

Annual Report 2020

Hyundai Motor Manufacturing Czech s.r.o.



TUCSON



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Foreword by the President of the Company



Hyundai Motor Manufacturing Czech (HMMC) is the only Hyundai production plant in the EU. The importance of the plant is therefore fundamental for the European activities of the parent company, Hyundai Motor Company. Cars of local production represent the majority of Hyundai vehicles sold on the European market.

Last year was an exceptional one for the Company for several reasons, primarily due to a complete change of our product line. In March, we launched the production of a fully electric vehicle Kona, which became the first new-generation electric vehicle manufactured in the Czech Republic. This was followed by a facelift of all the bodywork versions of the i30 model in the spring, and in October we launched production of a completely new generation of our crucial model, Hyundai Tucson. Since November, we have been manufacturing the Kona model in a facelifted version.

Such an extensive change of the production programme is unparalleled in the history of the Company, and it would have been a great challenge even at a time not affected by the coronavirus pandemic. I am proud that despite huge complications caused by COVID-19, we were able to complete the above projects within the originally planned deadlines.

However, the pandemic had a significant effect on the demand for our products. In the first half of the year, car showrooms on all our major markets were shut down and like other automotive manufacturers, we had to limit our production in the spring months. We manufactured 21% fewer than the planned 303,500 cars in 2020, i.e. 238,750.

Europe and the Middle East remain our primary markets, with most vehicles sold to Germany in 2020.

For a long time, HMMC has been among the highest-performing plants in the Group. The last year confirmed this again; we managed to enhance the quality of manufactured cars, apply new technologies in production processes, increase the level of automation, and optimise the consumption of production materials.

Last year, the Company became the Czech Employer of the Year in the category of under 5,000 employees for the seventh time already, confirming that we are on the right path regarding the welfare of our employees. The number of employees, both core and agency, remained virtually unchanged during the entire year, oscillating around 3,300 persons.

We also greatly appreciate the fact that we obtained the social responsibility award of the regional governor of the Moravian-Silesian Region. An important part of our corporate culture is striving to be a good neighbour in the community. That is why we supported projects in the surrounding municipalities, both financially and by involving our employees. We were also partners to selected events in the region. We will continue to engage in these activities in the future as well, aiming to be an important manufacturer that has a positive impact on the development of economy and quality of life of people in the region.

Hyundai Motor Manufacturing Czech in Nošovice 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 generated more than 12,000 new jobs in the Moravian-Silesian Region and state-of-the-art automotive technology. This will remain unchanged in the future as well. Already in late 2020, almost half of the cars manufactured by HMMC were electrified – whether they had mild-hybrid, hybrid or fully electric motors. It may be said with certainty that HMMC is fully ready for all challenges that the automotive industry will face this year.

I am presenting the Annual Report for the year ended 31 December 2020.

In Nižní Lhoty
on 22 February 2021

Cheolseung Baek
President and CEO
of Hyundai Motor Manufacturing Czech s.r.o.

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 15 production plants worldwide (three 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 3.74 million Hyundai cars in 2020.

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. Hyundai is proud of its position as a global leader in research and development in the area of alternative fuel vehicles. The brand emphasises 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 fashion trends to make sure that every model of the brand meets the wishes and needs of European customers. And the latest models confirm this tendency. The influence of the technological centre on the resulting design and technologies of the models is apparent for example in the new i30 generation or the Tucson model.

HMMC focuses principally on producing cars and transmissions that are exported to 77 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 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 1.75 billion
Number of Employees	3,329 (including agency employees)
Share of Czech Citizens	95.9%
Male/ female Ratio	84% / 16%
Production Capacity	385,000 cars per year



Company Vision

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.

In addition, HMMC is also a stable and prosperous employer and a motor of the economy not only in the region but also in the whole Czech Republic. For that reason, the corporate vision of Hyundai Motor Manufacturing Czech is **"HMMC - the Right Partner for Your Future"**.

The fact that future is important for us is demonstrated by the development of the production portfolio. Hyundai Motor and Hyundai Motor Manufacturing Czech will do everything to comply with even the most stringent standards and to contribute to a sustainable environment.



Company Management



Cheolseung Baek President

Mr Baek joined the Hyundai Motor Company in 1992. In his career, he has specialised mainly in the procurement and development of parts. From 2005 to 2008, he worked for the procurement division in Shanghai, China. He also gained invaluable experience when working for the strategic procurement division in Korea from 2015 to 2018. In 2018, he was appointed head of the procurement division at HMMC and in January 2021, he was appointed president of the Company.



Hyun Ha Shin Head of the Finance Division

Previously employed at Mobis, Mr Shin joined HMC in 2000 and his responsibilities included mainly finance. From 2005, he worked at HMUK, returning to the Korean headquarters in 2010. In 2017, he became the head of the international finance team. Since January 2020, he has been acting as the head of the finance division at HMMC.



Changki Lee Head of the Production Division

Mr Lee joined Hyundai Motor in 1994. He started his career as an engineer in a team dedicated to car production design. Between 1996 and 1998, he worked at the Hyundai plant in India. Between the years 2007 and 2011, he worked in China. In 2016, he was appointed head of the car engineering production department in Ulsan, Korea. Until the end of 2018, he also oversaw other plants in China and the USA. In January 2019, he joined HMMC as the vice-president of the production division.



Jaewoong Shim Head of the Procurement Division

Mr Shim joined Hyundai Motor Company in 2016. Before that, he had worked for Kia Motors Corporation from 1994. Throughout his career, he has focused primarily on the area of development and procurement of parts. Between 2008 and 2013 he worked for Kia Motors Manufacturing in Georgia. In January 2021, he was appointed head of the procurement division of HMMC.



Jin Park Head of the 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 a general affairs coordinator. Following his return to the Korean headquarters, he was appointed general 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.



Seokbeom Kim Head of the 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.



2006	June	Foundation of HMMC
2007	March	Start of construction
2008	November	Mass production launched
2009	November	International Certificate ISO 9001 received
2010	November	The 300,000th car produced
2011	September	The 500,000th car produced
	November	"Excellence" Award under the Czech National Quality Award
2012	December	i30 among the finalists for the European Car of the Year (COTY) Award for 2013
2013	May	The 1,000,000th car produced
2014	November	"Excellence" Award under the Czech National Quality Award
2016	June	The 2,000,000th car produced
2017	November	"Excellence" Award under the Czech National Quality Award
2018	June	Production of the first mild hybrid vehicle launched
	December	The 4,000,000th transmission produced
2019	May	The 3,000,000th car produced
	October	The 1,000,000th Tucson produced
2020	March	Production launch of the Kona Electric model



Products



Current product line

Hyundai Kona Electric	since March 2020
Hyundai Tucson (4th generation)	since October 2020
Hyundai i30 hatchback (3rd generation)	since December 2016
Hyundai i30 wagon (3rd generation)	since May 2017
Hyundai i30 N	since September 2017
Hyundai i30 fastback (3rd generation)	since November 2017
Hyundai i30 fastback N	since November 2018

i30

Designed, developed, tested and manufactured in Europe, the model line Hyundai i30 is the DNA car for Hyundai Motor in Europe. The i30 was created as the new people's car. It has become part of a family of cars consisting of five body types, each with a unique character, and united by a timeless design. The third generation of the i30 model went through a facelift in 2020 that was governed by the motto "the best for our loved ones". This gave rise to a vehicle that takes care of its passengers using the latest smart technologies. These include first-rate safety elements that pay attention under all circumstances, top-class connectivity options and highly effective engine that helps you go further. Newly the i30 also includes 48V mild hybrid technology intended to support combustion engines – it adds the power of the electric motor in various phases of the drive.

The i30 offers best-in-class standard active safety. As part of the facelift, the current offer was expanded to include many new features, such as Lane Following Assist (LFA), Rear Collision-avoidance Assist (RCA), Leading Vehicle Departure Alert (LVDA) or Blind-Spot Collision-avoidance Assist (BCA).

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.

In 2018, Hyundai introduced the philosophy of high-performance Division N. The aim of the Company is to produce high-performance vehicles that meet exceptionally high standards, making them a truly extraordinary joy to drive while being extremely practical. Hyundai N product sales have surpassed all expectations.

The offer for customers is also supplemented by the N Line equipment level, characterised by specific N features that optimise design and performance. Since 2020, the N Line equipment has been offered not just for the hatchback and fastback versions, but also for the wagon.

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. In 2018, Tucson obtained a modernised face and as part of the facelift also a mild-hybrid drive, making it the first car with this type of drive produced in the Czech Republic. In 2019, N Line was added to the model series, providing a sporting spirit by both design equipment and improved driveability. Tucson N Line offers a touch sportier drive while maintaining all the comforts.

In 2020, we launched production of a new generation of the Tucson model. The new generation brought a revolutionary design and rippled the waters of the automotive industry. It also became the first hybrid power vehicle in our production programme.

Kona Electric

In 2020, the production programme of the Kona Electric model was expanded. Kona Electric is a car for people who are not afraid of attention – the bold and fresh design turns heads of all passers-by.

Not only does it look great; it also offers mileage on one charge of up to 484 kilometres, clearly showing that electric cars can fully replace vehicles with combustion engines.

