

Annual report 2016

Hyundai Motor Manufacturing Czech s.r.o.



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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 Nošovice. The plant in Nošovice 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 2016, the Company achieved a number of major successes while also facing new challenges. In 2016, a total of 358,400 cars were produced; this represents a year-on-year increase in the car production volume of 16,200 cars, ie 4.7%. Cars from Nošovice were exported to 64 countries, mostly European but also to important overseas markets such as Australia, South Africa or Mexico. The year 2016 was also notable because of several significant awards. Our Company received the “Safe Enterprise” award for the second time, and for the sixth consecutive year, it was granted the Best Company Award by the Automotive Industry Association.

In the course of the 2012 - 2014 period, employee numbers stabilised at approximately 3,200 as the three-shift manufacturing process had already been introduced in September 2011. In line with the increase in the production plan, approximately 150 new employees were hired in 2015 but the number of employees again decreased to 3,278 in 2016 as a result of production optimisation efforts. Throughout 2016, 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 a fundamental and painful restructuring of heavy industry in the 90s resulting in the loss of thousands of jobs. Building the HMMC plant and its sub-supplier firms has created more than 10,000 new jobs and thus brought new hope to 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 2016

In Nižní Lhoty on 20 February 2017

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 Nošovice, was founded on 7 July 2006 as a company owned solely by Hyundai Motor Company (hereinafter "HMC"), with its registered office in Seoul, Korea.

Hyundai Motor Company operates eight production plants and seven design and technical centres worldwide and in 2016 it sold 4.86 million cars in total. Since building its first car in 1976 and first own drive unit in 1991, the Korean car manufacturer has come a long way. In 2000, the Company entered the European market, where it started offering affordable and practical cars.

Within a few years, Hyundai managed to move to the position of a manufacturer that puts emphasis on image, quality, modern design, innovation and new technologies in conjunction with sustainable development. The brand increasingly takes into account the fact that for European customers, design is the most important criterion when buying a car. For this reason, its development and design centre in Rüsselsheim, Germany, regularly analyses current trends to make sure that every model of the brand meets the wishes and needs of European customers. And the latest models confirm this tendency. The influence of the technological centre on the resulting design and technologies of the models is apparent for example in the new i30 generation or the new Tucson model.

HMMC focuses principally on producing cars and transmissions that are exported to 64 different countries worldwide. The plant represents the only production plant within the EU.

In order to provide the highest quality, Hyundai also uses

a centre in Nürburgring, Germany, to test new models. The car tests there simulate the car life cycle within a four- to six-week cycle. The plant in Nošovice does not perform research and development itself.

The Company has no organisational branches or other parts of the business abroad and HMMC's share capital amounts to CZK 13,901,000,000.

The Company has not acquired any own shares or equity investments.

The Plant's Area	200 ha
Built Up Area	28,3 ha
Total Investment	EUR 1.31 billion
Number of Employees	3,278 (including agency employees)
Share of Czech Citizens	96,5%
Male/ female Ratio	82% / 18%
Production Capacity	350,000 cars per year



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.



Sanghyun Nam

CFO, Finance Division

Mr Nam joined HMC in 1987 in the finance division, where his responsibilities included general accounting, cost accounting, cost management and audits. In 2006-2011 he then led the cost planning department in the HMI plant (Hyundai Motor India). Before being appointed head of the finance division at HMMC in March 2016, he led the finance division in Korea.



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 CEO for the HMMC procurement division and the development of parts 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 mainly by Kia Motors, where he was employed between 2007 and 2011 and 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	Ocenění Investor roku
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
2014	December	OHSAS 18001 certificate received
	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
2015	November	"Excellence" Award gained under the Czech National Quality Award
	June	Awarded "the Employer of the Year for 2015" in the category up to 5,000 employees Production of the Hyundai Tucson model launched
2016	June	Production of the 2,000,000th car
	December	Production of the 3rd generation i30 model launched



Products

Passenger Cars

The previous conception of cars has now essentially become outmoded. People expect much more from individual mobility than just a practical means of transport. The passenger car represents the individual's style and it has become an inseparable part of their life.

Our Company is experiencing enormous growth and thanks to cutting-edge production technologies and first-rate quality, it ranks among the most important car manufacturers not only in Europe.

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 Nošovice 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.

With the third generation of i30, which started production in mid-December 2016, we are trying to continue the success of the first two generations, which have sold more than 800,000 cars in Europe since 2008. In order to meet today's expectations of European customers, the new i30 is equipped with state-of-the-art technologies and active safety elements. The equipment does not lack autonomous emergency braking, smart adaptive cruise control, lane departure warning system, driver attention monitoring and blind spot monitoring. Connectivity is provided by the Apple CarPlay and Android Auto system.

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

Since sale launch in mid-2015, the brand new Tucson is one of the best-selling European Hyundai Motor models. Due to its great design and advanced technology, this SUV represents another step forward for Hyundai cars in Europe. Tucson is one of the safest cars in its segment, which is evidenced by the highest, five-star safety rating awarded in Euro NCAP safety tests. Aside from other important awards, it also holds the prestigious iF Design Award for 2016 in the category of Product – Cars, thus continuing the success of the Genesis and i20 models.

Hyundai i30 hatchback (1st generation)	November 2008 – December 2011
Hyundai i30 cw (1st generation)	February 2009 – May 2012
Kia Venga	November 2009 – June 2011
Hyundai ix20	September 2010 – to date
Hyundai ix35	July 2011 – June 2015
Hyundai i30 hatchback (2nd generation)	January 2012 – November 2016
Hyundai i30 wagon (2.generace)	June 2012 – to date
Hyundai i30 three-door version (2nd generation)	November 2012 – November 2016
Hyundai Tucson	June 2015 – to date
Hyundai i30 hatchback (3rd generation)	December 2016 – to date





Production Process



HMMC in 2016

Production

In 2016, HMMC produced 358,400 passenger cars in total, thus exceeding the plan by 8,400 cars (2.4%). The year-on-year increase in production volume amounts to 16,200 cars, ie 4.7%.

The total volume of cars produced in 2016 consists of individual models as follows:

i30 2nd generation	21%
i30 3rd generation	1%
ix20	9%
Tucson	69%

Aside from passenger cars, HMMC also produces three types of 5 and 6 gear manual transmissions, which are used not only in cars produced by HMMC, but also exported to the Hyundai Motor Manufacturing Rus plant in St. Petersburg or to the sister plant, Kia Motors Slovakia in Žilina. In total, 455,203 transmissions were produced in 2016.





