

# Annual Report 2015

Hyundai Motor Manufacturing Czech s.r.o.



**HYUNDAI**

NEW THINKING.  
NEW POSSIBILITIES.

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of the Company

Hyundai Motor Manufacturing Czech

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# Annual Report

# 2015

# Foreword by the President of the Company



Since November 2008, Hyundai Motor Manufacturing Czech s.r.o. (hereinafter “HMMC” or the “Company”) has been manufacturing cars in the HMMC plant in Pošovice. The plant in Pošovice is the only Hyundai manufacturing plant within the EU and thus it plays a key role in establishing Hyundai on the EU market, for which it produces cars of the highest quality that are distributed by a continually-growing network of European dealers. Our products offer customers the highest quality and sophisticated design while employing advanced technology.

In 2015, the Company achieved a number of major successes while also facing new challenges. In 2015, a total of 342,200 cars were produced; this presents a year-on-year increase in car production volume of 34,750 cars, ie 11.3%. Cars from Pošovice were exported to 58 countries, mostly European but also to important overseas markets such as Australia, South Africa or Mexico. In 2015, the export destinations’ portfolio was extended to include six countries from the Middle East region. The year 2015 was also notable because of several significant awards. Our Company was once again named the Employer of the Year in the category up to 5,000 employees, and for the fifth consecutive year, the Company was granted the Best Company Award by the Automotive Industry Association.

In the course of the 2012 – 2014 period, employee numbers were stabilised at approximately 3,200 as the three-shift manufacturing process had already been

introduced in September 2011; and in 2015, according to the increase in the production plan to 330,000 cars, approximately 150 new employees were hired; thus, the current number of employees amounts to 3,350. Throughout 2015, the Company focused on active communication with its employees and provided them with a number of internal and external training courses and educational events to support their personal and professional growth.

In the long term, HMMC has been one of the driving forces of the Czech economy namely in the Moravian-Silesian Region, which experienced fundamental and painful restructuring of heavy industry in the 90s resulting in a loss of thousands of jobs. Building the HMMC plant and its sub-supplier firms has provided more than 10,000 new jobs and thus brought new hope for the region and a vision for its future development. We will continue in striving to be a good neighbour and a good citizen of the Moravian-Silesian Region and the Czech Republic, with a positive impact on economic growth and the lives of people in the region. Our policy and key values are to maintain the dynamic growth of the Company based on environmentally-friendly production.

I am presenting the Annual Report for the year ended  
31 December 2015

In Nižní Lhoty on 19 February 2016

A handwritten signature in black ink that reads "Dongwoo Choi". The signature is written in a cursive, flowing style.

Dongwoo Choi  
President and CEO of Hyundai Motor  
Manufacturing Czech s.r.o.



# Hyundai Motor Manufacturing Czech

# Company's Profile

Hyundai Motor Manufacturing Czech s.r.o. (hereinafter "HMMC"), with its registered office in the Industrial Zone in Pošovice, was founded on 7 July 2006 as a company owned solely by Hyundai Motor Company (hereinafter "HMC"), with its registered office in Seoul, Korea. The Hyundai Motor Company Group, together with Kia Motors Corporation, are the fifth largest car manufacturer worldwide. Last year, their 32 production plants in 10 countries throughout the world produced more than 8 million cars.



## HMMC in numbers

The Plant's Area	200 ha
Built Up Area	28.3 ha
Total Investment	EUR 1.27 billion
Number of Employees	3,346 (including agency employees)
Share of Czech Citizens	96.9%
Male / Female Ratio	82% / 18%
Production Capacity	350,000 cars per year

HMMC focuses principally on producing cars and transmissions that are exported to 58 different countries worldwide. The plant represents the only production plant within the EU.

All car models produced in the HMMC plant (Hyundai i30, Hyundai i30 wagon, Hyundai i30 three-door version, Hyundai ix20, Hyundai ix35 and Hyundai Tucson) were specifically developed for the European mar-

ket by the Hyundai Technical Centre in Rüsselheim, Germany, and they meet high customer standards in terms of quality, safety and attractive design. No research and development activities are carried out in the Pošovice plant.

The Company has no organisational branches abroad and HMMC's share capital amounts to CZK 13,901,000,000.

# Company Management



**Dongwoo Choi**  
President

Mr Choi joined HMMC on 25 July 2011 having gained great experience from his previous job as the Director of Purchases of Engine Components at HMC headquarters where he had worked from 9 January 2007. He joined the HMC Division for Group Procurement Strategy in January 2000. He gained significant experience while working in the Department of Component Development for Hyundai Mobis and Kia Motors, where he was responsible for chassis, exterior parts, electronic parts and multimedia. He has been President of HMMC since 1 May 2014.



**Jae Woong Lim**  
CFO, Finance Division

Mr Lim joined the finance division of HMC in 1989 and he contributed to the area of Cost Accounting, Cost Analysis and Cost Planning. Before he joined HMMC, he was General Manager as Head of the Cost Management team in HMC. Since September 2011, he has been the CFO in HMMC.



**Jong Hoon Lee**  
Vice-president  
Production Division

Mr Lee joined Hyundai Motor Company in 1989. Between 1997 and 2000 he worked at the Korean plant in JeonJu. He then

left for the USA, where he became the Production Process Manager at the Hyundai plant in Alabama. From 2007, after his return to Korea, he was the manager of plants 2 and 5 in Ulsan. From 2011 he was also responsible for the development of new cars (Sonata and Grandeur) at the Asan plant in Korea. He joined HMMC in August 2013.



**Jung Sung Ki**  
Vice-president  
Procurement Division

Mr Ki joined the HMC in 1992. In his career, he specialises mainly in the purchase and development of parts. He gained invaluable experience when working for Beijing Hyundai Motor Co in China ("BHMCO"), where he was employed from 2002 to 2006. He became Head of the HMMC Procurement Division in August 2014.



**Jae Kyung Cho**  
Vice-president, Administration  
Division

Mr Cho joined the Hyundai Motor Group towards the end of 1993. Until 2014, he had been employed namely by Kia Motors, where between 2007–2011 he was responsible for employee relations in the sister plant Kia Motors Slovakia. After his return to headquarters in Korea, he was a member of the global HR team. He became Head of the HMMC Administration Division in August 2014.



**Iksoo Shin**  
Director, Quality Division

Mr Shin joined Hyundai Motor Company in January 1996. Until 2005, he had been working in the welding and quality control department in the Asan plant, Korea. In the years 2001 – 2002, he studied quality control systems in Great Britain. Between 2006 and 2010, he had been employed in the Hyundai plant in Alabama, USA, as head of quality control. He has been working for Hyundai Motor Manufacturing Czech since March 2014.



# History

2006	May	Investment Contract Signed
	July	Foundation of HMMC
	November	Investor of the Year Award
2007	March	Start of construction
	December	Installation and trial operation
2008	January	New Recruitment Centre opened in Ostrava
	November	Mass production launched – production of the first generation i30 model
2009	September	Second shift launched
	November	International Certificate ISO 9001 received
2010	September	Production of the ix20 launched
	November	300,000 cars produced “Start Plus” Award gained under the Czech National Quality Award
2011	July	Production of the ix35 launched
	September	Third shift operation launched 500,000 cars produced
	November	“Excellence” Award gained under the Czech National Quality Award
2012	January	Production of the second generation i30 model launched
	June	Mass production in Transmission Shop 2 launched
	December	i30 among the finalists for the European Car of the Year (COTY) Award for 2013
2013	May	The millionth car produced
	June	Awarded “the Employer of the Year for 2013” in the category up to 5,000 employees
	October	“Safe Company” certificate received
	December	OHSAS 18001 certificate received
2014	June	Awarded “the Employer of the Year for 2014” in the category up to 5,000 employees
	October	Awarded for the best production rate among car producers in Europe
	November	“Excellence” Award gained under the Czech National Quality Award
2015	June	Awarded “the Employer of the Year for 2015” in the category up to 5,000 employees
		Production of the Hyundai Tucson model launched



# Products

## Personal Vehicles

We provide our customers with new technologies and elements that are simple, intuitive and meet their needs. We offer a style that is striking, yet elegant. We produce cars that are environmentally friendly and offer added value. In short, the plant in Pošovice produces cars of world-class quality.

### i30

The whole i30 model range represents the best example of an innovative fluid design which constitutes the core of Hyundai's philosophy. In the lower middle class category, this vehicle has been widely popular with European customers since the production of this model in our plant was launched in 2008. The car was designed by the team at the Hyundai Motor Europe technical centre under the leadership of Thomas Bürkle, who is one of the top designers in the world.

### ix35

With over 600,000 of those compact sport-utility vehicles produced in our plant from July 2011 to June 2015, this vehicle became an absolute bestseller not only on the European market, but also on big non-European markets such as Australia, Egypt, Turkey, South Africa or Mexico. The Hyundai ix35 model offered both timeless design and all SUV vehicle elements that are accompanied by comfort and versatility.

### ix20

When the modern and dynamic ix20 model was launched in September 2010, it virtually caused an earthquake in the MPV segment. The vehicle combines an exclusive look with outstanding driving qualities that offer European customers a specific harmonic unit, with a dynamic style and high level of functionality. Its innovative, lively design offers a clear explanation as to why this vehicle is the most popular MPV on the Czech market.

### Tucson

Hyundai Tucson, the successor of the Hyundai ix35 model whose production ended after four years, represents a new generation of increasingly popular sport-utility vehicles. In the Hyundai plant in Pošovice, the preparation of the production, which was entrusted to so-called cross functional teams made up of the employees of the production, supply, production management and quality control departments, was completely new and groundbreaking in itself. In terms of safety, the brand new Tucson is one of the best equipped vehicles in its segment. Due to the great design and advanced technology of Hyundai cars in Europe, Tucson represents another step forward. As a whole, it offers customers quality that surpasses their expectations.

### Transmissions

HMMC produces not only personal vehicles but also three types of 5 and 6 gear manual transmissions. After launching the mass production in Transmission Shop 2 in July 2010, the annual production reached 530,000 units, which are either used in cars produced by HMMC or exported to the HMMR plant in St. Petersburg, Russia, or to the sister plant, Kia Motors Slovakia in Žilina.

Hyundai i30 hatchback	November 2008 - December 2011
Hyundai i30 cw	February 2009 - May 2012
Kia Venga	November 2009 - June 2011
Hyundai ix20	September 2010 - to date
Hyundai ix35	July 2011 - June 2015
New Hyundai i30 hatchback	January 2012 - to date
New Hyundai i30 wagon	June 2012 - to date
New Hyundai i30 three-door	November 2012 - to date
Hyundai Tucson	June 2015 - to date





DYMOS

ASSEMBLY

MOBIS

TRANSMISSION



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# HMMC in 2015

# Production

In 2015, HMMC produced 342,200 cars in total, thus exceeding the plan by 12,200 cars (7%). The year-on-year increase in production volume amounts to 34,750 cars, ie 11.3%.

The total volume of cars produced in 2015 consists of individual models as follows

i30	31 %
ix20	10 %
ix35	26 % (this model was produced until 19 June 2015)
Tucson	33 % (this model has been produced since 15 June 2015)

Of all the models, the Hyundai ix35 sport-utility model and its successor Tucson were the ones most produced; their production accounts for 59% of the overall production. Historically, the new Tucson is the fastest selling Hyundai model on the European market. At the very end of 2015, in Spain, it was awarded the most prestigious automotive price - The Best Car of the Year for 2016.