Since its premiere, the smaller SUV with a powerful electric drive, long mileage and an elegant design has received many prestigious awards. The electric motor was ranked among the ten best engines in the WardsAuto 10 Best Engine Award 2019. In addition, Kona Electric also received the title of "Affordable Electric Car of the Year" in the Auto Express New Car Awards 2018.

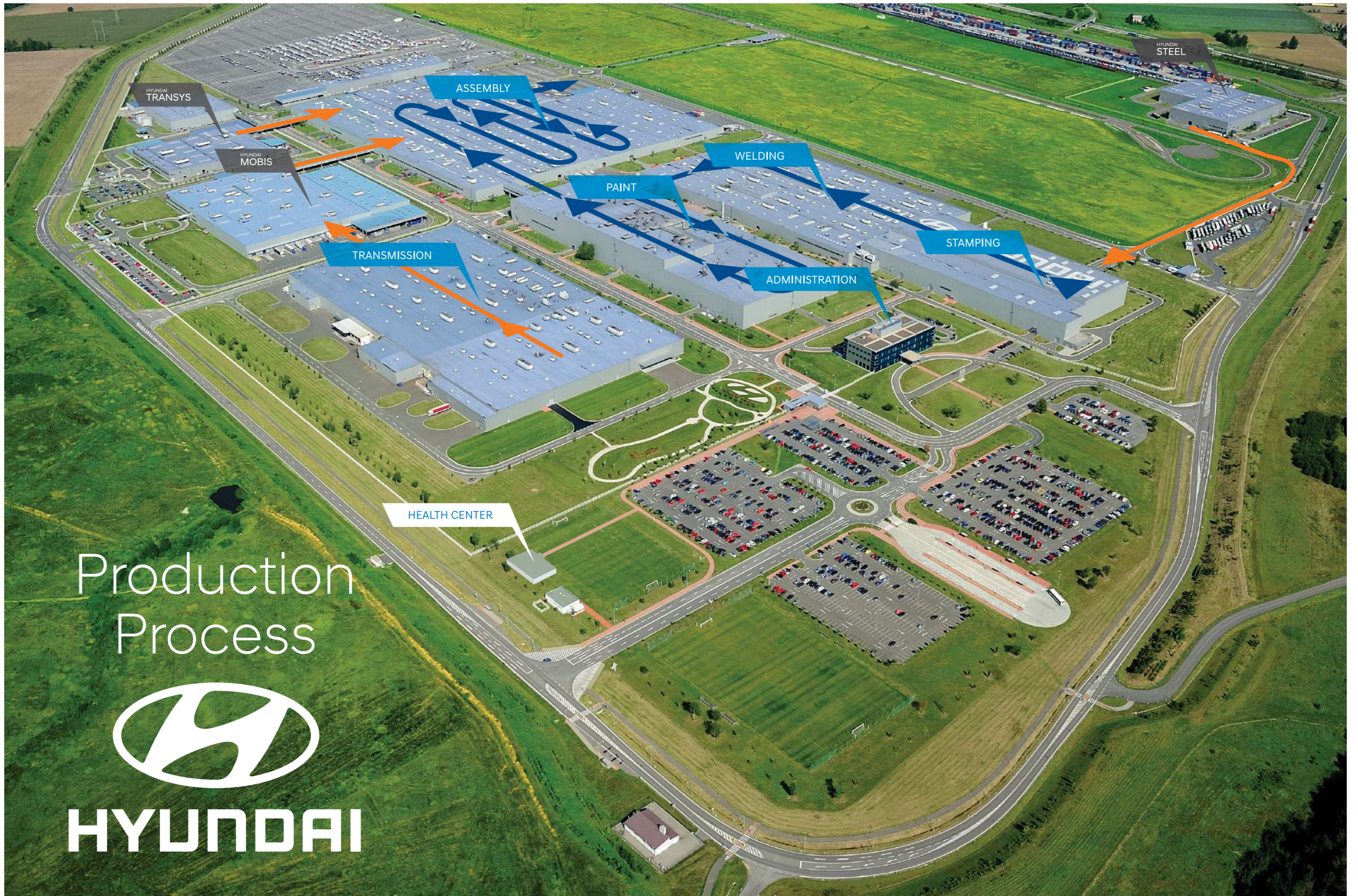
In late 2020, Kona Electric went through a facelift and now offers an even cleaner design.



Awards received 2020

- **Car of the Year 2020** – Hyundai i30 Fastback N
- Hyundai i30 N received the prestigious title of “Imported Winner” in the category of small and compact cars in the **Auto Bild “Sports Cars of the Year 2020”** survey.
- **Good Design Award 2020** – Hyundai i30 Fastback N
- **MOTORVIZE Fans Award** – Hyundai Kona Electric, third place
- **TopGear Electric Awards** – “Best Small Family Car” – Hyundai Kona Electric
- Best electric car according to **U.S. News & World Report** – Hyundai Kona Electric
- **J.D. Power 2020 Initial Quality Study** – evaluation of Hyundai Tucson as Top in its segment





Production Process





HMMC in 2020

Production

2020 was a demanding year full of challenges for us. All the produced models were changed, representing the largest change in our history. We also launched production of a new model, an electric one at that. In addition, new features are being developed and tested and their production is planned to be launched in 2021. These include Tucson N Line and i30 N in a facelifted version.

We did not avoid the global pandemic, which affected production in our plant. Due to a long-term shutdown and difficulties with the supply of parts, we decreased our production plan. In total, HMMC manufactured 238,750 cars in 2020.

The total volume of cars produced in 2020 consists of individual models as follows:

Tucson	69% (of which 16% new Tucson)
i30	17 %
N model series	2 %
Kona Electric	12 %

Aside from passenger cars, HMMC also produces two types of 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, to the sister plant, Kia Motors Slovakia in Žilina and since the beginning of last year newly also to the HAOS plant in Turkey. In total, 220,619 transmissions were produced last year.

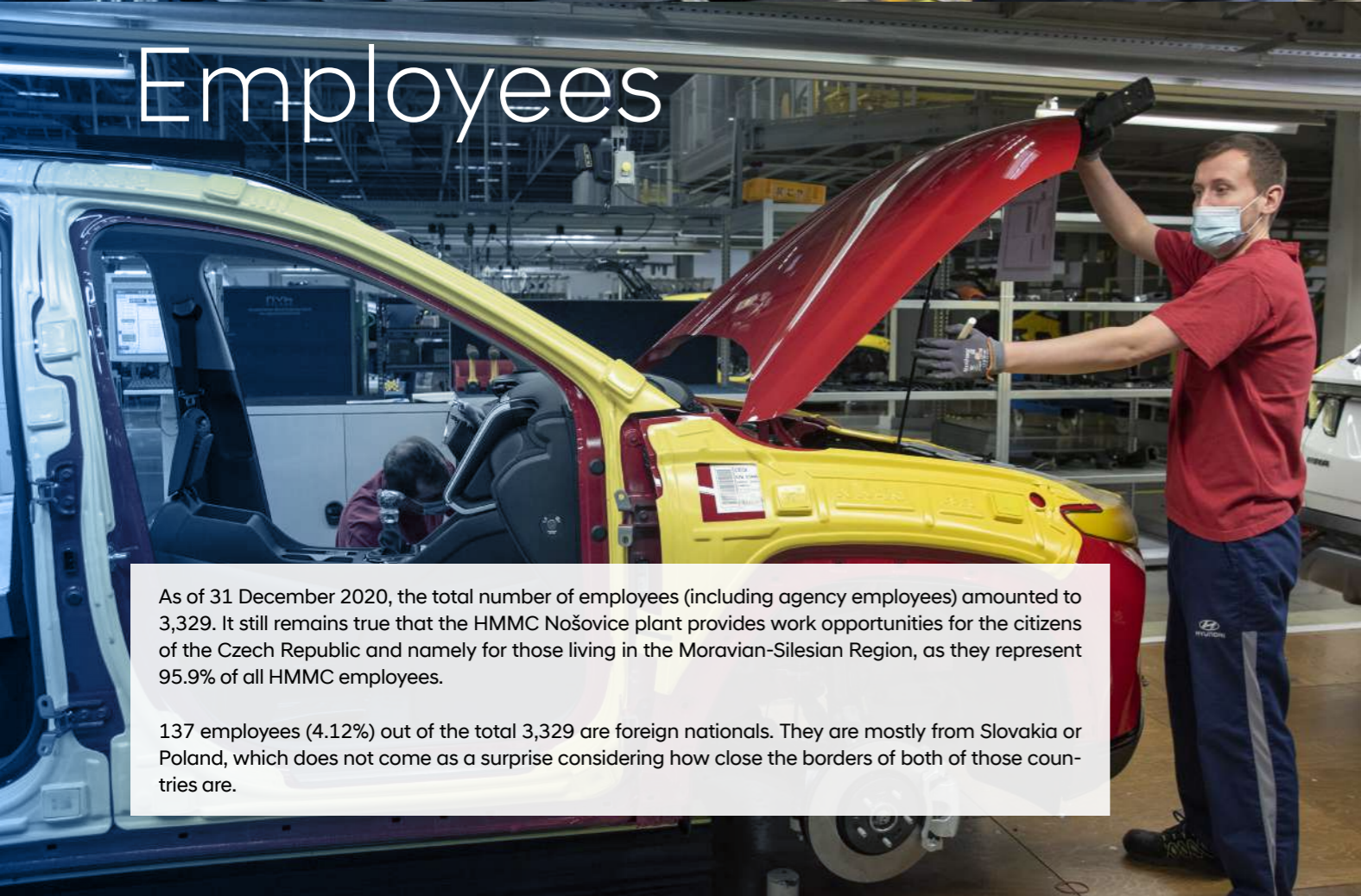
Sale

Cars manufactured in the Nošovice plant were exported to more than 70 different countries, literally "from Silesia to the end of the world". Most cars were traditionally sold to Germany (38,400), Russia (20,000), Spain (16,000) and France (15,100). 12,800 cars were sold in the Czech Republic, which is approximately 5% of total production. The "end of the world" is represented by French overseas territories, such as the archipelago of New Caledonia in the Pacific Ocean, French Guyana in South America or the islands of Martinique and Guadeloupe in the Caribbean, which are, however, the destination of a relatively small amount of cars.

