

# Annual Report 2017

Hyundai Motor Manufacturing Czech s.r.o.



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# Foreword by the President of the Company

2018 will be an anniversary year for Hyundai Motor Manufacturing Czech (HMMC) as on 3 November 2018 it will celebrate the tenth anniversary of launching mass production in the Nošovice production plant, which is Hyundai's only production plant in the EU. The importance of the plant is all the greater for the European activities of the parent company, Hyundai Motor Company, as the cars produced at the plant represent the majority of Hyundai cars sold on the European market. In 2017, three new versions of Hyundai i30 were released: the spacious family car i30 Wagon in May, the sharp sports version i30 N with a 275-horsepower engine in September, and the elegant i30 Fastback in November. All the versions met with exceptionally positive reactions in all markets as well as among experts.

In 2017, a total of 356,700 cars were produced at the HMMC plant, which is 6,700 more (+ 1.9%) than the number assigned by the plan, with the cars exported to 62 countries across Europe, Africa, Latin America, the Middle East and Australia. In 2017, Hyundai Motor Manufacturing Czech received the National Quality Award in the highest category "Excellence" for the third time, the Best Company Award of the Automotive Industry Association for the seventh time and, after a gap year, it took first place as the Czech Employer of the Year in the category under 5,000 employees.

The number of employees, both in-house and agency, remained virtually unchanged during the entire year, oscillating around 3,300 persons. Throughout the year, continuous efforts were devoted to improving communication at all levels of the Company's management as well as to introducing new forms and methods thereof, such as regular meetings with group and team leaders. Activities in the area of specialised education were also very lively and intense in the past year, with several hundred HMMC employees attending various specialised training sessions in Korea relating to the launch of the production of the three new Hyundai i30 versions. In late 2017, substantial changes were made to HMMC's management, with the then president, Mr Dongwoo Choi, concluding his mission and being replaced by Mr Donghwan Yang. The positions of Administration and Quality Vice-Presidents also underwent changes.

Hyundai Motor Manufacturing Czech remains one of the leading production plants in the Moravian-Silesian Region and one of the driving forces of the Czech economy. Building the Hyundai plant and its sub-contractor firms has not only generated more than 12,000



new jobs in the Moravian-Silesian Region, but also given a strong impulse and vision for its future development, namely in relation to the global pressure to implement modern advanced technologies, robotisation and automation: Hyundai Motor Manufacturing Czech is a leader in all these fields not only in the Czech Republic, but also in Europe-wide terms. We will continue in striving to be a good neighbour and a socially responsible corporate citizen of the Moravian-Silesian Region and the Czech Republic, with a positive impact on economic growth and the lives of the people in the region. Our policy and key values are to maintain dynamic growth of the Company based on strict adherence to the principles of environmentally-friendly production.

I am presenting the Annual Report for the year ended 31 December 2017

In Nižní Lhoty on 28 February 2018

A handwritten signature in blue ink, appearing to be 'D. Yang', written over a light blue circular stamp.

Donghwan Yang  
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 operates 19 production plants worldwide (seven in Korea, five in China, two in India and one in Russia, Turkey, Brazil, the US and the Czech Republic). In global terms, the Company sold a total of 4.5 million Hyundai cars in 2017. Last year, the Company also celebrated the 50th anniversary since the founding of its first car factory in Korea.

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 entre on the resulting design and technologies of the models is apparent for example in the new i30 generation or the Tucson model.

HMMC focuses principally on producing cars and transmissions that are exported to 62 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 Plant's Area	200 ha
Built Up Area	28,3 ha
Total Investment	EUR 1.43 billion
Number of Employees	3 287 (including agency employees)
Share of Czech Citizens	96,5%
Male/female Ratio	82% / 18%
Production Capacity	350,000 cars per year



# Company Management



**Donghwan Yang**  
President

Born in 1960. Mr Yang joined Hyundai Motor Company on 1 July 1985. Between 2000 and 2003 he worked as an auditor at the Company's headquarters in Seoul, devoting the ten subsequent years to strategic planning and production development. Following two significant years devoted to production technologies, he went on to focus on powertrains (engines and transmissions) in 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.



**Jin Park**

Vice-president, Administration Division

Mr Park joined Hyundai Motor Group in 1995, primarily focusing on internal affairs and human resources. Between 2006 and 2010, he worked at the production plant in Alabama, US, as an internal affairs coordinator. Following his return to the Korean headquarters, he was appointed internal affairs team leader. Prior to joining HMMC, he had also worked as head of the human resources division. In December 2017, he was appointed head of the administrative division at HMMC.



**Seok Beom Kim**

Director, Quality Division

Mr Kim has worked at Hyundai Motor since 1993. He spent 18 years working as a quality assurance expert and went on to become a founding member of the Hyundai plant in Brazil, where he worked as Quality Assurance Director from 2011 to 2015. Prior to joining HMMC, he had been in charge of quality control electronic systems. He started working at HMMC in December 2017.



# History



2006	May	Investment Contract Signed
	July	Foundation of HMMC
	November	Investor of the Year Award
2007	March	Start of construction
	December	Installation and trial operation
2008	January	New Recruitment Centre opened in Ostrava
	November	Mass production launched - production of the first generation i30 model
2009	September	Second shift launched
	November	International Certificate ISO 9001 received
2010	September	Production of the ix20 launched
	November	300,000 cars produced
		"Start Plus" Award gained under the Czech National Quality Award
2011	July	Production of the ix35 launched
	September	Third shift operation launched
		500,000 cars produced
	November	"Excellence" Award 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 for under 5,000 employees
	October	"Safe Company" certificate received
	December	OHSAS 18001 certificate received
2014	June	Awarded "the Employer of the Year for 2014" in the category for under 5,000 employees
	October	Awarded for the best production rate among car producers in Europe
	November	"Excellence" Award under the Czech National Quality Award
2015	June	Awarded "the Employer of the Year for 2015" in the category for under 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
2017	May	Production of the i30 Wagon model launched
	June	Awarded "the Employer of the Year for 2017" in the category for under 5,000 employees
	September	Production of the i30 N model launched
	November	Production of the i30 fastback model launched
		"Excellence" Award under the Czech National Quality Award"



# Products



## Passenger Cars

Hyundai Motor Company is committed to becoming a lifetime partner in automobiles for millions of customers worldwide. It strives to provide them with the world's top quality automobile products and services. Nowadays, the passenger car represents an individual's lifestyle and has become an inseparable part of their life.

The global automotive industry is facing an era of rapid changes, including a volatile market environment and development of new technologies directed at smart and autonomous automobiles. Therefore, Hyundai Motor Group has established a new laboratory in Korea, focusing on four key areas: the issue of mobility available anytime and anywhere, the possibility of interconnection with other daily activities during travel, reduction of accidents, and eco-friendliness combined with energy self-sufficiency.

## i30

Designed, developed, tested and manufactured in Europe, the New Generation Hyundai i30 is the DNA car for Hyundai Motor in Europe. The i30 was created as the new people's car. It is more than a model – it is a family of cars consisting of four body types, each with a unique character, and united by a coherent, timeless design.

Hyundai i30 democratizes advanced technology by offering the latest active safety and connectivity features. The i30 offers best-in-class standard active safety, with Autonomous Emergency Braking, Driver Attention Alert, High Beam Assist and Lane Keeping Assist System always on board.

The engineers of Hyundai Motor Europe's Technical Centre in Germany enhanced the driving dynamics of the New Generation i30 in a rigorous testing programme throughout Europe and on the famous Nürburgring Nordschleife. The highly rigid and light body with 53% Advanced High Strength Steel delivers the base for good ride and handling characteristics and, combined with 10 % more direct steering and a newly developed chassis, the driver can enjoy dynamic driving abilities without compromising high levels of comfort.

