the Company's Supervisory Board performs the statutory activities of the Audit Committee. Kia Slovakia has identified the ultimate benefitial owner and is registered in the register of public sector partners; it verifies the ultimate benefitial owner and possible changes to the data in the register of public sector partners within the statutory deadlines.

Adherence to ethical rules

The Company declares its commitment to comply with all ethical rules and regulations through the Compliance System. It assists in interpreting ethical issues and their solutions inwards to the business partners. In addition to compliance's indication and corrective function, its most crucial part is prevention. Compliance focuses on the efficiency and economy of company funds, management of conflicts of interest, the policy of accepting and offering gifts, prevention of anti-social activities and other violations of internal rules, or prevention of criminal consequences of possible employee misconduct. In addition to fulfilling legal obligations verification of notifications concerning anti-social activities, a significant part of compliance's activities focuses on protecting the company's trade secrets and ensuring the lawfulness of personal data processing and protection.

Cooperation with schools

Kia Slovakia is aware of the importance of cooperation across educational institutions, including universities, secondary schools, primary schools, and partner organizations. Linking the dynamic requirements of industry with the educational programs of schools and their technical equipment is an integral part of the integration. In addition to developing students as the next generation, Kia Slovakia also focused on teachers and technical support of schools through the Kia Foundation. Together with partner schools across the Žilina Region - Secondary Vocational School of Mechanical Engineering in Kysucké Nové Mesto, Joint School in Martin and three Žilina schools - Secondary Vocational School of Electrical Engineering, Secondary Vocational School of Transport and Business Academy, we form one of the pillars of employment opportunities for future graduates. Kia Slovakia can find a wide range of applications.

Since the beginning of the new school year, a new four-year Autotronic study has started in cooperation with the Secondary School of Mechanical Engineering in Kysucké Nové Mesto, reflecting current production trends such as automation and electrification. Internal trainers, who accompany students throughout the practical learning, both professionally and personally, intensively care for them. Internal trainers are also responsible for the adaptation of newly hired employees, thanks to which the adaptation process has improved and thus their preparation in the production company has increased.

In 2021, cooperation was also established with talented university students involved in the Kia Slovakia scholarship program. The condition for obtaining the scholarship was excellent study results and internship during the study. Future engineers work in specialist positions in production and the Human Resources Department. The project of qualification advancement continued, where selected employees, with the employer's support, studied engineering specialization at the university. Kia Slovakia participated in solving practical project assignments in the field of production and quality in the form of bachelor and diploma theses.

Philanthropy

Social responsibility

Through the Kia Slovakia Foundation, Kia Slovakia has been developing public benefit activities in the Žilina region for eight years. In 2021, the Kia Slovakia Foundation redistributed more than 954,000 euros to implement green mobility projects, education development, health, social assistance, and community support.

Mobility

Free system of shared bicycles, co-financing of the construction of the project Cyklomagistrála Terchovská Dolina, construction of a pump track.

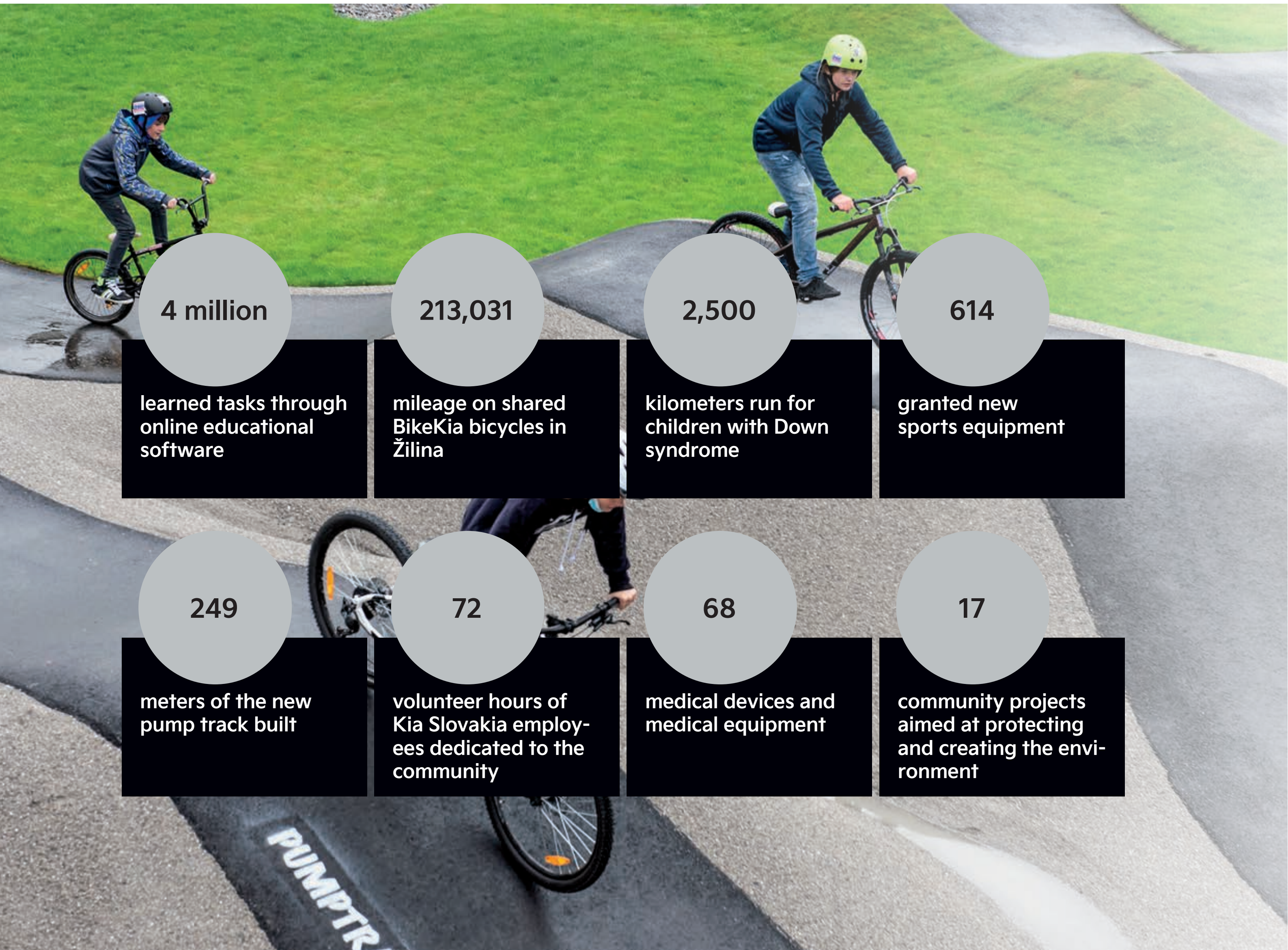
Education

Technical corners in kindergartens, tools for technical teaching in primary and secondary schools, online educational software.

Community

Grant programs for the development of community organization, sports, and assistance to the disadvantaged, purchase of medical devices and equipment for the needs of regional hospitals.

The year 2021 in numbers



4 million
learned tasks through online educational software

213,031
mileage on shared BikeKia bicycles in Žilina

2,500
kilometers run for children with Down syndrome

614
granted new sports equipment

249
meters of the new pump track built

72
volunteer hours of Kia Slovakia employees dedicated to the community

68
medical devices and medical equipment

17
community projects aimed at protecting and creating the environment

Emphasis on environmental protection

Kia Slovakia Foundation cares for sustainability and green innovation, which allows development through partner projects and grant programs schemes. Therefore, more than 40% of the yearly budget was allocated to spread of bicycle transport and infrastructure in the Žilina region. In addition to projects completion, we also supported the European Mobility Week and Our City campaigns. The foundation also carried out a volunteering activity of cleaning the surroundings of the Water dam Žilina and managed to remove waste that polluted its surroundings with the help of volunteers.

Community support

Actively seeking for the needs of people and the environment where they live is a natural part of the foundation's activities. Through grant programs Volunteering, Sports in the Region, or Advent Calendar, foundation supports environmental initiatives, sports development, health protection, and social assistance to the disadvantaged. For a long time now, it has paid attention to helping disabled athletes or children with various types of diseases. To support this group, a virtual run of the Kia Foundation was organized. Thanks to the public's participation in sports activities, it was possible to support civic associations dedicated to families with Down syndrome with 10,000 euros. As a long-term partner of regional hospitals, in 2021, Kia Foundation provided ultra-sonographic devices for differential diagnostics. Foundation finalized 2021 by purchasing coffee machines, massage chairs, and bathrobes for paramedics working in COVID departments. Foundation also arranged the free rental of a Kia Sportage car to the Žilina hospital's medical staff.

Detailed information about the activities, goals, and plans in the area of responsibility is published on the Kia Slovakia Foundation's website and in the Foundation's annual report.