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 *
1	Germany	38 400
2	Russia	20 000
3	Spain	16 000
4	France	15 100
5	Turkey	15 000
6	Czech Republic	12 800
7	United Kingdom	11 100
8	Poland	11 000
9	Italy	10 600
10	Netherlands	7 600

* rounded to the nearest hundred



Employees

As of 31 December 2020, the total number of employees (including agency employees) amounted to 3,329. 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 95.9% of all HMMC employees.

137 employees (4.12%) out of the total 3,329 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

Elections of the representatives of the trade union organisation ZO OS KOVO Hyundai Czech were held in 2020. Most of the existing officials were re-elected for another four-year period. In November, the presentation of a trade union proposal initiated collective bargaining on the form of the new Collective Agreement. The bargaining process was successfully completed in January 2021 by the conclusion of the new Collective Agreement valid for four years, from 1 January 2021 to 31 March 2025 (the salary section is valid for two years until 31 March 2023).

Work Safety

We continue with our efforts to improve the established health and safety systems. Out of the activities in this area, the following are worth mentioning:

- Setting up a system for better and clearer informing of suppliers about machinery requirements in terms of occupational health and safety;
- Initiating a systematic review of machinery documentation (documentation for 314 machines was reviewed during the year);
- Thematic quarterly reviews of selected occupational health and safety topics;
- Tightening of the rules for supplier activity; and
- Successful periodic ISO 45 001 audit.

The Company's year-round activities were focused on strengthening prevention in work safety, hygiene rules and fire prevention. In 2020, the Transmission division achieved an excellent result – 1,000 days without an injury. Other departments achieved 100, 250 or 500 days without an injury. As part of positive motivation, the employees of the divisions received valuable presents.

In 2020, partial technical and organisational measures were implemented to improve working conditions, working environment and elimination of risk factors. There have also been several changes in relation to types of personal protective equipment in order to enhance protection and comfort of employees. We have improved the knowledge of key suppliers through open communication and sharing important information.

HMMC will continue to strengthen all efforts to improve the level of health and safety at work in the coming years.

The operation of the Health Centre was also affected by the pandemic. The biggest challenge was to maintain the quality of services while following all government measures and ensuring maximum safety of our employees. Despite that, we were able to provide preventive rehabilitation in full. The Health Months organised by the Health Centre also had a primary goal, which was to strengthen

the immune system of our employees. We therefore focused on supporting our employees in quitting smoking by providing specialised as well as financial aid. Autumn was dedicated to general prevention of infectious diseases, where we arranged, for example, flu vaccinations for our employees under very advantageous conditions. The interest was great, more than twice as high as in previous years. We also endeavoured to make as many as possible health-supporting activities online so that they would be available even if the restrictions persisted. The Company will continue in this trend and constant support of the health of its employees.

Training

Despite the complications related to the pandemic, we found ways how to ensure development and education of our employees last year. Some courses were transferred to the virtual environment, e.g. via licences for LinkedIn Learning, BookBoon or OnlineJazyky.

While following very strict preventive measures, the Company was able to organise entry training for 467 new employees. 1,008 employees gained certificates for attending specialised courses that enhanced their professional qualifications, such as the certification for working on high voltage electrical equipment, working with cranes, forklifts and high lift platforms. In 2020, we also put a great emphasis on educating employees about OHS matters – these training courses were attended by 1,530 employees.

In the area of personal development, i.e. "soft skills", we organised training for 57 colleagues, and 243 students participated in regular development of their language skills.

The poor epidemiologic situation not only in the Czech Republic but worldwide made it impossible to send employees for training and seminars in Korea or our European headquarters in Germany as we had done in previous years.

Despite that, we continued our education programme for managers (including group and team leaders), which comprised 4 modules and focused on the personal effectiveness of managers, managing employee relations, the role of leader, and proactive approach. The entire training block was concluded by an experience programme focused on building leadership skills, inspired by Ernest Shackleton's expedition to the South Pole. 573 managers in total attended all the modules.

Even though we had to limit some of our planned activities, we invested almost CZK 10 million into the development of our employees last year.



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. 2020 was a year of innovation and the beginning of a gradual transition of mobility to a more environmentally friendly version as a next step to achieving carbon neutrality.

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 irreplaceable 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. This results in a gradual transition from a linear operation of the system to a circular one, and efforts to achieve the highest possible level of recovery of waste and raw material across all components of the environment. 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 14001:2015.

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 2020, supervisory audits were carried out in respect of the two systems (EMAS, ISO 14001:2015). The external auditors found no discrepancies during the audits.

It is also worth mentioning the other adjustments and investments that led to improvements of the environment in 2020:

- Installation of wastewater treatment and recovery using reverse osmosis in the Painting plant;
- Reduction projects managed to decrease the amount of CO₂ by 7.5% year-on-year;
- 135 new trees and 375 bushes were planted in the HMMC compound.

A botanical survey recorded 119 types of plants in 2020. An interesting feature is the population of epiphytic bryophytes and lichens on the barks of the broad-leaved trees and shrubs. These plants are important bio-indicators of air pollution and their direct presence on the Company's premises indicates a very good level of air quality.





Quality



2020 was a crucial year in terms of the increasing demand for electric cars on the European market, and our reaction to this change was the roll-out of electric cars Kona Electric. HMMC thus became the first automotive manufacturer that started producing purely electric cars in the Czech Republic, thereby starting the journey towards electromobility. Production of the electric car required a demanding redesign and adjustment of the technology of production lines. New processes were created for storage and installation of electric batteries. Complete training of employees had to take place. Since Kona Electric is the first car at HMMC offered in a two-colour version (with the roof in a different colour), the painting process also had to be adjusted. It is our standard that every model is thoroughly tested before mass production begins, the new Kona Electric was therefore also subject to testing in Northern Europe.

We continuously strive for quality and added value for the customer in order to become the brand most appreciated by customers. Our objective is to supply our customers with high-quality cars that become their partners for every day.

The International ISO 9001 Standard

Since the beginning of its existence, HMMC has had a quality management system in place in line with the ISO 9001 standard. The second supervisory audit took place in 2020, confirming the high standard of our quality system. The management of the organisation is based on proactive and coordinated activities with respect to risks, their identification, analysis and evaluation. The Company has introduced an efficient and systematic approach not only in the area of quality management, but in all management areas with the aim of eliminating possible risks and minimising negative impacts on the environment.

HMMC continuously develops management approaches and efficiently implements them in its management system in line with corporate management principles under the EFQM model. Since 2011, we have been participating in the EFQM National Quality Awards every three years and the victory of this prize in 2011, 2014 and 2017 is proof of the level of advancement of our organisation. We competed for this prize again in 2020 and will find out the results in February 2021. This award is a confirmation of our high-quality work and sustainable performance meeting and exceeding the expectations of all stakeholders.

Vehicle Homologation and Production Conformity

All our products have to meet the stringent international legal requirements on vehicles – so called type approvals (homologations) that primarily focus on various systems in the vehicle having an effect on safety and ecology of operation, including individual parts which affect these systems. These requirements are supervised and tested by independent approval bodies prior to launching mass production of a new model and prior to each change in the production process. The conformity of our production process (COP) with the approved type is also regularly audited by these testing authorities. In our case, these organisations are the Vehicle Certification Agency (VCA) and the Swedish Transport Agency (STA).

The most important legislative requirements on COP include measuring emissions of the cars produced. The process in our Emissions Laboratory is therefore set up to meet the latest car emission measurement standards, i.e. Euro 6d-temp, and to be able to measure emissions according to the new, stricter World Light duty Test Cycle (WLTC), including hybrid and electric cars.

Awards Received

Not only our cars but also the Company itself competes for awards every year in various areas of our activities. In 2020, we managed to defend awards from previous years as well as to win some new ones. Every such award confirms that we do our job well and motivates us to seek ways to make our work even better.

List of awards received in 2020:

- Health-Supporting Enterprise 2020 – we won the highest possible prize, i.e. Health-Supporting Enterprise of the third class;
- CSR award of the regional governor of the Moravian-Silesian Region – first place;
- Top responsible large company 2020;
- Employer of the Year – first place, companies with up to 5,000 employees;
- TOP Employer – third place in the automotive section;
- Ranking among the top 20 income tax payers for 2019 – fifth place; and
- Safe Enterprise.

