

**Hankook Tire & Technology Co., Ltd.
and Subsidiaries**
Consolidated Financial Statements
December 31, 2021 and 2020

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Index

December 31, 2021 and 2020

	Page(s)
Independent Auditor’s Report	1 - 4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 106



Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hankook Tire & Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hankook Tire & Technology Co., Ltd. and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes management's plans and action taken to resolve uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders, and to solve these events or circumstances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Finished Goods Inventories

Reason why the matter was determined to be a Key Audit Matter

As disclosed in Note 10 to the consolidated financial statements, the Group's finished goods amount to W 1,231,940 million as at December 31, 2021, representing 10.5% of total assets which is significant to the Group. Inventories initially measured at cost are to be decreased in value if those inventories are damaged, obsoleted, or if their estimated net realizable value is less than the cost. We determined that valuation of finished goods inventories as a key audit matter because the determination of the net realizable value of the finished goods inventories involves the significant level of management's judgements.

How our audit addressed the Key Audit Matter

We have performed the following audit procedures in relation to the above key audit matter:

- We reviewed the appropriateness of accounting policy on valuation of finished goods inventories.
- We obtained an understanding of the net realizable value and valuation process of obsolescence of finished goods inventories.
- We tested the accuracy and completeness of aging data for finished goods inventories through sampling.
- We tested whether the Group's actual recent selling price is consistent with the estimated selling price used in calculation of net realizable value of finished goods inventories through sampling.
- We recalculated valuation allowance of finished goods prepared by the Group.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Korean Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sung Woo, Choi, Certified Public Accountant.

Seoul, Korea
March 22, 2022

This report is effective as of March 22, 2022, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	Notes			2021			2020
Assets							
Current assets							
Cash and cash equivalents	6	₩		1,062,042,416	₩		1,060,864,709
Short-term financial assets	6			480,020,612			239,826,957
Financial assets at fair value through profit or loss	5,6,7			458,986,405			406,933,099
Trade and other receivables	6,9,42			1,507,331,360			1,314,383,164
Inventories	10			1,896,588,732			1,562,764,801
Other financial assets	5,6,8,11			10,800,198			8,933,867
Other current assets	12			55,737,394			56,788,842
Assets held for sale	16			37,734,720			37,734,720
				<u>5,509,241,837</u>			<u>4,688,230,159</u>
Non-current assets							
Long-term financial assets	6			114,001,639			257,000
Long-term trade and other receivables	6,9			43,767,768			62,755,262
Financial assets at fair value through other comprehensive income	5,6,7			87,229,257			39,697,511
Financial assets at fair value through profit or loss	5,6,7			89,231,325			146,255,000
Investments in associates and joint ventures	13			1,186,644,598			1,070,783,940
Property, plant and equipment	15			3,834,086,277			3,901,607,189
Investment properties	18			120,028,847			113,936,723
Intangible assets	19			263,637,549			271,144,476
Other financial assets	5,6,8,11			181,228,516			134,927,194
Other non-current assets	12			82,268,394			28,783,446
Deferred tax assets	36			192,552,116			200,169,989
				<u>6,194,676,286</u>			<u>5,970,317,730</u>
Total assets		₩		11,703,918,123	₩		10,658,547,889
Liabilities							
Current liabilities							
Trade and other payables	6,20,42	₩		1,152,501,042	₩		962,556,323
Borrowings	6,21			457,294,467			528,329,865
Current tax liabilities	36			20,035,169			68,469,718
Provisions	22			10,017,417			8,436,599
Other financial liabilities	5,6,8,23			24,744,991			4,508,215
Other current liabilities	24			204,584,403			208,655,083
				<u>1,869,177,489</u>			<u>1,780,955,803</u>
Non-current liabilities							
Borrowings	6,21			1,363,090,829			1,190,681,644
Net defined benefit liabilities	25			7,507,521			15,611,109
Provisions	22			71,691,731			62,433,417
Other financial liabilities	5,6,23			23,142,640			65,783,752
Other non-current liabilities	24			116,538,950			93,341,418
Deferred tax liabilities	36			47,633,138			37,593,223
				<u>1,629,604,809</u>			<u>1,465,444,563</u>
Total liabilities				<u>3,498,782,298</u>			<u>3,246,400,366</u>
Equity							
Share capital	26			61,937,535			61,937,535
Other paid-in capital	27			2,927,985,080			2,927,985,079
Other components of equity	29			(12,766,416)			(277,692,786)
Retained earnings	28			5,190,613,538			4,665,265,076
Equity attributable to owners of the Parent Company				<u>8,167,769,737</u>			<u>7,377,494,904</u>
Non-controlling interest				37,366,088			34,652,618
Total equity				<u>8,205,135,825</u>			<u>7,412,147,522</u>
Total liabilities and equity		₩		11,703,918,123	₩		10,658,547,889