## ix20

Hyundai ix20 has a uniquely universal and spacious interior. Customers namely welcome its practicality, fresh design and technical equipment. The car has a privileged position in the Czech Republic and we believe that it will appeal to an ever-wider group of customers in the coming years. The ix20 has long

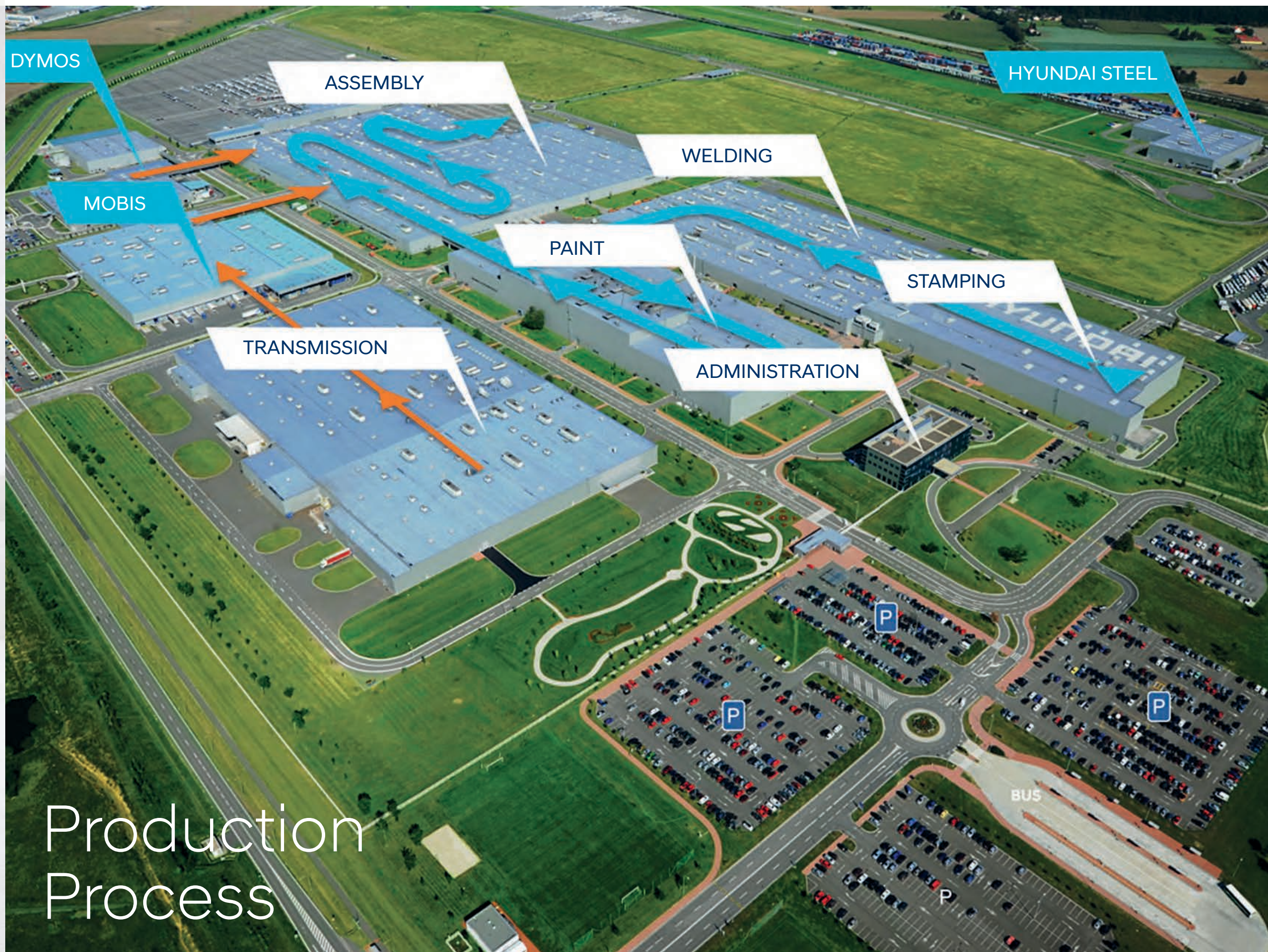
been the best-selling model in the MPV category, accounting for a market share of over 60% in the Czech Republic in July 2017. It has also received several significant awards, such as the "Family Car of the Year" in Belgium, and the "Best Small MPV" from Auto Express, a UK magazine. This was one of the reasons why the Company's management decided in 2017 that the production of the ix20 would continue at least through the end of 2019.

## Tucson

Designed in Europe, Hyundai Tucson is a compact SUV that is specially adapted to the needs of European drivers. Since its launch in September 2015, it has become the fastest-selling car of Hyundai Motor in Europe. Its quality and reliability are guaranteed by the five-star Euro NCAP safety rating and the leading 5-year unlimited mileage warranty. Tucson also received the iF Design Award 2016.

Hyundai i30 hatchback (1 <sup>st</sup> generation)	November 2008 – December 2011
Hyundai i30 cw (1 <sup>st</sup> 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 (2 <sup>nd</sup> generation)	January 2012 – November 2016
Hyundai i30 wagon (2 <sup>nd</sup> generation)	June 2012 – May 2017
Hyundai i30 three-door version (2 <sup>nd</sup> generation)	November 2012 – November 2016
Hyundai Tucson	June 2015 - to date
Hyundai i30 hatchback (3 <sup>rd</sup> generation)	December 2016 - to date
Hyundai i30 wagon (3 <sup>rd</sup> generation)	May 2017 – to date
Hyundai i30 N (3 <sup>rd</sup> generation)	September 2017 – to date
Hyundai i30 fastback (3 <sup>rd</sup> generation)	November 2017 - to date







# HMMC in 2017



## Production

2017 was a very successful year for our factory. In addition to exceeding the original plan and launching the production of the new i30 wagon, i30 N and i30 fastback models, our plant succeeded in winning a whole series of prestigious awards. In 2017, HMMC produced a total of 356,700 passenger cars, exceeding the plan by 6,700 cars (1.9%).

The total volume of cars produced in 2017 consists of individual models as follows:

Tucson	65,6%
ix20	8,6%
i30 2nd generation	2,2%
i30 3rd generation	23,0%
i30 N 3rd generation	0,6%

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, 449,595 transmissions were produced in 2017.

## Export

Cars manufactured in the Nošovice plant were exported to 62 different countries, literally “from Silesia to the end of the world”. Most cars traditionally went to Germany (45,200), the United Kingdom (44,000), Spain (31,600) and Italy (30,300). The Czech Republic ranked fifth, with local customers purchasing more than 15,000 cars, which is approximately 4.4% 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.

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.

	Country Top 10	Total Number In Pieces (rounded to the nearest hundred)
1	Germany	45 200
2	United Kingdom	44 000
3	Spain	31 600
4	Italy	30 300
5	Czech Republic	15 700
6	Belgium	14 200
7	France	13 500
8	Poland	13 100
9	Russia	12 800
10	Saudi Arabia	11 700



# Employees



As of 31 December 2017, the total number of employees (including agency employees) amounted to 3,287. 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.

Of the total of 3,287 employees, 116 (3.5%) are foreign nationals. They are mostly from Slovakia or Poland, which does not come as a surprise considering how close the borders of both of those countries are.

## Collective Bargaining

The labour union organisations continued their activities from the previous year. Negotiations between HMMC and labour union organisations were completed on 28 March 2017 in the form of a Collective Agreement valid from 1 March 2017. Collective bargaining was carried out by the Company's representatives, the KOVO Hyundai Czech Labour Union, and the HMMC KOVO Labour Union.

With effect from 31 May 2017, the HMMC KOVO Labour Union ceased to exist by merging with the KOVO Hyundai Czech Labour Union, which is, as a result, the sole labour union operating at HMMC. This fact was confirmed by signing Amendment No. 1 to the Collective Agreement on 1 June 2017.