Social Responsibility



We belong among the 25 most socially responsible companies in the Czech Republic and that is why we hold the **TOP Responsible Big Company Award for 2020**, granted by the “Business for Society” independent expert platform. Our aim is to do things right, produce high-quality cars and also to improve the quality of life in the Moravian-Silesian Region as well as the Czech Republic and set a good example for others. **The Corporate Social Responsibility Prize awarded by the regional governor of the Moravian-Silesian Region** proves the fact that we are not just a car manufacturer but also a good neighbour and partner. We value our employees and create good work conditions and interesting benefits for them and we all participate in environmental, volunteering and charity projects. The difficult period of the COVID-19 pandemic brought great challenges, as we had to find new ways to protect our employees and efficiently offer a helping hand where needed.

Good Neighbour and Good Neighbour Together Programme

Hyundai Motor Manufacturing Czech has organised the “Good Neighbour” programme since 2011, where 13 municipalities from the vicinity of the HMMC plant can apply for contributions for the support of sport, cultural and community life. In 2020, the contribution for each municipality amounted to CZK 50,000, i.e. CZK 650,000 in total, which made it possible to finance many projects and activities in the given municipalities.

The programme also comprises the “Good Neighbour Together” sub-programme, as part of which the 13 municipalities can apply for additional funds for projects for the improvement of the environment or public space. Two winning projects were selected and supported by a total amount of CZK 50,000. HMMC volunteers as well as local citizens participated in these two projects. The total costs of the “Good Neighbour” and “Good Neighbour Together” in 2020 amounted to CZK 700,000.

Grant Programme “Together” and Grant Programme “Together for Dreams”

Since 2016, we have organised Grant Programme “Together”, which aims at making financial contributions to culture and sports events in the region as well as projects for children and

people with disabilities. Especially HMMC employees can actively participate in and support the programme. In the fifth year, a total of CZK 640,883 was given in support of over 35 projects.

In October, we launched the pilot year of Together for Dreams programme. Talented pupils and students from the Moravian-Silesian Region could receive financial support from our company in the amount of CZK 25,000 for their projects. The programme was targeted at young talented people aged 12 – 21 to support their skills in art, design, science and technology.

Hyundai Foundation

Based on the Declaration of Understanding signed by HMMC, 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 CZK 25 million available and distributes these funds in individual years as part of open grant rounds to applicants submitting projects in support of local community events carried out in the Moravian-Silesian Region. In 2020, 21 projects were funded, totalling CZK 2,042,294.

Hydrogen Horizon Automotive Challenge 2020

In 2018, we supported a race of hydrogen-powered cars for the first time. Last year's sixth annual Horizon Grand Prix race was significantly affected by the COVID-19 pandemic. Nevertheless, 11 teams from all over the Czech Republic took their starting positions in the Ostrava Triple Hall Karolina on 23 September. The race can be seen as the culmination of an educational programme that aims at raising interest of young people in technical and scientific fields. Over the course of several months, students acquire new knowledge through a range of educational aids and study materials, which they then apply when designing and assembling a hybrid hydrogen vehicle on a scale of 1:10. As part of the project, 5 secondary schools received funds to purchase STEM kits for the construction of a car model with fuel cells. Support of technical education is one of the main topics of our CSR. The programme support in 2020 amounted to CZK 650,000.

Social Responsibility



Company volunteering

In 2020, HMMC joined the national Give & Gain volunteering day organised by the Business for Society platform. The aim of the event is to involve company volunteers in helping people in need and communities in which they live. The employer supports them by enabling its employees to help during their working hours. Our team of volunteers helped in the Oáza pokoje (Oasis of Peace) facility, which is part of the Charity in Frýdek-Místek.

Help during the COVID-19 pandemic

Hyundai Motor Manufacturing Czech handed over 21,300 FFP2 respirators to the Moravian-Silesian Region, the city of Frýdek-Místek and thirteen villages near the plant, in the total amount of CZK 3,250,000. The respirators were intended for all medical staff and members of the integrated rescue systems on the front lines in the fight against COVID-19 as well as to the most vulnerable group of people – the elderly and chronically ill. Handover of the respirators was part of a joint gift of the car manufacturer and the Czech representation of the Hyundai Motor Czech brand and also included a donation of CZK 10,000,000 to the government of the Czech Republic. This gift was used in full to award the eight best projects that participated in the virtual “Hack the Crisis” hackathon aimed at coordinating the state needs with the energy and volunteering in the IT community and business environment and support the implementation of relevant projects to help fight against the pandemic.

Car donations to technical and vocational schools

Together with the Czech representation of the brand, Hyundai Motor Czech s.r.o., we have launched the “Kona is going to college” programme in which university teams can win the Hyundai Kona Electric car for their school for study purposes. Eight university teams participated in the first year of the competition. The victory was shared among teams from the Faculty of Mechanical Engineering of the Brno University of Technology, the Faculty of Mechanical Engineering of the Jan Evangelista Purkyně University in Ústí nad Labem, and the team from Faculty of Mechanical Engineering, VSB – Technical Univer-

sity of Ostrava. The students will use the donated vehicles to deepen their knowledge, for measuring and 3D scanning and use them in their theses or research on e-mobility.

Apart from the “Kona is going to college” programme, ten cars were donated to technical and vocational schools in 2020; these cars serve as a special classroom aid in the education of future car mechanics, car electricians and technicians.

Good Partner

HMMC has been providing long-term support to projects of municipalities and partners not only near the manufacturing plant but all over the Czech Republic. Photovoltaic lighting was installed at the sports facility in Nošovice also thanks to the HMMC contribution. In 2020, we donated three cars to be used at the Leoš Janáček airport in Mošnov. One Kona Electric car will be used for test rides on Polygon in Hradec Králové and another one will help the firefighters in Frýdek-Místek. We do not forget to help those who help others and need help themselves. We also donated navigation systems to the employees of a mobile hospice or laptops for online education in children’s homes and medical beds to the students of the Medical Faculty of the University of Ostrava for follow-up education of medical students.

Hyundai Angel

Our employees are known for their solidarity with the less fortunate. In the Advent season, we initiated the “Angel of wishes fulfilled” charity event. Our employees across the entire company had the opportunity to participate in a fundraiser collection of 130 gifts for orphaned children from the Tree of Life mobile hospice in Nový Jičín, elderly people from the retirement home in Komorní Lhotka and a dog shelter in Sedliště.

Our traditional Young Cyclists or Hyundai Cup and other events could not take place due to the COVID-19 pandemic.



Goals and Forecasts for 2021

In 2021, HMMC will complete product line innovations, a significant part of which took place in the preceding year. The sharp Hyundai i30 N model will go through a facelift, Kona Electric will start to be produced in the version with a 39 kWh battery and SUV Tucson will receive a “sportier“ N Line equipment level.

This year will also be affected by the COVID-19 pandemic, and it is not clear as of the date of the preparation of this annual report how significant the impact will be. The start of vaccination against COVID-19 is a reason for cautious optimism; however, we do not expect to return to the pre-pandemic production volume until next year. Despite the pandemic restrictions, we can rely on our new or significantly enhanced models that will meet a wide range of our customers' requirements as well as the strict emission standards. The plan for 2021 was thus set at a level that expects a 15% increase in car production compared to 2020, namely 275,000 vehicles.

No significant events occurred at HMMC subsequent to the balance sheet date, which would have an impact on meeting the purpose of the Annual Report. Other events are described in the Notes to the Financial Statements.

Financial statements

for the year ended 31 December 2020

**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 22 February 2021

Statutory executive of the reporting entity:

A handwritten signature in blue ink, appearing to read 'Cheolseung Baek'.

Cheolseung Baek

Balance sheet full version

As of 31. 12. 2020 (in CZK thousand)

	31.12.2020		31.12.2019	
	Gross	Adjustment	Net	Net
TOTAL ASSETS	104 844 649	25 813 799	79 030 850	70 364 976
B. Fixed assets	42 013 470	25 519 891	16 493 579	16 379 191
<i>B.I. Intangible fixed assets</i>	484 961	382 663	102 298	84 879
<i>B.I.2. Valuable rights</i>	433 332	382 663	50 669	49 741
<i>B.I.2.1. Software</i>	433 332	382 663	50 669	49 741
<i>B.I.4. Other intangible fixed assets</i>	50 493		50 493	32 933
<i>B.I.5. Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	1 136		1 136	2 205
<i>B.I.5.2. Intangible fixed assets under construction</i>	1 136		1 136	2 205
<i>B.II. Tangible fixed assets</i>	41 528 509	25 137 228	16 391 281	15 948 736
<i>B.II.1. Land and structures</i>	8 967 493	3 341 216	5 626 277	5 863 776
<i>B.II.1.1. Land</i>	167 511		167 511	167 511
<i>B.II.1.2. Structures</i>	8 799 982	3 341 216	5 458 766	5 696 265
<i>B.II.2. Tangible movable assets and sets of tangible movable assets</i>	32 400 922	21 796 012	10 604 910	8 419 445
<i>B.II.5. Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	160 094		160 094	1 665 515
<i>B.II.5.1. Prepayments for tangible fixed assets</i>	40 420		40 420	97 879
<i>B.II.5.2. Tangible fixed assets under construction</i>	119 674		119 674	1 567 636
<i>B.III. Non-current financial assets</i>				345 576
<i>B.III.2. Loans and borrowings - controlled or controlling entity</i>				345 576
C. Current assets	62 831 179	293 908	62 537 271	53 985 785
<i>C.I. Inventories</i>	4 642 574	293 908	4 348 666	5 436 308
<i>C.I.1. Material</i>	2 679 221	287 373	2 391 848	2 493 960
<i>C.I.2. Work in progress and semifinished goods</i>	760 915	3 180	757 735	458 726
<i>C.I.3. Products and goods</i>	1 202 438	3 355	1 199 083	1 565 675
<i>C.I.3.1. Products</i>	1 202 438	3 355	1 199 083	1 565 675
<i>C.I.5. Prepayments for inventories</i>				917 947
<i>C.II. Receivables</i>	31 118 732		31 118 732	15 188 932
<i>C.II.1. Long-term receivables</i>	1 142 124		1 142 124	929 029
<i>C.II.1.4. Deferred tax asset</i>	1 142 124		1 142 124	929 029
<i>C.II.2. Short-term receivables</i>	29 761 715		29 761 715	14 139 254
<i>C.II.2.1. Trade receivables</i>	23 225 258		23 225 258	11 723 048

