

# Annual report 2018

Hyundai Motor Manufacturing Czech s.r.o.

Hyundai Motor Manufacturing Czech s.r.o. 2018

ANNUAL REPORT



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

Copyright © 2019 Hyundai Motor Manufacturing Czech

[www.facebook.com/hyundainosovice](https://www.facebook.com/hyundainosovice)  
[www.youtube.com/HyundaiNosovice](https://www.youtube.com/HyundaiNosovice)

HYUNDAI



# Contents

Foreword by the President of the Company .....	4
Hyundai Motor Manufacturing Czech .....	6
Company Profile .....	6
Company Vision .....	8
Company Management .....	10
History .....	12
Products .....	14
Awards Received .....	16
Production Process .....	18
Production in 2018 .....	20
Export in 2018 .....	20
Employees .....	22
Environment .....	24
Quality .....	26
Social Responsibility .....	28
Goals and Forecasts for 2019 .....	32
Annual Financial Statements .....	34
Related Party Transactions Report .....	60
Auditor's Report .....	66

# Foreword by the President of the Company



Hyundai Motor Manufacturing Czech (HMMC) is the only Hyundai's production plant in the EU. The importance of the plant is all the greater for the European activities of the parent company, Hyundai Motor Company, as the cars produced at the plant represent the majority of Hyundai cars sold on the European market. In 2018, two new versions of Hyundai, manufactured in the HMMC plant, were released: in June, it was the upgraded Hyundai Tucson, the manufacturing pillar in our plant, which as the first car manufactured in the Czech Republic comes with a mild hybrid technology, and in November Hyundai i30 Fastback N, the sharp sports version with a 275-horsepower engine in the elegant Hyundai Fastback body. All the versions met with exceptionally positive reactions in all markets as well as among experts.

In 2018, a total of 340,300 cars were produced at the HMMC plant, which is 10,300 more (+ 3.1%) than the number set by the plan, with the cars exported to 69 countries across Europe, Africa, Latin America, the Middle East and Australia. In 2018, for the fifth time, Hyundai Motor Manufacturing Czech became the Czech Employer of the Year in the category under 5,000 employees and for the third time it was awarded the EMAS certification on ecological openness.

The number of employees, both in-house and agency, remained virtually unchanged during the entire year, oscillating around 3,300 persons. Throughout the year, continuous efforts were devoted to improving communication at all levels of the Company's management as well as to introducing new forms and methods thereof, such as regular meetings with group and team leaders. Activities in the area of specialised education were also very lively and intense.

Hyundai Motor Manufacturing Czech, which will celebrate three million manufactured cars in Nošovice in 2019, 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 subcontractor firms has not only generated more than 12,000 new jobs in the Moravian-Silesian Region, but also given a strong impulse and vision for its future development, namely in relation to the global pressure to implement modern advanced technologies, robotisation and auto-



mation: Hyundai Motor Manufacturing Czech is a leader in all these fields not only in the Czech Republic, but also in Europe-wide terms. We will continue in striving to be a good neighbour and a socially responsible corporate citizen of the Moravian-Silesian Region and the Czech Republic, with a positive impact on economic growth and the lives of the people in the region. Our policy and key values are to maintain dynamic growth of the Company based on strict adherence to the principles of environmentally-friendly production.

I am presenting the Annual Report for the year ended 31 December 2018

In Nižní Lhoty on 12 February 2019

Donghwan Yang  
President and CEO  
of Hyundai Motor Manufacturing Czech s.r.o.

Hyundai Motor Manufacturing Czech

# Company's Profile



Hyundai Motor Manufacturing Czech s.r.o. (hereinafter "HMMC"), with its registered office in the Industrial Zone in Nošovice, was founded on 7 July 2006 as a company owned solely by Hyundai Motor Company (hereinafter "HMC"), with its registered office in Seoul, Korea.

Hyundai operates 19 production plants worldwide (seven in Korea, five in China, two in India and one in Russia, Turkey, Brazil, the US and the Czech Republic). In global terms, the Company sold a total of 4.5 million Hyundai cars in 2018.

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

HMMC focuses principally on producing cars and transmissions that are exported to 69 different countries worldwide. The plant represents the only production plant within the EU.

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

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

<b>The Plant's Area</b>	200 ha
<b>Built Up Area</b>	28.3 ha
<b>Total Investment</b>	EUR 1.53 billion
<b>Number of Employees</b>	3,312 (including agency employees)
<b>Share of Czech Citizens</b>	96.5%
<b>Male/ female Ratio</b>	82% / 18%
<b>Production Capacity</b>	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, in 2018, Hyundai Motor Manufacturing Czech created and accepted the corporate vision: **"HMMC - the Right Partner for Your Future"**.

The global automotive industry faces an era of rapid change, including an uncertain market environment. These changes are compounded by the increasing pressure of the European Union and national governments in its Member States to reduce CO2 emissions in newly manufactured cars. The global company Hyundai Motor and Hyundai Motor Manufacturing Czech will

do everything to comply with the most stringent standards and to contribute to a sustainable environment. Hyundai, as a technology leader in the industry, is a leader in the field of hydrogen-powered vehicles and focuses also on hybrid or conventional electric vehicles.





# Company Management





**Donghwan Yang**  
**President**

Born in 1960. Mr Yang joined Hyundai Motor Company on 1 July 1985. Between 2000 and 2003 he worked as an auditor at the Company's headquarters in Seoul, devoting the ten subsequent years to strategic planning and production development. Following two significant years devoted to production technologies, he went on to focus on powertrains (engines and transmissions) in 2014.



**Sanghyun Nam**  
**Vice-president and CFO, Finance Division**

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



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

Mr Lee joined Hyundai Motor Company in 1989. Between 1997 and 2000 he worked at the Korean plant in JeonJu. He then left for the USA, where he became the Production Process Manager at the Hyundai plant in Alabama. From 2007, after his return to Korea, he was the manager of plants 2 and 5 in Ulsan. From 2011 he was also responsible for the development of new cars (Sonata and Grandeur) at the Asan plant in Korea. He joined HMMC in August 2013.



**Cheolseung Baek**  
**Vice-president, Procurement Division**

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 October 2018, he was appointed head of the procurement division at HMMC.



**Jin Park**  
**Vice-president, Administration Division**

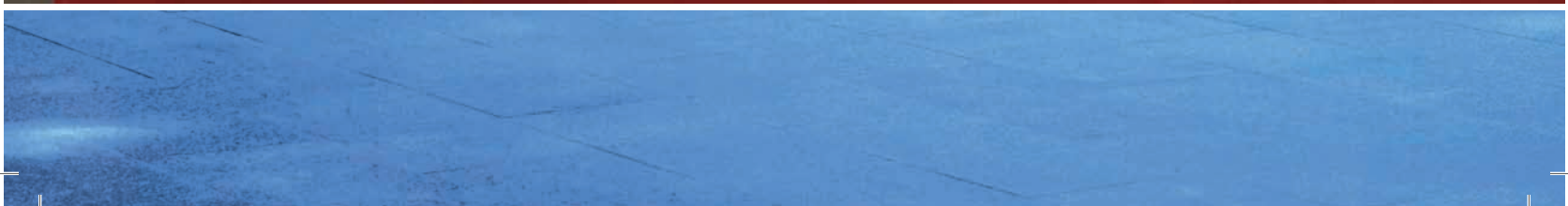
Mr Park joined Hyundai Motor Group in 1995, primarily focusing on internal affairs and human resources. Between 2006 and 2010, he worked at the production plant in Alabama, US, as an internal affairs coordinator. Following his return to the Korean headquarters, he was appointed internal affairs team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



**Seok Beom Kim**  
**Vice-president, Quality Division**

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

# History



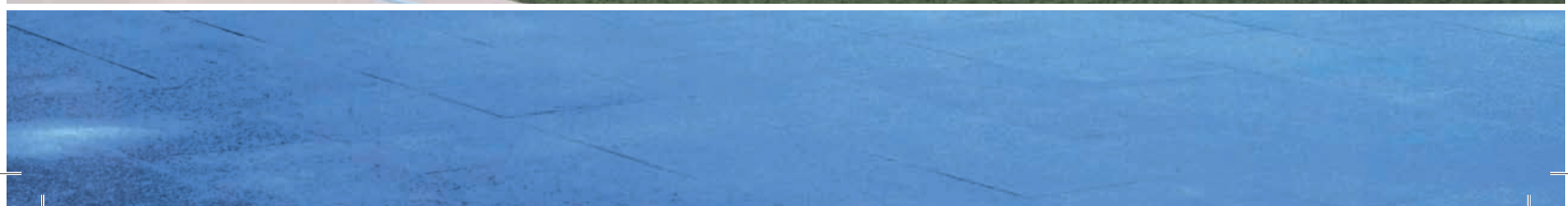


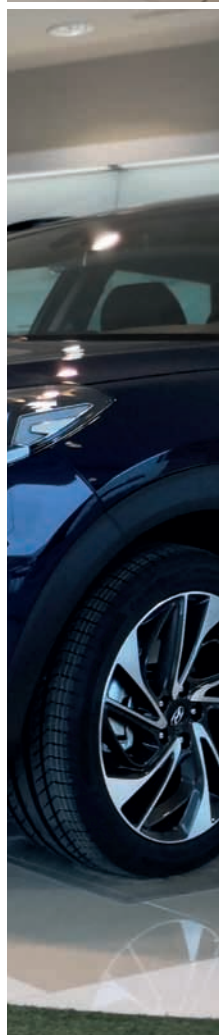
2006	June	Foundation of HMMC
2007	March	Start of construction
2008	November	Mass production launched
2009	November	International Certificate ISO 9001 received
2010	November	300,000 cars produced
2011	September	500,000 cars produced
	November	"Excellence" Award under the Czech National Quality Award
2012	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	Production of the 2,000,000th car
2017	November	"Excellence" Award under the Czech National Quality Award
2018	June	Production of the first mild hybrid vehicle launched
	December	4,000,000 transmissions produced





# Products





## Current product line

Hyundai ix20	since September 2010
Hyundai Tucson	since June 2015
Hyundai i30 hatchback (3 <sup>rd</sup> generation)	since December 2016
Hyundai i30 kombi (3 <sup>rd</sup> generation)	since May 2017
Hyundai i30 N	since September 2017
Hyundai i30 fastback (3 <sup>rd</sup> generation)	since November 2017
Hyundai i30 fastback N	since November 2018

### i30

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

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

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

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. The new N Line equipment, characterised by specific N features that optimise design and performance, will also expand the customer offer. Hyundai N product sales have surpassed all expectations.