## Work Safety

Throughout 2017, HMMC's activities primarily focused on strengthening prevention in work safety, hygiene rules and fire prevention. Thanks to this, a positive trend was maintained in respect of work accidents. During 2017, some of the divisions achieved the significant milestone of 500 days without any work accident and the Transmissions division even achieved 1,000 accident-free days. As part of positive motivation, the employees of the divisions received valuable presents.

In 2017, all employees were also presented with special cooling scarfs (two pieces per person), which significantly increases employees' comfort in difficult summer-related microclimatic conditions. Another significant step in terms of prevention was the development of close cooperation with our key suppliers.

One of the most significant changes was the Company's strategic decision to develop a brand new facility: the Health Centre. The purpose of the investment of over CZK 20.5 million is to strengthen the trend of long-term reduction in work accidents, to treat the symptoms of the onset of diseases and to strengthen the prevention of employees' diseases. The Health Centre will thus directly contribute to increasing work efficiency and effectiveness, and employee satisfaction and wellbeing.

Special treatment and recommended types of exercises will be determined in respect of employees following an examination by the Centre's physician. Besides traditional services such as a gym and a fitness centre, the range of procedures will also comprise hydrotherapy, electrotherapy, laser therapy and massage. Group sessions, such as pilates, yoga and circuit training, will also be provided.

## Training

In 2017, 445 new employees attended the Company's entry course. 1,045 employees gained certificates for attending courses that enhanced their professional qualifications. 1,919 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 395 HMMC employees. Language courses (in which 115 employees took part), IT courses (89 employees) and e-learning courses (216 employees) carried on during 2017. Employees were also sent to various internal/external professional workshops and seminars (958 employees).

Furthermore, our employees had the chance to train at the Korean workshop centre; 138 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 2017, the Company continued the motivational programme for selected employees whose aim is to broaden professional knowledge and awareness of other Hyundai Motor Group companies and to participate in the WRC Rally. Thus, 41 employees in total had the opportunity to join a five-day excursion to Hyundai Motor Europe, Hyundai Motor Europe Technical Centre and Hyundai Motor Sport 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. They also had the opportunity to experience the atmosphere of the Rally in Poland or Germany for two days.

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.



# 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 2017, supervisory audits were carried out in respect of the two systems (EMAS, ISO 14001), with no discrepancies found.

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.
- Installation of 72 charging stations for car batteries = fuel saving, no emissions.
- Installation of control systems in four hardening furnace generators in order to optimise natural gas consumption.
- Planting of 83 new trees as part of the extension of employee parking lots.
- Planting of 20 full-grown trees on the noise protection embankment in Nošovice.
- Laying of low-noise asphalt on the test track (10,400 m<sup>2</sup>, noise reduced by 4 dB).
- Replacement of halogen lamps with LED lights at the Welding, Assembly and VPC shops.

Interestingly, the populations of epiphytic bryophytes and lichens strengthened on the barks of the broad-leaved trees and shrubs planted. In addition, three new species appeared. As the new species are some of the bio-indicators of air pollution, their direct presence on the Company’s premises indicates a very good level of air quality at the location.



# 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 and the creation of project teams comprising narrowly-focused specialists for more effective and efficient improvement as early as during pilot tests and subsequently also during mass production.

## The International ISO 9001 Standard

The quality- and customer-focused system was developed as early as during the formation of HMMC in 2006. In 2009, the Quality Management System was successfully certified for the first time by DEKRA Certification s.r.o., which reviews the system on an annual basis and recertifies it every three years. In 2017, HMMC passed another supervisory audit and, in 2018, the Company will undergo certification of the Quality Management System under ISO 9001:2015. Although the corporate values and policies under the EFQM model are stakeholder-focused, with many processes safeguarded against risk by the very technologies or control mechanisms in place, since 2015, the Company has been actively engaged in preparations, analyses and projects in order to demonstrate that it meets all the new requirements under ISO 9001:2015.

## 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 produc-

tion 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.). The most important legislative requirements include measuring emissions of the cars produced on an ongoing basis. In 2017, the Emissions Laboratory underwent extensive modernisation so as to meet the latest car emissions standards, or Euro 6c, and be able to measure emissions according to the new, stricter WLTC test cycle (World Light Duty Test Cycle). Next year, the emissions laboratory equipment will be extended to include devices for measuring real driving emissions (RDE).

## National Quality Award

In November 2017, for the third time in a row, the Company successfully defended the highest "Excellence" award under the Czech National Quality Award, achieving the highest score ever recorded in HMMC's history. So far, it has received the award 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 stakeholders, namely in view of the EFQM model framework. In the Czech Republic, the Czech National Quality Award is the most valued award in this regard. The award is valid for a period of three years, during which HMMC will make active use of the feedback from its evaluators. The subsequent period will be devoted to implementing relevant stimuli from the most recent assessment, along with developing excellent approaches that will open up the path for HMMC to defend the National Quality Award in 2020.



# Social Responsibility



Apart from producing high-quality cars, HMMC, together with other organisations, strives to improve the quality of life in the Moravian-Silesian Region as well as the Czech Republic through various events:

#### 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 drivers in the future. For several years, HMMC has therefore been a partner of the children's traffic playground in Frýdek-Místek. In 2017, 68 fourth graders took part in the young cyclists' competition, with the two best cyclists receiving new bikes and the winning teams receiving backpacks, thermos flasks or helmets. All contestants received safety bike lights and reflective features.

#### Car Donations to Technical and Vocational Schools

Last year, technical and vocational schools were also donated a total of nine vehicles from pre-series production which will serve future car mechanics, auto electricians and technicians as aids in especially designed class-rooms. These vehicles will help students familiarise themselves with the functioning of engines, transmissions and electronic systems. Since 2008, we have donated 112 cars in total.



#### The Good Neighbour and Good Neighbour Together Project

For what have already been six years, 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 2017, the contribution for each municipality amounted to CZK 70,000, ie CZK 910,000 in total, which made it possible to finance more projects 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.

The programme also comprises the "Good Neighbour Together" sub-programme, as part of which the 13 municipalities can apply for additional funds (CZK 30,000) for projects for the improvement of the environment. Three winning eco-projects were selected, in which both the inhabitants of the municipality and volunteers from HMMC took part. Three events were organised: 30 full-grown trees were planted in Nošovice to reinforce the anti-noise mount and prevent its erosion, the surroundings of the scooter track on the nursery school premises in Horní Domaslavice were renovated, and 150 shrubs were planted by the sports facilities at the very centre of Nižní Lhoty.

#### The "Together" Grant Programme

The Company's grant programme "Together" aims at making financial contributions to projects involving children, people with disabilities, culture and sports. It primarily consists of support for leisure activities in the given areas (eg young talent support, contributing to a meaningful offer of leisure activities, participation in cultural and sports events etc). Active participation and support may primarily be provided by HMMC's employees.

A total of CZK 800,000 was given in support of 48 projects in the programme's second year. The successful applicants include TJ Sokol Frýdek-Místek (a sports club), Lašský soubor písní a tanců Ondřejnica, z.s. (a folklore music and dance group), Beskydy dětem, z.s. (a children's organisation), Krajské středisko volného času Juventus, Karviná (a regional leisure centre) or ADAM - autistické děti a my, z.s. (a centre providing support to children with autism).

#### 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 has a total of CZK 25 million at its disposal, which it distributes in individual years as part of open grant rounds to applicants submitting projects in support of local community events 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 2017, 12 projects were funded, totalling CZK 1,211,344. However, over the eleven years of active operation, this amount has reached almost CZK 17



million, divided among a total of 117 projects in the territory of the districts of Nový Jičín and Frýdek-Místek in the Moravian-Silesian region. The project presenters supported this year included eg Knihovny Vrchy – spolek vzájemného soužití (a library), ČSOP SALAMANDR (an environmental NGO), Spolek pro Faunapark ve Frýdku-Místku (a zoopark association in Frýdek-Místek), Frýdek-Místek Charity, the Bukovec municipality, Čisté nebe o.p.s. (the Clear Skies NGO) or TICHÁNEK z.s. (an association supporting children's leisure activities).