<i>C.II.2.2. Receivables - controlled or controlling entity</i>	3 191 392		3 191 392	
<i>C.II.2.4. Receivables - other</i>	3 345 065		3 345 065	2 416 206
<i>C.II.2.4.3. State - tax receivables</i>	2 989 958		2 989 958	2 243 961
<i>C.II.2.4.4. Short-term prepayments made</i>	58 768		58 768	96 647
<i>C.II.2.4.6. Sundry receivables</i>	296 339		296 339	75 598
<i>C.II.3. Other assets</i>	214 893		214 893	120 649
<i>C.II.3.1. Deferred expenses</i>	28 473		28 473	22 824
<i>C.II.3.2. Complex deferred expenses</i>	163 348		163 348	78 076
<i>C.II.3.3. Accrued income</i>	23 072		23 072	19 749
<i>C.IV. Cash</i>	27 069 873		27 069 873	33 360 545
<i>C.IV.1. Cash on hand</i>	63		63	134
<i>C.IV.2. Cash at bank</i>	27 069 810		27 069 810	33 360 411

	31.12.2020	31.12.2019
TOTAL LIABILITIES & EQUITY	79 030 850	70 364 976
A. Equity	44 779 977	40 577 074
<i>A.I. Share capital</i>	13 901 000	13 901 000
<i>A.I.1. Share capital</i>	13 901 000	13 901 000
<i>A.IV. Retained earnings (+/-)</i>	26 676 074	19 289 572
<i>A.IV.1. Accumulated profits or losses brought forward (+/-)</i>	26 676 074	19 289 572
<i>A.V. Profit or loss for the current period (+/-)</i>	4 202 903	7 386 502
B.+C. Liabilities	34 250 873	29 787 902
B. Reserves	9 876 126	9 247 380
<i>B.IV. Other reserves</i>	9 876 126	9 247 380
C. Payables	24 374 747	20 540 522
<i>C.I. Long-term payables</i>	11 285 350	10 926 300
<i>C.I.2. Payables to credit institutions</i>	11 285 350	10 926 300
<i>C.II. Short-term payables</i>	13 050 623	9 596 044
<i>C.II.3. Short-term prepayments received</i>	146 607	469 694
<i>C.II.4. Trade payables</i>	9 452 160	7 140 948
<i>C.II.8. Other payables</i>	3 451 856	1 985 402
<i>C.II.8.3. Payables to employees</i>	82 747	95 787
<i>C.II.8.4. Social security and health insurance payables</i>	51 782	60 559
<i>C.II.8.5. State - tax payables and subsidies</i>	70 462	198 738
<i>C.II.8.6. Estimated payables</i>	3 242 435	1 625 365
<i>C.II.8.7. Sundry payables</i>	4 430	4 953
<i>C.III. Other liabilities</i>	38 774	18 178
<i>C.III.2. Deferred income</i>	38 774	18 178

Profit and loss account structured by the nature of expense method

Year ended 31. 12. 2020 (in CZK thousand)

	Year ended 31.12.2020	Year ended 31.12.2019
I. Sales of products and services	113 963 498	123 140 114
A. Purchased consumables and services	100 952 988	107 530 061
A.2. Consumed material and energy	93 727 022	100 156 511
A.3. Services	7 225 966	7 373 550
B. Change in internally produced inventory (+/-)	72 010	-773 974
D. Staff costs	2 041 612	1 966 912
D.1. Payroll costs	1 465 556	1 409 532
D.2. Social security and health insurance costs and other charges	576 056	557 380
D.2.1. Social security and health insurance costs	490 014	472 600
D.2.2. Other charges	86 042	84 780
E. Adjustments to values in operating activities	3 474 635	3 007 919
E.1. Adjustments to values of intangible and tangible fixed assets	3 428 596	2 991 730
E.1.1. Adjustments to values of intangible and tangible fixed assets - permanent	3 428 596	2 991 730
E.2. Adjustments to values of inventories	46 039	16 189
III. Other operating income	4 360 899	4 507 932
III.1. Sales of fixed assets	11 924	31 640
III.2. Sales of material	3 893 542	4 082 532
III.3. Sundry operating income	455 433	393 760
F. Other operating expenses	6 870 392	7 057 606
F.1. Net book value of sold fixed assets	16 948	111 793
F.2. Material sold	3 990 163	4 218 882
F.3. Taxes and charges	20 045	19 028
F.4. Reserves relating to operating activities and complex deferred expenses	543 475	377 976
F.5. Sundry operating expenses	2 299 761	2 329 927
* Operating profit or loss (+/-)	4 912 760	8 859 522
VI. Interest income and similar income	274 598	380 707
VI.1. Interest income and similar income - controlled or controlling entity	171 689	214 743
VI.2. Other interest income and similar income	102 909	165 964
J. Interest expenses and similar expenses	47 031	48 429
J.1. Interest expenses and similar expenses - controlled or controlling entity		38
J.2. Other interest expenses and similar expenses	47 031	48 391
VII. Other financial income	4 843 437	1 544 858
K. Other financial expenses	4 816 753	1 610 938
* Financial profit or loss (+/-)	254 251	266 198
** Profit or loss before tax (+/-)	5 167 011	9 125 720

L. Income tax	964 108	1 739 218
L.1. Due income tax	1 177 204	1 921 782
L.2. Deferred income tax (+/-)	-213 096	-182 564
** Profit or loss net of tax (+/-)	4 202 903	7 386 502
*** Profit or loss for the current period (+/-)	4 202 903	7 386 502
* Net turnover for the current period	123 442 432	129 573 611

Cash flow statement

Year ended 31. 12. 2020 (in CZK thousand)

	Year ended 31.12.2020	Year ended 31.12.2019
P. Opening balance of cash and cash equivalents	33 360 545	30 796 545
Cash flows from ordinary activities (operating activities)		
Z. Profit or loss before tax	5 167 011	9 125 720
A.1. Adjustments for non-cash transactions	4 437 995	2 914 178
A.1.1. Depreciation of fixed assets	3 428 596	2 991 730
A.1.2. Change in provisions and reserves	589 513	394 165
A.1.3. Profit/(loss) on the sale of fixed assets	5 024	80 153
A.1.5. Interest expense and interest income	-227 567	-332 278
A.1.6. Adjustments for other non-cash transactions	642 429	-219 592
A.* Net operating cash flow before changes in working capital	9 605 006	12 039 898
A.2. Change in working capital	-6 787 118	366 432
A.2.1. Change in operating receivables and other assets	-12 363 815	6 025 452
A.2.2. Change in operating payables and other liabilities	4 535 774	-3 924 727
A.2.3. Change in inventories	1 040 923	-1 734 293
A.** Net cash flow from operations before tax	2 817 888	12 406 330
A.3. Interest paid	-47 031	-50 905
A.4. Interest received	290 599	371 940
A.5. Income tax paid from ordinary operations	-1 549 582	-1 907 897
A.*** Net operating cash flows	1 511 874	10 819 468
Cash flows from investing activities		
B.1. Fixed assets expenditures	-4 845 550	-1 204 916
B.2. Proceeds from fixed assets sold	11 924	31 640
B.3. Loans and borrowings to related parties	-2 968 920	2 572 500
B.*** Net investment cash flows	-7 802 546	1 399 224
Cash flow from financial activities		
C.1. Change in payables from financing		-384 692
C.2. Impact of changes in equity		-9 270 000
C.2.6. Profit shares/ dividends paid		-9 270 000
C.*** Net financial cash flows		-9 654 692
F. Net increase or decrease in cash and cash equivalents	-6 290 672	2 564 000
R. Closing balance of cash and cash equivalents	27 069 873	33 360 545

Notes to the Financial Statements

For the Year Ended 31 December 2020
(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. In 2020, the Company manufactured three models: Hyundai Tucson, Hyundai Kona Electric and the third-generation Hyundai i30, which is produced in three versions: five-door hatchback, wagon and fastback. The sports version of the five-door hatchback is manufactured under the name Hyundai i30 N and the sports version of the fastback under the name Hyundai i30 fastback N. The production of the Hyundai Kona Electric model was started in March 2020. In October 2020, the production of the fourth-generation Hyundai Tucson was launched. The production of the third generation of the same model was terminated a month later.