### ix20

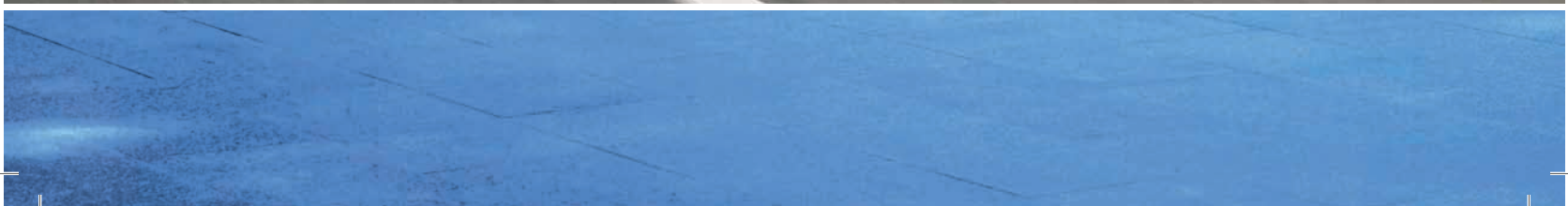
Hyundai ix20 has a uniquely universal and spacious interior. Customers namely welcome its practicality, fresh design and technical equipment. The ix20 has long been the best-selling model in the segment. It has also received several significant awards, such as the "Family Car of the Year" in Belgium, and the "Best Small MPV" from Auto Express, a UK magazine. This was one of the reasons why the Company's management decided in 2017 that the production of the ix20 would continue until 2019.

### Tucson

Designed in Europe, Hyundai Tucson is a compact SUV that is specially adapted to the needs of European drivers. Since its launch in September 2015, it has become the fastest-selling car of Hyundai Motor in Europe. Its quality and reliability are guaranteed by the five-star Euro NCAP safety rating and the leading 5-year unlimited mileage warranty. Tucson also received the iF Design Award 2016. In 2018, Tucson obtained a modernised face and as part of the facelift also a mild-hybrid drive, making it the first electric car produced in the Czech Republic.



# Awards received

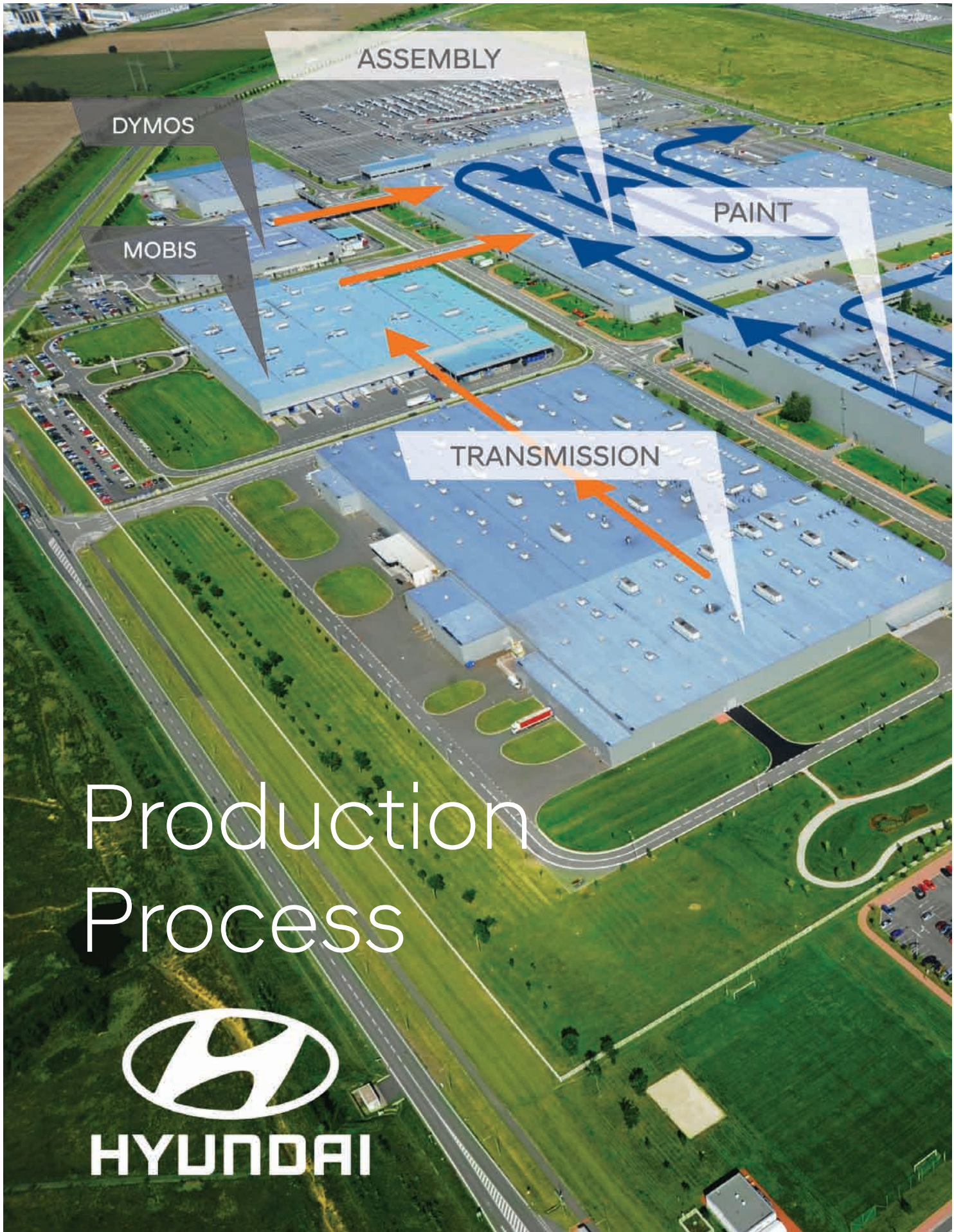


- **iF Design Award** for Hyundai i30 Fastback
- **Auto Zeitung** – Design Trophy 2018 Hyundai i30 Fastback - the most attractive vehicle in the compact class.
- **Autocar** – the Revolutionary Car title for i30 N (Autocar, British motor magazine, described Hyundai i30 N as a car that sets new standards in the automotive industry).
- German magazine **Auto Bild** marked Hyundai Tucson as no. 1 in a long-term test for 100,000 km. It has become the third best-rated SUV ever.
- Hyundai i30 N received a prestigious title “Imported Winner” in the category of small and compact cars as part of the survey “Sports Cars of the Year 2018” of the **Auto Bild** magazine.
- **Automotive Brand Contest** Hyundai i30 Fastback was awarded in the category “Exterior Volume Brand”
- Hyundai was awarded the “Producer of the Year 2018” by **BBC Top Gear** magazine for its diverse and ambitious product line, especially the “mega bombastic” i30 N, the “drop-like ecological hatchback” IONIQ and the electric car KONA Electric which “looks peculiar, but runs great”.

# AUTOCAR







# Production Process

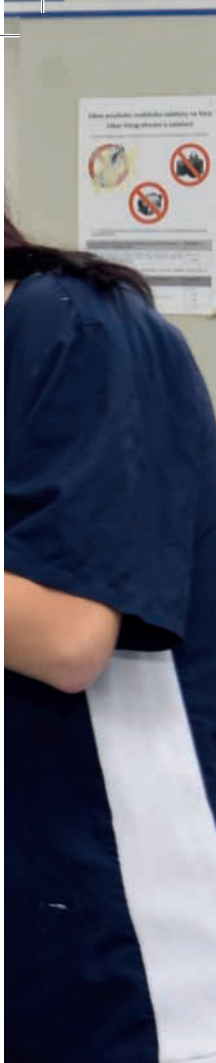


**HYUNDAI**



# HMMC in 2018





## Production

2018 was a challenging year. The original production plan, approved at the end of 2017, indicated that in the year 2018, 330,000 Hyundai cars would be produced in the Nošovice plant. The plan was increased to 340,000 cars during the year and even this plan was met: HMMC produced 340,300 cars in 2018. In addition, the production of the Tucson model, which received a mild-hybrid drive after the facelift, and the i30 Fastback N model were launched.

The total volume of cars produced in 2018 consists of individual models as follows:

Tucson	71 %
ix20	6 %
i30 3 <sup>rd</sup> generation	20 %
i30 N	3 %

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 or to the sister plant, Kia Motors Slovakia in Žilina. In total, 382,957 transmissions were produced in 2018. In 2018, the total number of transmissions produced reached 4,000,000.

## Export

Cars manufactured in the Nošovice plant were exported to 69 different countries, literally “from Silesia to the end of the world”. Most cars were traditionally sold to Germany (48,300), the United Kingdom (38,600), Spain (28,200) and Russia (25,000). 16,477 cars were sold in the Czech Republic, which is approximately 4.8% 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.