# Export

Cars manufactured in HMMC were exported to 58 different countries across Europe, the Middle East, Africa, Latin America, the Caribbean and Australia last year. Given that the Pošovice plant is the only Hyundai production plant in the European Union, it is natural that most cars were exported to European countries; however, considerable volumes of cars were also exported to non-European markets, namely Australia, Egypt, Turkey, South Africa or Mexico. Last year, the export countries' portfolio was expanded by six countries from the Middle East, namely Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain and Oman. Since November, a special version of the Tucson model with a 2.4-liter Theta engine has been produced for demanding customers from the Middle East.

	Top 10 Countries	Total Number In Pieces *
1.	Germany	51 000
2.	Great Britain	42 000
3.	Spain	30 000
4.	Italy	22 000
5.	Russia	17 000
6.	Czech Republic	16 000
7.	Australia	15 000
8.	Turkey	12 000
9.	Austria	11 000
10.	Belgium	11 000

\* rounded to the nearest thousand

The list of countries, based on the volumes of cars delivered to our customers in 2015 is as follows: Germany, the United Kingdom, Spain, Italy, Russia, the Czech Republic, Australia, Turkey, Austria and Belgium.

In comparison with 2014, the biggest change in the list involves the fall of Russia from second to fifth place and, on the other hand, the rise of Australia from tenth to seventh place.

Compared to the previous year, the Czech Republic remained in the sixth position with 15,992 of cars from the HMMC production sold in the Czech Republic in 2015 (a year-on-year increase of 2,184 vehicles), which amounts to 4.7% of total cars produced. In contrast, 95.3% of vehicles were exported from Pošovice abroad.





# Employees



As of 31 December 2015, the total number of employees (including agency employees) amounted to 3,346. The average fluctuation of employees in production increased moderately to 6.6%.

It still remains true that the HMMC Pošovice plant provides work opportunities for the citizens of the Czech Republic and namely for those living in the Moravian-Silesian Region, as they represent 97.3% of all HMMC employees. There are 104 foreigners among the total of 3,346 employees (3.1%), and they are mostly from Slovakia or Poland, which does not come as a surprise considering how close the borders of both of those countries are.

## Collective Bargaining

The labour union organisations continued their activities from the previous year. Negotiations between HMMC and labour union organisations were completed on 27 February 2015 in the form of a Collective Agreement valid from 1 March 2015. Collective bargaining was carried out by the Company's representatives, the KOVO Hyundai Czech Labour Union, and the HMMC KOVO Labour Union.

## Work Safety

In 2015, HMMC maintained the positive trends of continual prevention improvement in the fields of work safety, hygiene rules and fire prevention, which lead to a year-on-year decrease of the main indica-

tor – the number of work injuries. Compared to 2014, the number of work injuries in HMMC dropped by 28%. This positive effect was enhanced by the introduction of a brand new instrument, the so-called safety patrols which were present during all production shifts, and also by the gradual implementation of many partial technical measures and improvements.

This continuous improvement was also confirmed by an independent periodical certification under the OHSAS 18001 international standard, which HMMC managed to retain successfully. This certification, together with the second work safety control system – the 'Safe Company' certificate provided by the State Work Safety Authority – both demonstrate and testify the continuous improvement.

## Training

In 2015, 797 new employees, out of which 13 were new employees from Korea, attended the Company's entry course. 878 employees gained certificates for attending courses that enhanced their professional qualifications. 1,439 employees completed advanced work safety courses aimed at specific professions.

In the last year, HMMC focused on training courses aimed at personal development, such as courses on soft and management skills and the development of leadership skills. These courses were completed by 289 HMMC employees. Language courses (in which



193 employees took part), IT courses (75 employees) and e-learning courses carried on during 2015. Employees were also sent to various internal/external professional workshops and seminars (1,546 employees).

Furthermore, our employees had the chance to train at the Korean workshop centre; 81 employees used this opportunity last year. The aim of these activities is to share experience and practical information with colleagues from all over the world. Some of the training programmes (eg Company & Korea Understanding) offer employees a chance to learn more about Korean history and help them better understand the differences between our cultures.

In 2015, the outdoor workshop programme called “Together to Our Common Values,” in which 86 employees took part, carried on. These events are held in the Beskydy Mountains and, via different team building activities, help the employees identify key Company values and understand their role in creating the Company’s culture.

In 2015, a new motivation programme for group and team leaders and for ‘white-collar’ workers was launched. The aim is to broaden professional knowledge and awareness of other Hyundai Motor Group companies. Thus, 60 employees in total had the opportunity to join a one-day excursion to Hyundai Motor Europe, Hyundai Motor Europe Technical Centre and Hyundai Motor Sport Group in Germany, where they not only received useful, interesting information about those three companies, but also had a chance to see the working environment and meet new colleagues in person.

Last year, new programmes aimed at talented key employees with a huge potential for further professional growth and department leaders were launched. 27 selected key employees participated in a talent development programme; during a workshop, which lasted several days, they could deepen their communication techniques, leadership or planning and decision making. For department leaders, Leadership Academy was successfully launched in the autumn of 2015; this Academy allows 10 members of the management and their deputies to partially participate in MBA programmes.

# Environment

HMMC is one of the most dynamic companies in the Czech Republic, and it follows the concept of the so called “sustainable growth based on a new relationship between people and the environment they live in.” The Company dismisses the antiquated idea that economic interests are at odds with environmental protection.

Any company’s stability is reflected not only in the economic results but also in the company’s socially responsible attitude. HMMC substantiates such an approach by an environmentally-friendly attitude and high work safety standards, as it believes that the environment has irretrievable value to civil society that must be preserved for future generations.

HMMC strives to implement, to the highest possible level, technologies and procedures that are environmentally-friendly and also pays close attention to the consistent recycling of waste. In the production plant, all hygiene standards are strictly observed; on all HMMC premises, green vegetation is protected in compliance with the Company’s values.

The Company’s everyday life is governed by the applicable legal regulations, internal Company regulations and our clients’ requirements. As part of our constant effort to add to our care for the environment and the reduction of the negative impacts of production, we aim to increase our employees’ understanding of the

importance of the environment, as a prerequisite for the future development of society.

Our endeavours are supported by the Company’s environmental policy and a subsequent functional environmental management system certified under ISO 14001.

In order to support a continuous improvement of the impact of the Company’s activities on the environment, HMMC has also introduced the EMAS system, under Regulation (EC) No. 1221/2009 of the European Parliament and of the Council.

In 2015, 173 new trees were planted in our premises; this can be considered the biggest planting since the foundation of the Company. In total, 97 maples were planted along welding, pressing and transmission halls and final assembly line halls. Those maples will provide shade and, at the same time, they will serve as thermoregulation within the project of lowering temperatures in the halls. Furthermore, at the transmission hall, 35 English oaks were planted; those oaks will contribute to giving a more aesthetic to the road and will form an alley. In the logo park at the staff reception, three small-leave lime trees and 38 fruit trees (apple, plum, pear and cherry trees) were planted; in the future, they will become an orchard.



# Quality



HMMC has always striven to satisfy its customers' expectations of high quality. Therefore, each step in the production process is checked repeatedly to eliminate even the slightest manufacturing imperfection. Every single car leaving our plant has to undergo thorough testing performed by exact automatic machines and supported by the rational reasoning and judgment of the staff. The high standard has been confirmed by the successful completion of various audits performed on a regular basis, in order to review the compliance of production processes with the requirements on the given product.

## The International ISO 9001 Standard

To be able to claim the quality standard for cars produced in the Company, in 2009, HMMC decided to build a system of quality management as required by the ISO 9001 standard, which ensures that the quality meets the requirements. The standard specifies the requirements on the system of quality management in organisations that decide and need to prove their ability to continue in providing products in line with the relevant regulations and customer requirements and that constantly strive to increase customer satisfaction. The establishment of the quality management system was a result of an ongoing process that had already started in 2006 with the foundation of the Company and that was accomplished in October 2009 with the Certificate Audit performed by DEKRA Certification s.r.o. The quality management system is reviewed annually, in order to keep the highest quality

standards. The ISO 9001 Certificate is granted for three years with an annual review. In October 2014, HMMC was subject to a further successful supervisory audit.

## Vehicle Homologation and Production Process Conformity

Our products meet the stringent international legal requirements on vehicles – so called type approvals (homologations) that include various systems in the vehicle (including parts), without which the vehicles may not be distributed to customers. These requirements are supervised and tested by independent testing organisations prior to launching mass production of a new model and prior to each change in the production process. The conformity of our production process (COP) is also audited by independent testing authorities (Vehicle Certification Agency – VCA, SATR) on a regular basis. In September 2014, HMMC successfully underwent a COP audit, this time from the Russian Federation.

## National Quality Award

In November 2014, our Company successfully retained the highest “Excellence” award under the Czech National Quality Award for the next three years, which it had been awarded as the only car producer in the Czech Republic. The Quality Award is based on a thorough and objective review of the efficiency and quality of all activities employed in an organisation with respect to their impact on all the stakeholders, namely in view of the EFQM model framework. In the Czech Republic, the Czech National Quality Award is the most valued award for the quality of manufacturing process in all its aspects.

# Social Responsibility



## Hyundai's slogan and the CSR (Company Social Responsibility) Logo

The slogan "Moving the World Together", which summarises the whole CSR philosophy, expresses the wish to change the world for the better, together with our neighbours, in a common effort based on love, cooperation and useful activities. The logo represents the desire for never ending improvement and development, hope and harmonic partnership.

Apart from producing cars, HMMC, together with other organisations, aims to have a positive impact on the quality of life in the Moravian-Silesian Region.

## "Safe Move"

One of the main areas of "social responsibility" (CSR) of Hyundai worldwide is the support of projects that increase road safety. Therefore, in 2015,





HMMC decided to carry on with the activities commenced in this area.

### Traffic Competition for Young Cyclists on Children's Traffic Playground in Frýdek - Místek

Hyundai believes that road safety education is highly important, as young cyclists who know and keep traffic rules are more likely to become responsible and considerate drivers in the future. HMMC has

therefore become the partner of the children's traffic playground in Frýdek-Místek and gave away 20 children's bikes that will be used by fourth grade pupils from Frýdek-Místek in traffic and road safety lessons.

### Driving Licences for Children from Children's Homes

Nowadays, having a driving licence is clearly a certain threshold and an automatically required qualification.



However, for young children from children's homes, getting a driving licence is a relatively expensive matter. HMMC therefore prepared a project under which it enabled eight young adults (over eighteen years old), from children's homes in Ostrava, Frýdek-Místek and Karviná, to take driving lessons for free. In this way Hyundai attempts to help young people find a job and get a better start to their professional careers.

## Car Donations

### ○ Donations to technical and vocational schools

Last year, technical and vocational schools were donated eight vehicles from pre-series production which will serve future car mechanics, auto electricians and technicians as aids in especially designed class-rooms. These vehicles will help students fa-

miliarise themselves with the functioning of engines, transmissions and electronic systems.

#### ○ Donations to volunteer firemen

In 2015, HMMC became the main partner of the 3rd Volunteer Firemen Brigades Championship of the Czech Republic in extricating injured people from wrecked cars. For the purpose of the championship, the Company provided 17 newish and functioning Hyundai ix35 vehicles.

