

# ANNUAL REPORT 2023



Movement that inspires









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# 1. Address by the President



The year 2023 began with persistent challenges in supply chains, weaker availability of inputs and issues related to the global automotive industry. Despite all the circumstances, our company was able to respond flexibly and effectively. This is evidenced by exceeding our production schedule and achieving the highest vehicle production in the 18-year history of our plant, which is a testament to our ability to keep pace with technological innovation and the growing demand for our vehicles in Europe.

In 2023, we launched a special edition of Sportage model to celebrate the model's 30<sup>th</sup> anniversary. However, I find the full utilization of the plant's production capacity as the biggest achievement of the company. This exceptional result was achieved mainly thanks to the constant search for new solutions, the efficient use of the latest technologies, effective cooperation and communication and, last but not least, the attitude and willingness of our employees to work even overtime shifts.

During 2023, we also achieved an important success in engine production, with the 7 millionth power unit already produced in our two engine production halls by the end of the year. Last but not least, thanks also go to our business partners who have been integral to our success. It is also thanks to them that we have demonstrated resilience and adaptability in an uncertain global environment in 2023. We look to the future with pride and optimism, ready to face new challenges and continue our mission to deliver innovative and sustainable automotive solutions.

**Geon Won Shin**  
Managing Director and CEO  
Kia Slovakia



## 2. History of Kia Slovakia

2004	March	Investment Agreement between Kia Motors Corporation and the Slovak Republic
	October	Plant construction launched
2006	December	cee'd model
2007	June	Sportage model
	November	ISO 14001 certificate
2008	November	ISO 9001 certificate
2010	June	3 <sup>rd</sup> generation Sportage
2011	September	Engine shop II
	October	Venga
2012	April	cee'd 2 <sup>nd</sup> generation
	December	OHSAS 18001 certificate
2013	May	cee'd GT and pro_ cee'd GT
2014	October	National Productivity Award 2013
	November	Quality certificate Slovak Gold Exclusive

2015	November	4 <sup>th</sup> generation Sportage
2016	November	Slovak National Quality Award 2016
2017	April	Via Bona Slovakia Award (Responsible Large Company category)
2018	May	Ceed 3 <sup>rd</sup> 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	Reveal of Kia's new brand direction (logo, slogan, strategy)
	November	5 <sup>th</sup> generation Kia Sportage
2022	February	Kia Sportage PHEV
	August	Product-enhanced XCeed
2023	September	Sportage 30 <sup>th</sup> Anniversary Edition
	December	Historically highest production of 350,224 vehicles



# 3. Kia Slovakia



## Company profile

On March 18, 2004, Kia Corporation officially confirmed the construction of Kia's first European automotive plant in Slovakia. Kia Corporation is the sole owner of Kia Slovakia s. r. o. (hereinafter referred to as "Kia Slovakia"). Since December 2006, the company's core business has been the production of motor vehicles and engines. The share capital of the company amounts to 433,322,934.01 EUR. In 2023, the managing directors of Kia Slovakia were Tae Jin Kim, Seok Bong Kim, Geon Won Shin and Uk Jeon.

In 2023, the production plant manufactured the Kia Ceed model, a lower mid-class vehicle, in four body versions along with the Kia Sportage SUV model. The Ceed Sportswagon and XCeed are also produced in an electrified plug-in hybrid version. The Sportage SUV is available in a hybrid and plug-in hybrid version.

## Company Management

**Seok Bong Kim**  
(until January 9, 2023)  
Managing Director and CEO



**Geon Won Shin**  
(since January 9, 2023)  
Managing Director and CEO



**Tae Jin Kim**  
(until January 9, 2023)  
Managing Director and CFO



**Uk Jeon**  
(since January 9, 2023)  
Managing Director and CFO



The executives are entitled to act solely on behalf of the Company during the performance of their duties.



## Kia Corporation

Kia Corporation is a global mobility brand with a vision to create sustainable mobility solutions for consumers, communities and businesses around the world. Founded in 1944, Kia has been providing mobility solutions for more than 79 years. With more than 52,000 employees worldwide, a presence in more than 190 markets, and manufacturing plants in six countries, the company sells more than three million vehicles annually. The best-selling global model in 2023 was the SUV model Sportage. Kia is the forefront of popularizing electrified and battery electric vehicles, developing a growing range of mobility services and supporting millions of people worldwide in their search for the best ways of transportation. The brand's slogan, "Movement that inspires," reflects Kia's commitment to inspire consumers through its products and services.



## Kia Europe

Kia Europe is the European sales and production division of Kia Corporation managing the sales network of the Kia brand and overseeing production at the plant in Slovakia. In total, more than 5,500 employees of 37 nationalities are employed in the 39 markets of the Kia sales network in Europe and the Caucasus. In 2023, Kia achieved its best sales results in Europe with 572,297 vehicles sold. This represents an increase of 5.4% in sales compared to the previous year, with Kia's European market share reaching 4.5%.





## Kia Slovakia in 2023

Export:

**87**  
countries

Vehicle production:

**350,224**  
cars

Vehicle sales:

**350,286**  
cars

Engine production:

**507,135**  
units

Engine sales:

**234,782**  
units

Revenue:

**8,013,815**  
thousand EUR

Sportage

**60%**



Ceed

**40%**



## Targets and forecast for 2024

Kia has set ambitious targets to increase global vehicle sales in 2024 and to gradually increase the share of electrified vehicles, making this technology available to as wide range of customers as possible. The key to achieving these goals in Europe will be also Kia Slovakia, through continuous production modernization and efficient supply chain management.

In 2024, Kia Slovakia will begin preparations to increase production capacity and modification of production processes for pure electric vehicles between 2024 and 2028. To reflect the latest technology and design trends, Kia Slovakia will start producing new model years of currently manufactured products and will prepare for production of new, product-enhanced models. Kia Slovakia plans to produce 343,400 passenger cars in 2024, which represents almost full utilization of the plant's production capacity.

The focus will remain on the Sportage and Ceed models in multiple body styles (Ceed, Sportswagon, XCeed, ProCeed). The availability and cost of energy, the logistics situation, geopolitical tensions, foreign exchange risks, labor availability and cost, inflation, and basic raw material prices remain critical factors that may affect plans in 2024.

Vehicle export (by sales quantity):



United Kingdom  
**16.4%**



Germany  
**10.7%**



Spain  
**9.5%**



Poland  
**7.8%**



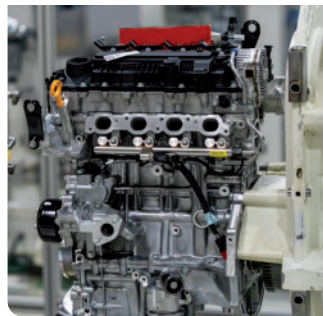
Italy  
**7.3%**



## Product line

### Kia Sportage

In 2023, the Kia Sportage model achieved a significant milestone by becoming the best-selling model of the Kia brand in Europe, with a total of 165,354 registrations. The fifth generation, currently in production, was put into mass production at the end of 2021. The model is also produced in electrified versions, i.e., a mild-hybrid (MHEV) and hybrid (HEV) powertrain variant. Plug-in hybrid (PHEV) variants were put into production in early 2022.



### Engines

Kia Slovakia produced a total of 507,135 engines in 2023. During the past year, gasoline engines accounted for 87% of the total volume of produced power units. In 2023, the plant produced 1.5-litre and 1.6-litre gasoline engines as well as 1.6-litre diesel engines.

### Kia Ceed, Ceed Sportswagon, ProCeed and XCeed

The Ceed model line has been exclusively produced only at the production plant in Teplice nad Váhom since 2006. Models from the Ceed product family became the second best-selling Kia model in Europe in 2023, with 87,246 units. Mass production of the current third generation of the Ceed model started in May 2018, with the XCeed body version also being produced as a plug-in hybrid from the beginning of 2020. In August 2022, production of the product enhanced body version of the XCeed was launched.





## Production process



### Press shop

1 blanking line  
2 press lines  
86 types of panels  
Panel production: 20 seconds  
Capacity: 5,280,000 panels per year



### Body shop

Welding automation: 100%  
392 robots  
Capacity: up to 8 different types of bodies



### Paint shop

360° Ro-Dip conveyor system  
Conveyor system length: 7.8 km  
120 active robots  
14 color shades





### Assembly shop

The area of 13 football fields  
277 workstations  
1.6 km long test track



### Engine shops

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





# 4. Sustainable Development



## Protecting the environment

Kia Slovakia's environmental policy aligns with the principles of brands corporate policy, emphasizing the importance of people and the environment. The core vision involves minimizing pollutant emissions, conserving energy, and actively adopting environmentally friendly technologies across all production sectors. The main environmental risks associated with the company's operations, which could lead to adverse outcomes, include improper waste management (i.e., sorting or handling), environmental leakages leading to pollution, the discharge of pollutants beyond permissible limits, and the wasteful use of natural resources. Aware of these risks, the company's primary goal is to minimize them and enhance the plant's environmental management on a sustainable basis. In this vein, various measurements (including emissions, soil, groundwater, noise, etc.) were conducted in 2023, leading to the implementation of both minor and major measures in collaboration with several departments. These measures have bolstered emergency preparedness (for instance, purchasing special sealing bags to prevent chemical leaks into storm drains during accidents), improved waste sorting and minimization (such as the gradual reduction of packaging materials for certain components in the Assembly Shop), reduced volatile organic emissions, and achieved savings in electricity and natural gas consumption.

The cornerstone of the environmental policy is the established and ISO 14001-certified environmental management system. In 2021, the "Environmental Management System" was successfully recertified, committing the company not only to adhere to legal requirements but also to continually enhance environmental protection, regularly evaluate environmental performance, and boost environmental awareness among all employees. In 2023, 23 internal audits were performed by internal auditors, and 13 audits by contractors working onsite. Additionally, DNV's external auditors conducted 21 audits as part of the periodic review of ISO 14001 and ISO 45001 standards. An integral component of the system also includes regular monitoring and assessment of water, energy, and material consumption, as well as waste, wastewater, and emissions per vehicle produced. The setting of environmental targets to improve these metrics is also a crucial aspect of the system.