#### Hyundai Cup 2017

In cooperation with the Fire Brigade of the Moravian-Silesian Region, the integrated rescue centre in Nošovice held the third edition of the young firefighters' contest in fire-fighting sport. The aim of the event is to support children from the surrounding municipalities in leisure activities and to develop their skills. A total of 102 children spread across eight teams and two categories competed for the Hyundai Cup.





# Goals and Forecasts for 2018



In 2018, Hyundai Motor Manufacturing Czech will respond to the situation on the automotive market, reducing the number of produced cars to 330,000. The reason is the substantial decline in the number of orders from the United Kingdom and the slowdown in demand on all European markets. The decrease in car demand applies to all models with the exception of premium cars and supersports. The trend is apparent in the entire automotive industry, with all leading global brands responding through similar measures.

The reduced production will not affect the number of employees in any way: the situation will be addressed by announcing non-production days throughout the year.

In 2018, the Company is planning a whole series of new features, primarily focusing on a thorough review and improvement of the characteristics of all engines, taking into account the emissions requirements. In addition, the production of the ix20 in the Nošovice plant will be extended through the end of 2019. In 2018, the factory plans to launch the production of the sports model i30 N Fastback.

No significant events occurred at HMMC subsequent to the balance sheet date.





# Annual Financial Statements

## Financial Statements for the year ended 31 December 2017

**Name of the Company:**

Hyundai Motor Manufacturing Czech s.r.o.

**Registered Office:**

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

**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  
28 February 2018.



Donghwan Yang

Statutory executive of the reporting entity



# Balance Sheet full version

As of 31.12.2017 (in CZK thousand)	31 Dec 2017			31 Dec 2016
	Gross	Adjustment	Net	Net
<b>TOTAL ASSETS</b>	<b>91 290 794</b>	<b>18 088 917</b>	<b>73 201 877</b>	<b>68 830 948</b>
<b>B. Fixed assets</b>	<b>37 904 007</b>	<b>17 859 325</b>	<b>20 044 682</b>	<b>19 193 833</b>
<i>B.I. Intangible fixed assets</i>	<i>372 378</i>	<i>331 264</i>	<i>41 114</i>	<i>39 042</i>
<i>B.I.2. Valuable rights</i>	<i>360 934</i>	<i>331 264</i>	<i>29 670</i>	<i>27 526</i>
B.I.2.1. Software	360 934	331 264	29 670	27 526
B.I.4. Other intangible fixed assets	9 284		9 284	8 953
B.I.5. <i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	<i>2 160</i>		<i>2 160</i>	<i>2 563</i>
B.I.5.2. Intangible fixed assets under construction	2 160		2 160	2 563
<i>B.II. Tangible fixed assets</i>	<i>34 977 629</i>	<i>17 528 061</i>	<i>17 449 568</i>	<i>16 452 791</i>
<i>B.II.1. Land and structures</i>	<i>8 752 942</i>	<i>2 472 087</i>	<i>6 280 855</i>	<i>6 481 923</i>
B.II.1.1. Land	167 511		167 511	167 511
B.II.1.2. Structures	8 585 431	2 472 087	6 113 344	6 314 412
B.II.2. Tangible movable assets and sets of tangible movable assets	25 730 883	15 055 974	10 674 909	9 541 636
B.II.5. <i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	<i>493 804</i>		<i>493 804</i>	<i>429 232</i>
B.II.5.1. Prepayments for tangible fixed assets	46 063		46 063	26 874
B.II.5.2. Tangible fixed assets under construction	447 741		447 741	402 358
<i>B.III. Non-current financial assets</i>	<i>2 554 000</i>		<i>2 554 000</i>	<i>2 702 000</i>
B.III.2. Loans and borrowings - controlled or controlling entity	2 554 000		2 554 000	2 702 000
<b>C. Current assets</b>	<b>53 269 006</b>	<b>229 592</b>	<b>53 039 414</b>	<b>49 538 451</b>
<i>C.I. Inventories</i>	<i>3 472 045</i>	<i>229 592</i>	<i>3 242 453</i>	<i>3 119 998</i>
C.I.1. Material	2 271 740	206 387	2 065 353	2 472 606
C.I.2. Work in progress and semifinished goods	414 241	8 440	405 801	416 687
C.I.3. <i>Products and goods</i>	<i>786 064</i>	<i>14 765</i>	<i>771 299</i>	<i>230 705</i>
C.I.3.1. Products	786 064	14 765	771 299	230 705
<i>C.II. Receivables</i>	<i>17 785 433</i>		<i>17 785 433</i>	<i>19 357 321</i>
C.II.1. Long-term receivables	464 106		464 106	405 439
C.II.1.4. Deferred tax asset	464 106		464 106	405 439
C.II.2. <i>Short-term receivables</i>	<i>17 321 327</i>		<i>17 321 327</i>	<i>18 951 882</i>
C.II.2.1. Trade receivables	14 220 628		14 220 628	16 513 437
C.II.2.2. Receivables - controlled or controlling entity	347 344		347 344	
C.II.2.4. <i>Receivables - other</i>	<i>2 753 355</i>		<i>2 753 355</i>	<i>2 438 445</i>
C.II.2.4.3. State - tax receivables	2 503 753		2 503 753	2 362 925
C.II.2.4.4. Short-term prepayments made	21 351		21 351	14 939
C.II.2.4.6. Sundry receivables	228 251		228 251	60 581
<i>C.IV. Cash</i>	<i>32 011 528</i>		<i>32 011 528</i>	<i>27 061 132</i>
C.IV.1. Cash on hand	95		95	138
C.IV.2. Cash at bank	32 011 433		32 011 433	27 060 994
<b>D. Other assets</b>	<b>117 781</b>		<b>117 781</b>	<b>98 664</b>
D.1. Deferred expenses	44 842		44 842	44 779
D.2. Complex deferred expenses	54 417		54 417	38 704
D.3. Accrued income	18 522		18 522	15 181

	31 Dec 2017	31 Dec 2016
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>73 201 877</b>	<b>68 830 948</b>
<b>A. Equity</b>	<b>42 837 335</b>	<b>36 145 066</b>
<i>A.I. Share capital</i>	<i>13 901 000</i>	<i>13 901 000</i>
A.I.1. Share capital	13 901 000	13 901 000
<i>A.IV. Retained earnings (+/-)</i>	<i>22 244 066</i>	<i>13 770 837</i>
A.IV.1. Accumulated profits brought forward	22 244 066	13 770 837
<i>A.V. Profit or loss for the current period (+/-)</i>	<i>6 692 269</i>	<i>8 473 229</i>
<b>B.+C. Liabilities</b>	<b>30 339 668</b>	<b>32 663 507</b>
<b>B. Reserves</b>	<b>7 935 633</b>	<b>8 050 384</b>
B.IV. Other reserves	7 935 633	8 050 384
<b>C. Payables</b>	<b>22 404 035</b>	<b>24 613 123</b>
<i>C.I. Long-term payables</i>	<i>10 982 200</i>	<i>11 618 600</i>
C.I.2. Payables to credit institutions	10 982 200	11 618 600
<i>C.II. Short-term payables</i>	<i>11 421 835</i>	<i>12 994 523</i>
C.II.3. Short-term prepayments received	306 317	91 729
C.II.4. Trade payables	10 122 054	10 786 231
<i>C.II.8. Other payables</i>	<i>993 464</i>	<i>2 116 563</i>
C.II.8.3. Payables to employees	94 439	86 550
C.II.8.4. Social security and health insurance payables	59 851	55 519
C.II.8.5. State - tax payables and subsidies	34 011	602 785
C.II.8.6. Estimated payables	799 345	1 365 652
C.II.8.7. Sundry payables	5 818	6 057
<b>D. Other liabilities</b>	<b>24 874</b>	<b>22 375</b>
D.2. Deferred income	24 874	22 375