Export

Cars manufactured in the Nošovice plant were exported to 64 different countries, literally “from Silesia to the end of the world”. Most cars traditionally went to Germany (almost 45,000), the United Kingdom (more than 44,000), Italy (31,500) and Spain (30,000). The Czech Republic ranked fifth, with local customers purchasing more than 16,200 cars, which is approximately 4.5% of total production. The “end of the world” is represented by French overseas territories, such as the archipelago of New Caledonia in the Pacific Ocean, French Guyana in South America or the islands of Martinique and Guadeloupe in the Caribbean, which are, however, the destination of a relatively small amount of cars.

	Country Top 10	Total Number In Pieces (rounded to the nearest hundred)
1	Germany	44,800
2	United Kingdom	44,200
3	Italy	31,500
4	Spain	30,100
5	Czech Republic	16,200
6	Belgium	15,200
7	France	15,100
8	Israel	14,500
9	Russia	12,500
10	Poland	11,100

Since HMMC in Nošovice is the only Hyundai production plant in Europe and the EU, its primary markets are the countries of Europe – absolutely all of them, from Iceland to Norway, the entire European Union and the Balkans, all the way to Cyprus and Malta in the Mediterranean. The Hyundai Tucson model is also very popular in the Middle East, and its important customers therefore include countries such as Egypt, Saudi Arabia or Kuwait. The farthest markets of the Nošovice plant include Australia, Mexico or South Africa.



Employees

As of 31 December 2016, the total number of employees (including agency employees) amounted to 3,278. The average fluctuation of employees in production increased moderately from 6.6% to 8.3%.

It still remains true that the HMMC Nošovice plant provides work opportunities for the citizens of the Czech Republic and namely for those living in the Moravian-Silesian Region, as they represent 96.5% of all HMMC employees. There are 112 foreigners among the total of 3,278 employees (3.4%), 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 already on 19 February 2016 in the form of a Collective Agreement valid from 1 February 2016. 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 2016, HMMC maintained the positive trends of continual prevention improvement in the fields of work safety, hygiene rules and fire prevention. One of the most monitored indicators, the number of work injuries, dropped by 63% (compared to 2015). Aside from a well-functioning system of independent inspection activities performed by the so-called safety patrol team in all production shifts, the Company also introduced a brand new motivational tool supporting group involvement of employees in the achievement of the common goal of zero injuries in their specific team as a whole.

The relevant team then receives motivational awards for achieving this result. Aside from organisational improvements, many technical measures and improvements were also adopted. In 2016, HMMC successfully went through a very complicated process for the recertification of work safety system management, specifically the





international OHSAS 18001 system audited by an independent audit company, and the “Safe Enterprise” programme awarded by the State Labour Inspection Office.

Training

In 2016, 446 new employees, of which 8 were new employees from Korea, attended the Company’s entry course. 1,241 employees gained certificates for attending courses that enhanced their professional qualifications. 1,573 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 422 HMMC employees. Language courses (in which 115 employees took part), IT courses (59 employees) and e-learning courses (141 employees) carried on during 2016. Employees were also sent to various internal/external professional workshops and seminars (891 employees).

Furthermore, our employees had the chance to train at the Korean workshop centre; 238 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 2016, the Company continued the motivational programme for group and team leaders and for ‘white-collar’ workers. The aim is to broaden professional knowledge and awareness of other Hyundai Motor Group companies. Thus, 86 employees in total had the opportunity to join a two-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, we continued to develop our talented key employees with a huge potential for further professional growth, who are preparing for management positions. 24 selected key employees participated in a talent development programme; during the training, which lasted several days, they were able to improve their communication techniques, leadership or planning and decision making. 10 department leaders also successfully completed the Leadership Academy, which allowed these 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 integrated 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 2016, an additional 50 trees were planted on the anti-noise mound (elms, lime trees, maples). It is also worth mentioning the other adjustments and investments that led to improvements of the environment:

- Installation of a washing table in the transmission plant for cleaning oil-soiled components without using organic solvents, only through the activity of bacteria;
- Laying of a layer of low-noise asphalt on the testing road = decrease in noise level of 4dB; and
- Installation of 72 charging stations for VPC car batteries = fuel saving, no emissions.



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. Every HMMC department gradually improves its processes and activities and thus contributes towards the improvement of the overall quality of our products. These partial improvements gradually merge into larger wholes and consequently help our organisation move forward. An important example is the electrification and gradual automation of management processes that have so far been done manually.

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 September 2016,

HMMC was subject to a further successful supervisory audit. The Company is intensively preparing for the adjustment to the quality management system in line with the review of the ISO 9001:2015 standard and the related projects.

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 (eg Vehicle Certification Agency - VCA, etc.). Our specialists regularly follow the legislative changes in preparation in the countries of our customers concerning emission limits, and as they are introduced we optimise our processes and control methods to comply with these new requirements.

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, so HMMC has already started to prepare to defend its excellence in the next assessment in 2017.



Social Responsibility



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.

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.

Distribution of reflective bands

In 2016, an amendment to the Act on Road Traffic came into force, obliging pedestrians to wear reflective elements on their clothing when moving on roads outside of municipalities under bad visibility conditions. Our Company quickly reacted to this amendment and acquired 17,000 reflective bands, of which 3,500 were given to HMMC employees and 13,500 were distributed via municipal authorities to thirteen municipalities in the vicinity of the HMMC plant that participate in the "Good Neighbour" project.

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 tech-

nicians as aids in especially designed class-rooms. These vehicles will help students familiarise themselves with the functioning of engines, transmissions and electronic systems. Since 2007, we have donated 103 cars and 17 parts in total.

■ Donations to the fire brigade

In 2016, HMMC also donated one Hyundai Tucson to the firefighters, which will be used as a training vehicle where rescue workers can become familiar with state-of-the art security elements of the bodywork.