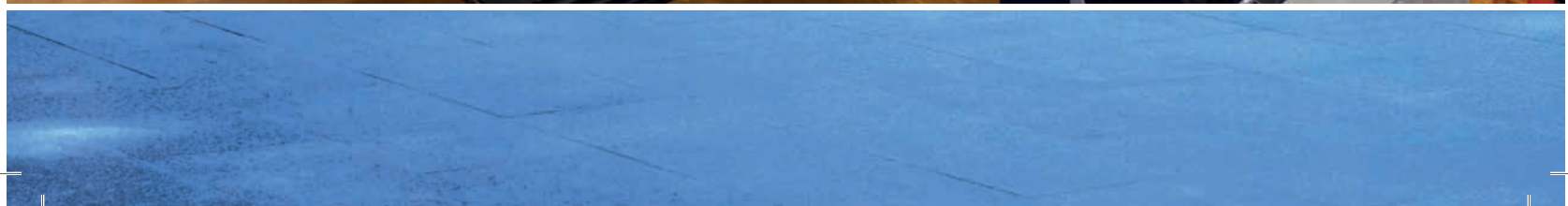
Since HMMC in Nošovice is the only Hyundai production plant in Europe and the EU, its primary markets are the countries of Europe – absolutely all of them, from Iceland to Norway, the entire European Union and the Balkans, all the way to Cyprus and Malta in the Mediterranean. The Hyundai Tucson model 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	48,300
2	United Kingdom	38,600
3	Spain	28,200
4	Russia	25,000
5	Italy	20,400
6	Czech Republic	16,500
7	Belgium	14,100
8	Poland	13,700
9	France	13,100
10	Austria	10,300

\* rounded to the nearest hundred



Employees





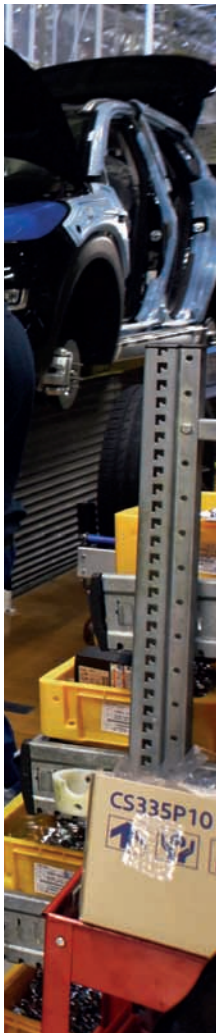
As of 31 December 2018, the total number of employees (including agency employees) amounted to 3,312. It still remains true that the HMMC Nošovice plant provides work opportunities for the citizens of the Czech Republic and namely for those living in the Moravian-Silesian Region, as they represent 95.6% of all HMMC employees.

145 employees are foreign nationals. They are mostly from Slovakia or Poland, which does not come as a surprise considering how close the borders of both of those countries are.

### Collective Bargaining

The labour union organisation ZO OS KOVO Hyundai Czech continued its activities from the previous year. Collective bargaining was initiated by labour union organisations in October. A total of 6 rounds of collective bargaining were carried out and attended by representatives of the Company management and the labour union organisations. On 10 December 2018, Amendment No. 2 to the Collective Agreement was signed with effect from 1 January 2019 to 31 March 2021.

### Work Safety



As part of the system management, HMMC consistently improves the level of work safety. The Company's year-round activities were focused on strengthening prevention in work safety, hygiene rules and fire prevention. Thanks to this system approach, a positive trend was maintained in respect of work accidents. During 2018, some of the divisions achieved the significant milestone of 100 days without any work accident and the Transmissions division even achieved 500 accident-free days. As part of positive motivation, the employees of the divisions received valuable presents.

In 2018, a series of partial technical and organisational measures were implemented to improve working conditions, working environment and elimination of risk factors. One of the main projects was a full-scale replacement of the internal lighting system of the Stamping and Transmission halls. There have also been several significant changes in relation to types of personal protective equipment and its maintenance. Another significant step in terms of prevention was the continuation of close cooperation with our key suppliers.

Another significant change was the development of a brand new facility: the Health Centre. The purpose of this investment is to strengthen the trend of long-term reduction in work accidents, to treat the symptoms of the onset of occupational diseases and to strengthen the prevention of employees' diseases. The Health Centre has gradually begun to fulfill its planned function - to maintain and improve the health and physical condition of employees and their satisfaction thanks to special treatment and recommended types of exercises determined on the basis of an examination by the Centre's physician. The range of procedures comprise hydrotherapy, electrotherapy, laser therapy, thermotherapy and massage.

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

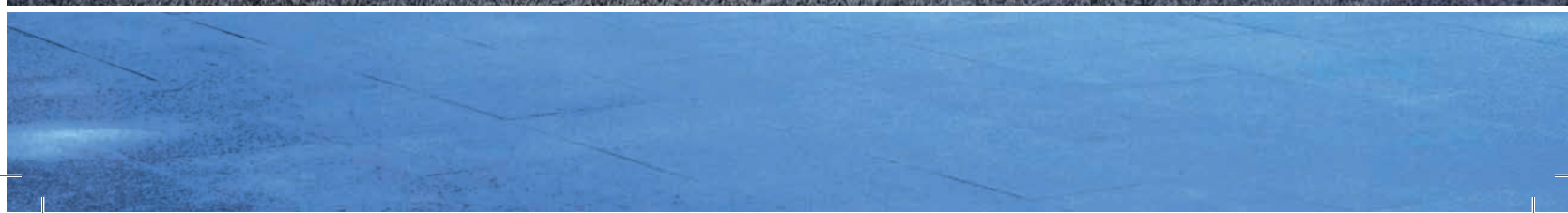
### Training


In 2018, 668 new employees attended the Company's entry course. 1,097 employees gained certificates for attending courses that enhanced their professional qualifications. 2,064 employees completed advanced work safety courses aimed at specific professions.

In the last year, HMMC focused on training courses aimed at personal development, such as courses on soft and management skills and the development of leadership skills. These courses were completed by 334 HMMC employees. Language courses (in which 97 employees took part), IT courses (119 employees) and e-learning courses (59 employees) carried on during 2018. Employees were also sent to various internal/external professional workshops and seminars (537 employees). Outdoor development activities were attended by 97 employees and they tested key corporate values in practice.

Furthermore, our employees had the opportunity to train at the Korean workshop centre; 75 employees used this opportunity last year. The aim of these activities is to share experience and practical information with colleagues from all over the world. Some of the training programmes (e.g. Company & Korea Understanding) offer employees a chance to learn more about Korean history and help them better understand the differences between our cultures.

# Environment





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

Any Company's stability is reflected not only in the economic results but also in the Company's socially responsible attitude. HMMC substantiates such an approach by an environmentally-friendly attitude and high work safety standards, as it believes that the environment has 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 and also pays close attention to the consistent recycling of waste. In the production plant, all hygiene standards are strictly observed; on all HMMC premises, green vegetation is protected in compliance with the Company's values.

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

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

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

In 2018, recertification audits were carried out in respect of the two systems (EMAS, ISO 14001:2015). Both recertification audits were successful.

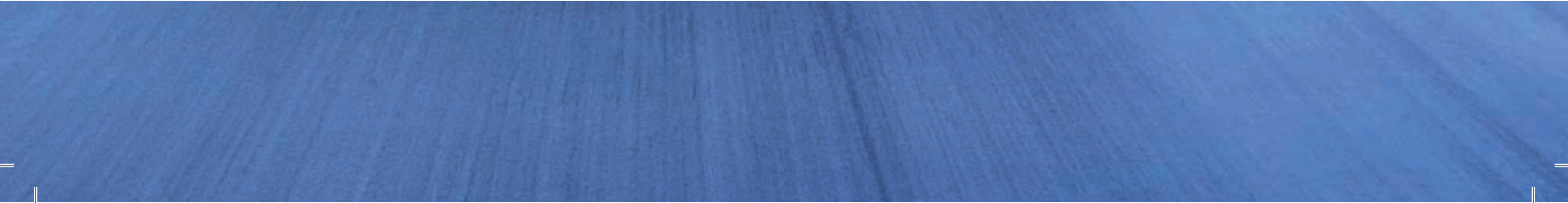
It is also worth mentioning the other adjustments and investments that led to improvements of the environment:

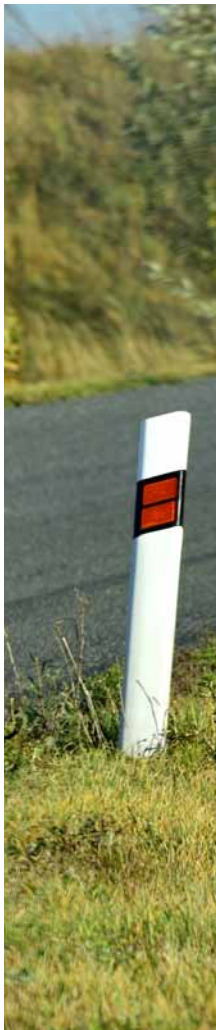
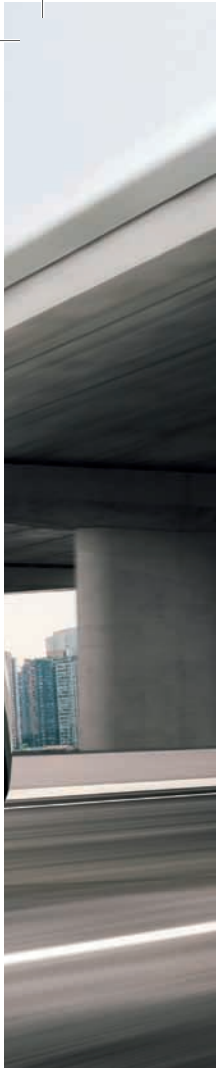
- Installation of LED lights in the transmission plant, employee parking lot, parking lot of produced cars, freight area of the railway siding
- Installation of lighting with dimmer control
- Replacement of five burners in furnaces in the painting plant for more efficient combustion of natural gas (optimising natural gas consumption) and reduction of VOC emissions.

The population of epiphytic bryophytes and lichens on the barks of the broad-leaved trees and shrubs was confirmed. 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





HMMC has always striven to satisfy its customers' expectations of high quality. Therefore, each step in the pre-production and production process is focused on the prevention of defects already in the development phase of the new model, changes of the sub-systems of the vehicle or parts in cooperation with the Research and Development Centre in Korea and Germany and also in cooperation with suppliers. Each product is thoroughly inspected and tested during production, using both the most accurate technique and strict judgment of the staff. The high standard has been confirmed by the successful completion of various audits performed on a regular basis, in order to review the compliance of production processes with ISO requirements, legislation and other regulations. Every HMMC department gradually improves its processes and activities and thus contributes towards the improvement of the overall quality of our products. These partial improvements gradually merge into larger wholes and consequently help our organisation move forward in line with the development of management approaches based on the principles of the EFQM Excellence model. An important example is the electrification and gradual automation of management processes that have so far been done manually and the development of project teams comprising narrowly-focused specialists for more effective and efficient improvement as early as during pilot tests and subsequently also during mass production.

### The International ISO 9001 Standard

The quality- and customer-focused system was developed as early as during the formation of HMMC in 2006. In 2009, the Quality Management System was successfully certified for the first time by DEKRA Certification s.r.o., which reviews the system on an annual basis and recertifies it every three years. In 2018, HMMC passed another recertification audit according to the revised ISO 9001:2015. The corporate values and management approaches under the EFQM model are technically already stakeholder-focused, with many processes safeguarded against risk by the very technologies or control mechanisms in place. However, since 2018, the Company has been intensively focusing on analysing emerging risks, re-mapping the process structure, stakeholders and their needs and other system activities not only to demonstrate that it meets all the new requirements under ISO 9001:2015.