Corporate philosophy - Plan S

Plan S is Kia's long-term business strategy, introduced in 2020; the brand aims to have a leading position in the future mobile industry, expanding its business to include electric vehicles, mobility solutions and services, commercial vehicles, and more. In addition to these efforts, Kia will simultaneously promote sustainable production using clean energy and recyclable materials.

Kia is focusing on popularizing BEVs and plans to strengthen its global product line by 2027 by introducing seven new specialized BEVs. These new models will include a range of passenger cars, SUVs, and MPVs in several segments. Each of which will feature state-of-the-art long-distance technology and high-speed charging from Hyundai Motor Group's new Electric-Global Modular Platform. Kia is also developing a range of new special purpose vehicles for corporate customers. These specialized vehicles will be based on flexible "skateboard" platforms with modular bodies designed to meet the specific mobile needs of a wide range of corporate and fleet customers.

Changing the company's name also means transforming the organization's work culture. Kia Corporation President Ho Sung Song explains: "Changing our company name and logo is not just a cosmetic improvement. It represents us in broadening our horizons, in establishing new and emerging companies that meet and overcome the diverse needs of our customers around the world. It is also more important to adapt our work culture, to enable the creativity of all our employees and to create an inspiring work environment."

EU Taxonomy

Following the Kia Group's long-term vision for sustainability and a climate-neutral economy, as well as the environmental goals set at the European Union level, Kia Slovakia is aware of the related challenges and responsibilities. For the purposes of disclosing information in 2022, our company, as a non-financial company, has identified the following taxonomy eligible and taxonomy non-eligible economic activities, disclosing below their share on the total turnover, capital and operating expenditure, including qualitative information that is relevant for this disclosure.

According to Act No 431/2002 Coll. on Accounting as amended Kia Slovakia is a public interest entity with an average number of more than 500 employees for 2021 accounting period and therefore, Kia Slovakia discloses information under the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter „Regulation 2020/852").

The description of major economic activity of Kia Slovakia is provided wihin its profile information contained in another part of this annual report.

According to the Regulation (EU) 2021/2178 Kia Slovakia has performed the assessment for 2021 reporting period as to whether economic activities are taxonomy eligible for two environmental objectives - climate change mitigation and climate change adaptation. For the next reporting period (it means period 2022) Kia Slovakia will disclose the key performance indicators covering information about economic activities that are taxonomy-aligned activities meaning that such activities meet the technical screening criteria as well. The scope and extent of this assessment is expected to increase as further criteria related to four remaining environmental objectives are included or new activities are added to the scope in the coming years. Considering the difference in the scope and extent of assessment for the current and for the future accounting period this information may not be comparable.

According to the Regulation (EU) 2021/2178 taxonomy-eligible economy activity under the EU Taxonomy is an economic activity that is described in the delegated acts to the Regulation (EU) 2020/852 irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts (it means that for disclosure it is sufficient that an economic activity is described in the delegated acts). Therefore, the fact that an economic activity is taxonomy-eligible does give an indication of its environmental performance nor whether it substantially contributes to one or more environmental objectives set in the EU Taxonomy.

Kia Slovakia concluded that its activities of manufacture of low carbon technologies for transport under the NACE code C29.1 and of collection and transport of non-hazardous waste in source-segregated fractions under the NACE code E38.11 are the taxonomy-eligible economy activities as they are listed and described in the Regulation (EU) 2021/2139, in particular in point *3.3.* and *5.5.* of both annexes to this regulation.

The proportion of taxonomy-eligible and taxonomy non-eligible economic activities on the total turnover, capital and operational expenditure for 2021 reporting period is displayed below.

Economic Activities	Turnover	CapEx	OpEX[3]
Taxonomy-eligible activities	90.4%	96.1%	84.3%
Taxonomy non-eligible activities	9.6%	3.9%	15.7%
Total (in thousands of EUR)	**5,539,330**[1]	**163,025**[2]	**152,988**

[1] Refer to Note 5 of Notes to the Financial Statements
[2] Refet to Notes 11 and 12 of Notes to the Financial Statements
[3] Operating expenses (OpEx) mainly include repair an maintenance services from external providers, cost of maintenance and cost of emloyees performing repairs and maintenance related to assets that are associated with taxonomy-eligible activities

5. Quality management system

By neverending improving the quality of manufactured vehicles, increasing the comfort of passengers, providing better access to a broader range of mobility products and services, achieving higher vehicle safety by implementing new safety features, Kia Slovakia constantly strives to increase the satisfaction of customers.

Following the current legislation in the automotive industry requires continuous improvement, especially in reducing emissions, improving passengers' safety and other road users, including pedestrians. To meet legislative requirements and maintain competitiveness, Kia Slovakia is continuously strengthening investment in new models with hybrid drives and new engines, modernizing production, testing and inspection equipment such as 3D body measurements and analyzes, calibration and diagnostics of HEV and PHEV systems, as well as diagnostics of other new methods that have come up with a new model such as adaptive chassis, electronic gearshift and more.

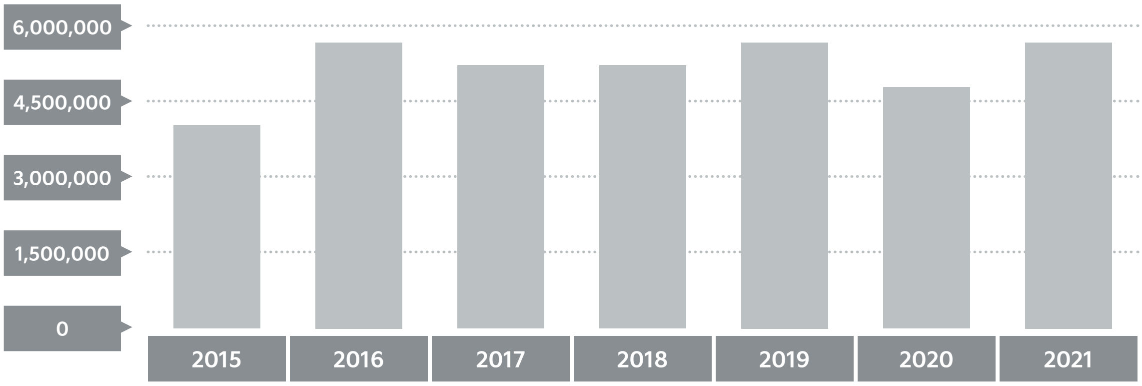
Despite the complicated Covid situation, the year 2021 brought the introduction of the fifth generation of the successful Sportage model into production. The introduction of the new HEV and PHEV systems was essential in developing the new generation of Sportage and innovated Ceed models.

The new powertrain systems and model formed a significant part of the Quality Assurance activities at all pre-production validation levels, production preparation, and supply chain readiness. The introduction of the new model was supported by intensive monitoring of the initial production phases not only in production but also at dealers.

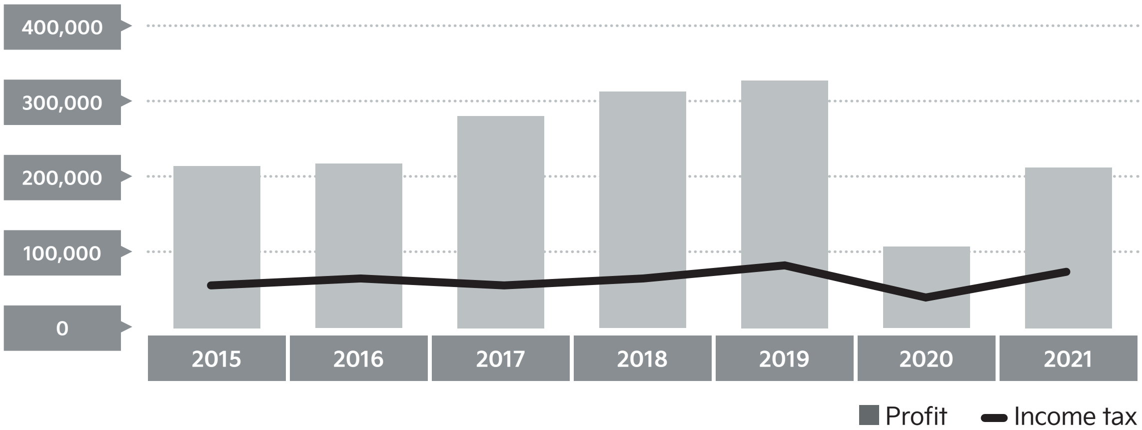
The experience of local employees, who participated extensively in line modifications and the development of quality management systems, benefited greatly. This approach reduced the situation's impact on the company's progress and enabled a smooth start of the new SUV production.