### The Good Neighbour Programme

Since its foundation in the Moravian-Silesian Region, HMMC has been meant to be not only a socially responsible corporate citizen of the region and the Czech Republic, but mainly a reliable partner of the surrounding villages and a good neighbour. For this purpose, the Good Neighbour Programme was created, in which 13 villages with an overall population of almost 13,000 inhabitants from the immediate vicinity of the plant participate. Each of these villages may apply for financial support of up to CZK 50,000 for their projects in the field of culture, sports, leisure time activities and others. The Good Neighbour Programme provides a chance for small villages to enhance their cultural life as their budgets are often used up on village maintenance and investments, and none or very little funds are left for leisure time

activities. In 2015, 32 projects were funded from this programme, totalling CZK 650,000.

### Hyundai Foundation

Based on the Declaration of Understanding signed by our Company, state institutions and ecological associations, the Hyundai Foundation was established in 2006, its principal objectives being the development of civic society and the strengthening of its participation in public affairs. The Foundation aims to distribute a total of CZK 25 million to local community projects carried out namely in the districts of the Frýdek-Místek and Nový Jičín regions. However, the Foundation may not, nor does it want to, neglect the areas of education and human rights, on which all democratic and open societies are based and which the Foundation also wishes to support. In 2015, 15 projects were funded, totalling CZK 1,231,587.

### Eco Day

Each year, hundreds of thousands of animals die due to car crashes. Therefore, in cooperation with the Hunting Association Pošovice-Lhoty, we decided to organise an event for volunteers, during which over 2,000 bushes were planted at the industry area ring road's noise mound within one day. Due to the planting of this natural safety barrier, wildlife should stop running onto this road.





# Goals and Forecasts for 2016



In 2016, the production programme will consist of the current Hyundai i30 and ix20 models and Tucson models, the series production of which was launched in June last year. Production of the new model of the C segment personal vehicle, which has been prepared under the PDe code name, will be launched at the very end of 2016.

Based on a permit issued by the Regional Authority of the Moravian-Silesian Region in 2014, the annual production plan for the HMMC Pošovice plant was set to 350,000 vehicles, ie increased by 6 % in comparison to 2015 (in 2015, the plan was 330,000 vehicles per year). The increase in the production volume will not require construction of new production halls or buildings. In the area of HR policy, the three-shift production regime will be maintained. In line with the production increase plan, no massive recruitment will take place; solely tens of new employees will be recruited.

In order to maintain competitiveness, in both current as well as future markets, we will pay maximum attention to the quality of all processes.

No significant events occurred in HMMC after the balance sheet date.

# Financial Statements

For year  
ended  
31. December  
2015

**Name of the Company:** Hyundai Motor Manufacturing Czech s.r.o.

**Registered Office:** Průmyslová zóna Pošovice, Hyundai 700/1, 739 51 Pižní Lhoty

**Legal Status:** Limited Liability Company

**Corporate ID:** 277 73 035

**Components of the Financial Statements:**

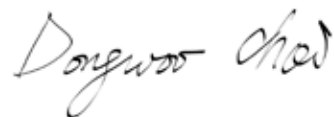
Balance Sheet

Profit and Loss Account

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 19 February 2016.



Dongwoo Choi  
Statutory executive of the reporting entity

# Balance Sheet

## full version

As of 31.12.2015 (in CZK thousand)		31.12.2015		31.12.2014	
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>79 901 843</b>	<b>13 995 654</b>	<b>65 906 189</b>	<b>65 822 009</b>
<b>B.</b>	<b>Fixed assets</b>	<b>31 262 547</b>	<b>13 792 158</b>	<b>17 470 389</b>	<b>17 929 142</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>346 849</b>	<b>307 946</b>	<b>38 903</b>	<b>293 243</b>
B.I.3.	Software	335 151	307 946	27 205	30 196
B.I.6.	Other intangible fixed assets	9 956		9 956	260 629
B.I.7.	Intangible fixed assets under construction	1 742		1 742	2 418
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>30 915 698</b>	<b>13 484 212</b>	<b>17 431 486</b>	<b>17 635 899</b>
B.II.1.	Land	170 678		170 678	170 678
B.II.2.	Structures	8 484 678	1 911 580	6 573 098	6 817 251
B.II.3.	Individual movable assets and sets of movable assets	22 242 819	11 572 632	10 670 187	9 832 530
B.II.7.	Tangible fixed assets under construction	9 156		9 156	779 493
B.II.8.	Prepayments for tangible fixed assets	8 367		8 367	35 947
<b>C.</b>	<b>Current assets</b>	<b>48 570 386</b>	<b>203 496</b>	<b>48 366 890</b>	<b>47 812 321</b>
<b>C.I.</b>	<b>Inventories</b>	<b>3 280 592</b>	<b>203 496</b>	<b>3 077 096</b>	<b>2 593 812</b>
C.I.1.	Material	2 647 738	202 071	2 445 667	2 070 701
C.I.2.	Work in progress and semifinished goods	383 037	1 035	382 002	254 419
C.I.3.	Products	249 817	390	249 427	268 692
<b>C.II.</b>	<b>Long-term receivables</b>	<b>122 883</b>		<b>122 883</b>	<b>240 079</b>
C.II.8.	Deferred tax asset	122 883		122 883	240 079
<b>C.III.</b>	<b>Short-term receivables</b>	<b>23 740 361</b>		<b>23 740 361</b>	<b>18 911 961</b>
C.III.1.	Trade receivables	21 038 986		21 038 986	15 804 732
C.III.6.	State - tax receivables	2 496 248		2 496 248	1 767 133
C.III.7.	Short-term prepayments made	17 451		17 451	29 515
C.III.9.	Other receivables	187 676		187 676	1 310 581
<b>C.IV.</b>	<b>Current financial assets</b>	<b>21 426 550</b>		<b>21 426 550</b>	<b>26 066 469</b>
C.IV.1.	Cash on hand	169		169	275
C.IV.2.	Cash at bank	21 426 381		21 426 381	26 066 194
<b>D. I.</b>	<b>Other assets</b>	<b>68 910</b>		<b>68 910</b>	<b>80 546</b>
D.I.1.	Deferred expenses	22 822		22 822	29 063
D.I.2.	Complex deferred expenses	37 361		37 361	40 947
D.I.3.	Accrued income	8 727		8 727	10 536

		31.12.2015	31.12.2014
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>65 906 189</b>	<b>65 822 009</b>
<b>A.</b>	<b>Equity</b>	<b>37 085 437</b>	<b>31 584 161</b>
A.I.	<b>Share capital</b>	<b>13 901 000</b>	<b>13 901 000</b>
A.I.1.	Share capital	13 901 000	13 901 000
A.IV.	Retained earnings	17 683 161	8 709 796
A.IV.1.	Accumulated profits brought forward	17 683 161	8 709 796
A.V.	Profit or loss for the current period (+ -)	5 501 276	8 973 365
<b>B.</b>	<b>Liabilities</b>	<b>28 762 157</b>	<b>34 074 405</b>
B.I.	Reserves	6 864 667	7 147 081
B.I.4.	Other reserves	6 864 667	7 147 081
B.III.	Short-term liabilities	12 979 240	21 382 324
B.III.1.	Trade payables	11 411 785	7 909 031
B.III.5.	Payables to employees	83 545	77 800
B.III.6.	Social security and health insurance payables	51 269	48 246
B.III.7.	State - tax payables and subsidies	160 704	625 219
B.III.8.	Short-term prepayments received	355 058	95 166
B.III.9.	Bonds issued		11 417 000
B.III.10.	Estimated payables	911 176	1 203 937
B.III.11.	Other payables	5 703	5 925
B.IV.	Bank loans and borrowings	8 918 250	5 545 000
B.IV.1.	Long-term bank loans	8 918 250	5 545 000
<b>C. I.</b>	<b>Other liabilities</b>	<b>58 595</b>	<b>163 443</b>
C.I.1.	Accrued expenses	15 118	110 262
C.I.2.	Deferred income	43 477	53 181

# Profit and loss account

structured by the nature  
of expense method

Year ended 31.12.2015 (in CZK thousand)		Year ended 31.12.2015	Year ended 31.12.2014
II.	Production	<b>125 704 466</b>	<b>106 140 818</b>
II.1.	Sales of own products and services	125 644 605	106 316 661
II.2.	Change in internally produced inventory	59 861	-176 275
II.3.	Own work capitalised		432
B.	Purchased consumables and services	<b>112 787 405</b>	<b>88 941 699</b>
B.1.	Consumed material and energy	105 218 971	84 521 949
B.2.	Services	7 568 434	4 419 750
<b>+</b>	<b>Added value</b>	<b>12 917 061</b>	<b>17 199 119</b>
C.	Staff costs	<b>1 581 239</b>	<b>1 478 243</b>
C.1.	Payroll costs	1 113 427	1 033 474
C.3.	Social security and health insurance costs	374 007	348 141
C.4.	Social costs	93 805	96 628
D.	Taxes and charges	16 118	17 425
E.	Depreciation of intangible and tangible fixed assets	2 394 317	2 325 121
III.	Sales of fixed assets and material	<b>4 238 667</b>	<b>3 582 294</b>
III.1.	Sales of fixed assets	287 296	14 487
III.2.	Sales of material	3 951 371	3 567 807
F.	Net book value of fixed assets and material sold	<b>4 504 732</b>	<b>3 650 874</b>
F.1.	Net book value of sold fixed assets	271 894	20 345
F.2.	Book value of sold material	4 232 838	3 630 529
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	-312 330	1 085 097
IV.	Other operating income	485 992	492 352
H.	Other operating expenses	2 101 627	2 132 102
<b>*</b>	<b>Operating profit or loss</b>	<b>7 356 017</b>	<b>10 584 903</b>
IX.	Income from the revaluation of securities and derivatives	1 638 371	1 289 034
X.	Interest income	526 871	478 000
Π.	Interest expenses	129 342	424 172
XI.	Other financial income	1 990 005	1 001 407
O.	Other financial expenses	4 244 737	3 381 594
<b>*</b>	<b>Financial profit or loss</b>	<b>-218 832</b>	<b>-1 037 325</b>
Q.	Income tax on ordinary activities	<b>1 635 909</b>	<b>574 213</b>
Q 1.	- due	1 518 714	795 507
Q 2.	- deferred	117 195	-221 294
<b>**</b>	<b>Profit or loss from ordinary activities</b>	<b>5 501 276</b>	<b>8 973 365</b>
<b>***</b>	<b>Profit or loss for the current period (+/-)</b>	<b>5 501 276</b>	<b>8 973 365</b>
<b>****</b>	<b>Profit or loss before tax</b>	<b>7 137 185</b>	<b>9 547 578</b>