## Employee Relations

Over the past year, activities that had been muted or impossible to carry out during the pandemic period have gradually restarted. In 2023, we were fully committed in a wide range of activities in which our employees could be directly involved. We also prepared several motivational lectures, organized Health Days again and continued the traditional hiking and other challenges for our employees.

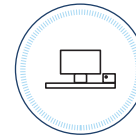
### Employee Relations in numbers:

- Number of internal consultations provided - 11,911
- 1<sup>st</sup> place in the Healthy Company of the Year competition in the manufacturing company category for the third consecutive year.
- 820 employees participated in Health Days.
- 200 employees were educated with lectures focused on physical and mental health development.
- 115 employees benefited from in-house legal counselling.
- 620 employees received vision and cardiac vitals.
- 620 employees visited massages on company premises.
- 120 employees received a gift from the company on the occasion of their 50<sup>th</sup>/60<sup>th</sup> birthday.
- 125 children of employees received a nursery/preschool allowance on entry to preschool.

In the area of Employee Relations, we continued to emphasize transparent communication by regular meetings with employees to share information and discuss upcoming plans for the future.



**360° Feedback** - Conducted annually, this year intended for leading employees in production, while follow-up development conversations conducted in a coaching format, providing the basis for individual development plans and further growth.



**Business Process Automation** - use of RPA (Robotic Process Automation) technology and further development of the internal process digitization project.



**Remuneration** - In addition to all entitlements in terms of the collective agreement, the company paid an extraordinary bonus of EUR 500 in the past year as a thank-you for the most productive year ever, when the plant produced the most cars.



**Employee Care** - In parallel to the long-established system of counselling rooms in the production shops, the provision of psychological counselling continued, with expansion of possibilities and lectures for employees on current work and personal topics were included.



**Awards for the Best** - awards were given to the best employees, teams and a special category in the field of occupational health and safety.



**Succession Planning** - We have started to develop an internal succession planning process in cooperation with regional headquarters. The aim is to progressively identify and develop talented employees at the European level.



Overview:

**3,607**

employees as of  
31.12.2023

EUR

**2,408**

average wage of  
production employees  
in 2023  
(EUR 2,111 in 2022)

EUR

**2,524**

average wage of all  
employees  
(EUR 2,236 for 2022)

**40 years**

average age

**11 years**

average length of  
employment

**13%**

of women

**7 new processes**

using RPA

**4 students**

have completed the  
scholarship program  
and are successfully  
continuing in our  
company as regular  
employees

**12 students**

graduates of dual  
training, who have  
joined our company as  
full-time employees

**360° feedback**

102 production  
supervisors

**67 employees**

participating in  
internal assessment  
centers

**8 employees**

8 employees  
participating in  
internal development  
centers

**819**

individual  
development plans

**8**

new management  
appointees

EUR

**1,352,695**

paid from the social  
fund

EUR

**568,943**

credited to the  
employee benefit  
portal system



## Employee Development and Education

Management (Administration)  
**Movement that Inspires**  
923 hours / 212 people

Management (Production)  
**Workshop for Supervisors**  
Academy for Senior Operators  
1,416 hours / 177 people

Administration  
**Movement that Inspires**  
2,638 hours / 325 people  
Star Camp 594 hours / 27 people

Operators  
**My Move**  
1,848 hours / 180 people

Juniors (Newcomers)  
1,108 hours / 50 people

Hard Skills  
5,700 hours / 1,809 people

Online Video Courses  
1,252 hours / 266 people







## Cooperation with Schools

### Cooperation with universities:

- 3 memorandums signed (UNIZA, TUKE, STU BA)
- Support for material and technical equipment:
  - Testing car Sportage PHEV and Testing Ceed PHEV - Faculty of Mechanical Engineering, UNIZA, Department of Transport and Handling Technology (KDMT), purpose: use within the teaching process of subjects in the field of "Vehicles and Engines"
  - 6 pcs of engine modules (cylinder head, engine block, and crankshaft); - Faculty of Mechanical Engineering (KDMT), UNIZA, purpose: use within the teaching process of subjects in the field of "Vehicles and Engines"
  - HW equipment (network equipment, video call systems, servers)
  - 76 pcs of computers - equipment for the computer laboratory at FRI UNIZA
  - 5 pcs of engines - Faculty of Mechanical Engineering (KDMT), UNIZA, purpose: use within the teaching process of subjects in the field of "Vehicles and Engines" - disassembly of the engine and examination of individual parts
  - 6 welding robots - 3 pcs for STU, 2 pcs for TUKE, 1 pc for UNIZA, purpose: teaching how to operate and program them
  - Student visits (summer and winter semester): 30 visits / 616 students
- Award for Kia Slovakia from the University of Žilina on its 70<sup>th</sup> anniversary in the event "Recognition of outstanding personalities/companies that have contributed to the development of the university"
- Participation in presentation events for students "all over" Slovakia including KaSK Open Day or UNIZA Open Day
- Cooperation on final theses: 10 cases
- Long-term internships for students: 14
- Talented students involved in the scholarship program: 4
- Implementation of professional lectures at universities in the fields of automation, robotics, electromobility, process management, etc.
- Implementation of the "professional experience" program for 20 students in the Engine Quality Management department
- Cooperation with the university environment on projects: controlled battery discharge and material analysis
- Participation of Kia Slovakia employees as part of the State Examination Committee at the University of Žilina.



### Cooperation with secondary schools:

Participation of KaSK employees (internal trainers experienced in the subject) in the examination committee during the graduation and final examinations of students. They have the right to classify and assess students

#### Student development:

- Training on electric cars and diagnostics
- MECA lecture - lecture on mobility, electrification, connectivity, and autonomous driving, environmental impact, and future trends
- Extension of places where students perform apprenticeship (quality, electrical repair)

#### Development of internal trainers:

- Learning disorders of students
- Generational gaps
- Effective learning, assertive communication, and teamwork
- MECA lecture - lecture on mobility, electrification, connectivity and autonomous driving, environmental impact and future trends
- Coaching in practice

#### Development of vocational education masters and teachers

- Diagnostics, pneumatics, and MECA lecture
- Corporate culture, introduction to basic processes and systems



#### Number of Students in Dual Education System

School	Field of Study	Number of Students
Secondary Vocational School of Mechanical Engineering, KNM	Mechanic specialist in automotive production	10
	Autotronic	37
Secondary Vocational School of Electrical Engineering, Žilina	Mechanic electrician	21
Secondary school, Martin	Programmer of machine tools and welding machines and equipment	13
Business Academy, Žilina	Student in administration	1
<b>Total</b>		<b>82</b>





## Occupational Safety and Health

In 2023, Kia Slovakia had the lowest number of workplace injuries in history, 27 small injuries and two which required incapacities for work for more than one day. All employees who actively participated in improvement processes and the identification of hidden risks contributed to this success.

In 2023, the OSH (Occupational Safety and Health) training center was opened, where not only employees but also students can try out various practical OSH demonstrations such as virtual reality, falling from height, locking technologies and more.

In the second half of the year, the first regional firefighting exercise focused on electromobility was organized on the premises of Kia Slovakia. The exercise consisted of two parts: a simulation of a waste li-ion battery fire and the real extinguishing of an electric vehicle using a fire tarp and flooding in a container. The exercise represented a great benefit not only to the production plant but also to the firefighters of the Slovak Fire and Rescue Services.

The OSH system in Kia Slovakia, based on the international standard ISO 45001, commits to continuous improvement and raising awareness of safety and health protection among employees and suppliers working in the plant. In 2023, internal auditors conducted 23 internal audits and 13 audits were conducted at suppliers on the plant premises. DNV External auditors performed 21 audits as part of the periodic audit of ISO 14001 and ISO 45001. In the area of health, it was possible to eliminate several hazardous positions in terms of physical stress, such as working with loads and unacceptable positions, by replacing these positions with robots.

## Responsible performance of duties

The Company has internal processes in place to ensure the legal, tax and accounting review of legal documents and significant projects to ensure legal obligations are met and risks are minimized. The Company management makes important decisions after assessing their legal merits. In cooperation with the European headquarters, Kia Slovakia has established a system to manage legal risks arising from contracts and potential or ongoing litigation. The Company regularly assesses legal risks arising from the internal and external environment and takes measures to mitigate them.

The Company complies with its obligations under the Statutory Audit Act, while the statutory activities of the Audit Committee are carried out by the Company's Supervisory Board. Kia Slovakia has identified the beneficial owner and is registered in the Register of Public Sector Partners; it verifies the beneficial owner and any changes to the data in the Register of Public Sector Partners within the deadlines set by law.

## Compliance with Ethical Rules

The company declares its commitment to fostering a culture of compliance focused on honest and ethical business conduct. In order to support it and to provide guidance for making the right decisions, the company has adopted the Kia Code of Compliance, which establishes the basic ethical rules of its business operations and sets the standards of expected behavior for its employees. Among other things, it emphasizes respect for human rights, the prevention of corrupt activities, the management of conflicts of interest, and the prohibition of discrimination and harassment. Supervision of compliance with its rules, as well as the review of possible violations of its rules with a focus on the efficiency and economy of the use of the Company's resources, is ensured by the Compliance System Policy (Compliance System Policy).

As part of the implementation of the above-mentioned policy, a total of 229 answers to questions on various areas of the Company's ethics rules and applicable policies were provided in 2023 through counselling to employees as well as others. In addition to the above, 28 in-depth analyzes were carried out and 26 complaints indicating a violation of the rules were investigated. The subjects of these analyzes and complaints included allegations of corrupt activity, cybersecurity breaches, conflicts of interest, misuse of company funds, violations of legal rules, violations of Kia's Code of Compliance, and violations of other internal company rules and policies. Emerging knowledge and findings with potential material impact on the Company were communicated to the appropriate level of management and the owners of the affected processes, who proceeded to take preventive and corrective measures based on the findings.