6. Financial overview

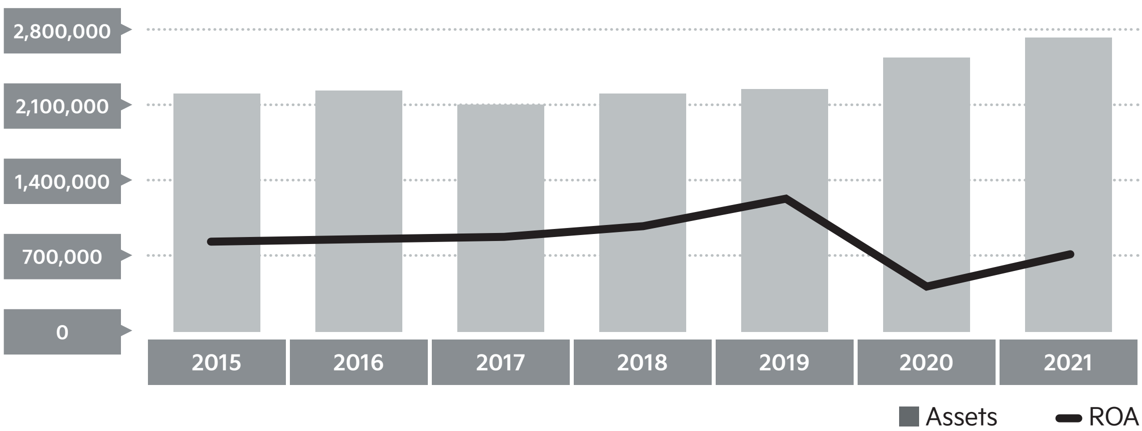
Revenues in TEUR



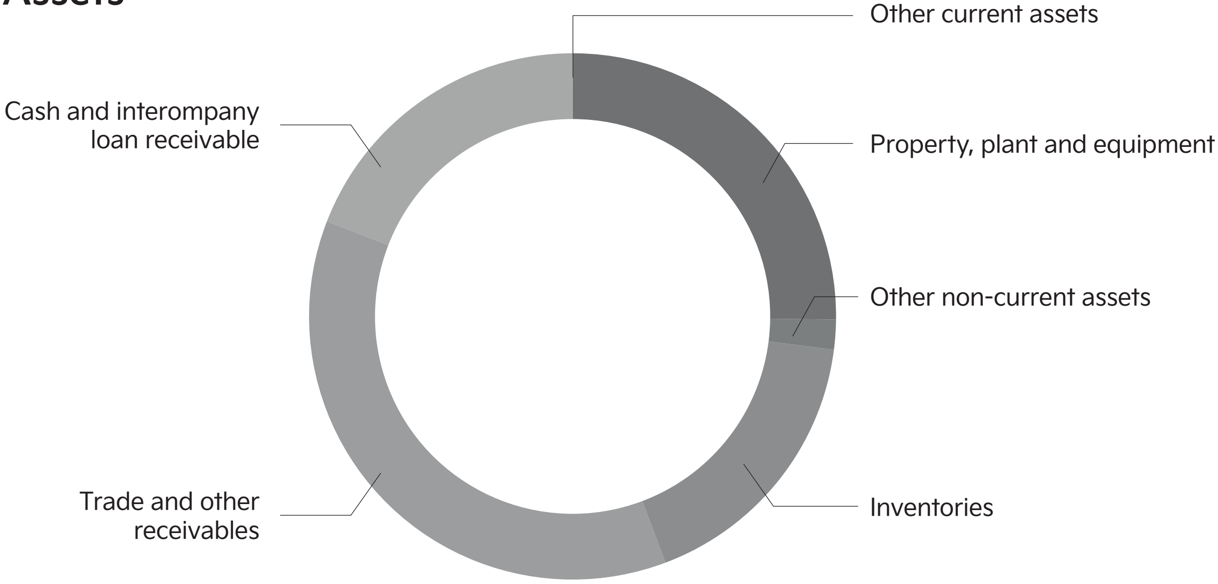
Profit and Income tax in TEUR



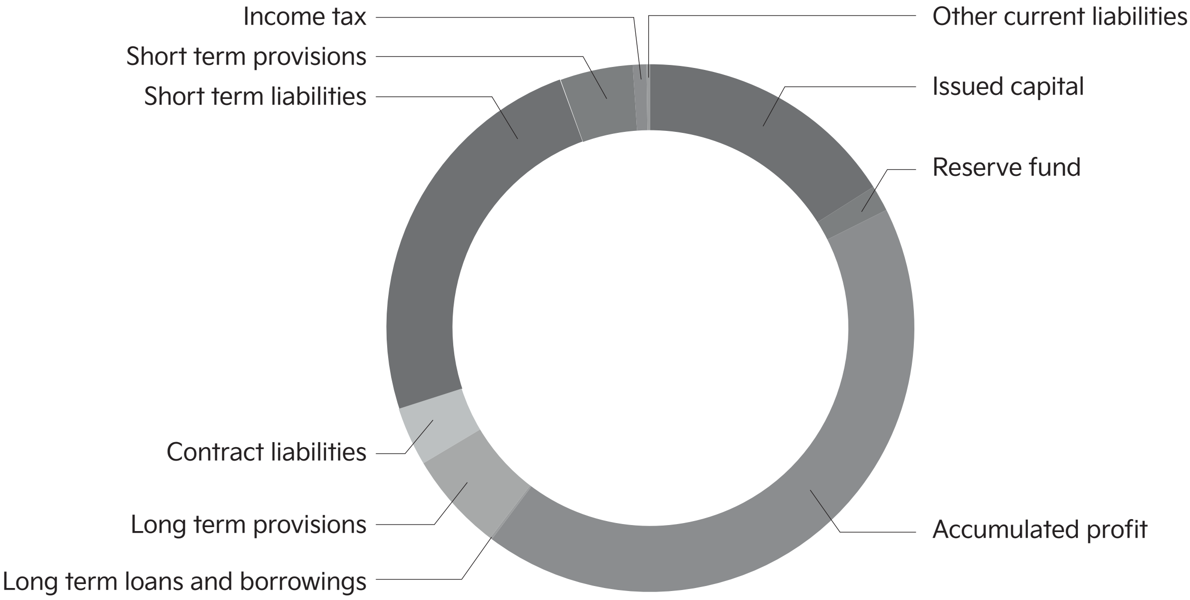
Assets in TEUR / ROA



Assets



Equity & Liabilities



Distribution of profit

The general meeting will decide on the distribution of profit in the amount of 221,680 TEUR for the year 2021 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 on general meeting.

The general meeting will be held in first half-year of 2022.

1. Yearly closing

Statement of financial position for the year ended 31 December 2021

In TEUR

	Note	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	*11*	681,641	647,554
Intangible assets	*12*	4,305	3,841
Right of use of asset	*13*	3,629	3,880
Reclaim receivable	*15*	15,510	19,415
Deferred tax assets	*16*	26,190	24,526
Total non-current assets		**731,275**	**699,216**
Inventories	*17*	466,537	375,922
Trade and other accounts receivable	*18*	990,919	882,562
Cash and cash equivalents	*19*	10,484	124,204
Prepaid expenses		411	522
Intercompany loan receivable	*20*	506,565	440,408
Income tax receivable		-	17,799
Total current assets		**1,974,916**	**1,841,417**
Total assets		**2,706,191**	**2,540,633**
Equity			
Issued capital	*21*	433,323	433,323
Legal reserve fund	*21*	43,332	43,332
Accumulated profit		1,153,513	931,833
Total equity		**1,630,168**	**1,408,488**
Liabilities			
Interest-bearing loans and borrowings	*22*	3,430	3,670
Provisions	*15*	164,333	184,074
Contract liability	*14*	97,803	69,872
Total non-current liabilities		**265,566**	**257,616**
Interest-bearing loans and borrowings	*22*	240	294,739
Trade and other accounts payable	*23*	661,402	464,475
Provisions	*15*	120,432	98,061
Contract liability	*14*	5,845	17,254
Income tax payable		22,538	-
Total current liabilities		**810,457**	**874,529**
Total liabilities		**1,076,023**	**1,132,145**
Total equity and liabilities		**2,706,191**	**2,540,633**

Statement of comprehensive income for the year ended 31 December 2021

In TEUR

	Note	2021	2020
Revenue	*5*	5,539,330	4,575,453
Cost of sales	*6*	(5,202,160)	(4,374,571)
Gross profit		**337,170**	**200,882**
Administrative and selling expenses	*7*	(77,393)	2,646
Operating profit		**259,777**	**203,528**
Interest costs		(856)	(4,077)
Other finance costs		(3,386)	(24,240)
Interest income		1,597	3,860
Other finance income		8,384	3,356
Net finance income / (costs)	**8**	**5,739**	**(21,101)**
Other operating income / (expense)	*9*	15,577	(48,075)
Profit before taxes		**281,093**	**134,352**
Current and deferred income tax	*10*	(59,413)	(28,458)
Profit for the year		**221,680**	**105,894**
Other comprehensive income			
Total comprehensive income for the year		**221,680**	**105,894**