### Vehicle Homologation and Production Process Conformity

Our products meet the stringent international legal requirements on vehicles – so called type approvals (homologations) that include various systems in the vehicle (including parts), without which the vehicles may not be distributed to customers. These requirements are supervised and tested by independent testing organisations prior to launching mass production of a new model and prior to each change in the production process. The conformity of our production process (CoP – Conformity of Production) is also audited by independent testing authorities (e.g. Vehicle Certification Agency – VCA and Netherlands Vehicle Authority - RDW). The Company is also intensively preparing for all the changes that BREXIT will bring. For HMMC, it means at least a transition from VCA to a different certification organisation and many other changes in relation to the CoP process. These preparations and changes will also continue in 2019.

The most important legislative requirements include measuring emissions of the cars produced on an ongoing basis. In 2017 and 2018, the Emissions Laboratory underwent extensive modernisation so as to meet the latest car emissions standards, or Euro 6d-temp, and be able to measure emissions according to the new, stricter WLTC test cycle (World Light duty Test Cycle) and we were also able to measure real driving emissions, i.e. RDE (Real Driving Emissions). In 2019, the emissions laboratory equipment will be extended to include devices for measuring four-wheel drive vehicles.



# Social Responsibility





Apart from producing high-quality cars, the Company, together with other organisations, strives to improve the quality of life in the Moravian-Silesian Region as well as the Czech Republic through various events. Activities that develop child traffic education, help citizens or non-profit organisations and involve our employees in a socially responsible life become increasingly important for HMMC.

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

Hyundai believes that road safety education is highly important, as young cyclists who know and keep traffic rules are more likely to become responsible drivers in the future. For several years, HMMC has therefore been a partner of the children's traffic playground in Frýdek-Místek. In 2018, 19 teams of fourth graders took part in the young cyclists' competition, with the two best cyclists receiving new bikes donated by HMMC and the winning teams receiving sports bags, thermos flasks or helmets. All contestants received LED bike lights and reflective features, which will increase their road safety.

### **Car Donations to Technical and Vocational Schools**

Last year, technical and vocational schools were also donated a total of nine vehicles from pre-series production which will serve future car mechanics, auto electricians and technicians as aids in especially designed class-rooms. These vehicles will help students familiarise themselves with the functioning of engines, transmissions and electronic systems. Since 2008, we have donated 120 cars in total.

### **The Good Neighbour and Good Neighbour Together Programme**

For what have already been seven years, HMMC has organised the "Good Neighbour" programme, where 13 municipalities from the vicinity of the car plant can apply for contributions for the support of sport, cultural and community life. In 2018, 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 provides a chance for small villages to enhance their cultural life as their budgets are often used up on village maintenance and investments, and none or very little funds are left for leisure time activities.

The programme also comprises the "Good Neighbour Together" sub-programme, as part of which the 13 municipalities can apply for additional funds (CZK 25,000) for projects for the improvement of the environment. Two winning ECO-projects were selected, in which both the inhabitants of the municipality and volunteers from HMMC employees took part. 45 Nordmann's firs were planted around sport ground in Dolní Tošanovice and spectator facilities (benches) were built in Dobrá.

### **The "Together" Grant Programme for Employees**

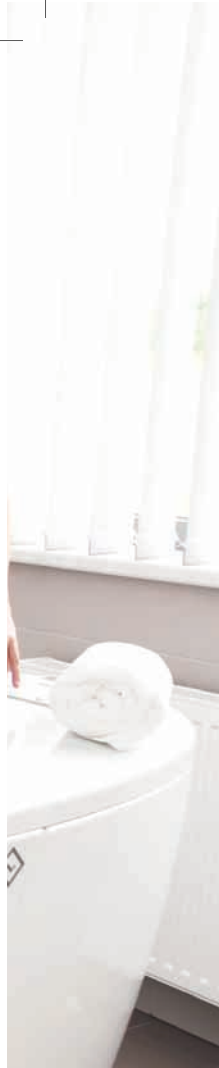
The Company's grant programme "Together" aims at making financial contributions to projects supporting children, people with disabilities, culture and sports. It primarily consists of leisure activities in the given areas (e.g. young talent support, contributing to a meaningful offer of leisure activities, participation in cultural and sports events, etc.). Active participation and support may be provided by HMMC's employees. A total of CZK 621,900 was given in support of 38 projects in the programme's third year.

### **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 a total of CZK 25 million at its disposal, which it distributes in individual years as part of open grant rounds to applicants submitting projects in support of local community events carried out namely in the districts of the Frýdek-Místek and Nový Jičín regions. However, the Foundation may not, nor does it want to, neglect the areas of education and human rights, on which all democratic and open societies are based and which the Foundation also wishes to support.

# Social Responsibility





In 2018, 13 projects were funded, totalling CZK 1,487,908. However, over the twelve years of active operation, this amount has reached almost CZK 19 million, divided among a total of 129 projects in the territory of the districts of Nový Jičín and Frýdek-Místek in the Moravian-Silesian region.

### Hyundai Cup 2018

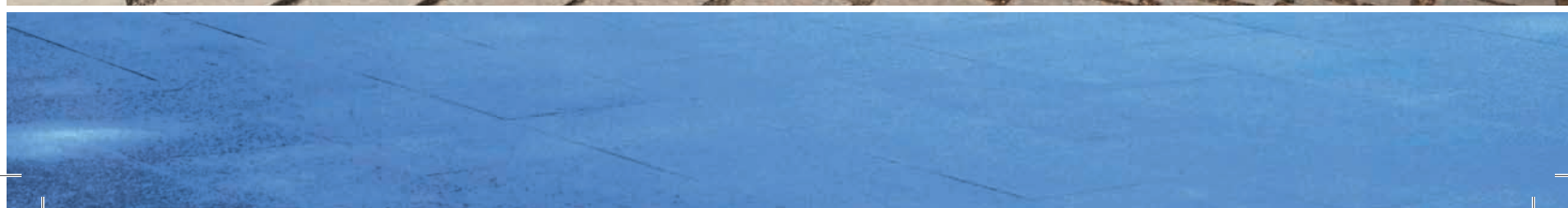
In cooperation with the Fire Brigade of the Moravian-Silesian Region, the integrated rescue centre in Nošovice held the fourth edition of the young firefighters' contest in fire-fighting sport. The aim of the event is to support children from the surrounding municipalities in leisure activities and to develop their skills. A total of 90 children spread across six teams and two categories competed for the Hyundai Cup.


### Hydrogen Horizon Automotive Challenge 2018

In 2018, for the first time, we sustained a race of hydrogen-powered cars. The aim of the cooperation is to promote technical education (science, technology, engineering, and mathematics - STEM) and the promotion of new hydrogen technologies. This strategy was defined in 2017 as part of a long-term development plan of the Hyundai Motor Group "FCEV Vision 2030". The HMG Group reaffirms its efforts to accelerate development of a hydrogen company, utilising its global leadership in fuel cell technology.

In Prague, teams of high school students met in April to measure their strength in the six-hour race of remote-controlled hybrid hydrogen-powered car models. 24 teams from a total of 21 Czech high schools participated in the fourth edition of the Horizon Automotive Challenge (H2AC) of Horizon Educational. Each race day, a winning team was designated, which will represent, in May, not only its school, but also the Czech Republic at the international finals in Chemnitz, Germany. The race can be seen as the culmination of an educational program that aims to raise interest of young people in technical and scientific fields. Over the course of four 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. The program also aims to teach students through discovering, enhancing teamwork and, last but not least, preparing students for their future career.

# Goals and Forecasts for 2019





In 2019, Hyundai Motor Manufacturing Czech will respond to the situation on the automotive market, reducing the number of produced cars to 318,000. The reason is the continuous decline in the number of orders from the United Kingdom and the stagnation in demand on all European markets. The decrease in car demand applies to all models with the exception of premium cars and supersports. The trend is apparent in the entire automotive industry.

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

In 2019, we plan to focus on making our production more efficient and preparing for 2020 when we will introduce several models to the market. In 2019, after ten years, the production of Hyundai ix20 will be terminated in the Nošovice plant.

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





# Financial statements for the year ended

31 December 2018

**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**

12 February 2019.

**Statutory executive of the reporting entity**

Donghwan Yang

# Balance sheet full version

As of 31.12.2018 (in CZK thousand)

		31.12.2018		31.12.2017	
		Brutto	Korekce	Netto	Netto
	TOTAL ASSETS	<b>96 017 693</b>	<b>20 476 993</b>	<b>75 540 700</b>	<b>73 201 877</b>
<b>B.</b>	<b>Fixed assets</b>	<b>37 616 859</b>	<b>20 245 313</b>	<b>17 371 546</b>	<b>20 044 682</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<b>413 668</b>	<b>345 316</b>	<b>68 352</b>	<b>41 114</b>
B.I.2.	<i>Valuable rights</i>	<b>389 936</b>	<b>345 316</b>	<b>44 620</b>	<b>29 670</b>
B.I.2.1.	Software	389 936	345 316	44 620	29 670
B.I.4.	Other intangible fixed assets	15 303		15 303	9 284
B.I.5.	<i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>	<b>8 429</b>		<b>8 429</b>	<b>2 160</b>
B.I.5.2.	Intangible fixed assets under construction	8 429		8 429	2 160
<i>B.II.</i>	<i>Tangible fixed assets</i>	<b>36 853 331</b>	<b>19 899 997</b>	<b>16 953 334</b>	<b>17 449 568</b>
B.II.1.	Land and structures	<b>8 869 901</b>	<b>2 760 199</b>	<b>6 109 702</b>	<b>6 280 855</b>
B.II.1.1.	Land	167 511		167 511	167 511
B.II.1.2.	Structures	8 702 390	2 760 199	5 942 191	6 113 344
B.II.2.	Tangible movable assets and sets of tangible movable assets	27 881 911	17 139 798	10 742 113	10 674 909
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	<b>101 519</b>		<b>101 519</b>	<b>493 804</b>
B.II.5.1.	Prepayments for tangible fixed assets	25 061		25 061	46 063
B.II.5.2.	Tangible fixed assets under construction	76 458		76 458	447 741
<i>B.III.</i>	<i>Non-current financial assets</i>	<b>349 860</b>		<b>349 860</b>	<b>2 554 000</b>
B.III.2.	Loans and borrowings - controlled or controlling entity	349 860		349 860	2 554 000
<b>C.</b>	<b>Current assets</b>	<b>58 400 834</b>	<b>231 680</b>	<b>58 169 154</b>	<b>53 157 195</b>
<i>C.I.</i>	<i>Inventories</i>	<b>3 949 884</b>	<b>231 680</b>	<b>3 718 204</b>	<b>3 242 453</b>
C.I.1.	Material	2 688 494	218 299	2 470 195	2 065 353
C.I.2.	Work in progress and semifinished goods	381 261	4 347	376 914	405 801
C.I.3.	<i>Products and goods</i>	<b>880 129</b>	<b>9 034</b>	<b>871 095</b>	<b>771 299</b>
C.I.3.1.	Products	880 129	9 034	871 095	771 299
<i>C.II.</i>	<i>Receivables</i>	<b>23 654 405</b>		<b>23 654 405</b>	<b>17 903 214</b>
C.II.1.	<i>Long-term receivables</i>	<b>746 465</b>		<b>746 465</b>	<b>464 106</b>
C.II.1.4.	Deferred tax asset	746 465		746 465	464 106
<i>C.II.2.</i>	<i>Short-term receivables</i>	<b>22 729 299</b>		<b>22 729 299</b>	<b>17 321 327</b>
C.II.2.1.	Trade receivables	17 274 417		17 274 417	14 220 628
C.II.2.2.	Receivables - controlled or controlling entity	2 572 500		2 572 500	347 344