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

<i>(in thousands of Korean won, except per share data)</i>	Notes	2021		2020	
Sales	30,39,42	₩	7,141,136,828	₩	6,453,071,785
Cost of sales	30,37,42		(5,193,837,390)		(4,550,059,850)
Gross profit			1,947,299,438		1,903,011,935
Selling and administrative expenses	31,37		(1,125,821,550)		(1,093,998,198)
Research and development expenses	37		(179,284,982)		(180,743,181)
Operating profit			642,192,906		628,270,555
Finance income	32		82,946,535		100,607,996
Finance costs	33		(87,378,112)		(137,415,868)
Other non-operating income	34		206,470,410		207,010,904
Other non-operating expense	35		(162,209,654)		(225,396,138)
Gain on investments in associates, net	13		43,464,339		5,190,654
Profit before income tax			725,486,424		578,268,103
Income tax expense	36		(121,150,888)		(193,062,721)
Profit for the year		₩	604,335,536	₩	385,205,382
Other comprehensive income (loss)					
<i>Items that will not be reclassified to profit or loss</i>					
Financial assets at fair value through other comprehensive income	29	₩	12,999,922	₩	6,631,507
Remeasurements of net defined benefit liabilities			4,048,107		17,573,760
Remeasurements of net defined benefit liabilities of associates			1,260,290		(3,419,753)
<i>Items that may be subsequently reclassified to profit or loss</i>					
Cash flow hedges	8,29		(488,535)		5,538,152
Share of other comprehensive income of associates	29		16,190,169		(5,683,825)
Exchange differences on translating foreign operations	29		238,889,690		(64,080,952)
Other comprehensive income (loss) for the year, net of tax			272,899,643		(43,441,111)
Total comprehensive income for the year		₩	877,235,179	₩	341,764,272
Profit for the year is attributable to:					
Owners of the Parent Company		₩	597,813,529	₩	372,337,205
Non-controlling interests			6,522,007		12,868,177
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩	869,567,522	₩	332,608,625
Non-controlling interests			7,667,658		9,155,647
Earnings per share					
Basic and diluted earnings per share	38	₩	4,901	₩	3,032