The Good Neighbour and Good Neighbour Together Project

For five years already, the Nošovice company Hyundai Motor Manufacturing Czech has organised the "Good Neighbour" programme, where 13 municipalities from the vicinity of the HMMC plant can apply for contributions for the support of sport, cultural and community life. In 2016, the contribution for each municipality was increased from CZK 50,000 to CZK 70,000, ie CZK 910,000 in total, which will make it possible to finance more project and activities in the municipalities. The Good Neighbour project 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 2016, the project was expanded to include the sub-programme "Good Neighbour Together", where the 13 municipalities surrounding the Nošovice car manufacturing plant could apply for further funds for projects for the improvement of the environment, which both the inhabitants of the municipality and volunteers from Hyundai take part in. The Hyundai volunteers work completely for free and in



their free time. Two events were organised: 50 full-grown trees were planted in Nošovice to reinforce the anti-noise mount and prevent its erosion, and in Vojkovice, the citizens together with the Company's employees planted over a hundred bushes along the fence of the kindergarten, which will protect children from the noise and dust from the nearby busy road.

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 2016, 15 projects were funded, totalling CZK 1,116,800. However, over the nine years of active operation, this amount has reached more than CZK 15.5 million, divided among a total of 105 projects on the territory of the districts of Nový Jičín and Frýdek-Místek in the Moravian-Silesian region. The project presenters supported this year included eg the Czech Union for Nature Conservation, the Volunteer Fire Brigade Český Těšín – Horní Žukov, Junák – Czech Scout, Ondrášek Mobile Hospice, the Czech Tourist Club Beskids or the primary school in Dobrá.

Volunteer ECO day

Together with the inhabitants of Nošovice, the Company organised the second ECO day in 2016, which was attended by almost 30 volunteers and their families, who did something beneficial for the surrounding nature. The aim was to clean the banks of the Morávka river and the adjacent forest.





Goals and Forecasts for 2017

The production plan for 2017 remains unchanged: 350,000 cars just like in 2016. In 2017, three new bodywork versions of the Hyundai i30 model will gradually appear – in the spring, it will be a wagon car (world premiere at the Geneva motor show in March), in the summer the “N” sports car with a stronger engine and in late 2017 a fastback with a lifting back.

In the area of HR policy, the three-shift production regime will be maintained. 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 events occurred after the balance sheet date that would be significant for the fulfilment of the purpose of the annual report.





Annual Financial Statements



Financial Statements for the year ended 31 December 2016

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

Registered Office: Průmyslová zóna Nošovice, Hyundai 700/1, 739 51 Nižní Lhoty

Legal Status: Limited Liability Company

Corporate ID: 277 73 035

Components of the Financial Statements:

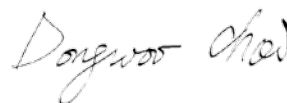
Balance Sheet

Profit and Loss Account

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 20 February 2017.



Dongwoo Choi
Statutory executive of the reporting entity

Balance Sheet

full version

(in CZK thousand)

		31 Dec 2016			31 Dec 2015
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	85,373,907	16,542,959	68,830,948	65,906,189
B.	Fixed assets	35,520,498	16,326,665	19,193,833	17,470,389
B.I.	Intangible fixed assets	355,509	316,467	39,042	38,903
B.I.2.	Valuable rights	343,993	316,467	27,526	27,205
B.I.2.1.	Software	343,993	316,467	27,526	27,205
B.I.4.	Other intangible fixed assets	8,953		8,953	9,956
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	2,563		2,563	1,742
B.I.5.2.	Intangible fixed assets under construction	2,563		2,563	1,742
B.II.	Tangible fixed assets	32,462,989	16,010,198	16,452,791	17,431,486
B.II.1.	Land and structures	8,670,873	2,188,950	6,481,923	6,743,776
B.II.1.1.	Land	167,511		167,511	170,678
B.II.1.2.	Structures	8,503,362	2,188,950	6,314,412	6,573,098
B.II.2.	Tangible movable assets and sets of tangible movable assets	23,362,884	13,821,248	9,541,636	10,670,187
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	429,232		429,232	17,523
B.II.5.1.	Prepayments for tangible fixed assets	26,874		26,874	8,367
B.II.5.2.	Tangible fixed assets under construction	402,358		402,358	9,156
B.III.	Non-current financial assets	2,702,000		2,702,000	
B.III.2.	Loans and borrowings - controlled or controlling entity	2,702,000		2,702,000	
C.	Current assets	49,754,745	216,294	49,538,451	48,366,890
C.I.	Inventories	3,336,292	216,294	3,119,998	3,077,096
C.I.1.	Material	2,685,670	213,064	2,472,606	2,445,667
C.I.2.	Work in progress and semifinished goods	419,187	2,500	416,687	382,002
C.I.3.	Products and goods	231,435	730	230,705	249,427
C.I.3.1.	Products	231,435	730	230,705	249,427
C.II.	Receivables	19,357,321		19,357,321	23,863,244
C.II.1.	Long-term receivables	405,439		405,439	122,883
C.II.1.4.	Deferred tax asset	405,439		405,439	122,883
C.II.2.	Short-term receivables	18,951,882		18,951,882	23,740,361
C.II.2.1.	Trade receivables	16,513,437		16,513,437	21,038,986
C.II.2.4.	Receivables - other	2,438,445		2,438,445	2,701,375
C.II.2.4.3.	State - tax receivables	2,362,925		2,362,925	2,496,248
C.II.2.4.4.	Short-term prepayments made	14,939		14,939	17,451
C.II.2.4.6.	Sundry receivables	60,581		60,581	187,676
C.IV.	Cash	27,061,132		27,061,132	21,426,550
C.IV.1.	Cash on hand	138		138	169
C.IV.2.	Cash at bank	27,060,994		27,060,994	21,426,381
D.	Other assets	98,664		98,664	68,910
D.1.	Deferred expenses	44,779		44,779	22,822
D.2.	Complex deferred expenses	38,704		38,704	37,361
D.3.	Accrued income	15,181		15,181	8,727