C.II.2.4.	<i>Receivables - other</i>	<b>2 882 382</b>	<b>2 882 382</b>	<b>2 753 355</b>
C.II.2.4.3.	State - tax receivables	2 667 270	2 667 270	2 503 753
C.II.2.4.4.	Short-term prepayments made	76 493	76 493	21 351
C.II.2.4.6.	Sundry receivables	138 619	138 619	228 251
C.II.3.	<b><i>Other assets</i></b>	<b>178 641</b>	<b>178 641</b>	<b>117 781</b>
C.II.3.1.	Deferred expenses	40 236	40 236	44 842
C.II.3.2.	Complex deferred expenses	106 967	106 967	54 417
C.II.3.3.	Accrued income	31 438	31 438	18 522
C.IV.	<b><i>Cash</i></b>	<b>30 796 545</b>	<b>30 796 545</b>	<b>32 011 528</b>
C.IV.1.	Cash on hand	166	166	95
C.IV.2.	Cash at bank	30 796 379	30 796 379	32 011 433

		<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>75 540 700</b>	<b>73 201 877</b>
<b>A.</b>	<b>Equity</b>	<b>42 460 572</b>	<b>42 837 335</b>
A.I.	<b><i>Share capital</i></b>	<b>13 901 000</b>	<b>13 901 000</b>
A.I.1.	Share capital	13 901 000	13 901 000
A.IV.	<b><i>Retained earnings (+/-)</i></b>	<b>21 335 835</b>	<b>22 244 066</b>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	21 335 835	22 244 066
A.V.	<b><i>Profit or loss for the current period (+/-)</i></b>	<b>7 223 737</b>	<b>6 692 269</b>
<b>B.+C.</b>	<b>Liabilities</b>	<b>33 080 128</b>	<b>30 364 542</b>
<b>B.</b>	<b>Reserves</b>	<b>8 898 295</b>	<b>7 935 633</b>
B.IV.	Other reserves	8 898 295	7 935 633
<b>C.</b>	<b>Payables</b>	<b>24 181 833</b>	<b>22 428 909</b>
C.I.	<b><i>Long-term payables</i></b>	<b>11 061 750</b>	<b>10 982 200</b>
C.I.2.	Payables to credit institutions	11 061 750	10 982 200
C.II.	<b><i>Short-term payables</i></b>	<b>13 081 886</b>	<b>11 421 835</b>
C.II.2.	Payables to credit institutions	382 427	
C.II.3.	Short-term prepayments received	210 408	306 317
C.II.4.	Trade payables	10 685 757	10 122 054
C.II.8.	<b><i>Other payables</i></b>	<b>1 803 294</b>	<b>993 464</b>
C.II.8.3.	Payables to employees	118 297	94 439
C.II.8.4.	Social security and health insurance payables	74 409	59 851
C.II.8.5.	State - tax payables and subsidies	175 453	34 011
C.II.8.6.	Estimated payables	1 429 336	799 345
C.II.8.7.	Sundry payables	5 799	5 818
C.III.	<b><i>Other liabilities</i></b>	<b>38 197</b>	<b>24 874</b>
C.III.1.	Accrued expenses	2 475	
C.III.2.	Deferred income	35 722	24 874

# Profit and loss account structured by the nature of expense method

Year ended 31.12.2018 (in CZK thousand)

	Year ended 31.12.2018	Year ended 31.12.2017
I. Sales of products and services	129 259 518	136 673 258
A. Purchased consumables and services	<b>113 502 389</b>	<b>121 287 973</b>
A.2. Consumed material and energy	105 949 991	113 741 378
A.3. Services	7 552 398	7 546 595
B. Change in internally produced inventory (+/-)	-61 084	-549 674
C. Own work capitalised (-)	-243	
D. Staff costs	<b>1 888 437</b>	<b>1 766 754</b>
D.1. Payroll costs	1 345 688	1 252 785
D.2. Social security and health insurance costs and other charges	<b>542 749</b>	<b>513 969</b>
D.2.1. Social security and health insurance costs	451 956	422 306
D.2.2. Other charges	90 793	91 663
E. Adjustments to values in operating activities	<b>2 487 926</b>	<b>2 231 216</b>
E.1. <i>Adjustments to values of intangible and tangible fixed assets</i>	<b>2 485 837</b>	<b>2 217 919</b>
E.1.1. Adjustments to values of intangible and tangible fixed assets - permanent	2 485 837	2 217 919
E.2. Adjustments to values of inventories	2 089	13 297
III. Other operating income	<b>4 604 457</b>	<b>4 667 449</b>
III.1. Sales of fixed assets	13 846	36 616
III.2. Sales of material	4 233 260	4 151 864
III.3. Sundry operating income	357 351	478 969
F. Other operating expenses	<b>7 613 724</b>	<b>6 539 812</b>
F.1. Net book value of sold fixed assets	49 369	25 332
F.2. Material sold	4 302 287	4 220 323
F.3. Taxes and charges	17 405	17 190
F.4. Reserves relating to operating activities and complex deferred expenses	910 112	-130 464
F.5. Sundry operating expenses	2 334 551	2 407 431
* <b>Operating profit or loss (+/-)</b>	<b>8 432 826</b>	<b>10 064 626</b>
VI. Interest income and similar income	<b>292 908</b>	<b>268 155</b>
VI.1. Interest income and similar income - controlled or controlling entity	242 239	235 644
VI.2. Other interest income and similar income	50 669	32 511
J. Interest expenses and similar expenses	<b>75 339</b>	<b>46 271</b>
J.1. Interest expenses and similar expenses - controlled or controlling entity	9	67
J.2. Other interest expenses and similar expenses	75 330	46 204
VII. Other financial income	2 134 620	2 714 271
K. Other financial expenses	1 855 285	4 745 531
* <b>Financial profit or loss (+/-)</b>	<b>496 904</b>	<b>-1 809 376</b>
** <b>Profit or loss before tax (+/-)</b>	<b>8 929 730</b>	<b>8 255 250</b>

L.	Income tax	<b>1 705 993</b>	<b>1 562 981</b>
L.1.	Due income tax	1 988 352	1 621 648
L.2.	Deferred income tax (+/-)	-282 359	-58 667
**	<b>Profit or loss net of tax (+/-)</b>	<b>7 223 737</b>	<b>6 692 269</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>7 223 737</b>	<b>6 692 269</b>
*	Net turnover for the current period	<b>136 291 503</b>	<b>144 323 133</b>

## Cash flow statement

Year ended 31.12.2018 (in CZK thousand)

		Year ended 31.12.2018	Year ended 31.12.2017
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>32 011 528</b>	<b>27 061 132</b>
	<b>Cash flows from ordinary activities (operating activities)</b>		
Z.	Profit or loss before tax	8 929 730	8 255 250
A.1.	Adjustments for non-cash transactions	3 181 332	1 524 128
A.1.1.	Depreciation of fixed assets	2 485 837	2 217 919
A.1.2.	Change in provisions and reserves	912 202	-117 168
A.1.3.	Profit/(loss) on the sale of fixed assets	35 523	-11 284
A.1.5.	Interest expense and interest income	-217 569	-221 884
A.1.6.	Adjustments for other non-cash transactions	-34 661	-343 455
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>12 111 062</b>	<b>9 779 378</b>
A.2.	Change in working capital	-2 234 030	301 506
A.2.1.	Change in operating receivables and other assets	-3 205 260	1 898 877
A.2.2.	Change in operating payables and other liabilities	1 449 070	-1 461 619
A.2.3.	Change in inventories	-477 840	-135 752
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>9 877 032</b>	<b>10 080 884</b>
A.3.	Interest paid	-72 863	-46 088
A.4.	Interest received	305 101	252 102
A.5.	Income tax paid from ordinary operations	-1 770 733	-2 281 042
<b>A.***</b>	<b>Net operating cash flows</b>	<b>8 338 537</b>	<b>8 005 856</b>
	<b>Cash flows from investing activities</b>		
B.1.	Fixed assets expenditures	-2 351 558	-2 737 388
B.2.	Proceeds from fixed assets sold	13 846	36 616
B.3.	Loans and borrowings to related parties		-354 688
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-2 337 712</b>	<b>-3 055 460</b>
	<b>Cash flow from financial activities</b>		
C.1.	Change in payables from financing	384 692	
C.2.	Impact of changes in equity	-7 600 500	
C.2.6.	Profit shares paid	-7 600 500	
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-7 215 808</b>	
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-1 214 983</b>	<b>4 950 396</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>30 796 545</b>	<b>32 011 528</b>

# Notes to the Financial Statements

For the Year Ended 31 December 2018  
(in CZK thousand)



## 1. General Information and Principal Activities

### Incorporation and Description of the Business

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

In 2008, the Company began the production of cars and transmissions, which constitute the Company's key production programme. Currently, the Company manufactures three models: Hyundai Tucson, Hyundai ix20 and the third-generation Hyundai i30, which is produced in three versions: five-door hatchback, wagon and fastback. The sports version of the five-door hatchback is produced under the Hyundai i30 N name and the production of the sports version of the fastback - Hyundai i30 N fastback was launched in November 2018.