As part of the audit activity, the financial reporting control agenda was incorporated into the Compliance System Policy in 2023, the purpose of which is to assure the accurate maintenance of accounting records by assessing the effectiveness of the implementation of controls applied in the Company's risk processes.

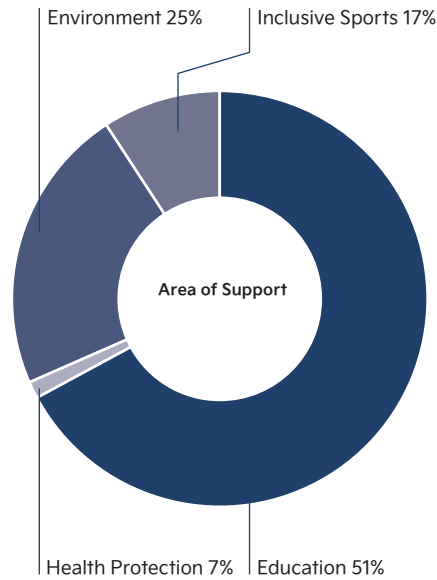




## Philanthropy

### Social responsibility

For over a decade, Kia has been implementing its social responsibility primarily through the Kia Slovakia Foundation. At the same time, it supports the involvement of employees in performing public benefit activities.



### Kia Slovakia Foundation

The areas of support in 2023 were mainly education, inclusive sport, environmental protection and health protection. The total budget for public benefit activities exceeded EUR 1.3 million.

In 2023, the Foundation implemented its assistance to the region economically and purposefully, while paying attention to the social and inclusive dimension without the presence of negative environmental impact on the surrounding area. For the transparency of activities it received a certificate for open access to disclose information about activities in accordance with the Transparent Corporate Foundation and Endowment Fund Code. The Association of Corporate Foundations created this to strengthen the transparency of the third sector environment of which the Foundation is a member.

- Science Center for youth with hands-on science and technologies
- Technical corners in kindergartens
- Educational summer camps
- Support for athletes with medical and intellectual disabilities
- Foundation run - Inclusion in Motion
- Žilina bike sharing
- Revitalization of community spaces
- Construction of composting areas

## Foundation's 2023 Highlights:

	<b>1</b> <b>Science and Technology Experience Center</b>	Established a unique center to popularize science among children and young people.
	<b>198,181</b> <b>Shared Bicycle Rentals in Žilina</b>	145 bikes and 30 stations available to residents and visitors for 30 minutes free.
	<b>2</b> <b>Driving Simulators</b>	Modernization of the traffic playground in Žilina by purchasing of new elements, including car simulators.
	<b>16</b> <b>Technical Corners in Kindergartens</b>	Development of technical thinking, creativity and imagination of preschool children in kindergartens.
	<b>40</b> <b>Automotive Junior Academy Graduates</b>	A free day camp to promote technical thinking and raise awareness of the automotive industry.
	<b>30</b> <b>Eco heroes</b>	A free day camp full of activities about environmental protection and sustainability.
	<b>400</b> <b>Charity Run Participants</b>	Inclusion on the Move sports event to raise awareness of athletes with physical and intellectual disabilities.
	<b>12</b> <b>Children's Cots for Hospital</b>	Purchase of 12 electric beds for paediatric ICU departments in 4 hospitals under Žilina Self-Governing Region.
	<b>27</b> <b>Schools with annual licences for online educational software</b>	26 primary schools and 1 secondary school in the Žilina region used annual licenses for intelligent educational software.
	<b>178</b> <b>Supported Organizations in total</b>	Projects in the fields of education, inclusive sport, environmental protection, health and social assistance.

## Community Engagement

Supporting employee involvement in community service is a significant aspect of our company's activities. Based on their recommendations, 51 projects focusing on green initiatives, and social and medical assistance have been supported by the Foundation's employee programs.

Within two rounds of mobile blood donation held at the Kia Slovakia plant, 30 employees donated blood, demonstrating their commitment to health-related causes. Additionally, 109 active employees engaged in volunteer activities, supporting non-profit organizations within the Žilina region and the Our City initiative. They helped restore school gardens, cultural monuments, and local architectural heritage.

In 2023, Kia Slovakia also organized two clothing collections for four NGOs and community centers in the Žilina region. Generously, our employees donated over 1,970 kilograms of clothing, toys, toiletries, and cosmetics, providing much-needed assistance to families and individuals at risk of poverty.

Moreover, a material collection was organized for abandoned animals, resulting in over 100 kilograms of food and nearly 50 kilograms of blankets, towels, disinfectants, and other essentials were given to several temporary shelters for abandoned, injured, or abused animals.

At the beginning of December, the Employee Relations Department prepared a nice event in the form of a distribution of non-alcoholic Christmas punch in front of the plant as well as at the two engine plants. Employees as well as suppliers operating on the plant premises had the opportunity to support the Plamenok organization with a voluntary contribution, where the proceeds of EUR 1 803.94 were delivered in person to serve the running needs of this organization.

The end of the year ended with the Christmas initiative "How much love fits in a shoebox", when employees prepared 44 packages for lonely seniors in social service homes in the Žilina region.

More information on the activities of the Kia Slovakia Foundation can be found in foundation's annual report at [www.nadaciakia.sk](http://www.nadaciakia.sk).



## EU Taxonomy disclosure

Kia Slovakia as a non-financial undertaking and public interest entity with more than 500 employees has carried out an assessment and discloses information under the EU Taxonomy.

The company has assessed its economic activities according to the framework facilitating sustainable investments aiming at 6 environmental objectives and applicable delegated acts. Based on the assessment, the company has identified that the following economic activities are eligible within EU Taxonomy and qualified as contributing substantially to climate change mitigation or climate change adaptation:

Economic activity	Description of activity	NACE code
Production of low-carbon technologies for the transport industry	Production of low-carbon vehicles	C29.1
Collection and transportation of non-hazardous waste sorted into components at the source	Sorted collection and transportation of non-hazardous waste	E38.11

Having regard to the aim to contribute to climate change mitigation, the company allocated the entire turnover from eligible activities to this environmental objective (CCM). It avoids, at the same time, the double counting in the allocation of respective indicators. The company has not identified other Taxonomy-eligible economic activities.

Climate change mitigation complies with the plan of transformation of the company and Kia Group based on which the portion of clean or climate-neutral mobility will increase and carbon neutrality will be achieved by 2045. In this regard, the company achieved the RE100 target in the year 2023 as 100 per cent of the electricity in the company's production was sourced from renewables. The company plans to increase its contribution to climate change mitigation since it plans to partially phase out the production of internal combustion engine vehicles and transition to producing battery electric vehicles instead; this plan was not reflected in this disclosure as the related investments were not realized in 2023.

An economic activity is an activity that includes an input of resources, a production process, and an output of products (goods or services) which the company sells to its consumers or uses for own purposes. An eligible economic activity in accordance with the EU Taxonomy is one that is described in the Climate Delegated Act, regardless of whether it meets some or all defined technical screening criteria. Taxonomy-aligned activity is an activity that contributes substan-

tially to one of the environmental objectives, meets the technical screening criteria, at the same time does no significant harm to the remaining environmental objectives, and is carried out in accordance with minimum guarantees.

### Economic activities and do no significant harm criteria assessment

#### 1. Vehicle manufacture (production of low-carbon technologies for the transport sector)

From the perspective of a substantial contribution to the stabilization of greenhouse gas concentrations in the atmosphere and increase clean or climate-neutral mobility, the company manufactures vehicles of the M1 category. According to the Climate Delegated Act, this economic activity contributes substantially to climate change mitigation by 31 December 2025 if specific vehicle emissions are below 50g CO<sup>2</sup>/km. Upon the evaluation done according to the WLTP methodology, Kia Sportage PHEV and Kia Ceed SW PHEV vehicles (PHEV= Plug-in hybrid) meet this technical criterion, as the specific emissions of the mentioned vehicles are lower than 50g CO<sup>2</sup>/km.

The following criteria of no significant harm are relevant to the activity:

#### Adaptation to climate change

The company has carried out an assessment of physical climate risks and vulnerabilities of eligible economic activities and assessed their materiality considering climate change projection in accordance with Copernicus service and with the future scenario of the representative concentration pathway of the Intergovernmental Panel on Climate Change RCP8.5 (Representative Concentration Pathway), as it assumes the most significant impact of climate change. Due to the location of the production plant, the company has not identified hazards that could adversely affect the performance of these economic activities during their expected lifetime and that would require adaptation solutions. The company has identified only small or moderate risks related to water, but only in relation to its final products or certain assets. The company has adopted the plan covering the actions and responsibilities of respective subjects in case an emergency occurs while the accuracy of plan is subject to regular review.

#### Sustainable use and protection of water resources

The company has carried out the environmental impact assessments for the production plant in which it performs eligible economic activities in accordance with the applicable laws while the risks of environmental degradation related to preserving water quality and avoiding water

stress have not been identified. The company performs regular groundwater monitoring. The company disposes of sewage water in its own treatment plant using chemical and physical processes. A retention system for rainwater was built in the plant which helps the company to keep water on land. The company applies environmental management according to the ISO 14001 standard in the performance of its activities.

### Transition to a circular economy

For all eligible activities, the company assesses the availability of technologies and designs to support the transition to a circular economy including more efficient use of natural resources, raw materials, and the use of recyclable materials to produce its products and their recovery at the end of life, having regard to targets and related activities of Kia group. The company's goal is to produce products with a concept of high durability due to which it provides an above-standard warranty within the industry. In respect of waste management, the company prefers recycling over the disposal of waste.

### Pollution prevention and control

The company carries out its activity in accordance with the applicable law regarding the production, placing on the market, or use of chemicals. The company has implemented a system of internal checks and regularly monitors compliance with these regulations, and the presence of chemical substances in production and products in accordance with the standards in the automotive industry, particularly the International Material Data System. Chemical substances defined by the Climate Delegated Act and the regulations mentioned therein are present neither in the performance of eligible activities nor in the products, nor, where applicable, limits of substances correspond to law.