		31 Dec 2016	31 Dec 2015
	TOTAL LIABILITIES & EQUITY	68,830,948	65,906,189
A.	Equity	36,145,066	37,085,437
A.I.	Share capital	13,901,000	13,901,000
A.I.1.	Share capital	13,901,000	13,901,000
A.IV.	Retained earnings (+/-)	13,770,837	17,683,161
A.IV.1.	Accumulated profits brought forward	13,770,837	17,683,161
A.V.	Profit or loss for the current period (+/-)	8,473,229	5,501,276
B.+C.	Liabilities	32,663,507	28,762,157
B.	Reserves	8,050,384	6,864,667
B.IV.	Other reserves	8,050,384	6,864,667
C.	Payables	24,613,123	21,897,490
C.I.	Long-term payables	11,618,600	8,918,250
C.I.2.	Payables to credit institutions	11,618,600	8,918,250
C.II.	Short-term payables	12,994,523	12,979,240
C.II.3.	Short-term prepayments received	91,729	355,058
C.II.4.	Trade payables	10,786,231	11,411,785
C.II.8.	Other payables	2,116,563	1,212,397
C.II.8.3.	Payables to employees	86,550	83,545
C.II.8.4.	Social security and health insurance payables	55,519	51,269
C.II.8.5.	State - tax payables and subsidies	602,785	160,704
C.II.8.6.	Estimated payables	1,365,652	911,176
C.II.8.7.	Sundry payables	6,057	5,703
D.	Other liabilities	22,375	58,595
D.1.	Accrued expenses		15,118
D.2.	Deferred income	22,375	43,477

Profit and Loss Account structured by the nature of expense method

(in CZK thousand)

		Year ended 31 Dec 2016	Year ended 31 Dec 2015
I.	Sales of products and services	142,750,755	125,644,605
A.	Purchased consumables and services	125,481,829	112,787,405
A.2.	Consumed material and energy	117,996,762	105,218,971
A.3.	Services	7,485,067	7,568,434
B.	Change in internally produced inventory (+/-)	-17,768	-59,861
D.	Staff costs	1,655,111	1,581,239
D.1.	Payroll costs	1,171,507	1,113,427
D.2.	Social security and health insurance costs and other charges	483,604	467,812
D.2.1.	Social security and health insurance costs	393,474	374,007
D.2.2.	Other charges	90,130	93,805
E.	Adjustments to values in operating activities	2,619,816	2,360,813
E.1.	Adjustments to values of intangible and tangible fixed assets	2,607,017	2,394,317
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	2,607,017	2,394,317
E.2.	Adjustments to values of inventories	12,799	-33,504
III.	Other operating income	7,204,664	4,724,659
III.1.	Sales of fixed assets	15,974	287,296
III.2.	Sales of material	4,228,837	3,951,371
III.3.	Sundry operating income	2,959,853	485,992
F.	Other operating expenses	10,010,042	6,343,651
F.1.	Net book value of sold fixed assets	29,050	271,894
F.2.	Net book value of sold material	4,122,191	4,232,838
F.3.	Taxes and charges	16,976	16,118
F.4.	Reserves relating to operating activities and complex deferred expenses	1,184,373	-278,826
F.5.	Sundry operating expenses	4,657,452	2,101,627
*	Operating profit or loss (+/-)	10,206,389	7,356,017
VI.	Interest income and similar income	329,051	526,871
VI.1.	Interest income and similar income - controlled or controlling entity	294,661	446,002
VI.2.	Other interest income and similar income	34,390	80,869
J.	Interest expenses and similar expenses	90,087	129,342
J.1.	Interest expenses and similar expenses - controlled or controlling entity	207	489
J.2.	Other interest expenses and similar expenses	89,880	128,853
VII.	Other financial income	748,063	3,628,376
K.	Other financial expenses	758,201	4,244,737
*	Financial profit or loss (+/-)	228,826	-218,832
**	Profit or loss before tax (+/-)	10,435,215	7,137,185
L.	Income tax	1,961,986	1,635,909
L.1.	Due income tax	2,244,542	1,518,714
L.2.	Deferred income tax (+/-)	-282,556	117,195
**	Profit or loss net of tax (+/-)	8,473,229	5,501,276
***	Profit or loss for the current period (+/-)	8,473,229	5,501,276
*	Net turnover for the current period	151,032,533	134,524,511

Cash flow statement

(in CZK thousand)

		Year ended 31 Dec 2016	Year ended 31 Dec 2015
P.	Opening balance of cash and cash equivalents	21,426,550	26,066,469
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	10,435,215	7,137,185
A.1.	Adjustments for non-cash transactions	3,478,779	1,355,209
A.1.1.	Depreciation of fixed assets	2,607,017	2,394,317
A.1.2.	Change in provisions and reserves	1,197,172	-312,331
A.1.3.	Profit/(loss) on the sale of fixed assets	13,076	-15,402
A.1.5.	Interest expense and interest income	-238,964	-397,529
A.1.6.	Adjustments for other non-cash transactions	-99,522	-313,846
A.*	Net operating cash flow before changes in working capital	13,913,994	8,492,394
A.2.	Change in working capital	4,029,916	-2,117,011
A.2.1.	Change in operating receivables and other assets	4,845,364	-5,778,957
A.2.2.	Change in operating payables and other liabilities	-759,747	4,111,726
A.2.3.	Change in inventories	-55,701	-449,780
A.**	Net cash flow from operations before tax	17,943,910	6,375,383
A.3.	Interest paid	-90,270	-234,318
A.4.	Interest received	323,417	543,002
A.5.	Income tax paid from ordinary operations	-1,804,335	-1,942,276
A.***	Net operating cash flows	16,372,722	4,741,791
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-1,339,514	-2,833,071
B.2.	Proceeds from fixed assets sold	15,974	11,996
B.3.	Loans and borrowings to related parties	-2,706,000	
B.***	Net investment cash flows	-4,029,540	-2,821,075
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	2,705,000	-6,560,635
C.2.	Impact of changes in equity	-9,413,600	
C.2.6.	Profit shares paid	-9,413,600	
C.***	Net financial cash flows	-6,708,600	-6,560,635
F.	Net increase or decrease in cash and cash equivalents	5,634,582	-4,639,919
R.	Closing balance of cash and cash equivalents	27,061,132	21,426,550

Notes to the Financial Statements

For the Year Ended
31 December 2016
(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 Tucson, Hyundai ix20 and Hyundai i30, which was produced in three versions (five-door hatchback, wagon and a three-door version). At the end of 2016, production of a new third-generation five-door hatchback Hyundai i30 commenced, replacing the five-door hatchback and the three-door version of the second-generation Hyundai i30.

Owners of the Company

At 31 December, the Company's owners are:	Ownership percentage as of 31 December	
	2016	2015
Hyundai Motor Company, the Republic of Korea	100%	100%

Registered Office

Hyundai Motor Manufacturing Czech s.r.o.
Průmyslová zóna Nošovice
Hyundai 700/1
739 51 Nižní Lhoty
Česká republika

Corporate ID

277 73 035

Statutory executive and proxy as of 31 December 2016

Statutory executive	Proxy
Dongwoo Choi	Sanghyun Nam, Jae Kyung Cho

The Company has not established a Supervisory Board.