# Profit and Loss Account structured by the nature of expense method

# Cash flow Statement

	Year ended 31.12.2017 (in CZK thousand)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
I.	Sales of products and services	136 673 258	142 750 755
<b>A.</b>	<b>Purchased consumables and services</b>	<b>121 287 973</b>	<b>125 481 829</b>
A.2.	Consumed material and energy	113 741 378	117 996 762
A.3.	Services	7 546 595	7 485 067
B.	Change in internally produced inventory (+/-)	-549 674	-17 768
<b>D.</b>	<b>Staff costs</b>	<b>1 766 754</b>	<b>1 655 111</b>
D.1.	Payroll costs	1 252 785	1 171 507
<b>D.2.</b>	<b>Social security and health insurance costs and other charges</b>	<b>513 969</b>	<b>483 604</b>
D.2.1.	Social security and health insurance costs	422 306	393 474
D.2.2.	Other charges	91 663	90 130
<b>E.</b>	<b>Adjustments to values in operating activities</b>	<b>2 231 216</b>	<b>2 619 816</b>
E.1.	Adjustments to values of intangible and tangible fixed assets	2 217 919	2 607 017
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	2 217 919	2 607 017
E.2.	Adjustments to values of inventories	13 297	12 799
<b>III.</b>	<b>Other operating income</b>	<b>4 667 449</b>	<b>7 204 664</b>
III.1.	Sales of fixed assets	36 616	15 974
III.2.	Sales of material	4 151 864	4 228 837
III.3.	Sundry operating income	478 969	2 959 853
<b>F.</b>	<b>Other operating expenses</b>	<b>6 539 812</b>	<b>10 010 042</b>
F.1.	Net book value of sold fixed assets	25 332	29 050
F.2.	Net book value of sold material	4 220 323	4 122 191
F.3.	Taxes and charges	17 190	16 976
F.4.	Reserves relating to operating activities and complex deferred expenses	-130 464	1 184 373
F.5.	Sundry operating expenses	2 407 431	4 657 452
<b>*</b>	<b>Operating profit or loss (+/-)</b>	<b>10 064 626</b>	<b>10 206 389</b>
<b>VI.</b>	<b>Interest income and similar income</b>	<b>268 155</b>	<b>329 051</b>
VI.1.	Interest income and similar income - controlled or controlling entity	235 644	294 661
VI.2.	Other interest income and similar income	32 511	34 390
<b>J.</b>	<b>Interest expenses and similar expenses</b>	<b>46 271</b>	<b>90 087</b>
J.1.	Interest expenses and similar expenses - controlled or controlling entity	67	207
J.2.	Other interest expenses and similar expenses	46 204	89 880
VII.	Other financial income	2 714 271	748 063
K.	Other financial expenses	4 745 531	758 201
<b>*</b>	<b>Financial profit or loss (+/-)</b>	<b>-1 809 376</b>	<b>228 826</b>
<b>**</b>	<b>Profit or loss before tax (+/-)</b>	<b>8 255 250</b>	<b>10 435 215</b>
<b>L.</b>	<b>Income tax</b>	<b>1 562 981</b>	<b>1 961 986</b>
L.1.	Due income tax	1 621 648	2 244 542
L.2.	Deferred income tax (+/-)	-58 667	-282 556
<b>**</b>	<b>Profit or loss net of tax (+/-)</b>	<b>6 692 269</b>	<b>8 473 229</b>
<b>***</b>	<b>Profit or loss for the current period (+/-)</b>	<b>6 692 269</b>	<b>8 473 229</b>
<b>*</b>	<b>Net turnover for the current period</b>	<b>144 323 133</b>	<b>151 032 533</b>

	Year ended 31.12.2017 (in CZK thousand)	Year ended 31 Dec 2017	Year ended 31 Dec 2016
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>27 061 132</b>	<b>21 426 550</b>
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	8 255 250	10 435 215
<b>A.1.</b>	<b>Adjustments for non-cash transactions</b>	<b>1 524 128</b>	<b>3 478 779</b>
A.1.1.	Depreciation of fixed assets	2 217 919	2 607 017
A.1.2.	Change in provisions and reserves	-117 168	1 197 172
A.1.3.	Profit/(loss) on the sale of fixed assets	-11 284	13 076
A.1.5.	Interest expense and interest income	-221 884	-238 964
A.1.6.	Adjustments for other non-cash transactions	-343 455	-99 522
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>9 779 378</b>	<b>13 913 994</b>
<b>A.2.</b>	<b>Change in working capital</b>	<b>301 506</b>	<b>4 029 916</b>
A.2.1.	Change in operating receivables and other assets	1 898 877	4 845 364
A.2.2.	Change in operating payables and other liabilities	-1 461 619	-759 747
A.2.3.	Change in inventories	-135 752	-55 701
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>10 080 884</b>	<b>17 943 910</b>
A.3.	Interest paid	-46 088	-90 270
A.4.	Interest received	252 102	323 417
A.5.	Income tax paid from ordinary operations	-2 281 042	-1 804 335
<b>A.***</b>	<b>Net operating cash flows</b>	<b>8 005 856</b>	<b>16 372 722</b>
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-2 737 388	-1 339 514
B.2.	Proceeds from fixed assets sold	36 616	15 974
B.3.	Loans and borrowings to related parties	-354 688	-2 706 000
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-3 055 460</b>	<b>-4 029 540</b>
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing		2 705 000
C.2.	Impact of changes in equity		-9 413 600
C.2.6.	Profit shares paid		-9 413 600
<b>C.***</b>	<b>Net financial cash flows</b>		<b>-6 708 600</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>4 950 396</b>	<b>5 634 582</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>32 011 528</b>	<b>27 061 132</b>



# Notes to the Financial Statements

For the Year Ended 31 December 2017  
(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 the third-generation Hyundai i30, which is produced in three versions: five-door hatchback, wagon and fastback (production of the two latter versions started in 2017). In September 2017, production of the sports version of the five-door Hyundai i30 hatchback, ie Hyundai i30 N, commenced.

### Owners of the Company

At 31 December, the Company's owners are:	Ownership percentage as of 31 December	
	2017	2016
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  
Czech Republic

### Corporate ID

277 73 035

Statutory executive and proxy as of 31 December 2017

Statutory executive	Proxy
Donghwan Yang	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 2017:

The statutory executive, Dongwoo Choi, was replaced in his office by Donghwan Yang on 30 October 2017.

### 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, internal communication, external affairs, 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.