### Protection and restoration of biodiversity and ecosystems

The company has carried out the environmental impact assessments for the production plant in accordance with the applicable law while no mitigation and compensatory measures for environmental protection were identified, considering the location of the plant and the nearest Natura 2000 network of the protected area. At the plant location, there is no presence of unique or endangered species (fauna and flora), no protected species or wild species, nor habitats endangered under applicable law.

## 2. Collection and transportation of non-hazardous waste in source segregated fractions

The company collects and transports non-hazardous waste in accordance with applicable law. All separately collected and transported waste is intended for reuse or recycling while the waste management is conducted in compliance with applicable law and in cooperation with authorized and experienced entities.

The following criteria of no significant harm are relevant to the activity:

### Adaptation to climate change

Collection and transportation of waste is being carried out at production plant where the company produces vehicles (point 1.) and therefore no significant harm criterion applies also to this economic activity.

### Transition to a circular economy

In accordance with applicable legal regulations, separately collected waste fractions are not mixed in waste storage and transfer facilities with other waste or materials with different properties.

## Assessment of compliance with minimum social guarantees

The company complies with and applies appropriate due diligence procedures to ensure the adherence to principles of responsible business, human rights, and applicable labor law. When assessing the compliance, the company evaluated the alignment with the relevant guidelines, and conventions (OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business, the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work, including its fundamental conventions, and International Bill of Human Rights), and the Final Report on Minimum Safeguards published in October 2022 while no findings that would justify the conclusion of violating the performance of activities with the minimum safeguards were identified.

Business operations are conducted in compliance with legal risk management and ethical principles are described further in part No 4 of this annual report. At the same time, the company has identified opportunities and manners to implement for the purpose of more effective compliance assessment and risk prevention.



## Assessment of the Company considering the evaluations of sole partner

The company has assessed the respective technical screening criteria and minimum social safeguards also considering the sustainability assessments carried out by its sole partner, Kia Corporation, having regard to the company's position within the Kia group.

## Accounting policy in preparation for disclosure under the EU taxonomy and contextual information

### Turnover

The turnover indicator was calculated as the part of turnover derived from products associated with Taxonomy-aligned economic activities divided by the net turnover representing revenues as displayed in point 5 of remarks to financial statements of the company.

The proportion of vehicles with specific emissions below 50g CO<sup>2</sup>/km comparing to the total production of company increased to the total of 12,1 per cent in 2023 as result of increased demand of customers (representing a modest increase of 0.6 per cent compared to 2022). Part of Taxonomy-eligible activities on the turnover achieved 93.3 per cent which represents an increase comparing to previous year (92.3 per cent).

### Capital expenditure (CapEx)

CapEx indicator was calculated as part of total capital expenditures which are (a) related to assets or processes that are associated with Taxonomy-aligned economic activities, (b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned, or (c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, on total capital expenditures. Capital expenditures were associated to individual activities based on data from financial as well as managing accounting. With respect to investments to long term assets used for various activities, including assets used for Taxonomy-aligned activities as well as for activities which are not Taxonomy-aligned, the capital expenditures were divided to these activities on a pro rata basis corresponding to their share in revenue from these activities of total revenue from these activities.

The company covers capital expenditure the additions to tangible and intangible assets as well as a recognition of a right-of-use over the asset according to IFRS 16 as reported in points 11, 12 and 13 of remarks to financial statements of the company. The proportion of eligible CapEx in 2023 achieved 93 per cent which represents the increase comparing to previous year (85 per cent). The main reason for decrease is a different structure of investments to long term assets.

### Operating expenditure (OpEx)

OpEx indicator was calculated as part of total operating expenditures which are (a) related to assets or processes associated with Taxonomy-aligned economic activities, (b) part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned, or (c) related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures; on total operating expenditures. Operating expenditures were associated to individual activities based on data from financial as well as managing accounting. With respect to operating expenditures related to the assets used for various activities, including those used for Taxonomy-aligned activities as well as for the activities which are not Taxonomy-aligned, the operating expenditures were divided to these activities on a pro rata basis corresponding to their share in revenue from these activities of total revenue from these activities.

The company covers operating expenditures in particular purchased costs that relate to maintenance and repair, consumed materials for maintenance and repairs, and the manpower costs of employees performing maintenance and repairs that are necessary to ensure the continued and effective functioning of Taxonomy-eligible activities. The proportion of eligible OpEx in 2023 achieved 87.9 percent which represents an increase compared to the previous year (87.6 per cent).

Protecting the environment Employee Relations Employee Development and Education Cooperation with Schools Occupational Safety and Health Responsible performance of duties  
Compliance with Ethical Rules Philanthropy EU Taxonomy disclosure

### Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (yes/no)	Taxonomy-aligned (A.1.) or eligible (A.2.) proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
	Code(s)	Absolute CapEx (in thousands EUR)	Proportion of CapEx (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Environmental pollution	Biodiversity and ecosystems (%)	Pollution (%)	Climate change mitigation (yes/no)	Climate change adaptation (yes/no)	Water and marine resources (yes/no)	Pollution (yes/no)	Circular economy (yes/no)	Biodiversity and ecosystems (yes/no)				
<b>A. TAXONOMY- ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Production of low-carbon vehicles	3.3	6,962	14.7	100							yes	yes	yes	yes	yes	yes	14.5	enabling	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		6,962	14.7	100													14.5		
Enabling activity	3.3	6,962	14.7	100													14.5		
<b>Transition al activity</b>																			
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
Production of low-carbon vehicles	3.3	36,898	78.1																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		36,898	78.1														70.6		
<b>Total (A.1. + A.2)</b>		<b>43,860</b>	<b>92.9</b>														<b>85.1</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
Turnover of Taxonomy-non-eligible activities (B)		3,369	7.1																
<b>Total (A+B)</b>		<b>47,229</b>	<b>100.0</b>																



## Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Financial year 2023	Substantial contribution criteria			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (yes/no)	Taxonomy-aligned (A.1.) or eligible (A.2.) proportion of OpEx, year N-1 (%)	Category (enabling activity)	Category (transitional activity)
	Code(s)	Absolute OpEx (in thousands EUR)	Proportion of OpEx (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Environmental pollution	Biodiversity and ecosystems (%)	Pollution (%)	Climate change mitigation (yes/no)	Climate change adaptation (yes/no)	Water and marine resources (yes/no)	Pollution (yes/no)	Circular economy (yes/no)	Biodiversity and ecosystems (yes/no)				
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Production of low-carbon vehicles	3.3	3,977	13.9	100							yes	yes	yes	yes	yes	yes	13.7	enabling	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		3,977	13.9	100													13.7		
Enabling activity	3.3	3,977	13.9	100														enabling	
<b>Transition al activity</b>																			
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
Production of low-carbon vehicles	3.3	21,078	73.9																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		21,078	73.9														73.9		
<b>Total (A.1. + A.2)</b>		<b>25,055</b>	<b>87.9</b>														<b>87.6</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
Turnover of Taxonomy-non-eligible activities (B)		3,456	12.1																
<b>Total (A+B)</b>		<b>28,511</b>	<b>100.0</b>																

Protecting the environment Employee Relations Employee Development and Education Cooperation with Schools Occupational Safety and Health Responsible performance of duties  
Compliance with Ethical Rules Philanthropy EU Taxonomy disclosure

### Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards (yes/no)	Taxonomy-aligned proportion (A.1.) or eligible (A.2.) of turnover, year N-1(%)	Category (enabling activity)	Category (transitional activity)
	Code(s)	Absolute turnover (in thousands EUR)	Proportion of turnover (%)	Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Pollution (%)	Circular economy (%)	Biodiversity and ecosystems (%)	Climate change mitigation (yes/no)	Climate change adaptation (yes/no)	Water and marine resources (yes/no)	Pollution (%)	Circular economy (yes/no)	Biodiversity (yes/no)				
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Production of low-carbon vehicles	3.3	1,184,306	14.8	100							yes	yes	yes	yes	yes	yes	14.4	enabling	
Collection and transportation of non-hazardous waste in source segregated fractions	5.5	17,611	0.2	100							yes	no	no	yes	no	yes	0.3		
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned activities) (A.1.)</b>		<b>1,201,917</b>	<b>15.0</b>	<b>100</b>													<b>14.7</b>		
Enabling activity	3.3	1,184,306	14.8	100							yes	yes	yes	yes	yes	yes	14.7	enabling	
Transitional activity																			
<b>A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
Production of low-carbon vehicles	3.3	6,277,111	78.3																
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)</b>		<b>6,277,111</b>	<b>78.3</b>														<b>77.6</b>		
<b>Total (A.1. + A.2.)</b>		<b>7,479,028</b>	<b>93.3</b>														<b>92.3</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
<b>Turnover of Taxonomy-non-eligible activities (B)</b>		<b>534,787</b>	<b>6.7</b>																
<b>Total (A+B)</b>		<b>8,013,815</b>	<b>100.0</b>																







## 5. Quality Management System

By continuously improving the quality of engines and vehicles, increasing crew comfort, improving access to a wider range of mobility products and services, achieving better vehicle safety, and implementing new safety features, we at Kia Slovakia strive to continuously improve the satisfaction of our end customers. Following valid legislation in the automotive industry requires continuous improvement, especially in emission reduction, increasing the safety of passengers and other road users, including pedestrians. To meet the legislative requirements and remain competitive, we continue to strengthen our investments in new models, hybrid drives, and existing motorizations, as well as the modernization of production, testing, and inspection facilities.