### Owners of the Company

At 31 December, the Company's owners are:

Ownership percentage as of 31 December

	2018	2017
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 2018

Statutory executive	Proxy
Donghwan Yang	Sanghyun Nam, 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 2018:

Proxy, Jae Kyung Cho, was replaced in his office by Jin Park on 22 February 2018. On 13 April 2018, the registered office of Hyundai Motor Company was changed.

### Organisational Structure

The Company is organised into the following sub-divisions:

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

## 2. Principal Accounting Policies Used by the Company

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, and Czech Accounting Standards for Businesses, as amended. The financial statements are general purpose financial statements and have not

been prepared for any special purpose, transaction or user. Users should not rely exclusively on these financial statements in making decisions and should undertake other appropriate inquiries before making decisions.

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

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

### a) Tangible and Intangible Fixed Assets

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

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

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



## b) Inventory

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

Internally developed inventory is valued at the cost of producing the inventory, which primarily consists of the direct costs of production or any other activity, and/or attributable indirect costs relating to production or any other activity. The direct costs include the cost of material and other consumables and other costs incurred in direct connection with the production or any other activity.

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

Provisions against products are calculated as the sum of positive differences from the comparison of valuations of individual cars at the balance sheet date and the valid selling price of these cars. Provisions against work in progress and semi-finished goods are determined using the extrapolation of the proportion of the provision against products and the aggregate value of products at the balance sheet date. The provision against production material with the movement rate exceeding one year is recognised in the amount of 100% of the value of this material. The provision against idle spare parts in the last two years is recognised as equal to 100% of the value of the inventory and 20% for the spare parts that have been idle for no less than one year.

## c) Trade Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Provisions for receivables past their due dates are assessed for the relevant receivables on an individual basis.

Short-term receivables are ceded before their due dates. Under recourse factoring of receivables, ceded receivables are recorded on special analytical accounts and are subsequently settled against the received short-term loan. The costs of the recourse factoring of receivables

are deferred until the maturity date of these receivables. Under non-recourse factoring, receivables are reversed through other operating expenses and at the same time a receivable from the factor is recognised with a corresponding entry for the income from the cession of these receivables (other operating income).

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

## d) Trade Payables

Trade payables are stated at their nominal value.

## e) Recognition of Reserves

The Company creates a reserve for outstanding vacation days and a reserve for warranty repairs.

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

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

## f) Estimated Payables

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

## g) Loans

Loans are stated at their nominal value.

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

#### h) Foreign Currency Translation

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

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

#### i) Finance Lease

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

#### j) Income Tax

Income tax for the period is composed of the tax payable and movements in deferred tax. The tax payable includes the estimate of the tax calculated from the tax base using the tax rate applicable on the last day of the reporting period and all tax arrears and refunds for prior periods.

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

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

#### k) Revenue Recognition

Revenues are recognised when goods are shipped out of stock and significant risks

and rewards have passed to the customer or when services are rendered and are reported net of discounts and VAT.

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

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

#### l) Subsidies

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

#### m) Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

#### n) Impairment

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

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

#### o) Cash Flow Statement

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

Cash and cash equivalents may be analysed as follows:

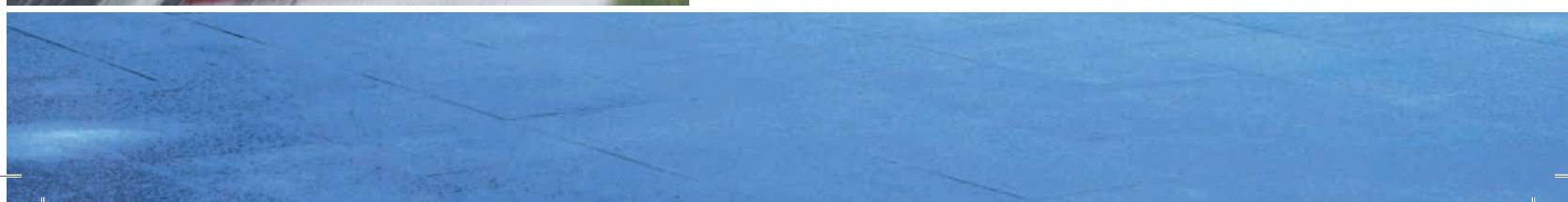
*(CZK thousand)*

	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Cash on hand and cash in transit	166	95
Cash at bank	30 796 379	32 011 433
Overdraft balances of current accounts included in current bank loans	-	-
Cash equivalents included in current financial assets	-	-
<b>Total cash and cash equivalents</b>	<b>30 796 545</b>	<b>32 011 528</b>

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

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

In preparing these financial statements, the Company proceeded in line with the Regulation and presents accruals/deferrals including the comparative amounts in current assets and liabilities.



### 3. Fixed Assets

#### a) Intangible Fixed Assets

(CZK thousand)

	Software	Other intangible fixed assets	Intangible FA under construction	Total
<b>Cost</b>				
Balance at 1 Jan 2018	360 934	9 284	2 160	372 378
Additions	30 851	11 332	37 120	79 303
Disposals	1 849	5 313	30 851	38 013
Balance at 31 Dec 2018	389 936	15 303	8 429	413 668
<b>Accumulated amortisation</b>				
Balance at 1 Jan 2018	331 264	-	-	331 264
Amortisation	15 900	-	-	15 900
Accumulated amortisation to disposals	1 848	-	-	1 848
Balance at 31 Dec 2018	345 316	-	-	345 316
<b>Net book value at 1 Jan 2018</b>	<b>29 670</b>	<b>9 284</b>	<b>2 160</b>	<b>41 114</b>
<b>Net book value at 31 Dec 2018</b>	<b>44 620</b>	<b>15 303</b>	<b>8 429</b>	<b>68 352</b>

(CZK thousand)

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

In respect of software, the Company continued to modernise its information systems, primarily in assurance of production quality, during the years ended 31 December 2018 and 2017.

b) Tangible Fixed Assets

(CZK thousand)

	Land	Buildings	Individual movable assets	Tangible FA under construc- tion	Prepay- ments	Total
<b>Cost</b>						
Balance at 1 Jan 2018	167 511	8 585 431	25 730 883	447 741	46 063	34 977 629
Additions	-	114 400	2 308 237	2 051 354	73 314	4 547 305
Transfers	-	2 742	-2 742	-	-	0
Disposals	-	183	154 467	2 422 637	94 316	2 671 603
Balance at 31 Dec 2018	167 511	8 702 390	27 881 911	76 458	25 061	36 853 331
<b>Accumulated depreciation</b>						
Balance at 1 Jan 2018	-	2 472 087	15 055 974	-	-	17 528 061
Depreciation	-	287 737	2 183 258	-	-	2 470 995
Transfers	-	419	-419	-	-	0
Accumulated depreciation to disposals	-	44	99 015	-	-	99 059
Balance at 31 Dec 2018	-	2 760 199	17 139 798	-	-	19 899 997
<b>Net book value at 1 Jan 2018</b>	<b>167 511</b>	<b>6 113 344</b>	<b>10 674 909</b>	<b>447 741</b>	<b>46 063</b>	<b>17 449 568</b>
<b>Net book value at 31 Dec 2018</b>	<b>167 511</b>	<b>5 942 191</b>	<b>10 742 113</b>	<b>76 458</b>	<b>25 061</b>	<b>16 953 334</b>

(CZK thousand)

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

In the year ended 31 December 2018, additions to movable fixed assets largely related to the production of the Tucson model. This predominantly involved machinery equipment of CZK 77,647 thousand, moulds for the production of components placed at the suppliers of such components of CZK 892,991 thousand and press moulds for metal components of CZK 59,164 thousand. The Company also purchased moulds for the production of components placed at the suppliers of such components of CZK 789,951 thousand for the third-generation Hyundai i30.

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

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 2,390,614 thousand (2017: CZK 1,978,594 thousand) and inventory of spare parts for production equipment of CZK 297,880 thousand (2017: CZK 293,146 thousand). The provision against production material amounts to CZK 14,332 thousand (2017: CZK 18,047 thousand) and against spare parts to CZK 203,967 thousand (2017: CZK 188,340 thousand) as of the balance sheet date.

#### 5. Trade Receivables and Payables

Overdue short-term trade receivables amount to CZK 710,279 thousand (2017: CZK 316,251 thousand).

Overdue short-term trade payables amount to CZK 370,252 thousand (2017: CZK 940 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 1,330,368 thousand (2017: CZK 1,196,589 thousand) and the sum of VAT not yet sought to be refunded of CZK 1,336,902 thousand (2017: CZK 1,218,027 thousand). In 2017, it included a receivable arising from the current income tax payable of CZK 89,137 thousand.

#### 7. Other Receivables

Other receivables predominantly include receivables arising from VAT paid in other EU member states. The filed applications for the refund of VAT amount to CZK 1,462 thousand (2017: CZK 2,198 thousand) and the sum of VAT not yet sought to be refunded amounts to CZK 136,927 thousand (2017: CZK 226,058 thousand).

#### 8. Deferrals

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

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

Accrued income predominantly includes unbilled supplies of secondary raw materials.

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

#### 9. Share Capital

As of 31 December 2018, the share capital consisted of the investment of the sole owner. The share capital was fully paid as of 31 December 2018.

## 10. Statement of Changes in Equity

(CZK thousand)

2018	Share capital	Accumulated profit	Profit for the period	Total
<b>Balance at 1 Jan 2018</b>	13 901 000	22 244 066	6 692 269	42 837 335
Allocation to funds, allocation of profit/loss	-	-	-	-
Payment of profit shares	-	-908 231	-6 692 269	-7 600 500
Profit for 2018	-	-	7 223 737	7 223 737
<b>Balance at 31 Dec 2018</b>	<b>13 901 000</b>	<b>21 335 835</b>	<b>7 223 737</b>	<b>42 460 572</b>

(CZK thousand)

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

## 11. Reserves

(CZK thousand)

Reserves	Balance at 31 Dec 2018	Balance at 31 Dec 2017
For outstanding vacation days	18 103	16 056
For warranty repairs	8 880 192	7 919 577
<b>Total</b>	<b>8 898 295</b>	<b>7 935 633</b>

## 12. Estimated Payables

Estimated payables recognised in the balance sheet principally include unbilled supplies of material of CZK 1,182,115 thousand (2017: CZK 395,086 thousand), unbilled supplies of consumed energy and other costs of CZK 213,933 thousand (2017: CZK 258,102 thousand) and unbilled supplies for the acquisition of tangible fixed assets in the amount of CZK 33,288 thousand (2017: CZK 146,157 thousand).