Owners of the Company

At 31 December, the Company's owners are:

	Ownership percentage as of 31 December	
	2020	2019
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 2020

Statutory executive	Proxy
Donghwan Yang	Hyun Ha Shin, Jin Park

The Company has not established a Supervisory Board.

The Company is part of the Hyundai Motor Company consolidation group with its registered office in Seoul, Seocho-Gu, Heolleung-ro 12, the Republic of Korea.

The following changes were made to the Register of Companies in the year ended 31 December 2020:

The proxy, Ms Jung Won Kim was replaced in her office by Mr Hyun Ha Shin on 21 January 2020.

Organisational Structure

The Company is organised into the following divisions:

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

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 Accounting Act 563/1991 Coll., as amended; 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.

During the preparation of the financial statements as of 31 December 2020, the Company considered the impacts of COVID-19. The impacts are not material and do not impose a risk to the going concern assumption.

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

a) Tangible and Intangible Fixed Assets

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

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

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

Assets	Method	Depreciation period
Residential buildings	Straight line	50 years
Industrial buildings	Straight line	30 years
Machinery and equipment	Straight line	15 years
Vehicles	Straight line	6 years
Moulds	Straight line	2 - 6 years
Moulds for Hyundai i30	Straight line	4 - 6 years
Moulds for Hyundai Kona	Straight line	4 years
Moulds for Hyundai Tucson	Straight line	5 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 de-

ferred 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 2020	31 Dec 2019
Cash on hand and cash in transit	63	134
Cash at bank	27 069 810	33 360 411
Total cash and cash equivalents	27 069 873	33 360 545

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)

	Software	Other intangible fixed assets	Intangible FA under construction	Total
Cost				
Balance at 1 Jan 2020	415 366	32 933	2 205	450 504
Additions	17 867	25 484	16 798	60 149
Transfers	188	--	--	188
Disposals	89	7 924	17 867	25 880
Balance at 31 Dec 2020	433 332	50 493	1 136	484 961
Accumulated amortisation				
Balance at 1 Jan 2020	365 625	--	--	365 625
Amortisation	17 054	--	--	17 054
Transfers	73	--	--	73
Accumulated amortisation to disposals	89	--	--	89
Balance at 31 Dec 2020	382 663	--	--	382 663
Net book value at 1 Jan 2020	49 741	32 933	2 205	84 879
Net book value at 31 Dec 2020	50 669	50 493	1 136	102 298

(CZK thousand)

	Software	Other intangible fixed assets	Intangible FA under construction	Total
Cost				
Balance at 1 Jan 2019	389 936	15 303	8 429	413 668
Additions	25 607	23 656	19 383	68 646
Disposals	177	6 026	25 607	31 810
Balance at 31 Dec 2019	415 366	32 933	2 205	450 504
Accumulated amortisation				
Balance at 1 Jan 2019	345 316	--	--	345 316
Amortisation	20 486	--	--	20 486
Accumulated amortisation to disposals	177	--	--	177
Balance at 31 Dec 2019	365 625	--	--	365 625
Net book value at 1 Jan 2019	44 620	15 303	8 429	68 352
Net book value at 31 Dec 2019	49 741	32 933	2 205	84 879

In respect of software, the Company continued to modernise its information systems, primarily in assurance of production quality, during the years ended 31 December 2020 and 2019.



b) Tangible Fixed Assets

(CZK thousand)

	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepayments	Total
Cost						
Balance at 1 Jan 2020	167 511	8 746 184	27 647 623	1 567 636	97 879	38 226 833
Additions	--	53 798	5 322 912	3 928 748	286 591	9 592 049
Transfers	--	--	-188	--	--	-188
Disposals	--	--	569 425	5 376 710	344 050	6 290 185
Balance at 31 Dec 2020	167 511	8 799 982	32 400 922	119 674	40 420	41 528 509
Accumulated depreciation						
Balance at 1 Jan 2020	--	3 049 919	19 228 178	--	--	22 278 097
Depreciation	--	291 297	3 120 245	--	--	3 411 542
Transfers	--	--	-73	--	--	-73
Accumulated depreciation to disposals	--	--	552 338	--	--	552 338
Balance at 31 Dec 2020	--	3 341 216	21 796 012	--	--	25 137 228
Net book value at 1 Jan 2020	167 511	5 696 265	8 419 445	1 567 636	97 879	15 948 736
Net book value at 31 Dec 2020	167 511	5 458 766	10 604 910	119 674	40 420	16 391 281

(CZK thousand)

	Land	Buildings	Individual movable assets	Tangible FA under construction	Prepayments	Total
Cost						
Balance at 1 Jan 2019	167 511	8 702 390	27 881 911	76 458	25 061	36 853 331
Additions	--	42 523	475 892	2 009 593	158 066	2 686 074
Transfers	--	1 271	-1 271	--	--	0
Disposals	--	--	708 909	518 415	85 248	1 312 572
Balance at 31 Dec 2019	167 511	8 746 184	27 647 623	1 567 636	97 879	38 226 833
Accumulated depreciation						
Balance at 1 Jan 2019	--	2 760 199	17 139 798	--	--	19 899 997
Depreciation	--	289 473	2 681 118	--	--	2 970 591
Transfers	--	247	-247	--	--	0
Accumulated depreciation to disposals	--	--	592 491	--	--	592 491
Balance at 31 Dec 2019	--	3 049 919	19 228 178	--	--	22 278 097
Net book value at 1 Jan 2019	167 511	5 942 191	10 742 113	76 458	25 061	16 953 334
Net book value at 31 Dec 2019	167 511	5 696 265	8 419 445	1 567 636	97 879	15 948 736

In the year ended 31 December 2020, additions to movable fixed assets largely related to the launch of production of Hyundai Kona Electric and the fourth-generation Hyundai Tucson. The additions included machinery equipment in the amount of CZK 352,931 thousand (Kona) and CZK 308,867 thousand (Tucson), press moulds for metal component parts in the amount of CZK 242,515 thousand (Kona) and CZK 309,633 thousand (Tucson) and moulds for the production of component parts placed at the suppliers of the components in the amount of CZK 998,524 thousand (Kona) and CZK 2,166,448 thousand (Tucson). The Company also purchased moulds for the production of component parts placed at the suppliers of the components in the amount of CZK 537,510 thousand relating to the production of Hyundai i30. In the year ended 31 December 2020, machinery equipment in the amount of CZK 131,132 thousand and press moulds for metal component parts in the amount of CZK 287,441 thousand were phased out. These disposals largely relate to the end of production of the third-generation Hyundai Tucson model.

In the year ended 31 December 2019, additions to movable fixed assets largely related to modernising machinery equipment and moulds for the production of component parts placed at the suppliers of such components and amounted to CZK 185,226 thousand and CZK 158,558 thousand respectively. The Company phased out machinery equipment in the amount of CZK 359,163 thousand and press moulds for metal components in the amount of CZK 249,806 thousand. These disposals largely related to the end of production of the Hyundai ix20 model.

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 2,337,273 thousand (2019: CZK 2,417,446 thousand) and inventory of spare parts for production equipment of CZK 341,948 thousand (2019: CZK 313,421 thousand). The provision against production material amounts to CZK 50,482 thousand (2019: CZK 19,222 thousand) and against spare parts to CZK 236,891 thousand (2019: CZK 217,685 thousand) as of the balance sheet date.

5. Trade Receivables and Payables

Overdue short-term trade receivables amount to CZK 480,773 thousand (2019: CZK 678,285 thousand).

Overdue short-term trade payables amount to CZK 15,434 thousand (2019: CZK 3,560 thousand).

6. State - Tax Receivables

The receivable from the state includes a receivable arising from the VAT refund based on the filed tax return of CZK 1,149,971 thousand (2019: CZK 1,092,647 thousand), the sum of VAT not yet sought to be refunded of CZK 1,608,812 thousand (2019: CZK 1,151,314 thousand) and prepayments for corporate income tax net of the tax payable in the amount of CZK 231,175 thousand (2019: CZK 0 thousand).

7. Sundry Receivables

Sundry receivables predominantly include receivables arising from VAT paid in other EU member states. The filed applications for the refund of VAT amount to CZK 119,332 thousand (2019: CZK 14,092 thousand) and the sum of VAT not yet sought to be refunded amounts to CZK 177,350 thousand (2019: CZK 61,253 thousand).

8. Share Capital

As of 31 December 2020, the share capital consisted of the investment of the sole owner. The share capital was fully paid as of 31 December 2020.