The following changes were made to the Register of Companies in the year ended 31 December 2016:

The proxy, Jae Woong Lim, was replaced in his office by Sanghyun Nam on 7 April 2016.

Organisational Structure

The Company is organised into the following sub-divisions:

- Finance – accounting and cost, treasury;
- 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	4-6 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

Assets	Method	Depreciation period
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 attributable indirect costs relating to production or any other activity. The direct costs include the cost of material and other consumables and other costs incurred in direct connection with the 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. Provisions for receivables past their due dates are assessed for the relevant receivables on an individual basis.

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 vacation 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.

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 revenues 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) 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.

o) Cash Flow Statement

The cash flow statement was prepared using the indirect method. Cash equivalents represent current liquid assets that can be easily and readily converted into a predefined amount in cash.

Cash and cash equivalents may be analysed as follows:

	(CZK thousand)	
	31 Dec 2016	31 Dec .2015
Cash on hand and cash in transit	138	169
Cash at bank	27 060 994	21 426 381
Overdraft balances of current accounts included in current bank loans	--	--
Cash equivalents included in current financial assets	--	--
Total cash and cash equivalents	27 061 132	21 426 550

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

p) Year-on-Year Changes in the Classification and Designation of Balance Sheet and Profit and Loss Account Items and their Substance

In preparing the financial statements the Company proceeded in line with Czech Accounting Standard No. 024 – Comparable Period for the Reporting Period Starting in 2016.

3. Fixed Assets

a) Intangible Fixed Assets

(CZK thousand)

	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
Cost					
Balance at 1 Jan 2016	--	335 151	9 956	1 742	346 849
Additions	--	10 691	6 248	11 512	28 451
Disposals	--	1 849	7 251	10 691	19 791
Balance at 31 Dec 2016	--	343 993	8 953	2 563	355 509
Accumulated amortisation					
Balance at 1 Jan 2016	--	307 946	--	--	307 946
Amortisation	--	10 370	--	--	10 370
Accumulated amortisation to disposals	--	1 849	--	--	1 849
Balance at 31 Dec 2016	--	316 467	--	--	316 467
Net book value at 1 Jan 2016	--	27 205	9 956	1 742	38 903
Net book value at 31 Dec 2016	--	27 526	8 953	2 563	39 042

(CZK thousand)

	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
Cost					
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
Accumulated amortisation					
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
Net book value at 1 Jan 2015	--	30 196	260 629	2 418	293 243
Net book value at 31 Dec 2015	--	27 205	9 956	1 742	38 903

In respect of software, the Company continued to modernise its information systems, primarily in assurance of production quality, during the years ended 31 December 2016 and 2015.

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

b) Tangible Fixed Assets

(CZK thousand)

	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepayments	Total
Cost						
Balance at 1 Jan 2016	170 678	8 484 678	22 242 819	9 156	8 367	30 915 698
Additions	--	43 873	1 172 771	1 609 846	308 576	3 135 066
Disposals	3 167	25 189	52 706	1 216 644	290 069	1 587 775
Balance at 31 Dec 2016	167 511	8 503 362	23 362 884	402 358	26 874	32 462 989
Accumulated depreciation						
Balance at 1 Jan 2016	--	1 911 580	11 572 632	--	--	13 484 212
Depreciation	--	281 631	2 294 728	--	--	2 576 359
Accumulated depreciation to disposals	--	4 261	46 112	--	--	50 373
Balance at 31 Dec 2016	--	2 188 950	13 821 248	--	--	16 010 198
Net book value at 1 Jan 2016	170 678	6 573 098	10 670 187	9 156	8 367	17 431 486
Net book value at 31 Dec 2016	167 511	6 314 412	9 541 636	402 358	26 874	16 452 791

(CZK thousand)

	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepayments	Total
Cost						
Balance at 1 Jan 2015	170 678	8 447 904	19 554 391	779 493	35 947	28 988 413
Additions	--	36 774	2 954 593	2 221 030	166 408	5 378 805
Disposals	--	--	266 165	2 991 367	193 988	3 451 520
Balance at 31 Dec 2015	170 678	8 484 678	22 242 819	9 156	8 367	30 915 698
Accumulated depreciation						
Balance at 1 Jan 2015	--	1 630 653	9 721 861	--	--	11 352 514
Depreciation	--	280 927	2 098 735	--	--	2 379 662
Accumulated depreciation to disposals	--	--	247 964	--	--	247 964
Balance at 31 Dec 2015	--	1 911 580	11 572 632	--	--	13 484 212
Net book value at 1 Jan 2015	170 678	6 817 251	9 832 530	779 493	35 947	17 635 899
Net book value at 31 Dec 2015	170 678	6 573 098	10 670 187	9 156	8 367	17 431 486

In the year ended 31 December 2016, additions to movable fixed assets largely related to the launch of the production of the third-generation Hyundai i30. This predominantly involved machinery equipment of CZK 510,068 thousand, moulds for the production of components placed at the suppliers of such components of CZK 61,865 thousand and press moulds for metal components of CZK 263,497 thousand.

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 ma-

chinery equipment of CZK 441,354 thousand, moulds for the production of components placed at suppliers of these 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.

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 Nošovice and Nižní Lhoty.

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 these com-

ponents for the production of the Hyundai ix35 model. The lease for 2016 amounted to CZK 0 thousand (2015: CZK 199,174 thousand).

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 2,423,872 thousand (2015: CZK 2,411,462 thousand)

and inventory of spare parts for production equipment of CZK 261,798 thousand (2015: CZK 236,276 thousand). The provision against production material amounts to CZK 32,176 thousand (2015: CZK 31,712 thousand) and against spare parts to CZK 180,888 thousand (2015: CZK 170,359 thousand) as of the balance sheet date.

6. Trade Receivables and Payables

Overdue short-term trade receivables amount to CZK 431,224 thousand (2015: CZK 1,008,604 thousand).

Overdue short-term trade payables amount to CZK 4,899 thousand (2015: CZK 1,512 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 1,146,981 thousand (2015: CZK 1,216,636

thousand) and the sum of VAT not yet sought to be refunded amounts to CZK 1,215,944 thousand (2015: CZK 1,279,612 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 32,704

thousand (2015: CZK 29,157 thousand) and the sum of VAT not yet sought to be refunded amounts to CZK 27,829 thousand (2015: CZK 158,506 thousand).