## 13. Bank Loans

### Short-Term Loans

(CZK thousand)

	Currency	Balance at 31 Dec 2018 (CZK thousand)	Balance at 31 Dec 2017 (CZK thousand)	Interest rate At 31 Dec 2018	Form of collateral in 2018
Loan A	EUR	382 427	-	3,060%	-
<b>Total</b>		<b>382 427</b>	<b>-</b>		

### Long-Term Loans

(CZK thousand)

	Currency	Balance at 31 Dec 2018 (CZK thousand)	Balance at 31 Dec 2017 (CZK thousand)	Interest rate At 31 Dec 2018	Form of collateral in 2018
Loan B	EUR	5 145 000	5 108 000	0,370%	-
Loan C	EUR	5 916 750	5 874 200	0,450%	-
<b>Total</b>		<b>11 061 750</b>	<b>10 982 200</b>		

### Repayment Schedule

(CZK thousand)

	2019	2020	Following periods
Loan A	382 427	-	-
Loan B	-	5 145 000	-
Loan C	-	5 916 750	-
<b>Total</b>	<b>382 427</b>	<b>11 061 750</b>	<b>-</b>



## 14. Sales of Own Products and Services

(CZK thousand)

Market	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Czech Republic	5 120 398	4 943 476
EU	86 350 296	93 430 906
Other than EU countries - Europe	15 632 037	14 623 194
Other than EU countries - other	22 156 787	23 675 682
<b>Total sales of own products and services</b>	<b>129 259 518</b>	<b>136 673 258</b>

In 2018, 98% of the sales of products related to sold cars (2017: 97.8%). The remaining 2% (2017: 2.2%) related to the sale of transmissions and other semi-finished goods, which the Company supplies to other production companies within the Group in Europe.

## 15. Consumed Material and Energy

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Consumed material	105 509 749	113 309 896
Consumed energy	440 242	431 482
<b>Total consumed material and energy</b>	<b>105 949 991</b>	<b>113 741 378</b>

## 16. Services

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Travel expenses	11 459	27 176
Building security, cleaning and operation	242 967	234 932
Production support services	1 262 866	1 138 895
Service and licence fees	3 636 454	3 711 220
Hiring and support of staff	670 746	645 939
IT services and software	82 659	84 636
Transportation services	1 475 058	1 523 708
Advisory and audit services	14 863	21 253
Repairs and maintenance of buildings and equipment	83 717	89 665
Rental	23 736	24 162
Training	4 975	7 612
Other services	42 898	37 397
<b>Total</b>	<b>7 552 398</b>	<b>7 546 595</b>

## 17. Sales of Material, Sold Material

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Sales of material to sub-suppliers	3 917 382	3 862 985
Sales of secondary raw material	315 878	288 879
<b>Total sales of material</b>	<b>4 233 260</b>	<b>4 151 864</b>

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Material sold to sub-suppliers	3 986 409	3 931 444
Sold secondary raw material	315 878	288 879
<b>Total sold material</b>	<b>4 302 287</b>	<b>4 220 323</b>

## 18. Other Operating Income

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Rebilling of complaint costs to suppliers	289 574	408 147
Inventory count differences	1 575	1 095
Sundry operating income	66 202	69 727
<b>Total</b>	<b>357 351</b>	<b>478 969</b>

## 19. Other Operating Expenses

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Insurance	28 258	30 378
Costs of warranty repairs and campaigns	2 235 090	2 297 595
Inventory count differences	1 365	1 037
Sundry operating expenses	69 838	78 421
<b>Total</b>	<b>2 334 551</b>	<b>2 407 431</b>

## 20. Interest Income

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Interest on provided loans	31 032	30 240
Interest on provided business loans	211 207	205 404
Interest on deposits at bank accounts	50 669	32 511
<b>Total</b>	<b>292 908</b>	<b>268 155</b>

## 21. Interest Expense

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Interest on received bank loans and overdrafts	66 873	46 021
Interest on received loans from the sale of receivables	8 457	183
Interest on received business loans	9	67
<b>Total</b>	<b>75 339</b>	<b>46 271</b>

## 22. Other Financial Income and Expenses

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Foreign exchange rate losses	1 848 475	4 739 850
Sundry financial expenses	6 810	5 681
<b>Total</b>	<b>1 855 285</b>	<b>4 745 531</b>

Other financial income in the years ended 31 December 2018 and 2017 primarily includes foreign exchange rate gains.

## 23. Income Tax

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Tax payable	1 988 352	1 621 648
Deferred tax	-282 359	-58 667
<b>Total</b>	<b>1 705 993</b>	<b>1 562 981</b>

Profit before tax and calculation of tax payable:

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Profit before tax	8 929 730	8 255 250
Anticipated tax costs (19%)	1 696 649	1 568 498
Non-tax expenses and income	339 759	97 612
Tax for prior periods	-48 056	-44 462
<b>Tax payable</b>	<b>1 988 352</b>	<b>1 621 648</b>

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

(CZK thousand)

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Accumulated depreciation and amortisation of fixed assets	-988 230	-1 087 286
Provision against inventory	44 019	43 622
Reserves	1 690 676	1 507 770
<b>Total (+ asset/ - liability)</b>	<b>746 465</b>	<b>464 106</b>



## 24. Related Parties

### a) Trade Receivables and Payables

Trade receivables and payables include the following balances with related parties:

(CZK thousand)

	Receivables as of 31 Dec 2018	Receivables as of 31 Dec 2017	Payables as of 31 Dec 2018	Payables as of 31 Dec 2017
Hyundai Motor Company	44 033	23 640	1 557 565	1 490 391
Hyundai Motor Europe GmbH	9 251 845	8 305 328	-	-
Hyundai Rotem Company	-	-	-	4 835
Hyundai Engineering Czech s.r.o.	-	979	24 274	24 220
Hyundai AutoEver Corporation	-	-	9 531	102
Hyundai AutoEver Europe GmbH	-	-	5 329	7 316
Haevichi Hotel & Resort Co., Ltd	-	-	-	1 297
G.I.T Co., Ltd	-	-	5 125	2 118
Hyundai Glovis Co. Ltd.	12 839	7 525	1 449 304	1 043 769
Hyundai Glovis Czech Republic s.r.o.	622	163	139 575	141 728
Glovis Europe GmbH	39	852	110 996	4 419
Glovis Slovakia s.r.o.	-	-	-	677
Hyundai Steel Czech s.r.o.	1 295	766	28 971	265 025
Hyundai Motor CIS LLC	-	-	4 204	3 411
Hyundai Motor Company Italy s.r.l.	-	-	11 895	4 234
Hyundai Motor Czech s.r.o.	1 511 191	1 260 422	15 156	2 576
Hyundai Motor Deutschland GmbH	-	-	42 985	-
Hyundai Motor Poland Sp. z o. o.	-	-	6 741	1 202
Hyundai Motor UK Ltd.	-	-	15 469	5 182
Hyundai Motor España S.L.U.	-	-	7 783	2 507
Hyundai Motor Europe Technical Center GmbH	26	415	-	-
Hyundai Motor Netherlands B.V.	-	-	1 577	1 185
Hyundai Motor France	-	-	9 477	-18
Hyundai Motorsport GmbH	-	2 056	-	-
Hyundai Motor Mfg. Rus LLC	49 982	55 760	171	66
Hyundai Assan Otomotive SVT A.S.	454	321 487	2 947	-
Hyundai Motor Company Australia Pty Ltd.	197 844	14 974	4 108	1 210
Hyundai Motor de Mexico, S de RL de CV	1 952 075	2 019 870	739	566
Hyundai Motor India	258	1 548	-	-
Sichuan Hyundai Motor Company	19 919	-	-	-
HM Czech, s.r.o.	4 612	588	-	-
Hyundai Mobis Co. Ltd.	3 721	1 759	-	-
Mobis Parts Europe N.V.	45	-	-	-

Mobis Slovakia s.r.o.	14 122	4 142	-	-
Mobis Automotive Czech s.r.o.	53 751	73 317	2 627 023	2 442 507
Hyundai Dymos Czech, s.r.o.	17 569	19 786	560 579	552 786
Adampol Czech s.r.o.	110	260	-	-
Kia Motors Czech s.r.o.	-	-	16	-
Kia Motors Europe GmbH	-	-	756	-
Kia Motors RUS LLC	-	-	1	10
Kia Motors Mexico SA de CV	-	48 582	-	-
Kia Motors Slovakia s.r.o.	105 874	103 707	375 492	552 961
<b>Total</b>	<b>13 242 226</b>	<b>12 267 926</b>	<b>7 017 789</b>	<b>6 556 282</b>

As of the balance sheet date, the Company reported prepayments made for the assets of Hyundai Engineering Czech s.r.o. of CZK 11,426 thousand (2017: CZK 7,623 thousand), of Hyundai AutoEver Europe GmbH of CZK 1,108 thousand (2017: CZK 8,069 thousand).

As of the balance sheet date, estimated payables to Hyundai Motor Company amount to CZK 12,379 thousand (2017: CZK 108,954 thousand), estimated payables to G.I.T Co. Ltd amount to CZK 4,236 thousand (2017: CZK 816 thousand) and estimated payables to Kia Motors Slovakia s.r.o. amount to CZK 274 thousand (2017: CZK 0 thousand).