In 2023, the most significant investment in quality management was the purchase of a new LEICA-type 3D dimensional scanning device from Hexagon to streamline the inspection of parts or modules entering the vehicle manufacturing process. Another investment was the extension of the functionality of the HADS test equipment, which is primarily used to diagnose and calibrate functions in the vehicle. A total of 3 HADS facilities are in use at Kia Slovakia, while two devices were already modernized in the past and the third was completed in 2023. This has increased productivity on the equipment, which has positively impacted the smoothness and efficiency of the production process. Similarly, purchases of new electronic diagnostic equipment or upgrades to existing control equipment in vehicle manufacturing processes have continued.

Kia Slovakia has had an on-site emissions laboratory with the necessary equipment since the start of production in Slovakia. It started the accreditation process in 2022, and from May 2023, the laboratory is fully accredited for exhaust emissions testing under laboratory conditions (WLTP) with its equipment and procedures.

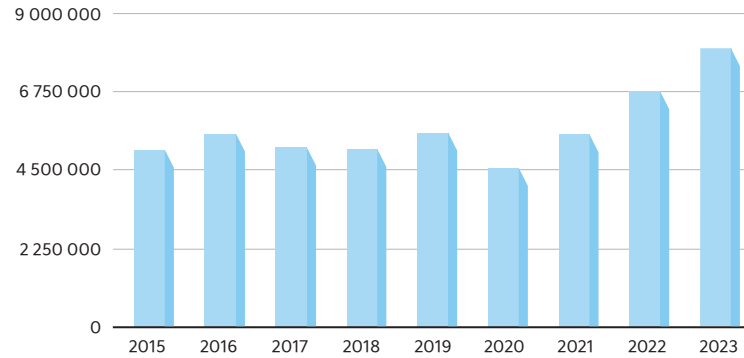
Production of the Sportage was launched in the third quarter of 2023 in a special 30<sup>th</sup> Anniversary version. As this version featured a new styling visual package of accessories, decorative elements with a dark chrome finish as well as a new exterior color called "Wolf Grey", the Quality Management Department conducted a series of validation tests on the pre-production vehicles to ensure quality before the start of standard mass production.



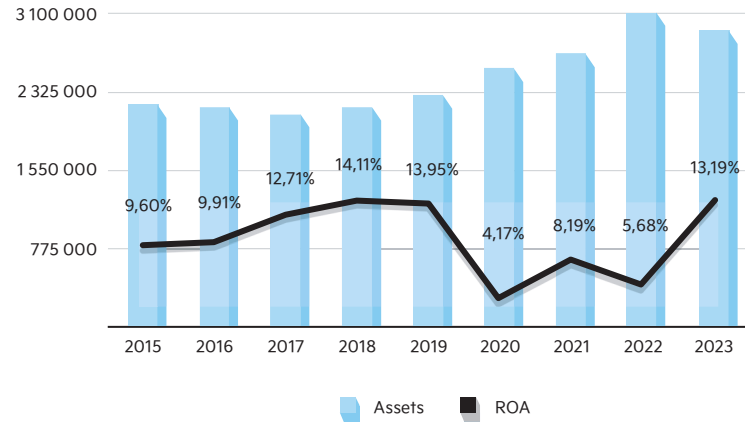


# 6. Annual Financial Statement

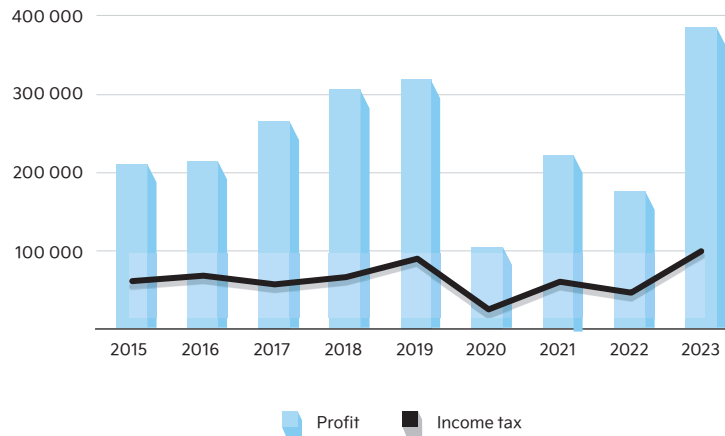
Revenues in TEUR



Assets in TEUR / ROA



Profit and Income tax in TEUR



## Distribution of profit

The general meeting will decide on the distribution of profit in the amount of 390,131 TEUR for the year 2023 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 2024.

Statement of comprehensive income for the year ended 31 December 2023 in TEUR	Note	2023	2022
Revenue	5	8,013,815	6,758,817
Cost of sales	6	(7,390,609)	(6,423,188)
<b>Gross profit</b>		<b>623,206</b>	<b>335,629</b>
Administrative and selling expenses	7	(157,633)	(118,042)
<b>Operating profit</b>		<b>465,573</b>	<b>217,587</b>
Interest costs		(26)	(27)
Other finance costs		(6,043)	(8,626)
Interest income		32,240	4,779
Other finance income		3,628	27,843
<b>Net finance income / (costs)</b>	8	<b>29,799</b>	<b>23,969</b>
Other operating income / (expense)	9	(959)	(18,916)
<b>Profit before taxes</b>		<b>494,413</b>	<b>222,640</b>
Current and deferred income tax	10	(104,282)	(47,134)
<b>Profit for the year</b>		<b>390,131</b>	<b>175,506</b>
Other comprehensive income			
<b>Total comprehensive income for the year</b>		<b>390,131</b>	<b>175,506</b>

Statement of changes in equity for the year ended 31 December 2023 in TEUR	Note	Share capital	Legal reserve fund	Retained earnings	Total
		(Note 19)	(Note 19)		
<b>Balance as of 1 January 2022</b>		<b>433,323</b>	<b>43,332</b>	<b>1,153,513</b>	<b>1,630,168</b>
Total comprehensive income for the year ended		-	-	175,506	175,506
<b>Balance as of 31 December 2022</b>	21	<b>433,323</b>	<b>43,332</b>	<b>1,329,019</b>	<b>1,805,674</b>
<b>Balance as of 1 January 2023</b>		<b>433,323</b>	<b>43,332</b>	<b>1,329,019</b>	<b>1,805,674</b>
Total comprehensive income for the year ended		-	-	390,131	390,131
Dividend distribution		-	-	(735,621)	(735,621)
<b>Balance as of 31 December 2022</b>		<b>433,323</b>	<b>43,332</b>	<b>983,529</b>	<b>1,460,184</b>

Statement of financial position as at 31 December 2023 in TEUR	Note	31 december 2023	31 december 2022
<b>Assets</b>			
Property, plant and equipment	11	489,160	588,766
Intangible assets	12	7,447	4,626
Right of use of asset		3,128	3,378
Reclaim receivable		22,615	5,032
Deferred tax assets		75,780	45,103
<b>Total non-current assets</b>		<b>598,130</b>	<b>646,905</b>
Inventories	13	483,000	581,417
Trade and other accounts receivable	14	895,523	1,194,516
Cash and cash equivalents	15	120,465	71,770
Prepaid expenses	17	234	259
Intercompany loan receivable		860,493	596,239
<b>Total current assets</b>		<b>2,359,715</b>	<b>2,444,201</b>
<b>Total assets</b>		<b>2,957,845</b>	<b>3,091,106</b>
<b>Equity</b>			
Issued capital	18	433,323	433,323
Legal reserve fund	18	43,332	43,332
Accumulated profit		983,529	1,329,019
<b>Total equity</b>		<b>1,460,184</b>	<b>1,805,674</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	19	2,944	3,188
Provisions	20	251,303	187,058
Contract liability	21	171,549	136,041
<b>Total non-current liabilities</b>		<b>425,796</b>	<b>326,287</b>
Interest-bearing loans and borrowings	19	244	242
Trade and other accounts payable	22	758,803	766,046
Provisions	20	212,874	167,659
Contract liability		30,157	20,681
Income tax payable		69,787	4,517
<b>Total current liabilities</b>		<b>1,071,865</b>	<b>959,145</b>
<b>Total liabilities</b>		<b>1,497,661</b>	<b>1,285,432</b>
<b>Total equity and liabilities</b>		<b>2,957,845</b>	<b>3,091,106</b>



## Statement of cash flows for the year ended 31 December 2023 in TEUR

	Note	31 december 2023	31 december 2022
<b>Cash flows from operating activities</b>			
Profit for the year		390,131	175,506
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	136,639	145,512
Value adjustment to inventories		2,213	94
Impairment provision to property, plant and equipment	11	5,362	-
Retirement of property, plant and equipment		41	124
Value adjustment to receivables	18	-	(85)
Interest costs	8	26	27
Interest income	8	(32,240)	(4,779)
Unrealized FX gains / losses		1,686	3,360
Warranty provisions charges	15	148,393	102,815
Tax expense	10	104,282	47,134
Loss/(Gain on) sale of property, plant and equipment		(32)	(981)
Disposal of emission rights	12	1,426	1,674
<b>Operating profit before changes in working capital items</b>		<b>757,927</b>	<b>470,401</b>
Decrease / (Increase) in inventories	17	96,204	(114,974)
Decrease / (Increase) in trade and other receivables and prepaid expenses	18	280,866	(183,339)
Increase / (Decrease) in trade and other payables	23	(5,722)	155,412
Increase / (Decrease) in contract liability	14	44,984	53,074
Increase / (Decrease) of other provisions	15	36,271	19,161
<b>Cash generated from operating activities</b>		<b>1,210,530</b>	<b>399,735</b>
Interest received from commercial loans and bank deposits		2,674	2,615
Interest paid from leases		(26)	(27)
Tax paid		(69,689)	(84,068)
Warranty claims paid	15	(133,474)	(105,918)
Warranty reclaims received	15	57,779	41,185
<b>Net cash generated from operating activities</b>		<b>1,067,794</b>	<b>253,522</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(43,696)	(103,260)
Acquisition of intangible assets	12	(5,007)	(3,521)
Collection / (provision) of intercompany loan	20	(264,254)	(89,674)
Proceeds from sale of non-current assets		828	2,525
Interest received from intercompany loan	8	29,566	2,165
<b>Net cash (used for) investing activities</b>		<b>(282,563)</b>	<b>(191,765)</b>
<b>Cash flows from financing activities</b>			
Lease payments including interest		(242)	(240)
Repayment of dividends	4	(735,621)	-
<b>Net cash from / (used for) financing activities</b>		<b>(735,863)</b>	<b>(240)</b>
Net increase / (decrease) in cash and cash equivalents		49,368	61,517
Cash and cash equivalents at beginning of the period		71,770	10,484
Changes in FX related to cash and cash equivalents		(673)	(231)
<b>Cash and cash equivalents at end of the period</b>		<b>120,465</b>	<b>71,770</b>

## 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 Žilina, Section s.r.o., file 15074/L).

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 2023 and for the year then ended and were prepared and authorized for issue by the Company’s directors on 2 February 2024.