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

(in thousands of Korean won)	Notes	Other paid-in capital				Retained earnings	Other components of equity	Total	Non-controlling interest	Total equity
		Share capital	Share premium	Consolidated reserve within equity	Treasury shares					
Balance at January 1, 2020		₩ 61,937,535	₩ 2,993,465,738	₩ (20,631,939)	₩ (1,088,018)	₩ 4,343,703,621	₩ (220,620,981)	₩ 7,156,765,956	₩ 30,451,159	₩ 7,187,217,115
Annual dividends		-	-	-	-	(68,118,975)	-	(68,118,976)	(4,954,187)	(73,073,163)
Acquisition of treasury shares		-	-	-	(43,760,701)	-	-	(43,760,701)	-	(43,760,701)
Total comprehensive income for the year										
Profit for the year		-	-	-	-	372,337,205	-	372,337,205	12,868,177	385,205,382
Remeasurements of net defined benefit liabilities of associates		-	-	-	-	(3,419,753)	-	(3,419,753)	-	(3,419,753)
Cash flow hedges	8,29	-	-	-	-	-	5,538,152	5,538,152	-	5,538,152
Gain (loss) on valuation and disposal of equity instruments at fair value through other	29	-	-	-	-	3,189,218	3,443,991	6,633,209	(1,702)	6,631,507
Share of other comprehensive income	29	-	-	-	-	-	(5,683,825)	(5,683,825)	-	(5,683,825)
Exchange differences on translating foreign operations	29	-	-	-	-	-	(60,370,123)	(60,370,123)	(3,710,829)	(64,080,952)
Remeasurements of net defined benefit liabilities		-	-	-	-	17,573,760	-	17,573,760	-	17,573,760
Balance at December 31, 2020		<u>₩ 61,937,535</u>	<u>₩ 2,993,465,738</u>	<u>₩ (20,631,939)</u>	<u>₩ (44,848,719)</u>	<u>₩ 4,665,265,076</u>	<u>₩ (277,692,786)</u>	<u>₩ 7,377,494,904</u>	<u>₩ 34,652,618</u>	<u>₩ 7,412,147,522</u>
Balance at January 1, 2021		<u>₩ 61,937,535</u>	<u>₩ 2,993,465,738</u>	<u>₩ (20,631,939)</u>	<u>₩ (44,848,719)</u>	<u>₩ 4,665,265,076</u>	<u>₩ (277,692,786)</u>	<u>₩ 7,377,494,904</u>	<u>₩ 34,652,618</u>	<u>₩ 7,412,147,522</u>
Annual dividends		-	-	-	-	(79,292,689)	-	(79,292,689)	(4,954,188)	(84,246,877)
Total comprehensive income for the year										
Profit for the year		-	-	-	-	597,813,529	-	597,813,529	6,522,007	604,335,536
Remeasurements of net defined benefit liabilities of associates		-	-	-	-	1,260,290	-	1,260,290	-	1,260,290
Cash flow hedges	8,29	-	-	-	-	-	(488,535)	(488,535)	-	(488,535)
Gain on valuation and disposal of equity instruments at fair value through other	29	-	-	-	-	1,519,225	11,479,411	12,998,636	1,285	12,999,921
Share of other comprehensive income	29	-	-	-	-	-	16,190,169	16,190,169	-	16,190,169
Exchange differences on translating foreign operations	29	-	-	-	-	-	237,745,324	237,745,324	1,144,366	238,889,690
Remeasurements of net defined benefit liabilities		-	-	-	-	4,048,107	-	4,048,107	-	4,048,107
Balance at December 31, 2021		<u>₩ 61,937,535</u>	<u>₩ 2,993,465,738</u>	<u>₩ (20,631,939)</u>	<u>₩ (44,848,719)</u>	<u>₩ 5,190,613,538</u>	<u>₩ (12,766,417)</u>	<u>₩ 8,167,769,735</u>	<u>₩ 37,366,088</u>	<u>₩ 8,205,135,823</u>

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

(in thousands of Korean won)

	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operating activities			
Profit for the year		₩ 604,335,536	₩ 385,205,382
Adjustments	40	798,941,099	945,118,719
Changes in operating assets and liabilities	40	(420,351,390)	140,432,782
		<u>982,925,245</u>	<u>1,470,756,883</u>
Interest income received		14,746,985	12,751,920
Interest expense paid		(46,050,670)	(47,945,279)
Dividends received		41,825,431	45,434,263
Income tax paid		(151,918,850)	(190,146,986)
Net cash inflow from operating activities		<u>841,528,141</u>	<u>1,290,850,801</u>
Cash flows from investing activities			
Net change in short-term financial assets		(214,886,866)	(226,042,965)
Net change in long-term financial assets		(114,621,023)	(240,000)
Payments for financial assets at fair value through profit or loss		(741,409,706)	(684,377,500)
Proceeds from disposal of financial assets at fair value through profit or loss		750,349,292	135,405,124
Payments for equity instruments at fair value through other comprehensive income		(24,775,738)	(535,747)
Proceeds from disposal of equity instruments at fair value through other comprehensive income		(10,018,473)	9,361,103
Payments for debt instruments at fair value through other comprehensive income		(32,087,215)	(1,224,035)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		33,209,838	1,220,564
Payments for property, plant and equipment	15	(327,532,065)	(312,176,510)
Proceeds from disposal of property, plant and equipment	15	23,780,254	14,099,875
Payments for intangible assets	19	(11,334,052)	(7,339,717)
Proceeds from disposal of intangible assets	19	142,876	270,058
Payments for investment properties	18	-	(34,516)
Settlement of derivatives		1,404,450	(843,105)
Net changes in other financial assets		1,184,331	21,795,903
Collection of financial lease receivables		4,383,911	320,078
Payments for investments in associates and joint ventures	13	(90,100,000)	(221,685)
Increase in leasehold deposits provided		(15,978,844)	(81,816,646)
Decrease in leasehold deposits provided		1,720,400	4,696,278
Assets held for sale (advances)		-	123,360,000
Net cash outflow from investing activities		<u>(766,568,630)</u>	<u>(1,004,323,443)</u>
Cash flows from financing activities			
Net changes in short-term borrowings	40	(23,245,628)	(248,557,483)
Repayments of long-term borrowings	40	127,388,956	177,004,500
Issuance of debentures	40	-	421,765,591
Refund of bond issuance cost	40	34,024	-
Repayments of debentures	40	-	(250,000,000)
Repayments of lease liabilities	40	(57,839,742)	(53,649,435)
Repayments of current portion of long-term borrowings	40	(45,776,800)	(58,601,200)
Dividends paid to owners of the Parent Company	40	(79,289,481)	(68,116,260)
Increase (decrease) in financial liabilities to non-controlling interests	40	804,997	(1,756,600)
Dividends paid to non-controlling Interests	40	(4,954,188)	(5,138,188)
Collection of leasehold deposits received	40	4,103,305	30,780,545
Payments of leasehold deposits received	40	(313,366)	(391,200)
Acquisition of treasury shares		-	(43,760,701)
Net cash outflow from financing activities		<u>(79,087,923)</u>	<u>(100,420,431)</u>
Net increase (decrease) in cash and cash equivalents		<u>(4,128,412)</u>	<u>186,106,927</u>
Cash and cash equivalents at the beginning of the year		1,060,864,709	877,600,276
Effects of exchange rate changes on cash and cash equivalents		5,306,119	(2,842,494)
Cash and cash equivalents at the end of the year		<u>₩ 1,062,042,416</u>	<u>₩ 1,060,864,709</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1. General Information