#### b) Sales and Purchases

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

(CZK thousand)

	<b>Year ended 31 Dec 2018</b>	<b>Year ended 31 Dec 2017</b>
Sales of products	100 871 194	112 575 575
Sales of fixed assets	1 124	15 670
Sales of material	1 017 763	1 221 300
Other operating income	222 669	269 828
Interest income and other financial income	262 158	235 644
<b>Total sales</b>	<b>102 374 908</b>	<b>114 318 017</b>

(CZK thousand)

	<b>Year ended 31 Dec 2018</b>	<b>Year ended 31 Dec 2017</b>
Purchase of fixed assets	558 138	980 879
Purchase of material	70 379 031	76 571 480
Purchase of services	6 711 834	6 588 064
Other operating expenses	1 675 897	1 782 910
Interest expenses	9	67
<b>Total purchases</b>	<b>79 324 909</b>	<b>85 923 400</b>

c) Provided loans

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

(CZK thousand)

	Currency	Balance at 31 Dec 2018 (CZK thousand)	Balance at 31 Dec 2017 (CZK thousand)	Interest rate as at 31 Dec 2018	Form of collateral 2018
Hyundai Truck and Bus Rus LLC	EUR	349 860	347 344	0,80%	-
Hyundai Motor Mfg. Rus LLC	EUR	2 572 500	2 554 000	1,10%	-
<b>Total</b>		<b>2 922 360</b>	<b>2 901 344</b>		

Repayment schedule

(CZK thousand)

	2019	2020	Following periods
Hyundai Truck and Bus Rus LLC	-	349 860	-
Hyundai Motor Mfg. Rus LLC	2 572 500	-	-
<b>Total</b>	<b>2 572 500</b>	<b>349 860</b>	<b>-</b>

d) Other transactions

In the year ended 31 December 2018, the Company paid profit share to its owner, Hyundai Motor Company in the amount of CZK 7,600,500 thousand (2017: CZK 0 thousand).

## 25. Employees and Managers

a) The average number of employees and managers and staff costs for the years ended 31 December 2018 and 2017:

(CZK thousand)

2018	Number of employees	Payroll costs in CZK thousand	Social security and health in- surance in CZK thousand	Social costs in CZK thousand
Employees	2 534	1 296 328	440 762	-
Managers	18	49 360	11 194	-
<b>Total</b>	<b>2 552</b>	<b>1 345 688</b>	<b>451 956</b>	<b>90 793</b>
Managers (IHOL)	9	45 215	2 254	-

(CZK thousand)

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

The Company employed 40 Korean workers (2017: 42) on average based on the International Hiring of Labour (IHOL) contract. The aggregate payroll costs amounted to CZK 154,653 thousand (2017: CZK 151,779 thousand) and are reported in profit and loss account line A.3 'Services' (refer to Note 16).

The social costs incurred by the Company in 2018 and 2017 principally include payments made under the International Hiring of Labour Contract, the costs of providing meals to all employees and the employer's contribution towards settling part of the costs of transportation to work. The Company is unable to analyse these costs into the part attributable to management and other employees.

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

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

## 26. State – Tax Payables and Subsidies

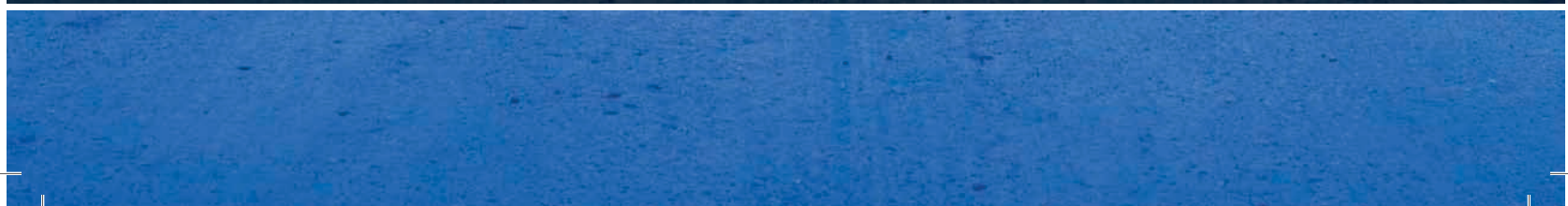
Tax payables are represented by a payable arising from the due income tax in the amount of CZK 128,482 thousand (2017: CZK 0 thousand), the employees' income tax payments withheld by the Company of CZK 31,616 thousand (2017: CZK 24,314 thousand), road tax of CZK 22 thousand (2017: CZK 21 thousand), income tax securement of CZK 0 thousand (2017: CZK 390 thousand), other tax securements of CZK 30 thousand (2017: CZK 2 thousand) and subsidies of CZK 15,303 thousand (2017: CZK 9,284 thousand).

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

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

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





## 27. Other Matters

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

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

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

## 28. Contingent Liabilities

### Legal Disputes

As of 31 December 2018, 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 guarantees banks for repayment of loans provided to Sichuan Hyundai Motor Company.  
(CZK thousand)

	Currency	Collateral value at 31 Dec 2018 (CZK thousand)	Collateral value at 31 Dec 2017 (CZK thousand)	Collateral expiration date
Bank A	USD	1 179 465	-	31.8.2019
Bank B	USD	1 123 300	-	26.8.2019
Bank C	USD	494 252	-	4.11.2019
<b>Total</b>		<b>2 797 017</b>	-	

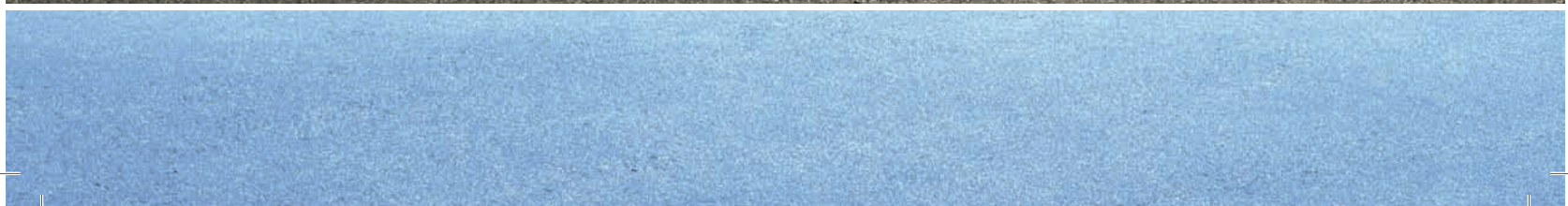
The Company carries no other contingent liabilities.

## 29. Post Balance Sheet Date Events

No significant events occurred subsequent to the balance sheet date.

# Report on Relations

of Hyundai Motor Manufacturing Czech s.r.o.,  
for the Year Ended 31 December 2018



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

## 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 2018, it comprised 331 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

### 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

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.



**II. List of acts performed in the latest reporting period, ie in the year ended 31 December 2018, 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 2018:**

1. Realised Income

(in CZK thousand)

	Sales generated by own products	Sales of material	Other operating income	Interest income
Hyundai Motor Company	79 480	-	12 026	-
Hyundai Motor Europe GmbH	83 722 348	-	248	104 125
Hyundai Motor Czech s.r.o.	7 326 950	-	18	19 840
Hyundai Glovis CO. Ltd.	-	-	39 605	-
Mobis Automotive Czech s.r.o.	-	698 252	92 405	-
Hyundai Dymos Czech, s.r.o.	187	257 429	20 576	-
Kia Motors Slovakia s.r.o.	1 753 708	-	23 770	-

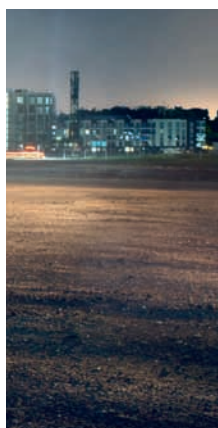
The controlled company reported sales of fixed assets to Hyundai Motor Company in the amount of CZK 1 124 thousand.

2. Realised Purchases

(in CZK thousand)

	Purchase of fixed assets	Purchase of material	Purchase of services	Other operating costs
Hyundai Motor Company	88 326	2 642 290	3 746 072	495
Hyundai Motor Europe GmbH	-	-	26	-
Hyundai Motor Czech s.r.o.	25 504	1 708	83	92 088
Hyundai Glovis CO. Ltd.	-	14 384 362	382 948	-
Mobis Automotive Czech s.r.o.	258 177	32 228 587	4 851	268
Hyundai Dymos Czech, s.r.o.	83 491	6 502 227	-	2 313
Kia Motors Slovakia s.r.o.	-	10 700 759	40	4 670

The controlled company reported interest expenses from Hyundai Glovis CO. Ltd. in the amount of CZK 9 thousand.



### **III. List of agreements valid between the controlling entity and the controlled entity in the latest reporting period, ie in the year ended on 31 December 2018:**

The following agreements were valid between the controlling and controlled entities in the year ended 31 December 2018:

- 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. 4100003350, TL Facelift Assembly Machinery, of 2 May 2018;
- Agreement/order no. 4100003377, PD Emission Press Machinery, of 27 June 2018;
- Agreement/order no. 4100003378, TL Facelift Press Machinery, of 27 June 2018;
- Agreement/order no. P180309928, Welding Machinery, of 6 March 2018;
- Agreement/order no. P180317901, TL Facelift Press Moulds, of 9 March 2018;
- Agreement/order no. P180524387, TL Facelift Welding Machinery, of 11 May 2018;
- Agreement/order no. P180623912, TL Facelift Testing Material, of 13 June 2018;
- Agreement/order no. P180949395, PD Fastback N Welding Machinery, of 27 September 2018;
- Agreement/order no. P181034970, Welding Machinery, of 17 October 2018;
- Agreement/order no. P181034971, TL Moving Machinery, of 17 October 2018;
- Agreement/order no. P181227374, Welding Machinery, of 12 December 2018;
- Agreement/order no. P181236998, TL 48V HEV Welding Machinery, of 17 December 2018;
- Agreement/order no. P181236998, PD Welding Machinery, of 17 December 2018.

### **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 2018:**

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

3. Other agreements:

- Hyundai Motor Manufacturing Rus LLC, Loan Agreement
- Hyundai Truck and Bus Rus LLC, Loan Agreement
- Sichuan Hyundai Motor Company, Guarantee Fee Agreement

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

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

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

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

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

In Nižní Lhoty on 12 February 2019



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



# Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

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

Having its registered office at: 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 at 31 December 2018, and the profit and loss account and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Hyundai Motor Manufacturing Czech s.r.o. as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

#### Basis for Opinion

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

#### Other Information in the Annual Report

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

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

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

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

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executive.
- Conclude on the appropriateness of the Statutory Executive'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 12 February 2019

Audit firm:

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



Statutory auditor:

Petr Michalík  
registration no. 2020