Statement of changes in equity for the year ended 31 December 2021

In TEUR

	Note	**Share capital** (Note 21)	**Legal reserve fund** (Note 21)	**Retained earnings**	**Total**
Balance as of 1 January 2020		**433,323**	**43,332**	**825,939**	**1,302,594**
Total comprehensive income for period		-	-	105,894	105,894
Balance as of 31 December 2020	*21*	**433,323**	**43,332**	**931,833**	**1,408,488**
Balance as of 1 January 2021		**433,323**	**43,332**	**931,833**	**1,408,488**
Total comprehensive income for the year		-	-	221,680	221,680
Balance as of 31 December 2021	*21*	**433,323**	**43,332**	**1,153,513**	**1,630,168**

Statement cash flows for the year ended 31 December 2021

In TEUR

	Note	31 December	31 December
Cash flows from operating activities		**2021**	**2020**
Profit for the year		**221,680**	**105,894**
Adjustments for:			
Depreciation of property, plant and equipment and intangible assets, right of use of asset, net of amortisation of state aid	*11,12,13*	127,108	121,988
Value adjustment to inventories	*6*	10,875	5,891
Retirement of property, plant and equipment		350	1,040
Value adjustment to receivables	*18*	43	42
Interest costs	*8*	856	4,077
Interest income	*8*	(1,597)	(3,860)
Unrealized FX losses		3,735	5,282
Unrealized FX gains		(2,228)	(1,365)
Warranty provisions charges	*15*	66,329	44,198
Release of warranty provision	*15*	-	(54,611)
Tax expense	*10*	59,413	28,458
Loss/(Gain on) sale of property, plant and equipment		(521)	754
Operating profit before changes in working capital items		**486,043**	**257,788**
Decrease / (Increase) in inventories	*17*	(101,490)	94,616
Decrease / (Increase) in trade and other receivables and prepaid expenses	*18*	(110,131)	(39,489)
Increase / (Decrease) in trade and other payables	*23*	196,932	(86,151)
Increase / (Decrease) in contract liability	*14*	16,522	28,604
Increase / (Decrease) of other provisions	*15*	2,970	10,091
Cash generated from operating activities		**490,846**	**265,459**
Interests from short term financing, royalty interests and including overdrafts		(248)	(2,853)
Interest received from bills of exchange and bank deposits		1,584	3,903
Tax paid		(20,741)	(38,088)
Warranty claims paid	*15*	(93,577)	(74,343)
Warranty reclaims received	*15*	31,141	17,281
Net cash generated from operating activities		**409,005**	**171,359**
Cash flows from investing activities			
Acquisition of property, plant and equipment	*11*	(160,556)	(79,623)
Acquisition of intangible assets	**12**	(1,996)	(1,266)
Collection / (provision) of intercompany loan	*20*	(66,157)	(321,334)
Proceeds from sale of non-current assets		1,317	2,291
Interest received from intercompany loan		13	139
Net cash (used for) investing activities		**(227,379)**	**(399,793)**
Cash flows from financing activities			
Lease payments including interest		(268)	(268)
Repayment of long term loans	*22*	-	(3,125)
Receipt / (repayment) of short term loan		(189,000)	189,000
Interest paid on bank loans		(807)	(950)
Net cash from / (used for) financing activities		**(190,075)**	**184,657**
Net increase / (decrease) in cash and cash equivalents		(8,449)	(43,777)
Cash and cash equivalents at beginning of the period	*19*	18,932	64,346
Changes in FX related to cash and cash equivalents		1	(1,637)
Cash and cash equivalents at end of the period	**19**	**10,484**	**18,932**

Notes to the fianancial statements for the year ended 31 December 2021

1. General information about the Company

Kia 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).
Effective from 11 May 2021 the Company changed its registered name from Kia Motors Slovakia s.r.o. to Kia Slovakia s. r. o. as part of the group rebranding program.

The Company’s registered address is:
Kia Slovakia s. r. o.
ICO: 35 876 832
DIC: 2021787801
Sv. Jána Nepomuckého 1282/1
Teplička nad Váhom 013 01
Slovakia

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

These financial statements have been prepared as at 31 December 2021 and for the year then ended and were prepared and authorized for issue by the Company’s directors on 28 January 2022.

The Company’s bodies:

Directors	Kyong Jae Lee (till 8 March 2021)
	Seok Bong Kim (from 8 March 2021)
	Tae Jin Kim

Information about the ultimate parent
The Company is consolidated into the financial statements of Kia Corporation, 12, Heolleung-ro, Seocho-gu, Seoul, Korea, which is the Company’s parent thus statements of Kia Corporation are available to public through the 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 14 - Contract liability
- Note 15 - Provision for warranty
- Note 29 - Accounting estimates and judgements

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 h). The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. Cost also includes, where relevant, the costs of dismantling and removing the items and restoring the site on which they are located.

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. The replacing part is derecognized at the same moment. 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.

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 20-30 years
- machinery and equipment 3-15 years
- moulds 4-5 years
- other 2-4 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 related to PPE
The Company is entitled to receive government grants related to the acquisition costs of property, plant and equipment if certain conditions are fulfilled. The conditions are stipulated in the Investment Agreement between the Company and the Slovak Republic or in decisions issued by Ministry of Economy. Such grants are recognised as a deduction of property, plant and equipment and are being amortized over the estimated useful lives of the property, plant and equipment for which they have been received once such assets are placed into use. Non-monetary grants received are recorded at fair value upon receipt date.

b) 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 h).

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 4-5 years

iv. Emission rights
Emission rights are acquired for own use only and are accounted for as an intangible asset. Emission rights purchased are measured at costs. Emission rights granted by government are recorded at fair value at the date of receipt. The portion of grant related with the emission rights granted is accounted for as a reduction of intangible asset.

Once used, emission rights are recorded to cost of goods sold, together with the portion of grant, which relates to the used emission rights.

c) Right of use of assets

A lease that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is recorded as a right of use of assets and a lease liability. The right-of-use asset is depreciated over the lease terms and the liability accrues interest.
The right of use of asset is not recognized for:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

The Company also applied a practical expedient not to deduct the non-lease component from the contract lease payments with the landlord.

e) Trade and other accounts receivable and intercompany loan receivable

Trade, other receivables and intercompany loans provided are recognized initially at fair value. Subsequently they are measured at their amortized cost using the effective interest rate method, less impairment losses (see accounting policy h). Trade receivable is offset with trade payables 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 payables on the net basis or to realize them simultaneously.

The Company charges certain customers a variable interest rate for the agreed portion of financed period, which is recorded as interest income on trade receivables from related parties (refer to note 8).

f) 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 cost 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.

g) 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.

h) Impairment

Financial assets

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized costs. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of trade and other receivables, cash and cash equivalents, and intercompany loan.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from all possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a

financial asset.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are not discounted as they don't include any significant financial component.

Impairment losses related to trade and other receivables are recognized in profit and loss.

Non-financial assets

The carrying amounts of the Company's assets, other than inventories (see accounting policy f) and deferred tax assets (see accounting policy p), 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.

i) 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.

j) 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. Kia Slovakia (furthermore as “KaSK”) warrants for the actual claim to the customers and it may reclaim a portion that was caused by suppliers.

Reclaim asset is recognized for reimbursement from individual suppliers according to the contractual terms. The suppliers warrant for the defects incurred within 5 years period, which is shorter compared to the warranty period granted to customers, unless the reclaim is not within the campaign. The reclaim asset is fully recognized when it is virtually certain that it will be collected.

k) 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.

l) Revenue for goods sold

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

A significant element of the Company’s revenue is with related parties (see Note 25).

Sale of cars

The Company recognizes the revenue from sale of cars, when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses the INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier.

The amount invoiced to the customers may include two separate performance obligations:

- the sale of car; and
- the extended warranty coverage for year 6 and 7.

Management concluded that the extended warranty coverage is a separate performance obligation because of its length. The judgment was also based on historical experience of HYUNDAI MOTOR GROUP with the sale of its cars in different markets.
The Company invoices a full amount on car delivery to the customer. This amount is split to the separate performance obligations based on proportion of the standalone selling prices that are determined using costs plus margin method. The revenue from extended warranty service is recognized as a contract

liability and the performance obligation will be fulfilled in year 6 and year 7 after the date the car is sold to the final customer, i.e. warranty period starts.

Sale of engines and spare parts
The Company recognizes the revenue from sales of engines and spare parts, when the control passes to its customers, which is determined using INCOTERMS. The Company usually uses INCOTERMS conditions, where the control passes at a point the goods are loaded to the first carrier.