# Cash flow statement

Year ended 31.12.2015 (in CZK thousand)		Year ended 31.12.2015	Year ended 31.12.2014
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>26 066 469</b>	<b>15 064 428</b>
	<b>Cash flows from ordinary activities</b>		
Z.	Profit or loss from ordinary activities before tax	7 137 185	9 547 578
A.1.	Adjustments for non-cash transactions	<b>1 355 209</b>	<b>4 171 386</b>
A.1.1.	Depreciation of fixed assets	2 394 317	2 325 121
A.1.2.	Change in provisions and reserves	-312 331	1 085 097
A.1.3.	Profit/(loss) on the sale of fixed assets	-15 402	5 858
A.1.5.	Interest expense and interest income	-397 529	-53 828
A.1.6.	Adjustments for other non-cash transactions	-313 846	809 138
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>8 492 394</b>	<b>13 718 964</b>
A.2.	Change in working capital	-2 117 011	<b>1 804 551</b>
A.2.1.	Change in operating receivables and other assets	-5 778 957	-324 917
A.2.2.	Change in operating payables and other liabilities	4 111 726	1 384 363
A.2.3.	Change in inventories	-449 780	745 105
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>6 375 383</b>	<b>15 523 515</b>
A.3.	Interest paid	-234 318	-424 172
A.4.	Interest received	543 002	468 567
A.5.	Income tax paid from ordinary operations	-1 942 276	-1 604 323
<b>A.***</b>	<b>Net operating cash flows</b>	<b>4 741 791</b>	<b>13 963 587</b>
	<b>Cash flows from investing activities</b>		
B.1.	Fixed assets expenditures	-2 833 071	-487 533
B.2.	Proceeds from fixed assets sold	11 996	14 487
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-2 821 075</b>	<b>-473 046</b>
	<b>Cash flow from financial activities</b>		
C.1.	Change in payables from financing	-6 560 635	2 998 500
C.2.	Impact of changes in equity		<b>-5 487 000</b>
C.2.6.	Dividends paid		-5 487 000
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-6 560 635</b>	<b>-2 488 500</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-4 639 919</b>	<b>11 002 041</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>21 426 550</b>	<b>26 066 469</b>

# Notes to the Financial Statements

For the Year Ended 31 December 2015

(in CZK thousand)



# 1. General Information and Principal Activities

## Incorporation and Description of the Business

Hyundai Motor Manufacturing Czech s.r.o. (the “Company”) was formed on 7 July 2006. It was formed by Hyundai Motor Company, the Republic of Korea.

In 2008, the Company began the production of cars and transmissions, which constitute the Company’s key production programme. Currently, the Company manufactures three models: Hyundai ix20, Hyundai i30, which is produced in three versions (five-door hatchback, wagon and three-door version), and Hyundai Tucson, the production of which commenced in 2015 and replaced the Hyundai ix35 model.

## Owners of the Company

At 31 December, the Company’s owners are:	Ownership percentage as of 31 December	
	2015	2014
Hyundai Motor Company, the Republic of Korea	100 %	100 %

## Registered Office

Hyundai Motor Manufacturing Czech s.r.o., Průmyslová zóna Pošovice  
Hyundai 700/1, 739 51 Nižní Lhoty  
Czech Republic

## Corporate ID

277 73 035

Statutory executive and Proxy as of 31 December 2015

Statutory executive	Proxy
Dongwoo Choi	Jae Woong Lim, Jae Kyung Cho

The Company has not established a Supervisory Board.

No changes to the Register of Companies were made in the year ended 31 December 2015.

## Organisational Structure

The Company is organised into the following sub-divisions:

- Finance – financial accounting, financial controlling;
- Administration – information technologies, human resources, employee relations, general affairs, legal, public relations, facility management, environment and health & safety;
- Production – press shop, welding shop, paint shop, assembly, production of transmissions, maintenance, and production management;
- Quality – quality management, quality assurance;
- Sales support; and
- Procurement – parts development, purchases.

## 2. Principal Accounting Policies Used by the Company

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, and Czech Accounting Standards for Businesses, as amended. The financial statements are general purpose financial statements and have not been prepared for any special purpose, transaction or user. Users should not rely exclusively on these financial statements in making decisions and should undertake other appropriate inquiries before making decisions.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

These financial statements are presented in thousands of Czech crowns ('CZK').

### a) Tangible and Intangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life greater than one year. Tangible and intangible fixed assets are carried at cost. Tangible fixed assets at the acquisition cost of less than CZK 10 thousand and intangible fixed assets at the acquisition cost of less than CZK 10 thousand are not reported in the balance sheet and are expensed in the year of acquisition.

The valuation of internally produced fixed assets includes direct material, direct wages and other costs directly relating to the production until their capitalisation.

The following table shows the depreciation methods and periods by asset groups:

Assets	Method	Depreciation period
Residential buildings	Straight line	50 years
Industrial buildings	Straight line	30 years
Machinery and equipment	Straight line	15 years
Vehicles	Straight line	6 years
Moulds	Straight line	6 years
Moulds for Hyundai i30	Straight line	5 years
Moulds for Hyundai ix20	Straight line	7 years
Moulds for Hyundai ix35	Straight line	4 years
Moulds for Hyundai Tucson	Straight line	6 years
IT equipment	Straight line	6 years
Furniture	Straight line	6 years
Software	Straight line	5 years
Other intangible assets	Straight line	3.5-7 years

### b) Inventory

Purchased inventory is stated at costs. The cost includes the purchase cost, customs duties, storage fees during transportation, transportation costs of delivery to the production area.

Internally developed inventory is valued at the cost of producing the inventory, which primarily consists of the direct costs of production or any other activity, and/or the portion of indirect costs relating to production or any other activity.

Inventory is issued out of stock using the costs determined by the weighted arithmetic average method.

Provisions against products are calculated as the sum of positive differences from the comparison of valuations of individual cars at the balance sheet date and the valid selling price of these cars. Provisions against work in progress and semi-finished goods are determined using the extrapolation of the proportion

of the provision against products and the aggregate value of products at the balance sheet date. The provision against production material with the movement rate exceeding one year is recognised in the amount of 100% of the value of this material. The provision against idle spare parts in the last two years is recognised as equal to 100% of the value of the inventory and 20% for the spare parts that have been idle for no less than one year.

### c) Trade Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. The recognition of provisions against overdue receivables is assessed individually in respect of each such receivable.

Short-term receivables are ceded before their due dates. Under recourse factoring of receivables, ceded receivables are recorded on special analytical accounts and are subsequently settled against the received short-term loan. The costs of the recourse factoring of receivables are deferred until the maturity date of these receivables. Under non-recourse factoring, receivables are reversed through other operating expenses and at the same time a receivable from the factor is recognised with a corresponding entry for the income from the cession of these receivables (other operating income).

The Company charges its customers the interest from business loans. These receivables are recorded on an accruals basis together with the interest income and deferred income.

### d) Trade Payables

Trade payables are stated at their nominal value.

### e) Recognition of Reserves

The Company creates a reserve for outstanding vaca-



tion days and a reserve for warranty repairs.

The reserve for outstanding vacation days as of the balance sheet date is recognised on the basis of an analysis of outstanding vacation days per year and the average payroll costs including social security and health insurance by individual employees.

The reserve for warranty repairs is recognised by setting aside a lump-sum charge per each sold car. The amount of the lump sum reserve is determined on the basis of the best available estimate of the costs for warranty repairs in accordance with the Company's historical experience. This reserve does not include the costs of repairs of sold cars that are initiated by the manufacturer due to the one-off nature of these costs and the impossibility to reliably predict them.

### f) Estimated Payables

The Company recognises estimated payables for unbilled supplies upon the acquisition of tangible and intangible fixed assets, material, energy and services.

### g) Loans and Issued Bonds

Loans and issued bonds are stated at their nominal value.

The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

### **h) Foreign Currency Translation**

The Company uses the Czech National Bank's ruling foreign exchange rate for the previous business day in the translation of foreign currencies. During the year, the Company recognises realised foreign exchange rate gains or losses.

Assets and liabilities denominated in foreign currencies are translated using the foreign exchange rate promulgated by the Czech National Bank as of the balance sheet date. Unrealised foreign currency translation gains and losses are reported in the results of operations.

### **i) Finance Lease**

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

### **j) Income Tax**

Income tax for the period is composed of the tax payable and movements in deferred tax. The tax payable includes the estimate of the tax calculated from the tax base using the tax rate applicable on the last day of the reporting period and all tax arrears and refunds for prior periods. The tax base is reduced by the deduction of accumulated tax losses and tax relief arising from investment incentives.

Deferred tax is based on all temporary differences between the carrying and tax values of assets and liabilities using the anticipated tax rate applicable for the following periods.

A deferred tax asset is recognised only if it is likely that it will be realised in the following reporting periods.

### **k) Revenue Recognition**

Revenues are recognised when goods are shipped out of stock and significant risks and rewards have passed to the customer or when services are rendered and are reported net of discounts and VAT.

In the case of invoicing without physical unloading ("Bill and Hold sales"), revenues are recognised if the customer requires this form of delivery and under the condition that the customer accepts the invoicing and the transfer of ownership and risks. In order to recognise revenues in the case of invoicing without physical unloading, the following conditions must be fulfilled:

- 1) It is likely that a physical delivery will take place;
- 2) At the moment of recognition of the revenue, the goods are physically available, they are specifically intended for a particular customer and are prepared for delivery;
- 3) The customer confirms the terms and conditions of the invoicing transaction without physical delivery; and
- 4) The customary payment conditions of the Company are valid for the transaction.

### **l) Subsidies**

Subsidies received from the state budget in support of the creation of new jobs and support of retraining and training of employees are recognised in other operating income. Received subsidies for the support of investments are recognised as acquisition of fixed assets as a decrease in the cost of assets.

### **m) Use of Estimates**

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of reve-

nues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

#### **n) Components of Cash and Cash Equivalents (for Cash Flow Reporting Purposes)**

For cash flow reporting purposes, cash and cash equivalents include the on-balance sheet items comprising cash on hand, stamps and vouchers, cash in transit and cash at bank.

#### **o) Financial Derivative Instruments**

Derivative financial instruments are carried at fair value at the balance sheet date. In determining the fair value, the Company has referred to the market value. Fair value changes in respect of trading derivatives are recognised as “Costs of/income from the revaluation of securities and derivatives”.

The fair value of financial derivatives is determined as a present value of expected cash flows arising from these transactions. The present value is established on the basis of common market-recognised models. Parameters identified on an active market such as foreign exchange rates, yield curves, volatility of relevant

financial instruments etc are subsequently included in these pricing models. All financial derivatives having positive fair values are reported as assets, derivatives with negative values are reported as liabilities.

#### **p) Impairment**

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.



## 3. Fixed Assets

### a) Intangible Fixed Assets

(CZK thousand)					
	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
<b>Cost</b>					
Balance at 1 Jan 2015	49 012	323 533	663 551	2 418	1 038 514
Additions	--	11 637	9 351	10 961	31 949
Disposals	49 012	19	662 946	11 637	723 614
Balance at 31 Dec 2015	--	335 151	9 956	1 742	346 849
<b>Accumulated amortisation</b>					
Balance at 1 Jan 2015	49 012	293 337	402 922	--	745 271
Amortisation	--	14 625	--	--	14 625
Accumulated amortisation to disposals	49 012	16	402 922	--	451 950
Balance at 31 Dec 2015	--	307 946	--	--	307 946
<b>Net book value at 1 Jan 2015</b>	<b>--</b>	<b>30 196</b>	<b>260 629</b>	<b>2 418</b>	<b>293 243</b>
<b>Net book value at 31 Dec 2015</b>	<b>--</b>	<b>27 205</b>	<b>9 956</b>	<b>1 742</b>	<b>38 903</b>

(CZK thousand)					
	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
<b>Cost</b>					
Balance at 1 Jan 2014	49 012	297 594	658 335	3 164	1 008 105
Additions	--	25 939	10 603	27 316	63 858
Disposals	--	--	5 387	28 062	33 449
Balance at 31 Dec 2014	49 012	323 533	663 551	2 418	1 038 514
<b>Accumulated amortisation</b>					
Balance at 1 Jan 2014	49 012	273 211	274 363	--	596 586
Amortisation	--	20 126	128 559	--	148 685
Accumulated amortisation to disposals	--	--	--	--	--
Balance at 31 Dec 2014	49 012	293 337	402 922	--	745 271
<b>Net book value at 1 Jan 2014</b>	<b>--</b>	<b>24 383</b>	<b>383 972</b>	<b>3 164</b>	<b>411 519</b>
<b>Net book value at 31 Dec 2014</b>	<b>--</b>	<b>30 196</b>	<b>260 629</b>	<b>2 418</b>	<b>293 243</b>

In respect of software, the Company continued to modernise its information systems, primarily in assurance of production quality, during the years ended 31 December 2015 and 2014.