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	2-6 years
Moulds for Hyundai i30	Straight line	4-6 years
Moulds for Hyundai ix20	Straight line	7 years
Moulds for Hyundai Tucson	Straight line	6 years
IT equipment	Straight line	6 years
Furniture	Straight line	6 years
Software	Straight line	5 years
Other intangible assets	Straight line	3.5-7 years

### b) Inventory

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

Internally developed inventory is valued at the cost of producing the inventory, which primarily consists of the direct costs of production or any other activity, and/or 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 interest on 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

Loans 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 2017	31 Dec 2016
Cash on hand and cash in transit	95	138
Cash at bank	32 011 433	27 060 994
Overdraft balances of current accounts included in current bank loans	--	--
Cash equivalents included in current financial assets	--	--
<b>Total cash and cash equivalents</b>	<b>32 011 528</b>	<b>27 061 132</b>

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



### 3. Fixed Assets

#### a) Intangible Fixed Assets

(CZK thousand)					
	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
<b>Cost</b>					
Balance at 1 Jan 2017	--	343 993	8 953	2 563	355 509
Additions	--	16 986	6 427	16 583	39 996
Disposals	--	45	6 096	16 986	23 127
Balance at 31 Dec 2017	--	360 934	9 284	2 160	372 378
<b>Accumulated amortisation</b>					
Balance at 1 Jan 2017	--	316 467	--	--	316 467
Amortisation	--	14 842	--	--	14 842
Accumulated amortisation to disposals	--	45	--	--	45
Balance at 31 Dec 2017	--	331 264	--	--	331 264
<b>Net book value at 1 Jan 2017</b>	<b>--</b>	<b>27 526</b>	<b>8 953</b>	<b>2 563</b>	<b>39 042</b>
<b>Net book value at 31 Dec 2017</b>	<b>--</b>	<b>29 670</b>	<b>9 284</b>	<b>2 160</b>	<b>41 114</b>

(CZK thousand)					
	Start-up costs	Software	Other intangible fixed assets	Intangible FA under construction	Total
<b>Cost</b>					
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
<b>Accumulated amortisation</b>					
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
<b>Net book value at 1 Jan 2016</b>	<b>--</b>	<b>27 205</b>	<b>9 956</b>	<b>1 742</b>	<b>38 903</b>
<b>Net book value at 31 Dec 2016</b>	<b>--</b>	<b>27 526</b>	<b>8 953</b>	<b>2 563</b>	<b>39 042</b>

In respect of software, the Company continued to modernise its information systems, primarily in assurance of production quality, during the years ended 31 December 2017 and 2016.

#### b) Tangible Fixed Assets

(CZK thousand)						
	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepay-ments	Total
<b>Cost</b>						
Balance at 1 Jan 2017	167 511	8 503 362	23 362 884	402 358	26 874	32 462 989
Additions	--	82 130	3 092 806	3 220 319	129 232	6 524 487
Disposals	--	61	724 807	3 174 936	110 043	4 009 847
Balance at 31 Dec 2017	167 511	8 585 431	25 730 883	447 741	46 063	34 977 629
<b>Accumulated depreciation</b>						
Balance at 1 Jan 2017	--	2 188 950	13 821 248	--	--	16 010 198
Depreciation	--	283 154	1 924 301	--	--	2 207 455
Accumulated depreciation to disposals	--	17	689 575	--	--	689 592
Balance at 31 Dec 2017	--	2 472 087	15 055 974	--	--	17 528 061
<b>Net book value at 1 Jan 2017</b>	<b>167 511</b>	<b>6 314 412</b>	<b>9 541 636</b>	<b>402 358</b>	<b>26 874</b>	<b>16 452 791</b>
<b>Net book value at 31 Dec 2017</b>	<b>167 511</b>	<b>6 113 344</b>	<b>10 674 909</b>	<b>447 741</b>	<b>46 063</b>	<b>17 449 568</b>

(CZK thousand)						
	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepay-ments	Total
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Net book value at 1 Jan 2016</b>	<b>170 678</b>	<b>6 573 098</b>	<b>10 670 187</b>	<b>9 156</b>	<b>8 367</b>	<b>17 431 486</b>
<b>Net book value at 31 Dec 2016</b>	<b>167 511</b>	<b>6 314 412</b>	<b>9 541 636</b>	<b>402 358</b>	<b>26 874</b>	<b>16 452 791</b>

In the year ended 31 December 2017, additions to movable fixed assets largely related to the production of the third-generation Hyundai i30. This predominantly involved machinery equipment of CZK 135,798 thousand, moulds for the production of components placed at the suppliers of such components of CZK 2,118,120 thousand and press moulds for metal components of CZK 387,307 thousand. In the year ended 31 December 2017, disposals of movable fixed assets largely related to the disposal of assets exclusively used for the production of the second-generation Hyundai i30. These primarily included press moulds for metal components of CZK 481,834 thousand and machinery equipment of CZK 117,964 thousand.

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.

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. 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 1,978,594 thousand (2016: CZK 2,423,872

thousand) and inventory of spare parts for production equipment of CZK 293,146 thousand (2016: CZK 261,798 thousand). The provision against production material amounts to CZK 18,047 thousand (2016: CZK 32,176 thousand) and against spare parts to CZK 188,340 thousand (2016: CZK 180,888 thousand) as of the balance sheet date.

#### 5. Trade Receivables and Payables

Overdue short-term trade receivables amount to CZK 316,251 thousand (2016: CZK 431,224 thousand).

Overdue short-term trade payables amount to CZK 940 thousand (2016: CZK 4,899 thousand).

#### 6. 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 1,196,589 thousand (2016: CZK 1,146,981 thousand), the sum of VAT not yet

sought to be refunded of CZK 1,218,027 thousand (2016: CZK 1,215,944 thousand) and a receivable arising from the current income tax payable of CZK 89,137 thousand (2016: CZK 0 thousand).

#### 7. 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 2,198 thousand (2016: CZK 32,704 thousand)

and the sum of VAT not yet sought to be refunded amounts to CZK 226,058 thousand (2016: CZK 27,829 thousand).

#### 8. Deferrals

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

undai Tucson and third generation Hyundai i30.

Comprehensive deferred expenses include costs of the preparation and roll-out of the production of Hy-

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

#### 9. Share Capital

As of 31 December 2017, the share capital consisted of the investment of the sole owner. The share capital was fully paid as of 31 December 2017.

#### 10. Statement of Changes in Equity

(CZK thousand)				
2017	Share capital	Accumulated profit	Profit for the period	Total
<b>Balance at 1 Jan 2017</b>	<b>13 901 000</b>	<b>13 770 837</b>	<b>8 473 229</b>	<b>36 145 066</b>
Allocation to funds, allocation of profit/loss	--	8 473 229	-8 473 229	--
Payment of profit shares	--	--	--	--
Profit for 2017	--	--	6 692 269	6 692 269
<b>Balance at 31 Dec 2017</b>	<b>13 901 000</b>	<b>22 244 066</b>	<b>6 692 269</b>	<b>42 837 335</b>

(CZK thousand)				
2016	Share capital	Accumulated profit	Profit for the period	Total
<b>Balance at 1 Jan 2016</b>	<b>13 901 000</b>	<b>17 683 161</b>	<b>5 501 276</b>	<b>37 085 437</b>
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
<b>Balance at 31 Dec 2016</b>	<b>13 901 000</b>	<b>13 770 837</b>	<b>8 473 229</b>	<b>36 145 066</b>

#### 11. Reserves

(CZK thousand)		
Reserves	Balance at 31 Dec 2017	Balance at 31 Dec 2016
For outstanding vacation days	16 056	16 670
For warranty repairs	7 919 577	8 033 714
<b>Total</b>	<b>7 935 633</b>	<b>8 050 384</b>

#### 12. Estimated Payables

Estimated payables recognised in the balance sheet principally include unbilled supplies of material of CZK 395,086 thousand (2016: CZK 737,609 thousand), unbilled supplies of consumed energy and other costs of CZK 258,102 thousand (2016:

CZK 222,678 thousand) and unbilled supplies for the acquisition of tangible fixed assets in the amount of CZK 146,157 thousand (2016: CZK 405,365 thousand).