Revenue from transportation of goods
The revenue from transportation services is part of the invoiced price for sale of the car to the customer and it is presented in the line "Revenue from sale of cars". The costs of transporting goods are recognized in cost of sales. The Company is fully exposed to the risks related with organization of transportation services on which basis management concluded the Company acts as a principal.

m) Government grants
Government grants are initially recognized in the balance sheet when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are initially recognized as deferred income and they are released to the income statement as deduction of related expenses on a systematic basis in the same periods in which the expenses are recognized (this includes also Covid 19 state assistance). 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, which is reflected in the income statement as a reduction of depreciation expense over the useful life of the assets to which they relate (refer to Note 4 b) v.).

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 from conversion of cash held in currencies other than EUR and translation of cash balance denominated in foreign currency to EUR.

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

Interest paid from the long term bank loan, short term bank loan and 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 e) and other interest paid and received are presented in cash flows from operating activities.

o) Other operating income and expense
Other operating expense and other operating income comprise foreign exchange gains and losses that arise during collection or translation of receivables and payment or translation of liabilities denominated in currencies other than EUR, gains and losses on sale of property, plant and equipment, and other items.

p) Income tax
Income tax expense comprises current and deferred tax.

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 calculated using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and tax losses carried forward. Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not considered. 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.

Long-term employee benefits comprise retirement bonus the employee is entitled to receive upon first retirement. The amount of this benefit depends on years of service and is accrued based on actuarial estimations. The minimum requirement of the Labour Code for a retirement bonus is one month average salary.

r) New standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

Standards and interpretations endorsed by the European Union

Amendment to IAS 16 Property, Plant and Equipment Property, Plant and Equipment - Proceeds before Intended Use

The amendments to IAS 16 Effective for annual periods beginning on or after 1 January 2022 Early application is permitted and requires that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

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

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts - Cost of Fulfilling a Contract

The amendment is effective for annual periods beginning on or after 1 January 2022, early application is permitted. In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

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

Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021
The amendment is Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021).
The amendment extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The original expedient was issued in May 2020 and has not been applied by the Company.

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

Annual Improvements to IFRS Standards 2018-2020
The amendments to the standards are effective for annual periods beginning on or after 1 January 2022 Early application is permitted.

Amendment to IFRS 9 Financial Instruments
The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases
The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

Amendment to IAS 41 Agriculture
The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

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

Standards and interpretations, not yet endorsed by the European Union

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current
The amendments is effective for annual periods beginning on or after 1 January 2023, early application is permitted and it clarifies that the classification of liabilities as current or non-current shall be based solely on the Entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments

The amendment is effective for annual periods beginning on or after 1 January 2023, early application is permitted. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

The Company plans to apply the amendments from 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendment is effective for annual periods beginning on or after 1 January 2023, early application is permitted.

The amendments introduced a definition of ‘accounting estimates’ and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Company plans to apply the amendments from 1 January 2023.

Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment is effective for annual periods beginning on or after 1 January 2023, early application is permitted.

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Company expects that the amendment, when initially applied, will not have a material impact on the presentation of the financial statements of the Company, as the Company has no decommissioning liability and the amount of lease liabilities is not material.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The European Commission decided to defer the endorsement indefinitely.

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint

venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

5. Revenue

Revenue is principally represented by sale of cars (all Ceed and Sportage models) and sale of engines to another production plants, related parties. The breakdown by key products and geographical area is as follows:

In thousands of euro	**31 December 2021**	**31 December 2020**
Revenue from sales of cars to EU countries excluding Slovakia	2,967,109	2,915,629
Revenue from sales of cars to non EU countries	1,943,237	1,255,086
Sale of engines, spare parts and others	551,484	331,649
Revenue from sale of cars to Slovakia	77,500	73,089
Total	**5,539,330**	**4,575,453**

The following table provides information about receivables and contract liabilities from revenues from contracts with customers:

In thousands of euro	**31 December 2021**	**31 December 2020**
Amount of receivables included in trade receivables	745,367	683,581
Contract liabilities - Note 14	(97,803)	(69,872)
Prepayments from customers - Note 22	**(5,845)**	**(17,254)**

6. Cost of sales

In thousands of euro	**31 December 2021**	**31 December 2020**
Material consumption	4,476,246	3,737,301
Logistics services	121,545	110,056
Depreciation and amortization (refer to Note 11,12, 13)	131,836	127,751
Personnel expenses	123,665	107,152
Covid 19 state assistance	(1,904)	(5,480)
Energy consumption	21,093	19,616
Running royalty charge	249,392	212,190
Impairment provision for material (refer to Note 17)	10,875	9,608
Amortization of government grants (refer to Note 11)	(5,293)	(6,290)
Other cost of sales	74,705	62,667
Total	**5,202,160**	**4,374,571**

The Company had on average 3,460 employees, out of that 2 were managers (in 2020: 3,520, out of that 2 managers). As at 31 December 2021 the Company had 3,466 employees, out of that 2 managers (as at 31 December 2020: 3,469, out of that 2 managers).

7. Administrative and selling expenses

In thousands of euro	31 December 2021	31 December 2020
Warranty charges net of warranty reclaim asset (refer to Note 15)	66,329	44,198
Warranty provision release (refer to note 15)	-	(54,611)
Personnel expenses	5,210	5,000
Marketing services	508	
Depreciation and amortization (refer to Note 11,12 13)	565	527
Other expenses	4,781	2,240
Total expense / (income)	**77,393**	**(2,646)**

8. Net finance income / (costs)

In thousands of euro	31 December 2021	31 December 2020
Interest expense, long term bank loans	-	(48)
Interest expense, short term bank loans	(579)	(1,144)
Interest on royalty charge	-	(2,083)
Interest expense, overdraft	(248)	(578)
Interest expense, financing of receivables	-	(193)
Interest expense, right of use of asset	(29)	(31)
	(856)	**(4,077)**
Interest income, bank balance	592	2,393
Interest income on trade receivables from related parties	992	1,329
Interest income intercompany loan	13	138
	1,597	**3,860**
Net interest income / (expense)	**741**	**(217)**
Foreign exchange losses	(3,386)	(24,240)
Foreign exchange gains	8,384	3,356
Net foreign exchange gains / (losses)	**4,998**	**(20,884)**
Net finance income / (costs)	**5,739**	**(21,101)**

Interests on trade receivables and related borrowings

The Company charges certain customers, related parties, a variable 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 income / (expense), net

In thousands of euro	**31 December 2021**	**31 December 2020**
Foreign exchange gains operating	24,335	11,365
Gain from sale of property	585	-
Other operating income	3,920	2,573
Other operating income	**28,840**	**13,938**
Foreign exchange losses operating	(10,790)	(59,046)
Scrap of property on retirement	(319)	(868)
Loss from sale of property	-	(750)
Other operating expenses	(2,154)	(1,349)
Other operating expense	**(13,263)**	**(62,013)**
Total other operating (expense) / income	**15,577**	**(48,075)**

10. Income tax

In thousands of euro	**31 December 2021**	**31 December 2020**
Current tax expense		
Period income tax charge	(61,213)	(12,114)
Adjustment to prior year income tax	135	(239)
Deferred tax expense		
Origination and reversal of temporary differences	1,665	(16,105)
Total income tax expense	**(59,413)**	**(28,458)**

Reconciliation of effective tax rate

In thousands of euro	**31 December 2021**	**%**	**31 December 2020**	**%**
Profit before tax	281,093		134,352	
Income tax using the domestic corporation tax rate	(59,030)	(21.00%)	(28,214)	(21.00%)
Tax non-deductible expenses and other items	(623)	(0.22%)	(264)	(0.20%)
(Over) / underprovided prior year	240	0.09%	(239)	(0.18%)
Effect of deferred tax change from prior year corporate tax			259	0.19%
Income tax charge for the year	**(59,413)**	**-21.14%**	**(28,458)**	**(21.18%)**