Due to the transformation of intragroup relations during year 2015, the Company sold licences to the parent company at the acquisition costs of CZK 658,335 thousand.

## b) Tangible Fixed Assets

(CZK thousand)								
	Land	Buildings	Machinery, tools and moulds	Vehicles	Computers, furniture	Tangible FA under construction	Prepay-ments	Total
<b>Cost</b>								
Balance at 1 Jan 2015	170 678	8 447 904	19 122 912	63 630	367 849	779 493	35 947	28 988 413
Additions	--	36 774	2 875 469	22 096	57 028	2 221 030	166 408	5 378 805
Disposals	--	--	230 126	15 847	20 192	2 991 367	193 988	3 451 520
Balance at 31 Dec 2015	170 678	8 484 678	21 768 255	69 879	404 685	9 156	8 367	30 915 698
<b>Accumulated depreciation</b>								
Balance at 1 Jan 2015	--	1 630 653	9 434 247	20 712	266 902	--	--	11 352 514
Depreciation	--	280 927	2 050 210	11 035	37 490	--	--	2 379 662
Accumulated depreciation to disposals	--	--	218 224	9 555	20 185	--	--	247 964
Balance at 31 Dec 2015	--	1 911 580	11 266 233	22 192	284 207	--	--	13 484 212
<b>Net book value at 1 Jan 2015</b>	<b>170 678</b>	<b>6 817 251</b>	<b>9 688 665</b>	<b>42 918</b>	<b>100 947</b>	<b>779 493</b>	<b>35 947</b>	<b>17 635 899</b>
<b>Net book value at 31 Dec 2015</b>	<b>170 678</b>	<b>6 573 098</b>	<b>10 502 022</b>	<b>47 687</b>	<b>120 478</b>	<b>9 156</b>	<b>8 367</b>	<b>17 431 486</b>

(CZK thousand)								
	Land	Buildings	Machinery, tools and moulds	Vehicles	Computers, furniture	Tangible FA under construction	Prepay-ments	Total
<b>Cost</b>								
Balance at 1 Jan 2014	170 678	8 437 799	18 823 905	61 315	338 003	10 340	69	27 842 109
Additions	--	10 105	313 085	28 841	37 906	1 184 246	130 566	1 704 749
Disposals	--	--	14 078	26 526	8 060	415 093	94 688	558 445
Balance at 31 Dec 2014	170 678	8 447 904	19 122 912	63 630	367 849	779 493	35 947	28 988 413
<b>Accumulated depreciation</b>								
Balance at 1 Jan 2014	--	1 350 925	7 612 095	20 965	220 413	--	--	9 204 398
Depreciation	--	279 728	1 830 750	11 131	54 367	--	--	2 175 976
Accumulated depreciation to disposals	--	--	8 598	11 384	7 878	--	--	27 860
Balance at 31 Dec 2014	--	1 630 653	9 434 247	20 712	266 902	--	--	11 352 514
<b>Net book value at 1 Jan 2014</b>	<b>170 678</b>	<b>7 086 874</b>	<b>11 211 810</b>	<b>40 350</b>	<b>117 590</b>	<b>10 340</b>	<b>69</b>	<b>18 637 711</b>
<b>Net book value at 31 Dec 2014</b>	<b>170 678</b>	<b>6 817 251</b>	<b>9 688 665</b>	<b>42 918</b>	<b>100 947</b>	<b>779 493</b>	<b>35 947</b>	<b>17 635 899</b>

In the year ended 31 December 2015, additions to movable fixed assets largely related to the launch of the production of Hyundai Tucson. This predominantly involved machinery equipment of CZK 441,354 thousand, moulds for the production of components placed at the suppliers of such components of CZK 1,486,366 thousand and press moulds for metal components of CZK 321,337 thousand. After having terminated the production of the Hyundai ix35 model, the Company sold moulds and machinery equipment at the acquisition cost of CZK 198,070 thousand.

In the year ended 31 December 2014, additions to

## 4. Leased Assets

### Finance Lease

In the year ended 31 December 2011, the Company acquired, under finance leases, moulds for the production of components placed at the suppliers of

## 5. Inventory

Internally developed inventory includes completed cars and semi-finished products manufactured during the production of cars.

As of the balance sheet date, the Company holds inventory of material necessary for the production of cars of CZK 2,411,462 thousand (2014: CZK 2,039,624

## 6. Trade Receivables and Payables

Overdue short-term trade receivables amount to CZK 1,008,604 thousand (2014: CZK 1,356,566 thousand).

## 7. State – Tax Receivables

The receivable from the state principally includes a receivable arising from the VAT refund based on the filed tax return of CZK 1,216,636 thousand (2014: CZK

movable fixed assets primarily included the automation and modernisation of production lines and moulds for the production of components placed at suppliers of these components. In respect of the planned production of a new model Hyundai Tucson the Company acquired tangible fixed assets under construction of CZK 480,549 thousand.

The Moravian-Silesian region carries the pre-emption right to acquire all land in the area of the Company's production plant of CZK 153,435 thousand. This land is located at the cadastral area of Pošovice and Nižní Lhoty.

these components for the production of the Hyundai ix35 model. The lease for 2015 amounted to CZK 199,174 thousand (2014: CZK 184,808 thousand).

thousand) and inventory of spare parts for production equipment of CZK 236,276 thousand (2014: CZK 218,195 thousand). The provision against production material amounts to CZK 31,712 thousand (2014: CZK 26,805 thousand) and against spare parts to CZK 170,359 thousand (2014: CZK 160,313 thousand) as of the balance sheet date.

Overdue short-term trade payables amount to CZK 1,512 thousand (2014: CZK 0).

853,962 thousand) and the sum of VAT not yet sought to be refunded amounts to CZK 1,279,612 thousand (2014: CZK 913,171 thousand).



## 8. Other Receivables

Other receivables predominantly include receivables arising from VAT paid in other EU member states. The filed applications for the refund of VAT amount to CZK 29,157 thousand (2014: CZK 41,138 thousand) and the

sum of VAT not yet sought to be refunded amounts to CZK 158,506 thousand (2014: CZK 27,544 thousand). Receivables from the revaluation of financial derivatives amount to CZK 0 (2014: CZK 1,241,788).

## 9. Deferrals

Comprehensive deferred expenses include costs of the preparation and roll-out of the production of Hyundai Tucson and new generation Hyundai i30.

Deferred income includes interest income from business loans provided to distributors.

## 10. Share Capital

As of 31 December 2015, the share capital consisted of the investment of the sole owner. The share capital was fully paid as of 31 December 2015.

## 11. Statement of Changes in Equity

(CZK thousand)						
2015	Share capital	Other capital funds	Statutory reserve fund	Accumulated profit	Profit for the period	Total
Balance at 1 Jan 2015	13 901 000	--	--	8 709 796	8 973 365	31 584 161
Allocation to funds, allocation of profit/loss	--	--	--	8 973 365	-8 973 365	--
Payment of profit shares	--	--	--	--	--	--
Profit for 2015	--	--	--	--	5 501 276	5 501 276
Balance at 31 Dec 2015	13 901 000	--	--	17 683 161	5 501 276	37 085 437

(CZK thousand)						
2014	Share capital	Other capital funds	Statutory reserve fund	Accumulated profit	Profit for the period	Total
Balance at 1 Jan 2014	13 901 000	--	496 183	6 367 882	7 332 731	28 097 796
Reversal of the reserve fund	--	--	-496 183	496 183	--	--
Allocation to funds, allocation of profit/loss	--	--	--	1 845 731	-1 845 731	--
Payment of profit shares	--	--	--	--	-5 487 000	-5 487 000
Profit for 2014	--	--	--	--	8 973 365	8 973 365
Balance at 31 Dec 2014	13 901 000	--	--	8 709 796	8 973 365	31 584 161

## 12. Reserves

(CZK thousand)		
Reserves 2015	Balance at 1 Jan	Balance at 31 Dec
For outstanding vacation days	13 867	17 236
For warranty repairs	7 133 214	6 847 431
<b>Total</b>	<b>7 147 081</b>	<b>6 864 667</b>

(CZK thousand)		
Reserves 2014	Balance at 1 Jan	Balance at 31 Dec
For outstanding vacation days	11 235	13 867
For warranty repairs	6 126 821	7 133 214
<b>Total</b>	<b>6 138 056</b>	<b>7 147 081</b>

## 13. Estimated Payables

Estimated payables recognised in the balance sheet principally include unbilled supplies of material of CZK 589,503 thousand (2014: CZK 514,718 thousand), unbilled supplies of consumed energy and other costs

of CZK 204,779 thousand (2014: CZK 206,255 thousand) and unbilled supplies for the acquisition of tangible fixed assets in the amount of CZK 116,894 thousand (2014: CZK 482,964 thousand).

## 14. Bank Loans and Issued Bonds

Long-Term Loans					(CZK thousand)
	Currency	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Interest rate in 2015	Form of collateral in 2015
Loan A	EUR	5 405 000	5 545 000	0,370%	--
Loan B	EUR	3 513 250	--	0,485%	--
<b>Total</b>		<b>8 918 250</b>	<b>5 545 000</b>		

Issued Bonds					(CZK thousand)
	Currency	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Interest rate in 2015	Form of collateral in 2015
ISIN US44890AAA60	USD	--	11 417 000	4,5%	--
<b>Total</b>		<b>--</b>	<b>11 417 000</b>		

Repayment Schedule			(CZK thousand)
	2016	2017	Following periods
Loan A	--	5 405 000	--
Loan B	--	3 513 250	--
<b>Total</b>	<b>--</b>	<b>8 918 250</b>	<b>--</b>

Issued bonds were collateralised by the guarantee from the parent company. On 15 April 2010, the Company issued bonds with the nominal value of USD

500,000,000 on the Singapore Exchange (SGX) and redeemed them on 15 April 2015.

## 15. Sales of Own Products and Services

(CZK thousand)		
Market	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Czech Republic	4 477 964	3 638 699
EU	82 279 569	68 297 815
Other than EU countries – Europe	15 588 428	20 095 092
Other than EU countries – other	23 298 644	14 285 055
<b>Total sales of own products and services</b>	<b>125 644 605</b>	<b>106 316 661</b>

In 2015, 97.0% of the sales of products related to sold cars (2014: 96.5%). The remaining 3.0% (2014: 3.5%) relates to the sale of transmissions and other semi

-finished goods which the Company supplies to other production companies within the Group.