#### 13. Bank Loans

##### Long-Term Loans

(CZK thousand)					
	Currency	Balance at 31 Dec 2017 (CZK thousand)	Balance at 31 Dec 2016 (CZK thousand)	Interest rate At 31 Dec 2017	Form of collateral in 2017
Loan A	EUR	5 108 000	5 404 000	0,370%	--
Loan B	EUR	5 874 200	6 214 600	0,430%	--
<b>Total</b>		<b>10 982 200</b>	<b>11 618 600</b>		

##### Repayment Schedule

(CZK thousand)			
	2018	2019	Following periods
Loan A	--	5 108 000	--
Loan B	--	5 874 200	--
<b>Total</b>	<b>--</b>	<b>10 982 200</b>	<b>--</b>



#### 14. Sales of Own Products and Services

(CZK thousand)		
Market	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Czech Republic	4 943 476	4 788 278
EU	93 430 906	95 956 217
Other than EU countries - Europe	14 623 194	14 999 709
Other than EU countries - other	23 675 682	27 006 551
<b>Total sales of own products and services</b>	<b>136 673 258</b>	<b>142 750 755</b>

In 2017, 97.8% of the sales of products related to sold cars (2016: 97.7%). The remaining 2.2% (2016: 2.3%) related to the sale of transmissions and other semi-fi-

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

#### 15. Consumed Material and Energy

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Consumed material	113 309 896	117 518 538
Consumed energy	431 482	478 224
<b>Total consumed material and energy</b>	<b>113 741 378</b>	<b>117 996 762</b>

#### 16. Services

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Travel expenses	27 176	32 519
Building security, cleaning and operation	234 932	231 989
Production support services	1 138 895	952 024
Service and licence fees	3 711 220	3 825 930
Hiring and support of staff	645 939	627 959
IT services and software	84 636	86 185
Transportation services	1 523 708	1 559 041
Advisory and audit services	21 253	15 753
Repairs and maintenance of buildings and equipment	89 665	84 736
Rental	24 162	24 862
Training	7 612	6 564
Other services	37 397	37 505
<b>Total</b>	<b>7 546 595</b>	<b>7 485 067</b>

#### 17. Sales of Material, Sold Material

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Sales of material to sub-suppliers	3 862 985	4 015 221
Sales of secondary raw material	288 879	213 616
<b>Total sales of material</b>	<b>4 151 864</b>	<b>4 228 837</b>

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Material sold to sub-suppliers	3 931 444	3 908 575
Sold secondary raw material	288 879	213 616
<b>Total sold material</b>	<b>4 220 323</b>	<b>4 122 191</b>

#### 18. Other Operating Income

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Assigned short-term receivables	--	2 527 773
Rebilling of complaint costs to suppliers	408 147	287 862
Inventory count differences	1 095	1 489
Sundry operating income	69 727	142 729
<b>Total</b>	<b>478 969</b>	<b>2 959 853</b>

#### 19. Other Operating Expenses

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Assigned short-term receivables	--	2 527 773
Insurance	30 378	30 850
Costs of warranty repairs and campaigns	2 297 595	2 035 642
Inventory count differences	1 037	2 353
Sundry operating expenses	78 421	60 834
<b>Total</b>	<b>2 407 431</b>	<b>4 657 452</b>

#### 20. Interest Income

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Interest on provided loans	30 240	15 754
Interest on provided business loans	205 404	278 907
Interest on deposits at bank accounts	32 511	34 390
<b>Total</b>	<b>268 155</b>	<b>329 051</b>

#### 21. Interest Expense

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Interest on received bank loans and overdrafts	46 021	38 439
Interest on received loans from the sale of receivables	183	51 441
Interest on received business loans	67	207
<b>Total</b>	<b>46 271</b>	<b>90 087</b>

#### 22. Other Financial Income and Expenses

(CZK thousand)		
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Foreign exchange rate losses	4 739 850	751 927
Guarantee and administrative fees relating to received loans and bonds	--	541
Sundry financial expenses	5 681	5 733
<b>Total</b>	<b>4 745 531</b>	<b>758 201</b>

Other financial income in the years ended 31 December 2017 and 2016 primarily includes foreign exchange rate gains.



## 23. Income Tax

(CZK thousand)

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Tax payable	1 621 648	2 244 542
Deferred tax	-58 667	-282 556
<b>Total</b>	<b>1 562 981</b>	<b>1 961 986</b>

Profit before tax and calculation of tax payable:

(CZK thousand)

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Profit before tax	8 255 250	10 435 215
Anticipated tax costs (19%)	1 568 498	1 982 691
Non-tax expenses and income	97 612	261 422
Tax for prior periods	-44 462	429
<b>Tax payable</b>	<b>1 621 648</b>	<b>2 244 542</b>

The total deferred tax asset/liability can be analysed as follows:

(CZK thousand)

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Accumulated depreciation and amortisation of fixed assets	-1 087 286	-1 165 230
Provision against inventory	43 622	41 096
Reserves	1 507 770	1 529 573
<b>Total (+ asset/ - liability)</b>	<b>464 106</b>	<b>405 439</b>

## 24. 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	
	2017	2016	2017	2016
Hyundai Motor Company	23 640	8 985	1 490 391	2 221 828
Hyundai Motor Europe GmbH	8 305 328	10 800 698	--	--
Hyundai Rotem Company	--	--	4 835	--
Hyundai Engineering Czech s.r.o.	979	--	24 220	21 991
Hyundai AutoEver Corporation	--	--	102	6 757
Hyundai AutoEver Europe GmbH	--	--	7 316	20 635
Haevichi Hotel & Resort Co., Ltd	--	--	1 297	206
G.I.T Co., Ltd	--	--	2 118	2 963
Hyundai Glovis Co. Ltd.	7 525	7 945	1 043 769	985 513
Hyundai Glovis Czech Republic s.r.o.	163	132	141 728	36 993
Glovis Europe GmbH	852	279	4 419	55 742
Glovis Slovakia s.r.o.	--	--	677	1 081
Hyundai Steel Czech s.r.o.	766	741	265 025	268 605
Hyundai Motor CIS LLC	--	78 370	3 411	--
Hyundai Motor Company Italy s.r.l.	--	--	4 234	--
Hyundai Motor Czech s.r.o.	1 260 422	1 623 288	2 576	10 923
Hyundai Motor Poland Sp. z o. o.	--	--	1 202	--
Hyundai Motor UK Ltd.	--	--	5 182	--
Hyundai Motor España S.L.U.	--	--	2 507	--
Hyundai Motor Europe Technical Center GmbH	415	--	--	--
Hyundai Motor Netherlands B.V.	--	--	1 185	--
Hyundai Motor France	--	--	-18	--
Hyundai Motorsport GmbH	2 056	--	--	--
Hyundai Motor Mfg. Rus LLC	55 760	54 279	66	65
Hyundai Assan Otomotive SVT A.S.	321 487	1 517	--	--
Hyundai Motor Company Australia Pty Ltd.	14 974	780 133	1 210	--
Hyundai Motor de Mexico, S de RL de CV	2 019 870	804 448	566	--
Hyundai Motor India	1 548	2 534	--	--
HM Czech, s.r.o.	588	8 203	--	--
Hyundai Mobis Co. Ltd.	1 759	2 266	--	--
Mobis Slovakia s.r.o.	4 142	8 146	--	--
Mobis Automotive Czech s.r.o.	73 317	99 640	2 442 507	2 968 650
Hyundai Dymos Czech, s.r.o.	19 786	14 608	552 786	617 864
Adampol Czech s.r.o.	260	--	--	--
Kia Motors RUS LLC	--	--	10	2
Kia Motors Mexico SA de CV	48 582	--	--	--
Kia Motors Slovakia s.r.o.	103 707	132 129	552 961	838 404
<b>Total</b>	<b>12 267 926</b>	<b>14 428 341</b>	<b>6 556 282</b>	<b>8 058 222</b>

As of the balance sheet date, the Company reported prepayments made for the assets of Hyundai Engineering Czech s.r.o. of CZK 7,623 thousand (2016: CZK 24,585 thousand), of Hyundai AutoEver Europe GmbH of CZK 8,069 thousand (2016: CZK 546 thousand) and of G.I.T Co. Ltd of CZK 670 thousand (2016: CZK 0 thousand).

As of the balance sheet date, estimated payables to Hyundai Motor Company amount to CZK 108,954 thousand (2016: CZK 339,169 thousand), estimated payables to Hyundai Rotem Company amount to CZK 5,026 thousand (2016: CZK 5,318 thousand) and estimated payables to G.I.T Co. Ltd amount to CZK 816 thousand (2016: CZK 1,360 thousand).