9. Statement of Changes in Equity

(CZK thousand)

2020	Share capital	Accumulated profit	Profit for the period	Total
Balance at 1 Jan 2020	13 901 000	19 289 572	7 386 502	40 577 074
Allocation to funds, allocation of profit/loss	--	7 386 502	-7 386 502	--
Payment of profit shares	--	--	--	--
Profit for 2020	--	--	4 202 903	4 202 903
Balance at 31 Dec 2020	13 901 000	26 676 074	4 202 903	44 779 977

(CZK thousand)

2019	Share capital	Accumulated profit	Profit for the period	Total
Balance at 1 Jan 2019	13 901 000	21 335 835	7 223 737	42 460 572
Allocation to funds, allocation of profit/loss	--	--	--	--
Payment of profit shares	--	-2 046 263	-7 223 737	-9 270 000
Profit for 2019	--	--	7 386 502	7 386 502
Balance at 31 Dec 2019	13 901 000	19 289 572	7 386 502	40 577 074

10. Reserves

(CZK thousand)

Reserves	Balance at 31 Dec 2020	Balance at 31 Dec 2019
For outstanding vacation days	22 437	18 316
For warranty repairs	9 853 689	9 229 064
Total	9 876 126	9 247 380

11. Estimated Payables

Estimated payables recognised in the balance sheet include unbilled supplies of material of CZK 2,613,366 thousand (2019: CZK 845,086 thousand), unbilled supplies of consumed energy and other costs of CZK 451,291 thousand (2019: CZK 219,432 thousand) and unbilled supplies for the acquisition of tangible fixed assets in the amount of CZK 177,778 thousand (2019: CZK 560,847 thousand).

12. Bank Loans

Long-Term Loans

(CZK thousand)

	Currency	Balance at 31 Dec 2020	Balance at 31 Dec 2019	Form of collateral in 2020
Loan A	EUR	5 249 000	5 082 000	--
Loan B	EUR	6 036 350	5 844 300	--
Total		11 285 350	10 926 300	

Repayment Schedule

(CZK thousand)

	2022	2023	Following periods
Loan A	5 249 000	--	--
Loan B	--	6 036 350	--
Total	5 249 000	6 036 350	



13. Sales of Own Products and Services

(CZK thousand)

Market	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Czech Republic	4 705 824	4 088 422
EU	73 662 904	79 998 042
Other than EU countries - Europe	20 509 197	16 384 260
Other than EU countries - other	15 085 573	22 669 390
Total sales of own products and services	113 963 498	123 140 114

In 2020, 98.3% of the sales of products related to sold cars (2019: 98.1%). The remaining 1.7% (2019: 1.9%) related to the sale of transmissions and other semi-finished goods, which the Company supplies to other production companies within the Group in Europe.

14. Consumed Material and Energy

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Consumed material	93 332 173	99 667 786
Consumed energy	394 849	488 725
Total consumed material and energy	93 727 022	100 156 511

15. Services

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Travel expenses	8 156	25 749
Building security, cleaning and operation	245 683	243 487
Production support services	1 191 591	1 159 963
Service and licence fees	3 786 869	3 623 198
Hiring and support of staff	554 728	636 901
IT services and software	86 621	83 420
Transportation services	1 127 986	1 428 194
Advisory and audit services	12 942	13 099
Repairs and maintenance of buildings and equipment	133 398	88 773
Rental	34 895	23 600
Training	3 854	10 402
Other services	39 243	36 764
Total	7 225 966	7 373 550

16. Sales of Material, Sold Material

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Sales of material to sub-suppliers	3 728 021	3 844 572
Sales of secondary raw material	165 521	237 960
Total sales of material	3 893 542	4 082 532

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Material sold to sub-suppliers	3 824 642	3 980 922
Sold secondary raw material	165 521	237 960
Total sold material	3 990 163	4 218 882

17. Sundry Operating Income

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Rebiling of complaint costs to suppliers	279 603	288 881
Employment support contribution	94 571	--
Inventory count differences	1 307	1 195
Other operating income	79 952	103 684
Total	455 433	393 760

18. Sundry Operating Expenses

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Insurance	29 193	30 454
Costs of warranty repairs and campaigns	2 067 080	2 204 191
Inventory count differences	1 987	881
Other operating expenses	201 501	94 401
Total	2 299 761	2 329 927

19. Interest Income

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Interest on provided loans	19 595	16 057
Interest on provided business loans	151 941	198 686
Interest on deposits at bank accounts	103 062	165 964
Total	274 598	380 707

20. Interest Expense

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Interest on received bank loans and overdrafts	47 031	48 391
Interest on received business loans	--	38
Total	47 031	48 429

21. Other Financial Income and Expenses

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Foreign exchange rate losses	4 807 847	1 601 571
Other financial expenses	8 906	9 367
Total	4 816 753	1 610 938

Other financial income in the years ended 31 December 2020 and 2019 primarily includes foreign exchange rate gains.

22. Income Tax

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Tax payable	1 177 204	1 921 782
Deferred tax	-213 096	-182 564
Total	964 108	1 739 218

Profit before tax and calculation of tax payable:

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Profit before tax	5 167 011	9 125 720
Anticipated tax costs (19%)	981 732	1 733 887
Non-tax expenses and income	242 673	222 151
Tax for prior periods	-47 201	-34 256
Tax payable	1 177 204	1 921 782

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

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Accumulated depreciation and amortisation of fixed assets	-790 182	-875 068
Provision against inventory	55 842	47 095
Reserves	1 876 464	1 757 002
Total (+ asset/ - liability)	1 142 124	929 029



23. 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 2020	Receivables as of 31 Dec 2019	Payables as of 31 Dec 2020	Payables as of 31 Dec 2019
Hyundai Motor Company	25 886	41 769	1 241 085	1 016 557
Hyundai Motor Europe GmbH	19 387 292	6 418 135	--	725
Hyundai Rotem Company	--	--	1 829	4 355
Hyundai Engineering Czech s.r.o.	25	--	29 404	28 906
Hyundai AutoEver Corporation	--	--	84	93
Hyundai AutoEver Europe GmbH	--	--	2 559	12 438
G.I.T Co., Ltd	--	--	8 307	1 274
Hyundai Glovis Co. Ltd.	3 828	18 671	145 841	79 680
Hyundai Glovis Czech Republic s.r.o.	1 376	111	4 172	70 759
Glovis Europe GmbH	46	3 543	30 913	73 637
Hyundai Steel Czech s.r.o.	766	766	231 336	245 833
Hyundai Motor CIS LLC	--	--	1 472	4 027
Hyundai Motor Company Italy s.r.l.	--	--	3 511	11 324
Hyundai Motor Czech s.r.o.	2 060 578	1 058 760	4 840	8 263
Hyundai Motor Deutschland GmbH	--	--	-247	62 527
Hyundai Motor Poland Sp. z. o. o.	--	--	2 236	6 157
Hyundai Motor UK Ltd.	--	--	4 321	14 624
Hyundai Motor España S.L.U.	--	--	2 796	8 334
Hyundai Motor Europe Technical Center GmbH	127	999	--	--
Hyundai Motor Netherlands B.V.	--	--	2 831	1 856
Hyundai Motor France	--	--	6 395	12 671
Hyundai Motorsport GmbH	--	2	--	--
Hyundai Motor Mfg. Rus LLC	37 100	40 398	29	169
Hyundai Assan Otomotive SVT A.S.	52 842	96 466	2 392	3 184
Hyundai Motor Company Australia Pty Ltd.	24 483	107 991	740	2 420
Hyundai Motor de Mexico, S de RL de CV	760 045	1 190 638	702	2 037
Shandong Hyundai WIA Automotive Engine Co.	--	--	28 184	214 696
HM Czech, s.r.o.	26	57	--	--
Hyundai Mobis Co. Ltd.	3 948	2 346	--	--
Shanghai Hyundai Mobis Automotive Parts Co., Ltd	--	--	28 498	--
Mobis Slovakia s.r.o.	12 135	4 461	--	--
Mobis Automotive Czech s.r.o.	92 883	50 959	4 736 200	2 199 751
Mobis Automotive System Czech s.r.o.	--	71	--	--

Hyundai Transys Czech, s.r.o.	40 849	17 323	725 785	440 833
Adampol Czech s.r.o.	155	--	--	--
Kia Motors Czech s.r.o.	--	--	--	11
Kia Motors Europe GmbH	--	--	--	5
Kia Motors RUS LLC	--	--	--	1
Kia Motors Slovakia s.r.o.	88 085	90 075	209	531 781
Total	22 592 475	9 143 541	7 246 424	5 058 928

As of the balance sheet date, the Company reported prepayments made for the assets of Hyundai Engineering Czech s.r.o. of CZK 17,333 thousand (2019: CZK 5,351 thousand), of Hyundai Rotem Company in the amount of CZK 0 thousand (2019: CZK 7,343 thousand) and of Hyundai AutoEver Europe GmbH of CZK 12,432 thousand (2019: CZK 0 thousand). The Company also reported prepayments made for the material of Hyundai Glovis Co. Ltd. in the amount of CZK 917,948 thousand in the year ended 31 December 2019.