## 16. Consumed Material and Energy

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Consumed material	104 678 526	83 992 417
Consumed energy	540 445	529 532
<b>Total consumed material and energy</b>	<b>105 218 971</b>	<b>84 521 949</b>

## 17. Services

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Travel expenses	15 563	38 563
Building security, cleaning and operation	226 593	227 501
Production support services	838 601	738 711
Service and licence fees	3 854 564	989 678
Hiring and support of staff	599 290	490 830
IT services and software	85 342	83 357
Transportation services	1 581 845	1 184 554
Marketing services	--	296 367
Advisory and audit services	18 807	16 089
Repairs and maintenance of buildings and equipment	85 743	89 446
Rental	223 911	210 589
Training	6 889	14 225
Other services	31 286	39 840
<b>Total</b>	<b>7 568 434</b>	<b>4 419 750</b>

## 18. Sales of Material, Sold Material

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Sales of material to sub-suppliers	3 768 015	3 352 742
Sales of secondary raw material	183 356	215 065
<b>Total sales of material</b>	<b>3 951 371</b>	<b>3 567 807</b>

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Material sold to sub-suppliers	4 049 482	3 415 464
Sold secondary raw material	183 356	215 065
<b>Total sold material</b>	<b>4 232 838</b>	<b>3 630 529</b>

## 19. Other Operating Income

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Rebiling of complaint costs to suppliers	290 141	323 937
Inventory count differences	2 753	1 946
Sundry operating income	193 098	166 469
<b>Total</b>	<b>485 992</b>	<b>492 352</b>

## 20. Other Operating Expenses

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Insurance	30 253	34 221
Costs of warranty repairs and campaigns	2 021 500	2 047 639
Inventory count differences	5 811	2 815
Sundry operating expenses	44 063	47 427
<b>Total</b>	<b>2 101 627</b>	<b>2 132 102</b>

## 21. Interest Income

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Interest on provided business loans	446 002	437 449
Interest on deposits at bank accounts	80 869	40 551
<b>Total</b>	<b>526 871</b>	<b>478 000</b>

## 22. Interest Expense

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Interest on received bank loans and overdrafts	21 935	10 351
Interest on issued bonds	93 278	409 880
Interest on received loans from the sale of receivables	13 640	--
Interest on received business loans	489	3 941
<b>Total</b>	<b>129 342</b>	<b>424 172</b>

## 23. Other Financial Income and expenses

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Foreign exchange rate losses	4 229 996	3 338 442
Guarantee and administrative fees relating to received loans and bonds	10 338	40 133
Sundry financial expenses	4 403	3 019
<b>Total</b>	<b>4 244 737</b>	<b>3 381 594</b>

Other financial income in the years ended 31 December 2015 and 2014 includes foreign exchange rate gains.

## 24. Income Tax

(CZK thousand)		
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Tax payable	1 518 714	795 507
Deferred tax	117 195	-221 294
<b>Total</b>	<b>1 635 909</b>	<b>574 213</b>
<b>Profit before tax and calculation of tax payable:</b>		<b>(CZK thousand)</b>
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Profit before tax	7 137 185	9 547 578
Anticipated tax costs (19%)	1 356 065	1 814 040
Non-tax expenses and income	-43 250	228 177
Tax for prior periods	205 899	-1 246 710
<b>Tax payable</b>	<b>1 518 714</b>	<b>795 507</b>

The tax for prior periods recognised in the year ended 31 December 2015 of CZK 205,899 thousand predominantly results from the tax relief from investment incentives in the income tax return for 2013.

The total deferred tax asset/liability can be analysed as follows:		(CZK thousand)
	Year ended 31 Dec 2015	Year ended 31 Dec 2014
Accumulated depreciation and amortisation of fixed assets	-1 220 068	-1 182 539
Provision against inventory	38 664	45 030
Reserves	1 304 287	1 377 588
<b>Total (+ asset/ - liability)</b>	<b>122 883</b>	<b>240 079</b>

## 25. Related Parties

### a) Trade Receivables and Payables

Trade receivables and payables include the following balances with related parties:				(CZK thousand)
	Receivables as of 31 Dec		Payables as of 31 Dec	
	2015	2014	2015	2014
Hyundai Engineering Czech s.r.o.	--	--	25 470	33 287
Hyundai Motor Company	10 177	3 022	1 452 072	841 217
Hyundai Motor Europe GmbH	13 619 165	11 145 338	--	23 884
Hyundai Kefico Corporation	--	--	164	--
Hyundai AutoEver Corporation	--	--	897	129
Hyundai AutoEver Europe GmbH	--	5	6 963	15 646
Haevichi Hotel & Resort Co., Ltd	--	--	465	--
G.I.T Co., Ltd	--	--	781	--
Hyundai Glovis Co. Ltd.	14 341	11 770	1 118 549	742 398
Hyundai Glovis Czech Republic s.r.o.	53	--	--	--
Glovis Europe GmbH	279	--	94 593	36 910
Glovis Slovakia s.r.o.	--	--	1 275	784
Hyundai Steel Czech s.r.o.	750	750	290 720	297 422
Hyundai Motor CIS LLC	501 969	1 641 718	4 486	10 010
Hyundai Motor Company Italy s.r.l.	--	--	4 645	7 118
Hyundai Motor Czech s.r.o.	1 074 636	852 099	8 534	1 123
Hyundai Motor Norway AS	--	--	--	1 701
Hyundai Motor Poland Sp. z. o. o.	--	--	2 264	3 505
Hyundai Motor UK Ltd.	--	--	5 359	10 431
Hyundai Motor España S.L.U.	--	--	3 001	5 138
Hyundai Motor Deutschland GmbH	--	--	21 626	29 399
Hyundai Motor Netherlands B.V.	--	--	4 017	--
Hyundai Motor France	--	--	4 462	--
Hyundai Motor Mfg. Rus LLC	69 339	105 496	90	--
Hyundai Assan Otomotive SVT A.S.	123 418	--	--	2 285
Hyundai Motor Company Australia Pty Ltd.	1 382 070	656 174	679	1 122
Hyundai Motor de Mexico, S de RL de CV	961 092	309 217	--	251
HM Czech, s.r.o.	2 501	2 971	--	--
Hyundai Mobis Co. Ltd.	3 003	2 681	--	--
Mobis Parts Europe N.V.	18	--	--	--
Mobis Slovakia s.r.o.	14 304	7 937	--	--
Mobis Automotive Czech s.r.o.	110 625	71 895	3 144 756	2 006 584
Hyundai Dymos Czech, s.r.o.	16 891	28 894	657 523	425 967
Kia Motors Europe GmbH	--	--	--	10 064
Kia Motors RUS LLC	--	--	1	11
Kia Motors Slovakia s.r.o.	205 870	136 639	1 359 173	916 420
<b>Total</b>	<b>18 110 501</b>	<b>14 976 606</b>	<b>8 212 565</b>	<b>5 422 806</b>

As of the balance sheet date, the Company reported prepayments made for the assets of Hyundai Engineering Czech s.r.o. of CZK 5,730 thousand (2014: CZK 0) and of Hyundai Rotem Company of CZK 0 (2014: CZK 2,558 thousand).

As of the balance sheet date, estimated payables to Hyundai Dymos Czech s.r.o. amount to CZK 64,046 thousand (2014: 0), estimated payables to Hyundai Motor Company amount to CZK 895 thousand (2014: CZK 468,772 thousand) and estimated payables to G.I.T Co. Ltd amount to CZK 592 thousand (2014: CZK 0).

## b) Sales and Purchases

(CZK thousand)				
	Sales at 31 Dec		Purchases at 31 Dec	
	2015	2014	2015	2014
Hyundai Engineering Czech s.r.o.	--	--	175 049	195 839
Hyundai Motor Company	331 097	29 409	7 461 335	5 971 053
Hyundai Motor Europe GmbH	80 727 872	66 176 691	187	295 742
Hyundai AutoEver Corporation	--	--	5 169	8 490
Hyundai AutoEver Europe GmbH	--	--	120 045	118 753
Hyundai Steel Czech s.r.o.	--	--	3 824 526	3 495 999
Hyundai Kefico Corporation	--	--	164	--
Hyundai WIA Corporation	--	--	2 266	7 334
Haevichi Hotel & Resort Co., Ltd	--	--	913	--
Innocean Worldwide Europe GmbH	--	--	--	865
Hyundai Rotem Company	--	--	25 482	913
Hyundai Glovis CO. Ltd.	24 988	193 689	14 484 102	9 944 896
Hyundai Glovis Czech Republic s.r.o.	--	32 241	774 809	590 497
Glovis Europe GmbH	--	--	936 726	798 897
Glovis Slovakia s.r.o.	--	--	11 206	8 361
Hyundai Europe Technical Center	884	71	--	--
Hyundai Motor CIS LLC	4 798 366	12 598 382	106 146	133 309
Hyundai Motor Company Italy s.r.l.	--	--	90 669	92 137
Hyundai Motor Czech s.r.o.	5 883 615	4 791 119	93 498	79 839
Hyundai Motor Norway AS	--	--	--	31 968
Hyundai Motor Poland Sp. z. o. o.	--	--	54 024	54 109
Hyundai Motor UK Ltd.	--	--	266 397	265 884
Hyundai Motor España S.L.U.	--	--	80 975	96 262
Hyundai Motor Deutschland GmbH	--	--	579 996	597 747
Hyundai Motor Netherlands B.V.	--	--	48 868	--
Hyundai Motor France	--	--	79 281	90 035
Hyundai Motor Mfg. Rus LLC	1 091 420	1 341 589	2 006	10
Hyundai Assan Otomotive SVT A.S.	4 731 638	3 558 234	31 574	34 502
Hyundai Motor Company Australia Pty Ltd.	5 876 724	3 611 628	17 006	13 378
Hyundai Motor de Mexico, S de RL de CV	3 330 139	1 806 288	2 829	447
HM Czech, s.r.o.	40 862	10 878	--	--
Mobis Parts Europe N.V.	64	618	--	--
Mobis Slovakia s.r.o.	88 429	85 456	--	--
Mobis Automotive Czech s.r.o.	881 580	662 315	29 899 470	23 879 726
Hyundai Dymos Czech, s.r.o.	275 273	372 781	6 347 212	5 080 633
Kia Motors Europe GmbH	--	--	115 903	120 876
Kia Motors Czech s.r.o.	--	--	1 436	1 662
Kia Motors RUS LLC	--	--	41	2 189
Kia Motors Slovakia s.r.o.	2 564 390	2 356 364	15 896 472	11 463 800
<b>Total</b>	<b>110 647 341</b>	<b>97 627 753</b>	<b>81 535 782</b>	<b>63 476 152</b>

Part of the purchases from Hyundai Motor Company involves the international hiring of labour which amounted to CZK 116,776 thousand for 2015 (2014: CZK 133,171 thousand).

In the year ended 31 December 2015, the Company generated other operating income from the Group companies in the aggregate amount of CZK 355,501 thousand (2014: CZK 310,887 thousand), predominantly from Hyundai Glovis CO. Ltd. of CZK 50,598 thousand (2014: CZK 46,733 thousand), Mobis Automotive Czech s.r.o. of CZK 102,886 thousand (2014: CZK 94,102 thousand) and Kia Motors Slovakia s.r.o. of CZK 133,000 thousand (2014: CZK 115,429 thousand). This income primarily includes the rebilling of material transportation, warranty refunds and lease of moulds.