9. Deferrals

Deferred expenses predominantly include costs of operation of the integrated rescue system and asset insurance premium.

Comprehensive deferred expenses include costs of the

preparation and roll-out of the production of Hyundai Tucson and third generation Hyundai i30.

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

10. Share Capital

As of 31 December 2016, the share capital consisted of the investment of the sole owner. The share capital was fully paid as of 31 December 2016.

11. Statement of Changes in Equity

(CZK thousand)

2016	Share capital	Other capital funds	Statutory reserve fund	Accumulated profit	Profit for the period	Total
Balance at 1 Jan 2016	13 901 000	--	--	17 683 161	5 501 276	37 085 437
Allocation to funds, allocation of profit/loss	--	--	--	--	--	--
Payment of profit shares	--	--	--	-3 912 324	-5 501 276	-9 413 600
Profit for 2016	--	--	--	--	8 473 229	8 473 229
Balance at 31 Dec 2016	13 901 000	--	--	13 770 837	8 473 229	36 145 066

(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

12. Reserves

(CZK thousand)

Reserves	Balance at 31 Dec 2016	Balance at 31 Dec 2015
For outstanding vacation days	16 670	17 236
For warranty repairs	8 033 714	6 847 431
Total	8 050 384	6 864 667

13. Estimated Payables

Estimated payables recognised in the balance sheet principally include unbilled supplies of material of CZK 737,609 thousand (2015: CZK 589,503 thousand), unbilled supplies of consumed energy and other costs of

CZK 222,678 thousand (2015: CZK 204,779 thousand) and unbilled supplies for the acquisition of tangible fixed assets in the amount of CZK 405,365 thousand (2015: CZK 116,894 thousand).

14. Bank Loans and Issued Bonds

Long-Term Loans

(CZK thousand)

	Currency	Balance at 31 Dec 2016 (CZK thousand)	Balance at 31 Dec 2015 (CZK thousand)	Interest rate At 31 Dec 2016	Form of collateral in 2016
Loan A	EUR	5 404 000	5 405 000	0,370%	--
Loan B	EUR	6 214 600	3 513 250	0,430%	--
Total		11 618 600	8 918 250		

Repayment Schedule

(CZK thousand)

	2017	2018	2019	Following periods
Loan A	--	--	5 404 000	--
Loan B	--	6 214 600	--	--
Total	--	6 214 600	5 404 000	--

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 2016	Year ended 31 Dec 2015
Czech Republic	4 788 278	4 477 964
EU	95 956 217	82 279 569
Other than EU countries - Europe	14 999 709	15 588 428
Other than EU countries - other	27 006 551	23 298 644
Total sales of own products and services	142 750 755	125 644 605

In 2016, 97.7% of the sales of products related to sold cars (2015: 97.0%). The remaining 2.3% (2015: 3.0%) related to the sale of transmissions and other semi-finished

goods, which the Company supplies to other production companies within the Group in Europe.

16. Consumed Material and Energy

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Consumed material	117 518 538	104 678 526
Consumed energy	478 224	540 445
Total consumed material and energy	117 996 762	105 218 971

17. Services

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Travel expenses	32 519	15 563
Building security, cleaning and operation	231 989	226 593
Production support services	952 024	838 601
Service and licence fees	3 825 930	3 854 564
Hiring and support of staff	627 959	599 290
IT services and software	86 185	85 342
Transportation services	1 559 041	1 581 845
Advisory and audit services	15 753	18 807
Repairs and maintenance of buildings and equipment	84 736	85 743
Rental	24 862	223 911
Training	6 564	6 889
Other services	37 505	31 286
Total	7 485 067	7 568 434

18. Sales of Material, Sold Material

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Sales of material to sub-suppliers	4 015 221	3 768 015
Sales of secondary raw material	213 616	183 356
Total sales of material	4 228 837	3 951 371

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Material sold to sub-suppliers	3 908 575	4 049 482
Sold secondary raw material	213 616	183 356
Total sold material	4 122 191	4 232 838

19. Other Operating Income

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Assigned short-term receivables	2 527 773	--
Rebilling of complaint costs to suppliers	287 862	290 141
Inventory count differences	1 489	2 753
Sundry operating income	142 729	193 098
Total	2 959 853	485 992

20. Other Operating Expenses

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Assigned short-term receivables	2 527 773	--
Insurance	30 850	30 253
Costs of warranty repairs and campaigns	2 035 642	2 021 500
Inventory count differences	2 353	5 811
Sundry operating expenses	60 834	44 063
Total	4 657 452	2 101 627

21. Interest Income

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Interest on provided long-term loan	15 754	--
Interest on provided business loans	278 907	446 002
Interest on deposits at bank accounts	34 390	80 869
Total	329 051	526 871

22. Interest Expense

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Interest on received bank loans and overdrafts	38 439	21 935
Interest on issued bonds	--	93 278
Interest on received loans from the sale of receivables	51 441	13 640
Interest on received business loans	207	489
Total	90 087	129 342

23. Other Financial Income and Expenses

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Foreign exchange rate losses	751 927	4 229 996
Guarantee and administrative fees relating to received loans and bonds	541	10 338
Sundry financial expenses	5 733	4 403
Total	758 201	4 244 737

Other financial income in the years ended 31 December 2016 and 2015 includes foreign exchange rate gains.