11. Property, plant and equipment

In thousands of euro	Lands and Buildings	Machinery and equipment	Other	Assets under construction	Total
Cost					
Balance at 1 January 2020	296,522	1,437,011	8,965	59,405	1,801,903
Acquisitions	-	-	-	79,623	79,623
Transfer	3,377	122,868	499	(126,744)	-
Disposals	-	(27,260)	(515)	-	(27,775)
Balance at 31 December 2020	**299,899**	**1,532,619**	**8,949**	**12,284**	**1,853,751**
Balance at 1 January 2021	299,899	1,532,619	8,949	12,284	1,853,751
Acquisitions	-	-	-	160,556	160,556
Transfer	3,120	153,632	321	(157,073)	-
Disposals	(54)	(28,166)	(189)	-	(28,409)
Balance at 31 December 2021	**302,965**	**1,658,085**	**9,081**	**15,767**	**1,985,898**
Depreciation and impairment losses					
Balance at 1 January 2020	111,198	959,679	7,723	-	1,078,600
Depreciation charge for the period	9,945	115,972	584	-	126,501
Disposals	-	(23,348)	(514)	-	(23,862)
Balance at 31 December 2020	**121,143**	**1,052,303**	**7,793**	**-**	**1,181,239**
Balance at 1 January 2021	121,143	1,052,303	7,793	-	1,181,239
Depreciation charge for the period	10,097	119,972	583	-	130,652
Disposals	(22)	(27,088)	(189)	-	(27,299)
Balance at 31 December 2021	**131,218**	**1,145,187**	**8,187**	**-**	**1,284,592**
Government grants acquisition costs					
Balance 1 January 2020	38,282	118,227	-	-	156,509
At 31 December 2020	38,282	118,227	-	-	156,509
At 31 December 2021	**38,282**	**118,227**	**-**	**-**	**156,509**
Government grants amortization					
Balance 1 January 2020	**15,991**	**109,270**	**-**	**-**	**125,261**
Amortization	1,317	4,973	-	-	6,290
At 31 December 2020	**17,308**	**114,243**	**-**	**-**	**131,551**
Amortization	1,317	3,976	-	-	5,293
At 31 December 2021	**18,625**	**118,219**	**-**	**-**	**136,844**
Carrying amounts					
At 1 January 2020	163,033	468,375	1,242	59,405	692,055
At 31 December 2020	157,782	476,332	1,156	12,284	647,554
At 31 December 2021	**152,090**	**512,890**	**894**	**15,767**	**681,641**

Insurance

Property, plant and equipment are insured against damage up to TEUR 1,287,025 (2020: TEUR 1,250,633).

12. Intangible assets

In thousands of euro	Information technologies and software	Emission rights	Assets under development	Total
Cost				
Balance at 1 January 2020	27,795	631	343	28,769
Acquisition	1,047	578	219	1,844
Transfers	343	-	(343)	-
Disposals	(40)	(611)	-	(651)
Balance at 31 December 2020	**29,145**	**598**	**219**	**29,962**
Balance at 1 January 2021	29,145	598	219	29,962
Acquisition	605	1,368	495	2,468
Transfers	193	-	(193)	-
Disposals	(6)	(609)	-	(615)
Balance at 31 December 2021	**29,937**	**1,357**	**521**	**31,815**
Amortization and impairment losses				
Balance at 1 January 2020	24,057	-	-	24,057
Amortization for the year	1,526	-	-	1,526
Disposals	(40)	-	-	(40)
Balance at 31 December 2020	**25,543**	**-**	**-**	**25,543**
Balance at 1 January 2021	25,543	-	-	25,543
Amortization for the year	1,498	-	-	1,498
Disposals	(3)	-	-	(3)
Balance at 31 December 2021	**27,038**	**-**	**-**	**27,038**
Government grants acquisition costs				
Balance at 1 January 2020	-	439	-	439
Acquisitions	-	578	-	578
Disposals	-	439	-	439
Balance at 31 December 2020	-	578	-	578
Acquisitions	-	472	-	472
Disposals	-	578	-	578
Balance at 31 December 2021	**-**	**472**	**-**	**472**
Carrying amounts				
At 1 January 2020	3,738	192	343	4,273
At 31 December 2020	**3,602**	**20**	**219**	**3,841**
At 31 December 2021	**2,899**	**885**	**521**	**4,305**

13. Right of use of asset

In thousands of euro	
Cost	
Balance at 1 January 2020	4,382
Acquisition	-
Balance at 31 December 2020	**4,382**
Balance at 1 January 2021	4,382
Acquisition	-
Balance at 31 December 2021	**4,382**
Amortization and impairment losses	
Balance at 1 January 2020	251
Amortisation for the year	251
Balance at 31 December 2020	**502**
Balance at 1 January 2021	502
Amortization for the year	251
Balance at 31 December 2021	**753**
Carrying amounts	
At 1 January 2020	4,131
At 1 January 2021	3,880
At 31 December 2021	**3,629**

As at 1 January 2020, the Company recognized a right of use of asset from operating lease of 2 assets that are rented from related party. The initial accounting entry was recorded as right of use of asset and lease liability in the amount of TEUR 4,382.

14. Contract liability

In thousands of euro	31 December 2021	31 December 2020
Non-current	97,803	69,872
Current	5,845	17,254
	103,648	**87,126**

Timing of revenues recognition is set out in the following table:

In thousands of euro	31 December 2021	31 December 2020
31 December 2022 / 31 December 2021	5,845	17,254
31 December 2023 / 31 December 2022	5,018	-
31 December 2024 / 31 December 2023	17,444	5,018
31 December 2025 / 31 December 2024	23,569	17,444
31 December 2026 / 31 December 2025	23,353	23,569
31 December 2027 / 31 December 2026	19,884	17,791
31 December 2028 / 31 December 2027	8,535	6,050
	103,648	**87,126**

15. Provisions and reclaim assets

In thousands of euro	**Warranty**	**Other**	**Total**
Balance at 31 December 2020	**261,121**	**21,014**	**282,135**
Provisions charges (refer to Note 7)	93,237	20,237	113,474
Use	(93,577)	(17,267)	(110,844)
Balance at 31 December 2021	**260,781**	**23,984**	**284,765**

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

In thousands of euro	**31 December 2021**	**31 December 2020**
Non-current	164,333	184,074
Current	120,432	98,061
Balance at the reporting date	**284,765**	**282,135**

Warranty provision

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. The warranty period granted is up to 7 years, which is the period over which the provision is expected to be used. Suppliers warrant their products up to 5 years period. The creation of warranty provision and reclaim charges are recorded to Selling, general and administrative expenses, refer to Note 7, on a net basis. For sensitivity analysis, refer to Note 29.

Other provisions

Other provisions were recorded for estimated cash outflows resulted from past events and it is expected they will be used in 2022, except for provision for long-term employee benefits.

Reclaim asset

in thousands of euro	**Reclaim**
Balance at 31 December 2020	**39,709**
Reclaim asset creation (refer to Note 7)	26,908
Use	(31,141)
Balance at 31 December 2021	**35,476**

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

in thousands of euro	**31 December 2021**	**31 December 2020**
Non-current	15,510	19,415
Current (Note 18)	19,966	20,294
Balance at the reporting date	**35,476**	**39,709**

Kia Slovakia warrants for the actual claim amount to the customers and it reclaims a portion that was caused by suppliers. The reclaim asset is recognized when it is virtually certain that it will be collected. As at 31 December 2021 the amount of estimated reclaims, that has been assessed as being virtually certain, represents TEUR 35,476 (as at 31 December 2020: TEUR 39,709).

16. Deferred tax assets

In thousands of euro	31 December 2021	31 December 2020
Property, plant and equipment	(49,595)	(48,947)
Warranty provision net of reclaim asset	54,764	54,835
Other items	21,021	18,638
Deferred tax asset	**26,190**	**24,526**

Property, plant and equipment includes unrecorded deferred tax asset of TEUR 8,172.

17. Inventories

In thousands of euro	31 December 2021	31 December 2020
Raw materials and consumables	413,511	302,494
Less value adjustment to raw material	(17,293)	(6,418)
Work in progress and semi-finished goods	43,295	53,970
Less value adjustment to semi-finished goods	(31)	(2,511)
Finished goods	27,136	29,066
Less value adjustment to finished goods	(81)	(679)
	466,537	**375,922**

The value adjustment to raw material was recorded to slow moving inventories and the expenses have been recorded in the Cost of sales (refer to Note 6).
Overview of movement in provision is set out in the table below

In thousands of euro	Raw material	Work in progress	Finished products	Total
Balance at 31 December 2020	**6,418**	**2,511**	**679**	**9,608**
Provision creation	10,875	-	-	10,875
Use	-	(2,480)	(598)	(3,078)
Balance at 31 December 2021	**17,293**	**31**	**81**	**17,405**

Insurance
Inventory is insured against damage up to TEUR 170,513 (31 December 2020: TEUR 192,569).

18. Trade and other accounts receivable

In thousands of euro	31 December 2021	31 December 2020
Trade accounts receivable	745,367	683,581
Value adjustment to receivables	(85)	(42)
Other receivables	26,138	11,182
Financial	**771,420**	**694,721**
Value added tax receivable	199,531	167,510
Reclaim asset short-term (refer to Note 15)	19,966	20,294
Advance payment made	2	37
Non-financial	**219,499**	**187,841**
	990,919	**882,562**

Expected credit loss for customers

The Company uses allowances matrix to measure the ECLs of third party trade receivables from its customers, which comprise a large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics - ageing of receivables and type of sale, i.e. sale of cars, sale of parts and other receivables.