### The Company’s bodies:

Directors Geon Won Shin since 09 January 2023 (Seok Bong Kim until 09 January 2023)  
 Uk Jeon since 09 January 2023 (Tae Jin Kim until 09 January 2023)

### 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 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

## 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. 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.

### iv. 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.

## c) Intangible assets

### i. Owned assets

Intangible assets acquired by the Company have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses (see accounting policy 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 nominal value at the date of receipt.

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

#### d) Right of use of assets, lease liability

At inception of a contract, the Company assesses whether a contract is, or contains, lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company considers a contract to be a lease in case that all following conditions are met:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and
- the Company has the right to obtain substantially all of the economic benefits from use of asset, and
- the Company has the right to direct the use of the asset.

At inception and subsequent reassessment of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred less adjusted for any lease incentives received.

In determining the lease term, the Company considers the length of the lease term and early termination or extension option of contract. In assessing the likelihood of exercise extension or early termination option of lease term, the Company considers all relevant facts and circumstances that provide economic impulse to exercise (not exercise) those options. The period by which the contract can be extended (or period which follows after early termination option of contract) will be included in the lease term only if the Company is reasonably certain that the extension will be exercised.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. If the lease contains transfer of ownership or call option, the right-of-use asset is depreciated using the straight-line method during the useful life of the asset. Depreciation begins on the date of commencement of the lease. The impairment assessment of the right-of-use asset is carried out in a similar way as impairment assessment of property, plant and equipment described in accounting policy 4 h) Impairment. The lease liability is initially measured on the date when the leased asset is made available to the lessee (the lease commencement date). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Company's incremental borrowing rate was determined based on available financial information relating to the Company. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under

a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero (so that the final right-of-use asset will amount to zero).

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for all types of leases that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Company has also elected not to recognise right-of-use assets and lease liabilities for contracts where the value of the leased asset is below EUR 5 000. The estimated value of asset is based on the assumption that the asset is new. If the value of the asset cannot be reliably measured, the optional exception is not applied.

The Company recognises right-of-use asset as part of non-current assets and lease liabilities as current and non-current lease liabilities in the separate statement of financial position. The Company recognises lease transactions in the separate statement of cash flows as follows:

- principal lease payments as a part of financing activities,
- interest payments on lease liabilities as part of operating activities (application of requirements for interest paid in accordance with IAS 7),
- payments relating to short-term leases, leases of low-value assets and variable lease payments that are not included in the measurement of lease liabilities within cash flows from operating activities.

#### 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).

Collection and provision of intercompany loan is presented net in the statement of cash flow, as the maturity is short and the turn over of large amounts are quick.

#### 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 impair-

ment 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. The Company 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
- 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. 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 expense and other 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 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 2023, 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

### Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current

The amendment is effective for annual periods beginning on or after 1 January 2024, 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 IFRS 16 Leases: Liability in a Sale and Leaseback

The amendment is effective for annual periods beginning on or after 1 January 2024, early application is permitted. The objective of the Amendments is to specify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

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.

## Standards and interpretations, not yet endorsed by the European Union

### Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

The Amendment are effective for annual periods beginning on or after 1 January 2025. They specify when a currency is exchangeable into another currency and, consequently, when it is not, how an entity determines the exchange rate to apply when a currency is not exchangeable, and the disclosures an entity provides when a currency is not exchangeable.

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 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

The European Commission decided to defer the endorsement indefinitely. The Amendment on Supplier Finance Arrangements is about to add disclosure requirements, and signposts within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

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 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:

<i>In thousands of euro</i>	<b>31 december 2023</b>	<b>31 december 2022</b>
Revenue from sales of cars to EU countries excluding Slovakia	4,793,565	4,240,793
Revenue from sales of cars to non-EU countries	2,522,873	1,859,374
Sale of engines, spare parts and others	552,398	538,774
Revenue from sale of cars to Slovakia	142,073	119,876
Extended warranty	2,906	-
<b>Total</b>	<b>8,013,815</b>	<b>6,758,817</b>

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

<i>In thousands of euro</i>	<b>31 december 2023</b>	<b>31 december 2022</b>
Amount of receivables included in trade receivables	594,153	891,004
Contract liabilities - Note 14	(187,979)	(140,219)
Prepayments from customers - Note 14	(13,727)	(16,503)



## 6. Cost of sales

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Material consumption	6,338,197	5,568,089
Logistics services	217,066	125,021
Depreciation and amortization (refer to Note 11,12,13)	137,360	146,231
Personnel expenses	159,612	144,197
Energy consumption	74,597	47,253
Running royalty charge	372,926	311,002
Amortization of government grants (refer to Note 11)	(1,319)	(1,319)
Other cost of sales	92,170	82,714
<b>Total</b>	<b>7,390,609</b>	<b>6,423,188</b>

The Company had on average 3,579 employees, out of that 2 were managers (as at 31 December 2022: 3,510, out of that 2 managers). As at 31 December 2023 the Company had 3,607 employees, out of that 2 managers (as at 31 December 2022: 3,565, out of that 2 managers).

## 7. Administrative and selling expenses

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Warranty charges net of warranty reclaim asset (refer to Note 15)	148,393	102,815
Personnel expenses	6,140	5,926
Marketing services	-	5,225
Depreciation and amortization (refer to Note 11,12,13)	598	600
Other expenses	2,502	3,476
<b>Total expense</b>	<b>157,633</b>	<b>118,042</b>

## 8. Net finance income / (costs)

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Interest expense, right of use of asset	(26)	(27)
	<b>(26)</b>	<b>(27)</b>
Interest income, bank balance	2,436	239
Interest income on trade receivables from related parties	238	2,376
Interest income intercompany loan	29,566	2,164
	<b>32,240</b>	<b>4,779</b>
<b>Net interest income / (expense)</b>	<b>32,214</b>	<b>4,752</b>
Foreign exchange losses	(6,043)	(8,626)
Foreign exchange gains	3,628	27,843
<b>Net foreign exchange gains / (losses)</b>	<b>(2,415)</b>	<b>19,217</b>
<b>Net finance income / (costs)</b>	<b>29,799</b>	<b>23,969</b>

### 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

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Foreign exchange gains	16,223	13,155
Gain from sale of property	32	982
Other income, net	-	2,243
<b>Other income</b>	<b>16,255</b>	<b>16,380</b>
Foreign exchange losses	(11,387)	(35,172)
Scrap of property on retirement	(41)	(124)
Impairment provision - property, plant and equipment	(5,362)	-
Other expenses	(424)	-
<b>Other expenses</b>	<b>(17,214)</b>	<b>(35,296)</b>
<b>Total other (expense) / income</b>	<b>(959)</b>	<b>(18,916)</b>

## 10. Income tax

<i>In thousands of euro</i>	31 december 2023	31 december 2022
<b>Current tax expense</b>		
Period income tax charge	(134,185)	(65,795)
Adjustment to prior year income tax	(774)	(252)
<b>Current tax expense</b>	<b>(134,959)</b>	<b>(66,047)</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	29,902	18,648
Adjustment to prior year deferred tax	775	265
<b>Deferred tax</b>	<b>30,677</b>	<b>18,913</b>
<b>Total income tax expense</b>	<b>(104,282)</b>	<b>(47,134)</b>

## Reconciliation of effective tax rate

<i>In thousands of euro</i>	31 december 2023	%	31 december 2022	%
Profit before tax	494,413		222,640	
Income tax using the domestic corporation tax rate	(103,827)	(21.00)%	(46,754)	(21.00)%
Tax non-deductible expenses and other items	(456)	(0.09)%	(393)	(0.18)%
Over / (under) provided prior year income tax	(774)	(0.16)%	(252)	(0.11)%
Over / (under) provided prior year deferred tax	775	0.16%	265	0.12%
<b>Income tax charge for the year</b>	<b>(104,282)</b>	<b>(21.09)%</b>	<b>(47,134)</b>	<b>(21.17)%</b>

## 11. Property, plant and equipment

<i>In thousands of euro</i>	Lands and Buildings	Machinery and equipment	Other	Assets under construction	Total
<b>Cost</b>					
Balance at 1 January 2022	264,683	1,539,858	9,081	15,767	1,829,389
Acquisitions	-	-	-	52,465	52,465
Transfer	1,016	54,510	589	(56,115)	-
Disposals	-	(43,998)	(227)	-	(44,225)
<b>Balance at 31 December 2022</b>	<b>265,699</b>	<b>1,550,370</b>	<b>9,443</b>	<b>12,117</b>	<b>1,837,629</b>
Balance at 1 January 2023	265,699	1,550,370	9,443	12,117	1,837,629
Acquisitions	-	-	-	41,543	41,543
Transfer	1,495	33,406	544	(35,445)	-
Disposals	(8)	(44,209)	(311)	-	(44,528)
<b>Balance at 31 December 2023</b>	<b>267,186</b>	<b>1,539,567</b>	<b>9,676</b>	<b>18,215</b>	<b>1,834,644</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2022	112,593	1,026,968	8,187	-	1,147,748
Depreciation charge for the period	8,958	134,072	642	-	143,672
Disposals	-	(42,331)	(226)	-	(42,557)
<b>Balance at 31 December 2022</b>	<b>121,551</b>	<b>1,118,709</b>	<b>8,603</b>	<b>-</b>	<b>1,248,863</b>
Balance at 1 January 2023	121,551	1,118,709	8,603	-	1,248,863
Depreciation charge for the period	9,096	125,350	504	-	134,950
Impairment provision	5,362	-	-	-	5,362
Disposals	(3)	(43,377)	(311)	-	(43,691)
<b>Balance at 31 December 2023</b>	<b>136,006</b>	<b>1,200,682</b>	<b>8,796</b>	<b>-</b>	<b>1,345,484</b>
<b>Carrying amounts</b>					
At 1 January 2022	152,090	512,890	894	15,767	681,641
At 31 December 2022	144,148	431,661	840	12,117	588,766
<b>At 31 December 2023</b>	<b>131,180</b>	<b>338,885</b>	<b>880</b>	<b>18,215</b>	<b>489,160</b>

### Insurance

Property, plant and equipment are insured against damage up to TEUR 1,532,334 (2022: TEUR 1,288,674).