24. Income Tax

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Tax payable	2 244 542	1 518 714
Deferred tax	-282 556	117 195
Total	1 961 986	1 635 909

Profit before tax and calculation of tax payable:

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit before tax	10 435 215	7 137 185
Anticipated tax costs (19%)	1 982 691	1 356 065
Non-tax expenses and income	261 422	-43 250
Tax for prior periods	429	205 899
Tax payable	2 244 542	1 518 714

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 2016	Year ended 31 Dec 2015
Accumulated depreciation and amortisation of fixed assets	-1 165 230	-1 220 068
Provision against inventory	41 096	38 664
Reserves	1 529 573	1 304 287
Total (+ asset/ - liability)	405 439	122 883



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	
	2016	2015	2016	2015
Hyundai Engineering Czech s.r.o.	--	--	21 991	25 470
Hyundai Motor Company	8 985	10 177	2 221 828	1 452 072
Hyundai Motor Europe GmbH	10 800 698	13 619 165	--	--
Hyundai Kefico Corporation	--	--	--	164
Hyundai AutoEver Corporation	--	--	6 757	897
Hyundai AutoEver Europe GmbH	--	--	20 635	6 963
Haevichi Hotel & Resort Co., Ltd	--	--	206	465
G.I.T Co., Ltd	--	--	2 963	781
Hyundai Glovis Co. Ltd.	7 945	14 341	985 513	1 118 549
Hyundai Glovis Czech Republic s.r.o.	132	53	36 993	--
Glovis Europe GmbH	279	279	55 742	94 593
Glovis Slovakia s.r.o.	--	--	1 081	1 275
Hyundai Steel Czech s.r.o.	741	750	268 605	290 720
Hyundai Motor CIS LLC	78 370	501 969	--	4 486
Hyundai Motor Company Italy s.r.l.	--	--	--	4 645
Hyundai Motor Czech s.r.o.	1 623 288	1 074 636	10 923	8 534
Hyundai Motor Poland Sp. z. o. o.	--	--	--	2 264
Hyundai Motor UK Ltd.	--	--	--	5 359
Hyundai Motor España S.L.U.	--	--	--	3 001
Hyundai Motor Deutschland GmbH	--	--	--	21 626
Hyundai Motor Netherlands B.V.	--	--	--	4 017
Hyundai Motor France	--	--	--	4 462
Hyundai Motor Mfg. Rus LLC	54 279	69 339	65	90
Hyundai Assan Otomotive SVT A.S.	1 517	123 418	--	--
Hyundai Motor Company Australia Pty Ltd.	780 133	1 382 070	--	679
Hyundai Motor de Mexico, S de RL de CV	804 448	961 092	--	--
Hyundai Motor India	2 534	--	--	--
HM Czech, s.r.o.	8 203	2 501	--	--
Hyundai Mobis Co. Ltd.	2 266	3 003	--	--
Mobis Parts Europe N.V.	--	18	--	--
Mobis Slovakia s.r.o.	8 146	14 304	--	--
Mobis Automotive Czech s.r.o.	99 640	110 625	2 968 650	3 144 756
Hyundai Dymos Czech, s.r.o.	14 608	16 891	617 864	657 523
Kia Motors RUS LLC	--	--	2	1
Kia Motors Slovakia s.r.o.	132 129	205 870	838 404	1 359 173
Total	14 428 341	18 110 501	8 058 222	8 212 565

As of the balance sheet date, the Company reported pre-payments made for the assets of Hyundai Engineering Czech s.r.o. of CZK 24,585 thousand (2015: CZK 5,730 thousand) and of Hyundai AutoEver Europe GmbH of CZK 546 thousand (2015: CZK 0).

As of the balance sheet date, estimated payables to Hyundai Motor Company amount to CZK 339,169 thou-

sand (2015: CZK 895 thousand), estimated payables to Hyundai Rotem Company amount to CZK 5,318 thousand (2015: CZK 0) and estimated payables to G.I.T Co. Ltd amount to CZK 1 360 thousand (2015: CZK 592 thousand).

b) Sales and Purchases

The Company's sales and purchases with the Group companies were as follows:

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Sales of products	118 154 079	109 155 613
Sales of fixed assets	477	277 777
Sales of material	1 296 790	1 213 950
Other operating income	332 065	355 501
Interest income	294 661	447 363
Total sales	120 078 072	111 450 204

(CZK thousand)

	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Purchase of fixed assets	992 918	592 111
Purchase of material	80 205 600	72 669 334
Purchase of services	6 550 968	6 679 333
Other operating expenses	1 579 126	1 586 718
Interest expenses	207	489
Other financial expenses	--	7 797
Total purchases	89 328 819	81 535 782

c) Provided loans

Loans and borrowings within non-current financial assets comprise the following balances relating to the Group companies:

(CZK thousand)

	Currency	Balance at 31 Dec 2016 (CZK thousand)	Balance at 31 Dec 2015 (CZK thousand)	Interest rate as at 31 Dec 2016	Form of collateral 2016
Hyundai Motor Mfg. Rus LLC	EUR	2 702 000	--	1,10%	--
Total		2 702 000	--		

Repayment schedule

(CZK thousand)

	2017	2018	2019	Following periods
Hyundai Motor Mfg. Rus LLC	--	--	2 702 000	--
Total	--	--	2 702 000	--

d) Other transactions

In the year ended 31 December 2016, the Company paid a profit share to its owner, Hyundai Motor Company, in the amount of CZK 9,413,600 thousand (2015: CZK 0).

26. Employees and Managers

a) The average number of employees and managers and staff costs for the years ended 31 December 2016 and 2015:

(CZK thousand)

2016	Number of employees	Payroll costs in CZK thousand	Social security and health insurance in CZK thousand	Social costs in CZK thousand
Employees	2 496	1 131 393	384 589	--
Managers	15	40 114	8 885	--
Total	2 511	1 171 507	393 474	90 130
Managers (IHOL)	12	49 232	670	--

(CZK thousand)

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

The Company employed 42 Korean workers (2015: 44) on average based on the International Hiring of Labour (IHOL) contract. The aggregate payroll costs amounted to CZK 137,635 thousand (2015: CZK 116,776 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 2016 and

2015 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. State – Tax Payables and Subsidies

Tax payables are represented by a payable arising from the due income tax in the amount of CZK 570,258 thousand (2015: CZK 130,051 thousand), a payable arising from the withholding income tax of CZK 0 (2015: CZK 454 thousand), the employees' income tax payments withheld by the Company of CZK 23,100 thousand (2015: CZK 20,226 thousand), road tax of CZK 18 thousand (2015: CZK 17 thousand), an income tax securement of CZK 372 thousand (2015: CZK 0), other tax securements of CZK 84 thousand (2015: CZK 0) and subsidies of CZK 8,953 thousand (2015: CZK 9,956 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 Re-

public, 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 re-training 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.

28. 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 27);
- Cash grant for capital investment (refer to Note 27);
- Subsidy for the creation of jobs (refer to Note 27);

- Subsidy for the training and retraining of employees (refer to Note 27); and
- Tax relief (refer to Notes 24 and 27).

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 Nošovice, 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.

29. Contingent Liabilities

Legal Disputes

As of 31 December 2016, 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.

The Company carries no other contingent liabilities.