Management assess a credit risk grade for each customer and for every sales transaction. The financial receivables from sale of cars due from third party customers are in 99% secured via letter of credit with the Company's authorized bank, whereby the risk is reduced to an acceptable low level. As the vast majority of third party receivables are from sale of cars, the Company does not provide a split of receivable to different risk grades, but it provides the split of receivables by type of transaction.

No impairment allowance is calculated to the receivables of customers from HYUNDAI MOTOR GROUP. The historical loss from receivables was zero as at 31 December 2021, therefore the "roll rate" model used for determination of impairment loss for other receivables returned zero value.

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2021:

In thousands of euro **31 December 2021**	**Gross carrying amount**	**Impairment loss allowance**	**Weighted average loss rate**
Receivables HYUNDAI MOTOR GROUP	706,052	-	0.00%
Receivables sale of cars	61,285	-	0.00%
Receivables sale of parts	1,247	(85)	6.82%
Other receivables	2,921	-	0.00%
	771,505	**(85)**	

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2020:

In thousands of euro **31 December 2020**	**Gross carrying amount**	**Impairment loss allowance**	**Weighted average loss rate**
Receivables HYUNDAI MOTOR GROUP	591,638	-	0.00%
Receivables sale of cars	96,632	-	0.00%
Receivables sale of parts	2,124	(42)	(1.98%)
Other receivables	4,369	-	0.00%
	694,763	**(42)**	

The following table provides the information about the exposure to credit risk and ECLs for third party trade receivables, i.e. excluding receivables from HYUNDAI MOTOR GROUP:

In thousands of euro **31 December 2021**	**Gross carrying amount**	**Impairment loss allowance**	**Weighted average loss rate**	**Credit impaired**
Current (not past due)	64,860	-	0.00%	No
1-30 days past due	504	-	0.00%	No
31-90 days past due	1	-	0.00%	No
More than 90 days past due	88	(85)	(96.59%)	Yes
	65,453	**(85)**		

In thousands of euro **31 December 2020**	**Gross carrying amount**	**Impairment loss allowance**	**Weighted average loss rate**	**Credit impaired**
Current (not past due)	102,231	-	0.00%	No
1-30 days past due	806	-	0.00%	No
31-90 days past due	3	-	0.00%	No
More than 90 days past due	85	(42)	(49.41%)	Yes
	103,125	**(42)**		

The breakdown by currency is as follows:

In thousands of euro	**31 December 2021**	**%**	**31 December 2020**	**%**
EUR	373,591	48,5%	280,171	40.2%
GBP	103,329	13.4%	160,707	23.1%
RUB	139,814	18.1%	121,576	17.5%
CZK	21,210	2.7%	11,159	1.6%
SEK	15,586	2.0%	47,679	6.9%
USD	57,405	7.4%	29,647	4.3%
PLN	50,576	6.6%	31,610	4.6%
HUF	9,909	1.3%	12,172	1.8%
	771,420	**100.0%**	**694,721**	**100.0%**

71% or TEUR 706,052 (as at 31 December 2020: 67% or TEUR 591,638) 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 the Company offset gross trade and other accounts receivable of TEUR 60,212 (as at 31 December 2020: TEUR 56,065) with the gross trade and other accounts payable of selected business partners of TEUR 32,085 (31 December 2020: TEUR 18,656) with certain partners and presented them as net receivable of TEUR 28,127 (31 December 2020: TEUR 37,409).

19. Cash and cash equivalents

In thousands of euro	**31 December 2021**	**31 December 2020**
Bank balances	10,150	124,204
Vouchers	334	
Cash and cash equivalents	**10,484**	**124,204**
Bank overdrafts (note 22)	-	(105,272)
Cash and cash equivalents as presented in the Statement of Cash Flows	**10,484**	**18,932**

Cash and cash equivalents in the amount of TEUR 2,123 are denominated in foreign currencies (31 December 2020: TEUR 124,201).

20. Intercompany loan receivable

The intercompany loan receivable represents the positive balance on the cash pool account of the Hyundai Motor Group, where the Company transferred part of its available cash resources.

21. Capital and reserves

Share capital
The Company's total authorized and issued share capital amounted to TEUR 433,323 as of 31 December 2021 (31 December 2020: 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.

22. Interest-bearing loans and borrowings

In thousands of euro	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Lease liability under Right of use	3,430	3,670
Long term	**3,430**	**3,670**
Current liabilities		
Bank overdrafts	-	105,272
Short term bank loans	-	189,000
Lease liability under Right of use	240	239
Accrued interest and other	-	228
Short term	**240**	**294,739**

All the loans presented above bear the variable interest rate.

Lease liability under right of use of asset
An overview of the lease liability under right of use of asset is set out in the table below:

In thousands of euro	**31 December 2021**	**31 December 2020**
Lease liability up to 1 years	268	268
Lease liability between 2 to 5 years	1,072	1,072
Lease liability above 5 years	2,586	2,854
Less interest	(256)	(285)
Lease liability presented in the statement of financial position	**3,670**	**3,909**

23. Trade and other accounts payable

In thousands of euro	**31 December 2021**	**31 December 2020**
Trade payables including accruals	639,599	454,660
Employee related liabilities	8,867	7,441
Other payables	6,163	1,618
Payroll withholding taxes	6,773	756
	661,402	**464,475**

The breakdown by currencies is as follows:

In thousands of euro	**31 December 2021**	**%**	**31 December 2020**	**%**
EUR	658,245	99.6%	462,467	99.6%
USD	2,851	0.4%	1,392	0.3%
RUB	306	0.0%	616	0.1%
	661,402	**100.0%**	**464,475**	**100.0%**

74% or TEUR 487,613 (as at 31 December 2020: 71% or TEUR 340,106) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2021 the Company offset gross trade accounts payable of TEUR 279,838 (as at 31 December 2020: TEUR 192,161) with the gross trade accounts receivable of TEUR 32,085 (as at 31 December 2020: TEUR 18,656) with certain partners and presented them as net payable of TEUR 247,753 (as at 31 December 2020: TEUR 173,505).

24. Capital commitments and contingencies

Capital commitments

At 31 December 2021 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 2,579 (31 December 2020: TEUR 8,715).

Contingences

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 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. 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 and selling expense in the income statement and in total amount to TEUR 771 (2020: TEUR 792).

Other related party transactions

Other related parties are part of the HYUNDAI MOTOR GROUP and also the parent Company Kia Corporation, the managing Company.

Transactions with the parent company *In thousands of euro*	**31 December 2021**	**31 December 2020**
Revenue	630	362
Warranty claim chargebacks	20,483	5,650
Purchases of material	(122,619)	(116,138)
Acquisition of property, plant and equipment	(12,602)	(3,120)
Purchase of services	(228)	(348)
Interest of royalties	-	(2,083)
Royalties charge	(249,392)	(212,190)

Transactions with other companies in HYUNDAI MOTOR GROUP	**31 December 2021**	**31 December 2020**
In thousands of euro		
Revenues	4,965,506	3,941,491
Warranty provision chargebacks	6,901	9,943
Sale of property	97	67
Purchase of material	(2,855,042)	(2,241,170)
Acquisition of property, plant and equipment	(48,030)	(7,815)
Purchase of services	(161,269)	(143,317)
Warranty claims	(72,020)	(56,058)
Interest income from intercompany loan	16	86
Interest income on trade receivables from related parties	900	1,295

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 thousands of euro*	**31 December 2021**	**31 December 2020**
Trade accounts receivable	17,033	1,322
Trade accounts payable	(66,942)	(86,521)

Assets and liabilities arising from transactions with other group companies	**31 December 2021**	**31 December 2020**
In thousands of euro		
Trade accounts receivable	689,019	590,316
Intercompany loan receivable	506,565	440,408
Trade accounts payable	(420,671)	(253,585)
Lease liability right of use of asset	(3,670)	(3,909)

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.

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.

90% (2020: 86%) of the Company's revenue is attributable to sales transactions with customers in the HYUNDAI MOTOR GROUP which are related parties. To date the Company has recovered all due amounts from HYUNDAI MOTOR GROUP customers. 95% (in 2020: 87%) of the outstanding trade receivables balance is due from customers in HYUNDAI MOTOR GROUP who cooperates with the entity since its incorporation.

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. The quantitative information over credit risk is disclosed under Note 18.

Ageing of financial receivables

In thousands of euro	**31 December 2021**	**31 December 2020**
Not due	770,653	684,832
Past due 0-3 months	764	9,845
Past due 4-6 months	3	1
More than 12 months	-	43
Total receivables	**771,420**	**694,721**

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 comprises 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 2021 the current ratio exceeded management target and reached 2.44 (as at 31 December 2020: 2.11).