## 12. Intangible assets

<i>In thousands of euro</i>	Information technologies and software	Emission rights	Assets under development	Total
<b>Cost</b>				
Balance at 1 January 2022	29,937	885	521	31,343
Acquisition	1,133	2,309	142	3,584
Transfers	521	-	(521)	-
Disposals	(13)	(1,674)	-	(1,687)
<b>Balance at 31 December 2022</b>	<b>31,578</b>	<b>1,520</b>	<b>142</b>	<b>33,240</b>
Balance at 1 January 2023	31,578	1,520	142	33,240
Acquisition	712	3,420	1,554	5,686
Transfers	111	-	(111)	-
Disposals	(808)	(1,426)	-	(2,234)
<b>Balance at 31 December 2023</b>	<b>31,593</b>	<b>3,514</b>	<b>1,585</b>	<b>36,692</b>
<b>Amortization and impairment losses</b>				
Balance at 1 January 2022	27,038	-	-	27,038
Amortization for the year	1,589	-	-	1,589
Disposals	(13)	-	-	(13)
<b>Balance at 31 December 2022</b>	<b>28,614</b>	<b>-</b>	<b>-</b>	<b>28,614</b>
Balance at 1 January 2023	28,614	-	-	28,614
Amortization for the year	1,439	-	-	1,439
Disposals	(808)	-	-	(808)
<b>Balance at 31 December 2023</b>	<b>29,245</b>	<b>-</b>	<b>-</b>	<b>29,245</b>
<b>Carrying amounts</b>				
At 1 January 2022	2,899	885	521	4,305
At 31 December 2022	2,964	1,520	142	4,626
<b>At 31 December 2023</b>	<b>2,348</b>	<b>3,514</b>	<b>1,585</b>	<b>7,447</b>



### 13. Right of use of asset

In thousands of euro

	Total
<b>Cost</b>	
Balance as at 1 January 2022	4,382
Acquisition	-
<b>Balance as at 31 December 2022</b>	<b>4,382</b>
<hr/>	
Balance as at 1 January 2023	4,382
Acquisition	-
<b>Balance as at 31 December 2023</b>	<b>4,382</b>

#### Amortization and impairment losses

Balance as at 1 January 2022	753
Amortisation for the year	251
<b>Balance as at 31 December 2022</b>	<b>1,004</b>
<hr/>	
Balance as at 1 January 2023	1,004
Amortisation for the year	250
<b>Balance as at 31 December 2023</b>	<b>1,254</b>

#### Carrying amounts

As at 1 January 2022	3,629
As at 31 December 2023	<b>3,378</b>
<b>As at 31 December 2023</b>	<b>3,128</b>

As at 1 January 2019, 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 2023	31 december 2022
Non-current	171,549	136,041
Current	30,157	20,681
	<b>201,706</b>	<b>156,722</b>

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

In thousands of euro	31 december 2023	31 december 2022
31 December 2024 / 31 December 2023	30,157	20,681
31 December 2025 / 31 December 2024	23,569	18,285
31 December 2026 / 31 December 2025	23,352	23,569
31 December 2027 / 31 December 2026	27,646	23,352
31 December 2028 / 31 December 2027	39,014	27,646
31 December 2029 / 31 December 2028	39,032	29,380
31 December 2030 / 31 December 2029	18,936	13,809
	<b>201,706</b>	<b>156,722</b>

### 15. Provisions and reclaim assets

In thousands of euro	Warranty	Other	Total
<b>Balance at 31 December 2022</b>	<b>311,572</b>	<b>43,145</b>	<b>354,717</b>
Provisions charges (refer to Note 7)	206,663	71,439	278,102
Use	(133,474)	(35,168)	(168,642)
<b>Balance at 31 December 2023</b>	<b>384,761</b>	<b>79,416</b>	<b>464,177</b>

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

In thousands of euro	31 december 2023	31 december 2022
Non-current	251,303	187,058
Current	212,874	167,659
<b>Balance at the reporting date</b>	<b>464,177</b>	<b>354,717</b>

#### 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 5 years (extended warranty for year 6 and 7 is considered service warranty, for which no provision is recorded), 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 2024, except for provision for long-term employee benefits.

### Reclaim asset

<i>In thousands of euro</i>	Reclaim
Balance at 31 December 2022	48,185
Reclaim asset creation (refer to Note 7)	58,270
Use	(57,779)
<b>Balance at 31 December 2023</b>	<b>48,676</b>

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

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Non-current	22,615	5,032
Current (Note 18)	26,061	43,153
<b>Balance at the reporting date</b>	<b>48,676</b>	<b>48,185</b>

The Company 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 2023 the amount of estimated reclaims, that has been assessed as being virtually certain, represents TEUR 48,676 (as at 31 December 2022: TEUR 48,185).

## 16. Deferred tax assets

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Property, plant and equipment	(47,473)	(49,588)
Warranty provision net of reclaim asset	80,800	65,430
Other items	42,453	29,261
<b>Deferred tax asset</b>	<b>75,780</b>	<b>45,103</b>

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

## 17. Inventories

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Raw materials and consumables	412,430	462,858
Work in progress and semi-finished goods	47,092	90,087
Finished goods	23,478	28,472
	<b>483,000</b>	<b>581,417</b>

### Insurance

Inventory is insured against damage up to TEUR 207,032 (31 December 2022: TEUR 178,494).

## 18. Trade and other accounts receivable

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Trade accounts receivable	594,153	891,004
Other receivables	28,412	20,257
Government grants receivable	250	365
<b>Financial</b>	<b>622,815</b>	<b>911,626</b>
Value added tax receivable	246,641	239,730
Reclaim asset short-term (refer to Note 15)	26,061	43,153
Advance payment made	6	7
<b>Non-financial</b>	<b>272,708</b>	<b>282,890</b>
	<b>895,523</b>	<b>1,194,516</b>

### 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 assesses 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 2023, the calculation of ECLs returned immaterial amount of provision.

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2023:

<i>In thousands of euro</i> 31 december 2023	Gross carrying amount	Impairment loss allowance	Weighted average loss rate
Receivables HYUNDAI MOTOR GROUP	551,107	-	0,00%
Receivables sale of cars	66,859	-	0,00%
Receivables sale of parts	3,377	-	0,00%
Other receivables	1,473	-	0,00%
	<b>622,816</b>	-	

The following table provides information about the type of receivables by category and impairment loss allowance as at 31 December 2022:

<i>In thousands of euro</i> 31 december 2022	Gross carrying amount	Impairment loss allowance	Weighted average loss rate
Receivables HYUNDAI MOTOR GROUP	803,232	-	0,00%
Receivables sale of cars	98,329	-	0,00%
Receivables sale of parts	2,719	-	0,00%
Other receivables	7,347	-	0,00%
	<b>911,627</b>	-	

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:

<i>In thousands of euro</i> 31 december 2023	Gross carrying amount	Impairment loss allowance	Weighted average loss rate	Credit impaired
Current (not past due)	71,410	-	0,00%	No
1-30 days past due	247	-	0,00%	No
31-90 days past due	51	-	0,00%	No
More than 90 days past due	0	-	0,00%	No
	<b>71,708</b>	-		

<i>In thousands of euro</i> 31 december 2022	Gross carrying amount	Impairment loss allowance	Weighted average loss rate	Credit impaired
Current (not past due)	108,114	-	0,00%	No
1-30 days past due	197	-	0,00%	No
31-90 days past due	63	-	0,00%	No
More than 90 days past due	21	-	0,00%	No
	<b>108,395</b>	-		

The breakdown by currency is as follows:

<i>In thousands of euro</i>	31 december 2023	%	31 december 2022	%
EUR	394,801	63.50%	654,140	71.80%
GBP	135,942	21.80%	111,563	12.20%
CZK	6,513	1.00%	20,090	2.20%
SEK	21,194	3.40%	45,455	5.00%
USD	8,597	1.40%	8,474	0.90%
PLN	48,111	7.70%	59,225	6.50%
HUF	7,657	1.20%	12,679	1.40%
	<b>622,815</b>	<b>100.0%</b>	<b>911,626</b>	<b>100.0%</b>

62% or TEUR 551,107 (as at 31 December 2022: 67% or TEUR 803,232) 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 67,312 (as at 31 December 2022: TEUR 70,070) with the gross trade and other accounts payable of selected business partners of TEUR 35,642 (31 December 2022: TEUR 34,267) with certain partners and presented them as net receivable of TEUR 31,670 (31 December 2022: TEUR 35,083).



## 19. Cash and cash equivalents

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Bank balances	119,936	71,341
Vouchers	529	429
<b>Cash and cash equivalents</b>	<b>120,465</b>	<b>71,770</b>

Cash and cash equivalents in the amount of TEUR 31,339 are denominated in foreign currencies (31 December 2022: TEUR 30,366).