## b) Sales and Purchases

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

	(CZK thousand)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Sales of products	112 575 575	118 154 079
Sales of fixed assets	15 670	477
Sales of material	1 221 300	1 296 790
Other operating income	269 828	332 065
Interest income	235 644	294 661
<b>Total sales</b>	<b>114 318 017</b>	<b>120 078 072</b>

	(CZK thousand)	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Purchase of fixed assets	980 879	992 918
Purchase of material	76 571 480	80 205 600
Purchase of services	6 588 064	6 550 968
Other operating expenses	1 782 910	1 579 126
Interest expenses	67	207
<b>Total purchases</b>	<b>85 923 400</b>	<b>89 328 819</b>

## c) Provided loans

Receivables – controlled or controlling entities and loans and borrowings within short-term receivables and non-current financial assets comprise the following balances relating to the Group companies:

	(CZK thousand)				
	Currency	Balance at 31 Dec 2017	Balance at 31 Dec 2016	Interest rate as at 31 Dec 2017	Form of collateral 2017
Hyundai Truck and Bus Rus LLC	EUR	347 344	--	0,80%	--
Hyundai Motor Mfg. Rus LLC	EUR	2 554 000	2 702 000	1,10%	--
<b>Total</b>		<b>2 901 344</b>	<b>2 702 000</b>		

## Repayment schedule

	(CZK thousand)		
	2018	2019	Following periods
Hyundai Truck and Bus Rus LLC	347 344	--	--
Hyundai Motor Mfg. Rus LLC	--	2 554 000	--
<b>Total</b>	<b>347 344</b>	<b>2 554 000</b>	<b>--</b>

## d) Other transactions

In the year ended 31 December 2017, the Company did not pay any profit share to its owner, Hyundai Motor Company (2016: CZK 9,413,600 thousand).

## 25. Employees and Managers

a) The average number of employees and managers and staff costs for the years ended 31 December 2017 and 2016:

	(CZK thousand)			
2017	Number of employees	Payroll costs in CZK thousand	Social security and health insurance in CZK thousand	Social costs in CZK thousand
Employees	2 548	1 214 724	412 774	--
Managers	15	38 061	9 532	--
<b>Total</b>	<b>2 563</b>	<b>1 252 785</b>	<b>422 306</b>	<b>91 663</b>
Managers (IHOL)	14	58 725	2 109	--

	(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	--
<b>Total</b>	<b>2 511</b>	<b>1 171 507</b>	<b>393 474</b>	<b>90 130</b>
Managers (IHOL)	12	49 232	670	--

The Company employed 42 Korean workers (2016: 42) on average based on the International Hiring of Labour (IHOL) contract. The aggregate payroll costs amounted to CZK 151,779 thousand (2016: CZK 137,635 thousand) and are reported in profit and loss account line B.2 'Services' (refer to Note 16).

The social costs incurred by the Company in 2017 and 2016 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.

## 26. State – Tax Payables and Subsidies

Tax payables are represented by a payable arising from the due income tax in the amount of CZK 0 thousand (2016: CZK 570,258 thousand), the employees' income tax payments withheld by the Company of CZK 24,314 thousand (2016: CZK 23,100 thousand), road tax of CZK 21 thousand (2016: CZK 18 thousand), income tax securement of CZK 390 thousand (2016: CZK 372 thousand), other tax securements of CZK 2 thousand (2016: CZK 84 thousand) and subsidies of CZK 9,284 thousand (2016: CZK 8,953 thousand).

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

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

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



## 27. 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 26);
- Cash grant for capital investment (refer to Note 26);
- Subsidy for the creation of jobs (refer to Note 26);

- Subsidy for the training and retraining of employees (refer to Note 26); and

- Tax relief (refer to Note 26).

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.

## 28. Contingent Liabilities

### Legal Disputes

As of 31 December 2017, 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.

## 29. 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 2017



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



## 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 2017, it comprised 320 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
- Hyundai Motor 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
- GIT

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

neral 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 2017, 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 2017:

### 1. Realised Income

	(in CZK thousand)			
	Sales generated by own products	Sales of material	Other operating income	Interest income
Hyundai Motor Company	39 626	--	12 638	--
Hyundai Motor Europe GmbH	91 299 206	--	768	119 631
Hyundai Motor Czech s.r.o.	7 041 985	--	11	4 772
Hyundai Assan Otomotive SVT A.S.	4 345 093	--	--	--
Hyundai Motor de Mexico, S de RL de CV	4 721 732	--	--	71 675
Hyundai Glovis CO. Ltd.	--	--	36 003	--
Mobis Automotive Czech s.r.o.	1	919 710	139 411	--
Hyundai Dymos Czech, s.r.o.	1	241 976	24 433	--
Kia Motors Slovakia s.r.o.	2 103 071	--	22 135	--

The controlled company reported sales of fixed assets to Hyundai Motor Company in the amount of CZK 15 670 thousand..

### 2. Realised Purchases

	(in CZK thousand)			
	Purchase of fixed assets	Purchase of material	Purchase of services	Other operating costs
Hyundai Motor Company	449 618	3 141 315	3 820 514	--
Hyundai Motor Europe GmbH	--	--	--	138
Hyundai Motor Czech s.r.o.	46 456	1 101	46	78 509
Hyundai Assan Otomotive SVT A.S.	--	475	--	35 809
Hyundai Motor de Mexico, S de RL de CV	--	--	--	19 180
Hyundai Glovis CO. Ltd.	--	16 475 238	510 398	--
Mobis Automotive Czech s.r.o.	253 707	33 486 794	5 532	15 820
Hyundai Dymos Czech, s.r.o.	80 306	6 915 723	--	--
Kia Motors Slovakia s.r.o.	--	12 392 295	--	3 479

The controlled company reported interest expenses from Hyundai Glovis CO. Ltd. in the amount of CZK 67 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 2017:

The following agreements were valid between the controlling and controlled entities in the year ended 31 December 2017:

- 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. P170212210, Spare parts for welding machinery, of 6 February 2017;
- Agreement/order no. P170600038, PDe Wagon Press Moulds, of 31 May 2017;
- Agreement/order no. P170811301, PDe Fastback Control Gauge, of 9 August 2017;
- Agreement/order no. P171012854, Welding Machinery, of 12 October 2017;
- Agreement/order no. P171015904, TLe Moving Machinery, of 13 October 2017;
- Agreement/order no. P171019791, Moving Machinery, of 16 October 2017;



- Agreement/order no. P171046901, PDe Fastback Welding Machinery, of 30 October 2017;
- Agreement/order no. P171046903, PDe Wagon Welding Machinery, of 30 October 2017;
- Agreement/order no. P171049321, PDe N Welding Machinery, of 31 October 2017;
- Agreement/order no. P171049322, PDe Fastback Press Moulds, of 1 November 2017;
- Agreement/order no. P171237649, TLe Press Moulds, of 18 December 2017;
- Agreement/order no. P171241071, PDe/TLe Welding Machinery, of 19 December 2017;
- Agreement/order no. P171246083, Welding Machinery, of 21 December 2017; and
- VAATZ System Service Contract, of 14 November 2017.

#### IV.

List of agreements valid between the controlled entity and other controlled entities in the latest reporting period, ie in the year ended on 31 December 2017:

##### 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 Rotem Company
- G.I.T Co., Ltd

##### 3. Other agreements:

- Hyundai Motor Manufacturing Rus LLC, Loan Agreement
- Hyundai Truck and Bus Rus LLC, Loan Agreement

#### 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, Donghwan Yang, 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 28 February 2018

Donghwan Yang

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



# Auditor's report

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

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



#### 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's 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 Ostrava on 28 February 2018

Audit firm:

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



Statutory auditor:

Petr Michalík  
registration no. 2020







HYUNDAI

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[www.hyundai-motor.cz](http://www.hyundai-motor.cz)

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