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

In thousands of euro	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Lease liability	22	(3,670)	(120)	(120)	(486)	(493)	(2,451)
Lease liability interests	22	(256)	(14)	(14)	(50)	(43)	(135)
Trade and other accounts payable	23	(661,402)	(661,402)	-	-	-	-
Subtotal financial liabilities		**(665,328)**	**(661,536)**	**(134)**	**(536)**	**(536)**	**(2,586)**
Trade and other receivables	18	771,420	771,420	-	-	-	-
Intercompany loan receivable	20	506,565	506,565	-	-	-	-
Cash and cash equivalents	19	10,484	10,484	-	-	-	-
Warranty provision	15	(260,781)	(50,453)	(50,450)	(121,961)	(37,917)	-
Reclaim asset	15	35,476	9,983	9,983	11,832	3,678	-
Other provisions	15	(23,984)	(19,529)	-	-	-	(4,455)
Income tax receivable / (payable)		(22,538)	-	(22,538)	-	-	-
Value added tax receivable	18	199,531	199,531	-	-	-	-
Subtotal financial assets and provisions		**1,216,173**	**1,428,001**	**(63,005)**	**(110,129)**	**(34,239)**	**(4,455)**
		550,845	**766,465**	**(63,139)**	**(110,665)**	**(34,775)**	**(7,041)**

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

In thousands of euro	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Interest bearing loans and borrowings, excl. unamortized costs	22	(294,272)	(294,272)	-	-	-	-
Interests		(878)	(878)	-	-	-	-
Transaction costs	22	-	-	-	-	-	-
Lease liability	22	(3,909)	(119)	(120)	(482)	(489)	(2,699)
Lease liability interests	22	(285)	(15)	(14)	(53)	(47)	(156)
Trade and other accounts payable	23	(464,475)	(464,475)	-	-	-	-
Subtotal financial liabilities		**(763,819)**	**(759,759)**	**(134)**	**(535)**	**(536)**	**(2,855)**
Trade and other receivables	18	694,721	694,721	-	-	-	-
Intercompany loan receivable	20	440,408	440,408	-	-	-	-
Cash and cash equivalents	19	124,204	124,204	-	-	-	-
Warranty provision	15	(261,121)	(40,398)	(40,397)	(124,251)	(56,075)	-
Reclaim asset	15	39,709	10,147	10,147	13,378	6,037	-
Other provisions	15	(21,014)	(17,266)	-	-	-	(3,748)

Income tax receivable / (payable)		17,799	-	17,799	-	-	-
Value added tax receivable	18	167,510	167,510	-	-	-	-
Subtotal other assets and liabilities		**1,202,216**	**1,379,326**	**(12,451)**	**(110,873)**	**(50,038)**	**(3,748)**
		438,397	**619,567**	**(12,585)**	**(111,408)**	**(50,574)**	**(6,603)**

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, PLN, SEK, RUB, CZK and HUF. The total exposures which arise from the currency risk are monitored on revenue side, as 62% (2020: 65%) of revenues and 99% (2020: 99%) of purchases are denominated in EUR and management is not hedging the exposures on FX fluctuations. In addition, management has exposure on its foreign currency bank accounts.

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

A strengthening and weakening of each of the GBP, SEK, USD, CZK, HUF and PLN by 5% and RUB by 10% against EUR at 31 December 2021 (all other variables held constant) would have increased / (decreased) equity and net profit by the amounts shown below.

In thousands of euro	**Impact on profit and equity - strengthening of foreign currency**		**Impact on profit and equity - weakening of foreign currency**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
RUB +/- 10%	15,502	24,401	(12,684)	(19,965)
GBP +/- 5%	5,438	8,458	(4,920)	(7,653)
CZK +/- 5%	1,116	587	(1,010)	(531)
USD +/- 5%	2,973	2,832	(2,690)	(2,562)
SEK +/- 5%	820	2,509	(742)	(2,270)
PLN +/- 5%	2,672	1,664	(2,417)	(1,505)
HUF +/- 5%	522	641	(472)	(580)

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.

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

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

In thousands of euro	**31 December 2021**	**31 December 2020**
Total liabilities	1,076,023	1,132,145
Less available cash	(10,484)	(124,204)
Total liabilities less cash	1,065,539	1,007,941
Total equity	1,630,168	1,408,488
Adjusted debt/equity ratio	**0.65**	**0.7**

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

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

Implications from Covid 19

The World Health Organization declared on 11 March 2020 the coronavirus SARS-CoV-2 outbreak a pandemic. Subsequently Slovakia's government declared on 12 March 2020 a state of emergency and took preventive actions with aim to mitigate possible impacts of this pandemic.

In order to ensure its operations, the Company immediately adopted a series of measures with the main purpose of protection the health of its employees while securing the continuance of production.

The current situation does have an impact and effects on the Company's operations, as the pandemic is still ongoing and duration and impact on health of population and development of Slovak and world's economy is not fully specified. Management has not identified a material impact from pandemic that would affect the financial statements.

In terms of operations due to required lockdown at different suppliers during the year 2021, the Company locked down its production factory for couple of days in 2021. The Company is monitoring the situation at the suppliers, as well as, the demand from customers. The lockdowns at Kia production were only temporary, and management used them for the purpose of plan the procurement and future production to prevent such lockdown in the future.

The Company is continuously monitoring the situation and the potential impact in relation to the risks to which it is exposed. Risks related to business operations and financial results:

- preventive measures and larger regional supplier network, in light of just in time deliveries from the suppliers;
- health and availability of the employees;
- demand from the customers.

28. Fair values

Fair values versus carrying amounts

The fair value of trade and other receivables, cash and cash equivalents, trade and other payables, finance lease payables is approximated by their carrying amounts as at 31 December 2021 as well as at 31 December 2020.

Basis for determining fair values

The fair value of trade and other receivables, cash and cash equivalents, trade and other payables, finance lease payables, loans and interests 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 2021 amounted to TEUR 260,781 (31 December 2020: TEUR 261,121) as disclosed in note 15. The Company provides a warranty coverage period up to five years on all of its cee'd, Ceed, Sportage and Venga models. In addition, for Kia vehicles sold in the European Union and other selected countries a further two years warranty coverage period is provided on engines and transmissions. These conditions may vary depending on respective model and market, however, all warranty coverage periods are subject to a maximum mileage of 150,000 kilometres.

The provision represents the estimated warranty costs, which are calculated based on historical experience with consideration given to the expected level of future warranty repairs, the expected number of units to be affected and the estimated average repair costs per unit and each country. The products contain parts manufactured by third party suppliers, who typically warrant for the parts that they produce and that are assembled in the car.

Management believes that the calculation of warranty provision is a critical accounting estimate because changes in the calculation can materially affect net income and require the Company 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 models mass production terminates usually earlier (usually 5 years) than the first car of that model completes its warranty period, i.e. 7 years. The policy is to continuously monitor the adequacy of the warranty provision. 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 provision estimate was based on the assumptions how the future warranty claims will develop in each individual models. The assumptions were based on historical trends of similar models and were embedded to the model to calculate the expected level of warranty costs in remaining warranty period. The calculation of warranty provision is sensitive to the changes in these assumptions and affect the estimated value of future warranty claims. An increase or decrease of the assumptions by 5% would increase or decrease the warranty provision by 14% and 11% (in 2020: 14% and 12 %), respectively. The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

Tae Jin Kim CFO

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Translation of the Independent Auditors' Report originally prepared in Slovak language

Appendix to the Independent Auditors' Report issued on 28 January 2022 (this Appendix is issued in respect of the Annual Report)

pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit")

To the Owner, Supervisory Board and Management of Kia Slovakia s. r. o.

We have audited the financial statements of Kia Slovakia s. r. o. (the "Company") as of 31 December 2021 presented in section 7 of the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the financial statements on 28 January 2022. This Appendix supplements the aforementioned auditor's report solely in respect of the following information:

Report on Other Legal and Regulatory Requirements

Reporting on other information in the Annual Report

The statutory body is responsible for the other information. The other information comprises the information included in the Annual Report prepared in accordance with the Act on Accounting but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the other information in the Annual Report that we have obtained prior to the date of the auditors' report on the audit of the financial statements, and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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The Annual Report of the Company was not available to us as of the date of the auditors' report on the audit of the financial statements.

With respect to the Annual Report, once obtained, we are required by the Act on Accounting to express an opinion on whether the other information given in the Annual Report is consistent with the financial statements prepared for the same financial year, and whether it contains information required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion, in all material respects:

- the other information given in the Annual Report for the year ended 31 December 2021 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information required by the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of the audit of the financial statements, we are required by the Act on Accounting to report if we have identified material misstatements in the other information in the Annual Report. We have nothing to report in this respect.

Audit firm:
KPMG Slovensko spol. s r.o.
License SKAU č. 96

Bratislava, 28 March 2022

Slovenská komora audítorov
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Responsible auditor:
Peter Nemečkay
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