## c) Interest Received

In respect of the business terms with certain distributors, the Company received aggregate interest of CZK 447,882 thousand during the year ended 31 De-

cember 2015 (2014: CZK 439,102 thousand) from the following Group entities:

(CZK thousand)			
2015	Interest		Interest
Hyundai Motor CIS LLC	213 986	Hyundai Motor de Mexico, S de RL de CV	14 802
Hyundai Motor Europe GmbH	188 303	Hyundai Motor Czech s.r.o.	7 972
Hyundai Motor Company Australia Pty Ltd.	22 819		

(CZK thousand)			
2014	Interest		Interest
Hyundai Motor CIS LLC	228 273	Hyundai Motor Czech s.r.o.	8 973
Hyundai Motor Europe GmbH	176 973	Hyundai Motor de Mexico, S de RL de CV	8 092
Hyundai Motor Company Australia Pty Ltd.	16 791		

## d) Other Transactions

In the year ended 31 December 2015, the Company paid a profit share to the owner, Hyundai Motor Company, in the amount of CZK 0 (2014: CZK 5,487,000 thousand).

# 26. Employees and Managers

## a) The average number of employees and managers and staff costs for the years ended 31 December 2015 and 2014:

(CZK thousand)				
2015	Number of employees	Payroll costs	Social security and health insurance	Social costs
Employees	2 469	1 078 860	366 204	--
Managers	14	34 567	7 803	--
<b>Total</b>	<b>2 483</b>	<b>1 113 427</b>	<b>374 007</b>	<b>93 805</b>
Managers (IHOL)	14	44 397	--	--

(CZK thousand)				
2014	Number of employees	Payroll costs	Social security and health insurance	Social costs
Employees	2 538	1 004 424	341 972	--
Managers	12	29 050	6 169	--
<b>Total</b>	<b>2 550</b>	<b>1 033 474</b>	<b>348 141</b>	<b>96 628</b>
Managers (IHOL)	14	42 859	--	--



The Company employed 44 Korean workers (2014: 45) on average based on the International Hiring of Labour (IHOL) contract. The aggregate payroll costs amounted to CZK 116,776 thousand (2014: CZK 133,171 thousand) and are reported in profit and loss account line B.2 'Services' (refer to Note 17).

The social costs incurred by the Company in 2015 and 2014 principally include payments made under the International Hiring of Labour Contract, the costs of providing meals to all employees and the employer's contribution towards settling part of the costs of transportation to work. The Company is unable to analyse these costs into the part attributable to management and other employees.

## b) Bonuses and Loans to the Members of Statutory and Supervisory Bodies

Members of senior management use Company cars for both business and private purposes.

## 27. Due Amounts arising from Security and Health Ins.

Due amounts arising from social security amounted to CZK 35,125 thousand (2014: CZK 33,021 thousand), due amounts from health insurance amounted to CZK 15,988 thousand (2014: CZK 15,091 thousand), and

due amounts from pension insurance amounted to CZK 156 thousand (2014: CZK 134 thousand). None of these due amounts are past their due dates.

## 28. State - Tax Payables and Subsidies

Tax payables are represented by a payable arising from the due income tax in the amount of CZK 130,051 thousand (2014: CZK 553,614 thousand), a payable arising from the withholding income tax of CZK 454 thousand (2014: CZK 46,935 thousand), the employees' income tax payments withheld by the Company of CZK 20,226 thousand (2014: CZK 19,302 thousand), road tax of CZK 17 thousand (2014: CZK 15 thousand), an income tax securement of CZK 0 (2014: CZK 137 thousand) and subsidies of CZK 9,956 thousand (2014: CZK 5,216 thousand).

In 2007 and 2008, the Company received a cash grant for capital investment of CZK 1,451,584 thousand pursuant to the resolution of the Czech Ministry of Industry and Trade.

Pursuant to the contract put in place between Hyundai Motor Company, the Republic of Korea, the Czech Republic, the Moravian-Silesian Region and CzechInvest, the Company purchased land from the Moravian-Silesian Region for a discounted price in 2007. This form of public aid amounted to CZK 736,427 thousand. In addition, the Company applied income tax relief totalling CZK 2,313,112 thousand in the tax returns for 2012 and 2013.

On 3 December 2008, the Company and the Ministry of Labour and Social Affairs entered into an agreement on the support of creation of jobs as part of investment incentives and agreement on the cash grant for the retraining or training of employees as part of investment incentives. Pursuant to these agreements, the Company drew the cash grant in 2009 to 2012 in the amount of CZK 708,791 thousand.

## 29. Other Matters

On 18 May 2006, Hyundai Motor Company, the Republic of Korea, the Czech Republic acting through and represented by the Czech Ministry of Industry and Trade, the Czech Ministry of Finance, the Czech Ministry of Labour and Social Affairs, the Czech Ministry of Transportation and the Czech Ministry of the Interior, the Moravian Silesian Region and CzechInvest entered into the Investment Agreement based on which the Company has received an investment incentive as follows:

- Transfer of land for a discounted price (refer to Note 28);
- Cash grant for capital investment (refer to Note 28);
- Subsidy for the creation of jobs (refer to Note 28);
- Subsidy for the training and retraining of employ-

- ees (refer to Note 28); and
- Tax relief (refer to Notes 24 and 28).

The Company formed the HYUNDAI Foundation with its registered office at Ostrava on 7 February 2007. The aim of the Foundation is to support civil society and community programmes on the territory impacted by the operations of the car production plant in Pošovice, predominantly projects contributing to the protection and improvement of the environment, projects leading to increased awareness about the environment and its protection, and projects promoting the environment with the objective of attracting the general public's attention. The equity investment in the Foundation includes the investment of the Company of CZK 5,000 thousand.

## 30. Contingent Liabilities

### Legal Disputes

As of 31 December 2015, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

### Environmental Liabilities

Management of the Company is not aware of the

existence of contingent liabilities arising from environmental damage.

### Other

The Company carries no other contingent liabilities.

## 31. Post Balance Sheet Date Events

No significant events occurred subsequent to the balance sheet date.



# Report on Relations of

Hyundai Motor Manufacturing Czech s.r.o.,  
for the Year Ended 31 December 2015

prepared in line with Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, as amended

**Controlled Entity:** Hyundai Motor Manufacturing Czech s.r.o.  
With its registered office at Průmyslová zóna Pošovice, Hyundai 700/1, Nižní Lhoty, 739 51  
**Corporate ID:** 277 73 035  
Held by the Regional Court in Ostrava under file no. C 41484

**Controlling Entity:** Hyundai Motor Company  
With its registered office at 137-938 Seoul, Seocho-Gu, Yangjae-Dong 231  
Republic of Korea  
**Corporate ID:** 1018109147

**Other entities controlled by the controlling entity** (hereinafter also referred to as “related parties”):

Hyundai Motor Europe GmbH  
Hyundai Motor Czech s.r.o.  
Hyundai Motor UK Ltd.  
Hyundai Motor Company Italy s.r.l.  
Hyundai Motor Netherlands B.V.  
Hyundai Motor Poland Sp. z. o. o.  
Hyundai Motor CIS LLC  
Hyundai Motor España, S. L. U.  
Hyundai Motor Deutschland GmbH  
Hyundai Motor Manufacturing Rus LLC  
Hyundai Motor France  
Hyundai Motor Europe Technical Center GmbH  
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.  
Hyundai Motor Company Australia Pty Ltd.  
Hyundai Motor de Mexico, S de RL de CV  
Kia Motors Europe GmbH  
Kia Motors Czech s.r.o.  
Kia Motors Rus LLC  
Kia Motors Slovakia, s.r.o.  
Hyundai Rotem Company

Hyundai AutoEver Europe GmbH, organizační složka  
Hyundai AutoEver Europe GmbH  
Hyundai AutoEver Corporation  
G.I.T Co., Ltd  
HM Czech, s.r.o.  
Hyundai Engineering Czech s.r.o.  
Hyundai Steel Czech s.r.o.  
Hyundai Glovis Co., Ltd.  
Hyundai Glovis Czech Republic s.r.o.  
Glovis Europe GmbH  
Glovis Slovakia, s.r.o.  
Hyundai WIA Corporation  
Hyundai Kefico Corporation  
Hyundai Mobis Co., Ltd.  
Mobis Automotive Czech s.r.o.  
Mobis Slovakia s.r.o.  
Mobis Parts Europe П. V.  
Hyundai Dymos Czech, s.r.o.  
Haevichi Hotel & Resort Co., Ltd



## Structure of relations between the controlled entity, controlling entity and other controlled entities, the role of the controlled entity in this structure and the manner and means of control of the controlled entity:

Hyundai Motor Group connects the production of cars and car components, steel industry, construction industry, logistic, financial, IT and other services into one chain with the aim of providing top-quality

products and services. The corporation is controlled by Hyundai Motor Company and as of 31 December 2015, it comprised 306 companies which are divided into the groups as follows:

### Cars

- Hyundai Motor Company
- Kia Motors Corporation

### Car components

- Hyundai Mobis
- Hyundai WIA
- Hyundai Powertech
- Hyundai Dymos
- Hyundai Kefico
- Hyundai Autron
- Hyundai Mnsoft
- Hyundai Mseat
- Hyundai IHL
- Hyundai Partecs

### Finance

- Hyundai Capital
- Hyundai Card

- Hyundai Commercial
- HMC Investment Securities
- Hyundai Life

### Steel industry

- Hyundai Steel
- Hyundai BFG Steel
- Hyundai Special Steel

### Construction industry

- Hyundai Engineering & Construction
- Hyundai Engineering
- Hyundai Engineering & Steel Industries
- Hyundai Architects & Engineers Associates

- Hyundai City Corporation

### Other

- Hyundai Glovis
- Hyundai Rotem
- Innocean Worldwide
- Haevichi Hotel & Resort
- Hyundai AutoEver
- Hyundai PGV
- Hyundai Farm Land & Development Company

Hyundai Motor Manufacturing Czech s.r.o. is part of the Hyundai Motor Company Group and its principal objective relates to facilitating the expansion of the corporation in Europe. Hyundai Motor Manufacturing Czech s.r.o. is directly controlled by Hyundai Motor Company. The control was performed by the

General Meeting and by way of hiring managers from Hyundai Motor Company. The control results from the dominating position of the controlling entity given that it is the sole shareholder of Hyundai Motor Manufacturing Czech s.r.o..

List of acts performed in the latest reporting period, ie in the year ended 31 December 2015, made at the instigation or in the interest of the controlling entity or entities controlled by the controlling entity, which solely related to assets exceeding 10% of equity of the controlled entity in line with the latest financial statements, ie the financial statements for the year ended 31 December 2015:

1. Realised Income				(CZK thousand)
	Sales generated by own products	Sales of material	Other operating income	Interest income
Hyundai Motor Company	53 320	--	6 503	--
Hyundai Motor Europe GmbH	80 727 872	--	3 012	188 303
Hyundai Motor CIS LLC	4 798 366	--	--	213 986
Hyundai Motor Czech s.r.o.	5 883 615	--	--	7 972
Hyundai Assan Otomotive SVT A.S.	4 731 638	--	6	--
Hyundai Motor Company Australia Pty Ltd.	5 876 724	--	51	22 819
Hyundai Glovis CO. Ltd.	24 988	--	50 598	--
Hyundai Steel Czech s.r.o.	--	--	7 433	--
Mobis Automotive Czech s.r.o.	791	880 789	102 886	--
Hyundai Dymos Czech, s.r.o.	2	275 270	36 563	--
Kia Motors Slovakia s.r.o.	2 564 390	--	133 000	--

The controlled company realised sales of fixed assets to Hyundai Motor Company in the amount of CZK 277,777 thousand.