30. 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 2016

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 Nošovice,
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 Soul, 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 AutoEver Europe GmbH, organizační složka
Hyundai Motor Czech s.r.o.	Hyundai AutoEver Europe GmbH
Hyundai Motor UK Ltd.	Hyundai AutoEver Corporation
Hyundai Motor Company Italy s.r.l.	G.I.T Co., Ltd
Hyundai Motor Netherlands B.V.	HM Czech, s.r.o.
Hyundai Motor Poland Sp. z o. o.	Hyundai Engineering Czech s.r.o.
Hyundai Motor CIS LLC	Hyundai Steel Czech s.r.o.
Hyundai Motor España, S. L. U.	Hyundai Glovis Co., Ltd.
Hyundai Motor Deutschland GmbH	Hyundai Glovis Czech Republic s.r.o.
Hyundai Motor Manufacturing Rus LLC	Glovis Europe GmbH
Hyundai Motor France	Glovis Slovakia, s.r.o.
Hyundai Motor Europe Technical Center GmbH	Adampol SA
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	Adampol Czech s.r.o.
Hyundai Motor Company Australia Pty Ltd.	Hyundai WIA Corporation
Hyundai Motor de Mexico, S de RL de CV	Hyundai Mobis Co., Ltd.
Hyundai Motor India Ltd.	Mobis Automotive Czech s.r.o.
Kia Motors Europe GmbH	Mobis Automotive System Czech s.r.o.
Kia Motors Czech s.r.o.	Mobis Slovakia s.r.o.
Kia Motors Rus LLC	Mobis Parts Europe N. V.
Kia Motors Slovakia, s.r.o.	Hyundai Dymos Czech, s.r.o.
Hyundai Rotem Company	Haevichi Hotel & Resort Co., Ltd

I.

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 2016, it comprised 312 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 BNG 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 NGV
- 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 con-

trol 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.



II.

List of acts performed in the latest reporting period, ie in the year ended 31 December 2016, 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 2016:

1. Realised Income

(CZK thousand)

	Sales generated by own products	Sales of material	Other operating income	Interest income
Hyundai Motor Company	22 573	--	5 312	--
Hyundai Motor Europe GmbH	94 087 140	--	451	152 310
Hyundai Motor Czech s.r.o.	6 712 825	--	--	5 645
Hyundai Assan Otomotive SVT A.S.	4 013 227	--	--	--
Hyundai Motor de Mexico, S de RL de CV	4 554 335	--	--	26 835
Hyundai Glovis CO. Ltd.	5 665	--	30 762	--
Hyundai Steel Czech s.r.o.	--	--	7 529	--
Mobis Automotive Czech s.r.o.	56	1 074 338	132 439	--
Hyundai Dymos Czech, s.r.o.	1	175 837	24 484	--
Kia Motors Slovakia s.r.o.	2 200 232	--	112 719	--

2. Realised Purchases

(CZK thousand)

	Purchase of fixed assets	Purchase of material	Purchase of services	Other operating costs
Hyundai Motor Company	836 837	4 563 178	3 928 436	--
Hyundai Motor Europe GmbH	--	--	--	5 383
Hyundai Motor Czech s.r.o.	21 046	1 004	--	70 498
Hyundai Assan Otomotive SVT A.S.	--	603	--	28 017
Hyundai Motor de Mexico, S de RL de CV	--	--	--	16 501
Hyundai Glovis CO. Ltd.	--	13 420 319	515 862	--
Hyundai Steel Czech s.r.o.	--	3 935 531	--	577
Mobis Automotive Czech s.r.o.	4 426	34 870 583	4 354	--
Hyundai Dymos Czech, s.r.o.	1 784	7 265 979	--	--
Kia Motors Slovakia s.r.o.	--	16 117 662	15 118	6 059

The controlled company reported interest expenses from Hyundai Glovis CO. Ltd. in the amount of CZK 207 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 December 2016:

The following agreements were valid between the controlling and controlled entities in the year ended 31 December 2016:

- 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. P160553170, PDe Measuring Tools, of 26 May 2016;
- Agreement/order no. P160635388, Welding Machinery, of 14 June 2016;
- Agreement/order no. P160660319, Moving Machinery, of 24 June 2016;

- Agreement/order no. P160670360, PDe Measuring Tools, of 30 June 2016;
- Agreement/order no. P160745865, PDe Measuring Device, of 23 July 2016;
- Agreement/order no. P161161818, PDe Press and Hemming Moulds, of 25 November 2016;
- Agreement/order no. P161161819, PDe Welding Machinery, of 25 November 2016; and
- Agreement/order no. P161161820, PDe Welding Machinery, of 25 November 2016.

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 2016:

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 Czech Republic s.r.o.
- Hyundai Glovis Co., Ltd.
- Mobis Automotive Czech s.r.o.
- Hyundai Dymos Czech, s.r.o.
- Hyundai Steel Czech s.r.o.
- Hyundai AutoEver Corporation
- Hyundai AutoEver Europe GmbH, organizační složka
- Hyundai AutoEver Europe GmbH
- Hyundai WIA Corporation
- Hyundai Rotem Company
- G.I.T Co., Ltd

3. Other agreements:

- Hyundai Motor Manufacturing Rus LLC, Loan Agreement
- HM Czech, s.r.o., Contract for Purchase of Scrap

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:

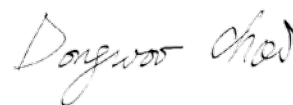
Hyundai Motor Group has expanded its activities at the global level. As a result, Hyundai Motor Manufacturing Czech s.r.o. enjoys a number of advantages arising from related party transactions, which predominantly involve utilising the results of constant improvements of products and production processes 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 20 February 2017



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



Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Partner of Hyundai Motor Manufacturing Czech s.r.o.

Having its registered office at: Průmyslová zóna Nošovice, Hyundal 700/1, 739 51 Nižní Lhoty

Opinion

We have audited the accompanying financial statements of Hyundai Motor Manufacturing Czech s.r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2016, and the profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hyundai Motor Manufacturing Czech s.r.o. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Executive is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Statutory Executive for the Financial Statements

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

In preparing the financial statements, the Statutory Executive is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Statutory Executive either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executive.
- Conclude on the appropriateness of the Statutory Executive use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on February 20, 2017

Audit firm:

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



Statutory auditor:

Petr Michalík
registration no. 2020





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