## 20. Intercompany loan receivable

The intercompany loan receivable represents the positive balance on the cash pool account of the Group, where the Company transferred part of its available cash resources. The calculation of ECLs returned immaterial amount of provision.

## 21. Capital and reserves

### Share capital

The Company's total authorized and issued share capital amounted to TEUR 433,323 as of 31 December 2023 (31 December 2022: 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

<i>In thousands of euro</i>	31 december 2023	31 december 2022
<b>Non-current liabilities</b>		
Lease liability under Right of use	2,944	3,188
<b>Long term</b>	<b>2,944</b>	<b>3,188</b>
<b>Current liabilities</b>		
Lease liability under Right of use	244	242
<b>Short term</b>	<b>244</b>	<b>242</b>

### 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:

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Lease liability up to 1 years	268	268
Lease liability between 2 to 5 years	1,072	1,072
Lease liability above 5 years	2,051	2,051
Less interest	(203)	(228)
<b>Lease liability presented in the statement of financial position</b>	<b>3,188</b>	<b>3,430</b>

## 23. Trade and other accounts payable

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Trade payables including accruals	731,370	740,699
Employee related liabilities	12,750	9,613
Other payables	4,050	7,240
Withholding tax	9,429	7,540
Payroll withholding taxes	1,204	954
	<b>758,803</b>	<b>766,046</b>

The breakdown by currencies is as follows:

<i>In thousands of euro</i>	<b>31 december 2023</b>	<b>%</b>	<b>31 december 2022</b>	<b>%</b>
EUR	753,939	99.4%	760,901	99.4%
USD	3,143	0.4%	3,442	0.4%
RUB	1,708	0.2%	1,693	0.2%
JPY	13	0.0%	7	0.0%
CZK	-	0.0%	3	0.0%
	<b>758,803</b>	<b>100.0%</b>	<b>766,046</b>	<b>100.0%</b>

69% or TEUR 524,981 (as at 31 December 2022: 73% or TEUR 562,239) of trade and other payables are due to companies within the HYUNDAI MOTOR GROUP.

As at 31 December 2023 the Company offset gross trade accounts payable of TEUR 333,544 (as at 31 December 2022: TEUR 302,787) with the gross trade accounts receivable of TEUR 35,642 (as at 31 December 2022: TEUR 34,267) with certain partners and presented them as net payable of TEUR 297,902 (as at 31 December 2022: TEUR 268,520).

## 24. Capital commitments and contingencies

### Capital commitments

At 31 December 2023 the Company had orders in place to acquire property, plant and equipment in the amount of TEUR 4,204 (31 December 2022: TEUR 905).

### 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 (the Company's direct parent) 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 inclu-

ded in the caption of administrative and selling expense in the income statement and in total amount to TEUR 853 (2022: TEUR 930).

### Other related party transactions

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

<b>Transactions with the parent company</b>	<b>31 december 2023</b>	<b>31 december 2022</b>
<i>In thousands of euro</i>		
Warranty provision chargebacks	47,903	31,243
Sale of property	3	28
Purchases of material	(68,676)	(95,016)
Purchase of services	(571)	(460)
Dividends	(735,621)	-
Royalties charge	(372,926)	(311,002)

<b>Transactions with other companies in HYUNDAI MOTOR GROUP</b>	<b>31 december 2023</b>	<b>31 december 2022</b>
<i>In thousands of euro</i>		
Revenues	7,231,910	6,163,055
Revenues from sale of property	4	351
Warranty provision chargebacks	6,537	6,420
Purchase of material	(3,894,608)	(3,651,294)
Acquisition of property, plant and equipment	(2,561)	(17,684)
Purchase of services	(265,569)	(165,393)
Warranty claims	(108,002)	(79,618)
Interest income from intercompany loan	29,577	2,167
Interest income on trade receivables from related parties	238	2,377

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

<b>Assets and liabilities arising from transactions with the parent company</b>	<b>31 december 2023</b>	<b>31 december 2022</b>
<i>In thousands of euro</i>		
Trade accounts receivable	23,002	15,813
Trade accounts payable	(99,209)	(86,252)

Assets and liabilities arising from transactions with other group companies	31 december 2023	31 december 2022
<i>In thousands of euro</i>		
Trade accounts receivable	528,105	787,418
Intercompany loan receivable	860,493	596,239
Trade accounts payable	(425,772)	(475,987)
Lease liability right of use of asset	(3,188)	(3,430)

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 from the period end.

## 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% (2022: 91%) 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. 93% (in 2022: 90%) 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 on-going 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

<i>In thousands of euro</i>	31 december 2023	31 december 2022
Not due	622,280	911,186
Past due 0-3 months	534	399
Past due 4-6 months	-	21
Past due 7-12 months	-	20
More than 12 months	1	-
<b>Total receivables</b>	<b>622,815</b>	<b>911,626</b>

### 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 2023 the current ratio exceeded management target and reached 2.20 (as at 31 December 2022: 2.55).



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

### 31 december 2023

<i>In thousands of euro</i>	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Lease liability	22	(3,188)	(122)	(122)	(493)	(499)	(1,952)
Lease liability interests	22	(203)	(12)	(12)	(43)	(37)	(99)
Trade and other accounts payable	23	(758,803)	(758,803)	-	-	-	-
<b>Subtotal financial liabilities</b>		<b>(762,194)</b>	<b>(758,937)</b>	<b>(134)</b>	<b>(536)</b>	<b>(536)</b>	<b>(2,051)</b>
Trade and other receivables	18	622,815	622,815	-	-	-	-
Intercompany loan receivable	20	860,493	860,493	-	-	-	-
Cash and cash equivalents	19	120,465	120,465	-	-	-	-
Warranty provision	15	(384,761)	(72,129)	(72,132)	(143,553)	(96,947)	-
Reclaim asset	15	48,676	13,030	13,031	13,499	9,116	-
Other provisions	15	(79,416)	(68,613)	-	-	-	(10,803)
Income tax receivable / (payable)		(69,787)	-	(69,787)	-	-	-
Value added tax receivable	18	246,641	246,641	-	-	-	-
<b>Subtotal financial assets and provisions</b>		<b>1,365,126</b>	<b>1,722,702</b>	<b>(128,888)</b>	<b>(130,054)</b>	<b>(87,831)</b>	<b>(10,803)</b>
		<b>602,932</b>	<b>963,765</b>	<b>(129,022)</b>	<b>(130,590)</b>	<b>(88,367)</b>	<b>(12,854)</b>

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

### 31 december 2022

<i>In thousands of euro</i>	Note	Carrying amount	6 months or less	7-12 months	2-3 years	4-5 years	more than 5 years
Lease liability	22	(3,430)	(121)	(121)	(489)	(496)	(2,203)
Lease liability interests	22	(228)	(13)	(13)	(47)	(40)	(115)
Trade and other accounts payable	23	(766,046)	(766,046)	-	-	-	-
<b>Subtotal financial liabilities</b>		<b>(769,704)</b>	<b>(766,180)</b>	<b>(134)</b>	<b>(536)</b>	<b>(536)</b>	<b>(2,318)</b>
Trade and other receivables	18	911,626	911,626	-	-	-	-
Intercompany loan receivable	20	596,239	596,239	-	-	-	-
Cash and cash equivalents	19	71,770	71,770	-	-	-	-
Warranty provision	15	(311,572)	(66,245)	(66,245)	(130,438)	(48,644)	-
Reclaim asset	15	48,185	21,577	21,576	3,665	1,367	-
Other provisions	15	(43,145)	(35,169)	-	-	-	(7,976)
Income tax receivable / (payable)		(4,517)	-	(4,517)	-	-	-
Value added tax receivable	18	239,730	239,730	-	-	-	-
<b>Subtotal other assets and liabilities</b>		<b>1,508,316</b>	<b>1,739,528</b>	<b>(49,186)</b>	<b>(126,773)</b>	<b>(47,277)</b>	<b>(7,976)</b>
		<b>738,612</b>	<b>973,348</b>	<b>(49,320)</b>	<b>(127,309)</b>	<b>(47,813)</b>	<b>(10,294)</b>

### 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 than 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 70% (2022: 72%) of revenues and 99% (2022: 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 2023 (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 2023	31 december 2022	31 december 2023	31 december 2022
RUB +/- 10%	(190)	(188)	155	154
GBP +/- 5%	7,156	7,252	(6,474)	(6,561)
CZK +/- 5%	343	1,057	(310)	(957)
USD +/- 5%	1,935	482	(1,751)	(436)
SEK +/- 5%	1,116	2,392	(1,009)	(2,165)
PLN +/- 5%	2,532	3,117	(2,291)	(2,820)
HUF +/- 5%	403	668	(365)	(604)

### Interest rate risk

Management has entered into 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 2023	31 december 2022
Total liabilities	1,497,661	1,285,432
Less available cash	(120,465)	(71,770)
Total liabilities less cash	1,377,196	1,213,662
Total equity	1,460,184	1,805,674
Adjusted debt/equity ratio	<b>0.94</b>	<b>0.67</b>

## 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.

## 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



2023 as well as at 31 December 2022.

#### **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 2023 amounted to EUR 384,761 (31 December 2022: EUR 311,572) 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. 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 model 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 16% (in 2022: 11% and 10%), respectively. The sensitivities were estimated based on year end balances and the actual results might differ from these estimates.

These financial statements were approved by management on 2 February 2024.

Uk Jeon  
CFO



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

# Appendix to the Independent Auditors' Report issued on 12 February 2024 (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 and Directors of Kia Slovakia s. r. o.

We have audited the financial statements of Kia Slovakia s. r. o. (the "Company") as of 31 December 2023 presented in the accompanying Annual Report. We have issued an unmodified Independent Auditors' Report on the financial statements on 12 February 2024.

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

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ČO/Registration number: 31 343 238  
Evidenčné číslo licencie audítora: 96  
License number of statutory auditor: 96



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.

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 2023 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 No. 96



Responsible auditor:  
**Ing. Ľuboš Vančo**  
License UDVA No. 745

Bratislava, 5 March 2024