2. Realised Purchases				(CZK thousand)
	Purchase of fixed assets	Purchase of material	Purchase of services	Other operating costs
Hyundai Motor Company	260 730	3 240 230	3 952 774	--
Hyundai Motor CIS LLC	--	--	--	106 146
Hyundai Motor Czech s.r.o.	21 717	825	--	70 956
Hyundai Assan Otomotive SVT A.S.	--	499	--	31 075
Hyundai Motor Company Australia Pty Ltd.	--	--	--	17 006
Hyundai Glovis CO. Ltd.	--	13 836 472	647 138	--
Hyundai Steel Czech s.r.o.	--	3 823 881	--	645
Mobis Automotive Czech s.r.o.	166 801	29 728 863	3 806	--
Hyundai Dymos Czech, s.r.o.	64 413	6 282 799	--	--
Kia Motors Slovakia s.r.o.	--	15 706 828	183 457	6 187

The controlled company reported interest expenses from Hyundai Glovis CO. Ltd. in the amount of CZK 489 thousand and other financial costs of Hyundai Motor Company in the amount of CZK 7,601 thousand, Hyundai Motor Europe GmbH in the amount of CZK 187 thousand and Hyundai Glovis CO. Ltd. in the amount of CZK 3 thousand.

### III.

## List of agreements valid between the controlling entity and the controlled entity in the latest reporting period, ie in the year ended on 31 Dec 2015:

The following agreements were valid between the controlling and controlled entities in the year ended 31 December 2015:

- International Hiring-out of Labour Force Agreement, of 18 December 2006;
- Agreement on Cooperation between HMMC and HMC, of 1 January 2015;
- Agreement/order no. P150554928, Measuring Device, of 4 May 2015;
- Agreement/order no. P150557734, Pressing and Bending Moulds, of 6 May 2015;
- Agreement/order no. P150513578, Welding Machinery, of 27 May 2015;
- Agreement/order no. P150633271, Measuring Device, of 4 June 2015;
- Agreement/order no. 4100002925, Manufacturing Machinery, of 3 November 2015;
- Agreement/order no. 4100002932, Manufacturing Machinery, of 13 November 2015; and
- Agreement/order no. P151251959, Handling Robot, of 22 December 2015.

### IV.

## List of agreements concluded between the controlled entity and other controlled entities in the latest reporting period, ie in the year ended on 31 December 2015:

1. Agreements for the sale of manufactured cars were concluded with the following related parties:

- Hyundai Motor Europe GmbH
- Hyundai Motor Czech s.r.o.
- Hyundai Motor CIS LLC
- Hyundai Motor Company Australia Pty Ltd.
- Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.
- Hyundai Motor de Mexico, S de RL de CV

2. Agreements on the purchase of goods and services were concluded with the following related parties (this predominantly related to the purchase of machinery, moulds, material, computers and programmes):

- Hyundai Glovis Co., Ltd.
- Hyundai AutoEver Corporation
- Hyundai AutoEver Europe GmbH, organizační složka
- Hyundai AutoEver Europe GmbH
- Mobis Automotive Czech s.r.o.
- Hyundai Dymos Czech, s.r.o.
- Hyundai WIA Corporation
- Hyundai Kefico Corporation
- Kia Motors Slovakia, s.r.o.



## V.

Assessment as to whether the controlled entity suffered any detriment arising from the acting specified herein or from the above-listed agreements in compliance with Section 71 of the Act on Business Corporations:

Hyundai Motor Manufacturing Czech s.r.o. suffered no detriment arising from the acting described under Section II. or from the agreements listed under Sections III. and IV.

## VI.

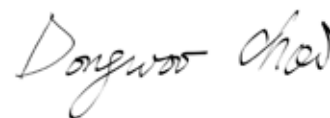
Assessment of advantages and disadvantages arising from the relations between the controlled and controlling entities and from the relations between the controlled entity and other controlled entities:

Hyundai Motor Group has expanded its activities at the global level. As a result, Hyundai Motor Manufacturing Czech s.r.o. enjoys a number of advantages arising from related party transactions, which predominantly involve utilising the results of constant improvements of products and production processes in development centres as well as savings resulting from the strong centralised procurement position of the corporation. Other advantages include access to the global sales network. The Company is not aware of any disadvantages or risks arising from the participation in Hyundai Motor Group.

## VII.

I, the undersigned, Dongwoo Choi, statutory executive of Hyundai Motor Manufacturing Czech s.r.o., which is the controlled entity, hereby declare that the data included in this report are accurate and complete.

In Nižní Lhoty on 19 February 2016



**Dongwoo Choi**  
Statutory executive  
Hyundai Motor Manufacturing Czech s.r.o.

# Auditor's Report

## INDEPENDENT AUDITOR'S REPORT To the Partner of Hyundai Motor Manufacturing Czech s.r.o.

Having its registered office at: Průmyslová zóna Nošovice, Hyundai 700/1, 739 51 Nižní Lhoty  
Identification number: 277 73 035

We have audited the accompanying financial statements of Hyundai Motor Manufacturing Czech s.r.o. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2015, and the profit and loss account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hyundai Motor Manufacturing Czech s.r.o. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 19 February 2016

Audit firm:

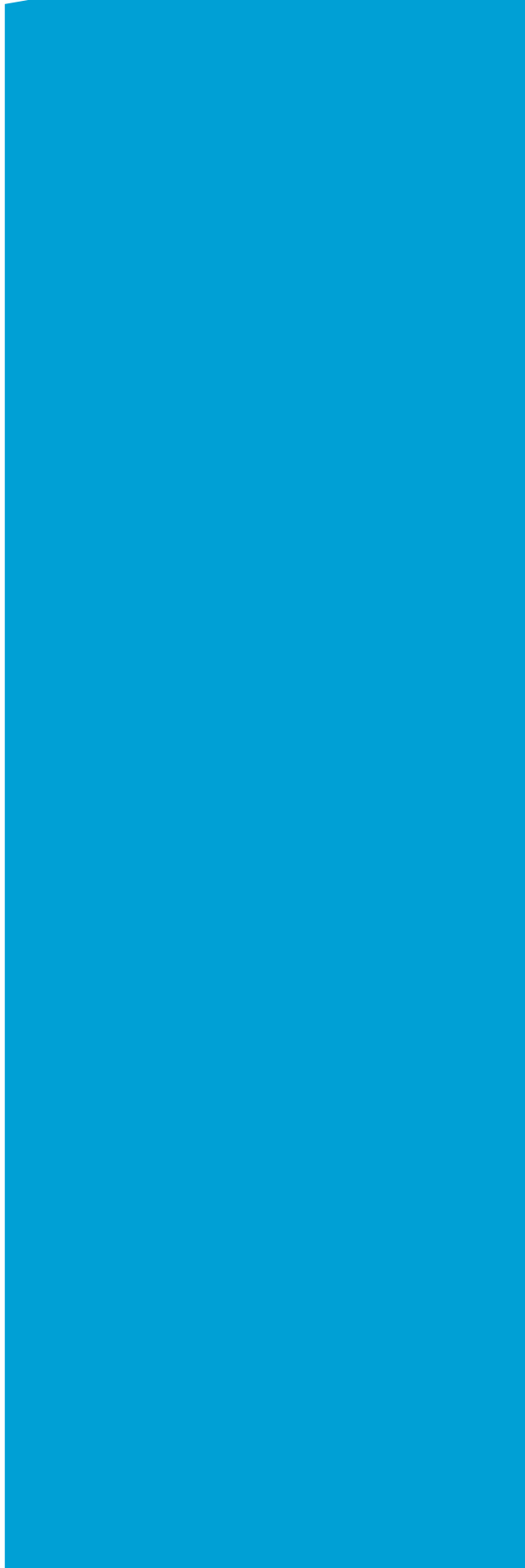
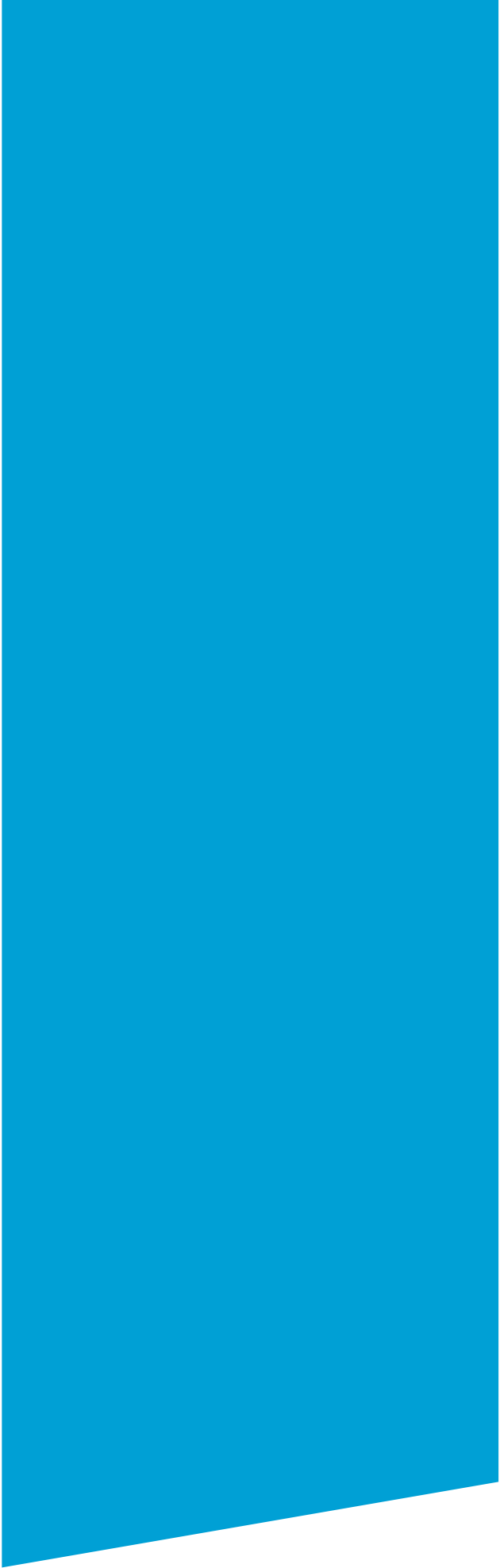
Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Petr Michalik  
registration no. 2020





## NEW THINKING. NEW POSSIBILITIES.

People's expectation toward individual mobility requires more than just a convenient means of transportation. The old understanding of cars has become outdated. A car represents individuals' lifestyles, and it has become an integral part of their lives. At the same time, the automobile industry has experienced seismic change. Hyundai Motor Company has grown rapidly to become one of the largest automakers, backed by world class production capability and superior quality. We have now reached a point where we need a qualitative approach to bring bigger ideas and relevant solutions to our customers. This is an opportunity to move forward, and we have developed a new brand slogan that encapsulates our willingness to take a big leap. Led by our new slogan and the new thinking underlying it, we will become a company that keeps challenging itself to unlock new possibilities for people and the planet.

Hyundai Motor Manufacturing Czech s.r.o.  
[www.hyundai-motor.cz](http://www.hyundai-motor.cz)

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