As of the balance sheet date, estimated payables to Kia Motors Slovakia s.r.o. amount to CZK 1,084,215 thousand (2019: CZK 0 thousand), to Hyundai Motor Company amount to CZK 0 thousand (2019: CZK 556,284 thousand), to G.I.T Co. Ltd amount to CZK 1,334 thousand (2019: CZK 128 thousand), to Mobis Automotive Czech s.r.o. CZK 47,465 thousand (2019: CZK 0 thousand), to Mobis Slovakia s.r.o. amount to CZK 80,430 thousand (2019: CZK 0 thousand) and to Hyundai Rotem Company amount to CZK 1,043 thousand (2019: CZK 0 thousand).

b) Sales and Purchases

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

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Sales of products	91 703 312	92 532 504
Sales of fixed assets	--	4 620
Sales of material	1 125 645	1 056 923
Other operating income	258 914	281 339
Interest income and other financial income	191 069	214 743
Total sales	93 278 940	94 090 129

(CZK thousand)

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Purchase of fixed assets	1 223 141	971 222
Purchase of material	67 551 944	67 973 635
Purchase of services	6 351 697	6 454 016
Other operating expenses	1 506 580	1 620 965
Interest expenses	--	38
Total purchases	76 633 362	77 019 876

c) Provided loans

Receivables – controlled or controlling entity and loans and borrowings – controlled or controlling entity 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 2020	Balance at 31 Dec 2019	Interest rate as at 31 Dec 2020	Form of collateral 2020
Hyundai Truck and Bus Rus LLC	EUR	356 932	345 576	0,80%	--
Hyundai Truck & Bus (China) Co., Ltd.	EUR	2 834 460	--	0,95%	--
Total		3 191 392	345 576		

Repayment schedule

(CZK thousand)

	2021	Following periods
Hyundai Truck and Bus Rus LLC	356 932	--
Hyundai Truck & Bus (China) Co., Ltd.	2 834 460	--
Total	3 191 392	

d) Other transactions

In the year ended 31 December 2020, the Company did not pay profit share to its owner, Hyundai Motor Company (2019: CZK 9,270,000 thousand).

24. Employees and Managers

a) The average recalculated number of employees and managers and staff costs for the years ended 31 December 2020 and 2019:

(CZK thousand)

2020	Number of employees	Payroll costs	Social security and health insurance	Social costs
Employees	2 648	1 407 603	474 721	--
Managers	22	57 953	15 293	--
Total	2 670	1 465 556	490 014	86 042
Managers (IHOL)	8	46 119	4 736	--

(CZK thousand)

2019	Number of employees	Payroll costs	Social security and health insurance	Social costs
Employees	2 558	1 352 557	458 546	--
Managers	22	56 975	14 054	--
Total	2 580	1 409 532	472 600	84 780
Managers (IHOL)	7	36 759	3 720	--

The Company employed 38 Korean workers (2019: 40) on average based on the International Hiring of Labour (IHOL) contract. The aggregate payroll costs amounted to CZK 163,955 thousand (2019: CZK 150,560 thousand) and are reported in profit and loss account line A.3 'Services' (refer to Note 15).

The social costs incurred by the Company in 2020 and 2019 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.

25. 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 (2019: CZK 142,367 thousand), the employees' income tax payments withheld by the Company of CZK 19,945 thousand (2019: CZK 23,416 thousand), road tax of CZK 24 thousand (2019: CZK 21 thousand), other tax securements of CZK 0 thousand (2019: CZK 1 thousand) and subsidies of CZK 50,493 thousand (2019: CZK 32,933 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.

In 2019 and 2020, the Company received a cash grant for capital investment of CZK 14,989 thousand from the Operational Programme Enterprise and Innovation for Competitiveness based on the decision of the Ministry of Industry and Trade.

Based on an agreement on the provision of a contribution from the special-purpose Antivirus programme concluded on 14 April 2020 with the Czech Republic (through the Labour Office), the Company received a contribution to cover the wage compensation expenses totalling CZK 94,571 thousand.

26. 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 25);
- Cash grant for capital investment (refer to Note 25);
- Subsidy for the creation of jobs (refer to Note 25);
- Subsidy for the training and retraining of employees (refer to Note 25); and
- Tax relief (refer to Note 25).

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.



27. Contingent Liabilities

Legal Disputes

As of 31 December 2020, the Company was involved in no legal dispute, the outcome of which would significantly affect the Company.

Environmental Liabilities

Management of the Company is not aware of the existence of contingent liabilities arising from environmental damage.

The Company guaranteed banks for repayment of loans provided to Sichuan Hyundai Motor Company.

(CZK thousand)

	Currency	Collateral value at 31 Dec 2020	Collateral value at 31 Dec 2019	Collateral expiration date
Bank A	USD	--	1 131 050	12.6.2020
Bank B	USD	--	497 662	5.6.2020
Bank C	USD	--	1 187 603	29.5.2020
Total		--	2 816 315	

The Company carries no other contingent liabilities.

28. Post Balance Sheet Date Events

On 8 February 2021, a change of the statutory executive was recorded to the Register of Companies; Donghwan Yang was removed and replaced by Cheoseung Baek. The termination and the appointment took effect as of 1 January 2021.

Report on Relations

of Hyundai Motor Manufacturing Czech s.r.o.,
for the Year Ended 31 December 2020



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 Seoul, Seocho-Gu, Heolleung-ro 12 Republic of Korea
Corporate ID: 1018109147

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

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

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 2020, it comprised 409 companies which are divided into the groups as follows:

Cars

- Hyundai Motor Company
- Kia Motors Corporation

Car components

- Hyundai Mobis
- Hyundai Mnssoft
- Hyundai WIA
- Hyundai Mseat
- Hyundai Transys
- Hyundai Kefico
- Hyundai IHL
- Hyundai Autron
- Hyundai Partecs

Finance

- Hyundai Capital
- Hyundai Card
- Hyundai Commercial
- Hyundai Motor Securities

Steel industry

- Hyundai Steel
- Hyundai BNG Steel
- Hyundai Special Steel

Hyundai Motor Manufacturing Czech s.r.o. is part of the Hyundai Motor Company Group and its principal objective relates to facilitating the expansion of the corporation in Europe. Hyundai Motor Manufacturing Czech s.r.o. is directly controlled by Hyundai Motor Company. The control was performed by the General Meeting and by way of hiring managers from Hyundai Motor Company. The control results from the dominating position of the controlling entity given that it is the sole shareholder of Hyundai Motor Manufacturing Czech s.r.o.

Construction industry

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

Other

- Hyundai Glovis
- Hyundai AutoEver
- Hyundai Rotem
- Hyundai NGV
- Innocean Worldwide
- Haevichi Hotel & Resort
- Hyundai Farm Land & Development Company
- GIT
- G-Marine Service

II. List of acts performed in the latest reporting period, ie in the year ended 31 December 2020, 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 2020:

1. Realised Income

(CZK thousand)

	Sales generated by own products	Sales of material	Other operating income	Interest income
Hyundai Motor Company	114 763	--	116	--
Hyundai Motor Europe GmbH	74 589 077	--	1 870	112 611
Hyundai Motor Czech s.r.o.	6 616 376	--	1 209	14 924
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	7 123 911	--	--	--
Hyundai Glovis CO. Ltd.	--	--	42 270	--
Mobis Automotive Czech s.r.o.	143	626 084	66 257	--
Hyundai Transys Czech, s.r.o.	--	291 538	12 346	--
Kia Motors Slovakia s.r.o.	1 163 651	16 248	94 893	--

2. Realised Purchases

(CZK thousand)

	Purchase of fixed assets	Purchase of material	Purchase of services	Other operating costs
Hyundai Motor Company	504 308	2 032 656	3 893 288	--
Hyundai Motor Europe GmbH	--	--	--	--
Hyundai Motor Czech s.r.o.	39 026	865	12	96 473
Hyundai Assan Otomotive Sannayi Ve Ticaret A.S.	--	355	--	32 770
Hyundai Glovis CO. Ltd.	178	13 400 689	289 647	--
Mobis Automotive Czech s.r.o.	551 948	35 106 159	3 626	12 376
Hyundai Transys Czech, s.r.o.	31 788	5 410 638	--	1 915
Kia Motors Slovakia s.r.o.	--	7 467 129	--	3 609



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 2020:

The following agreements were valid between the controlling and controlled entities in the year ended 31 December 2020:

- 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. P200214875, OS EV Press Dies, of 7 February 2020;
- Agreement/order no. P200441983, PD Inspection Body, of 23 April 2020;
- Agreement/order no. P200702604, OS EV Welding Machinery, of 1 July 2020;
- Agreement/order no. P201046414, NX4 Press Dies, of 23 October 2020;
- Agreement/order no. P201052418, NX4 Welding Machinery, of 27 October 2020;
- Agreement/order no. 4100003783, NX4 Dies, of 27 October 2020;
- Agreement/order no. P201141384, NX4 Inspection Body, of 18 November 2020;
- Agreement/order no. P201156037, OS EV PE Inspection Body, of 25 November 2020.

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 2020:

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 moulds, material, computers and programmes):

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

3. Other agreements:

- Hyundai Motor Manufacturing Rus LLC, Loan Agreement
- Hyundai Truck and Bus Rus LLC, Loan Agreement
- Hyundai Truck & Bus (China) Co., Ltd., Loan Agreement
- Hyundai Glovis Czech Republic s.r.o., Contract on Right to Build

V. 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.

VI. I, the undersigned, Cheolseung Baek, 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 22 February 2021



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



Auditor's Report

Deloitte.

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INDEPENDENT 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

Opinion

We have audited the accompanying financial statements of Hyundai Motor Manufacturing Czech s.r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2020, and the profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hyundai Motor Manufacturing Czech s.r.o. as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

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

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

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

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

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

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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 scepticism 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 22 February 2021

Audit firm:

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



Statutory auditor:

Petr Michalík
registration no. 2020





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