General information of Hankook Tire & Technology Co., Ltd. (the Company), that is a controlling company in accordance with Korean IFRS 1110 *Consolidated Financial Statements*, and its subsidiaries (collectively referred to as the "Group") is as follows:

1.1 The Company

The Group was spun off from the tire business division of Hankook & Company Co., Ltd. (formerly, Hankook Technology Group Co., Ltd) on September 1, 2012 to manufacture and sell tires, tubes and alloy wheels. The Group's headquarters is located at Bundang-Gu, Seongnam-si, Gyeonggi-do and eight manufacturing factories are located in Korea, China, Hungary, Indonesia and USA, including its subsidiaries. On October 4, 2012, the Group was relisted on the Korea stock exchange.

On February 28, 2019, the Board of Directors resolved to change its corporate name from Hankook Tire Co., Ltd. to Hankook Tire & Technology Co., Ltd. The Company changed its name on May 8, 2019, according to the approval of general meeting of stockholders on March 28, 2019.

As at December 31, 2021 and 2020, the Group's shareholders are as follows:

	2021		2020	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hankook & Company Co., Ltd. (formerly, Hankook Technology Group Co., Ltd.)	37,995,959	30.67	37,995,959	30.67
Yang Rai Cho	7,019,903	5.67	7,019,903	5.67
Hyun Bum Cho	2,561,241	2.07	2,561,241	2.07
Hyun Shick Cho	799,241	0.65	799,241	0.65
Others ¹	75,498,725	60.94	75,498,725	60.94
	<u>123,875,069</u>	<u>100.00</u>	<u>123,875,069</u>	<u>100.00</u>

¹ Including 1,886,316 treasury shares as at December 31, 2021.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at December 31, 2021 and 2020, are as follows:

Name of entity	Location	Main business	Ownership interest held by the Group (%)		Closing month
			2021	2020	
Hankook Engineering Works Co., Ltd.	Korea	Manufacture of tire and tube manufacturing machine	95.0	95.0	December
Hankook Tire America Corp.	USA	Sales of tires	100.0	100.0	December
Hankook Tyre U.K. Ltd.	United Kingdom	Sales of tires	100.0	100.0	December
Jiangsu Hankook Tire Co., Ltd.	China	Manufacture and sales of tires	100.0	100.0	December
Hankook Tire China Co., Ltd.	China	Manufacture and sales of tires	100.0	100.0	December
Shanghai Hankook Tire Sales Co., Ltd.	China	Sales of tires	100.0	100.0	December
Hankook Tire Netherlands B.V.	Netherlands	Sales of tires	100.0	100.0	December
Hankook Tire Japan Corp.	Japan	Sales of tires	100.0	100.0	December
Hankook Tire Canada Corp.	Canada	Sales of tires	100.0	100.0	December
Hankook Reifen Deutschland GmbH	Germany	Sales of tires	100.0	100.0	December
Hankook Tire France SARL	France	Sales of tires	100.0	100.0	December
Hankook Espana S. A.	Spain	Sales of tires	100.0	100.0	December
Hankook Tyre Australia Pty., Ltd.	Australia	Sales of tires	100.0	100.0	December
Hankook Tire Europe Holdings B.V.	Netherlands	Building European governance	100.0	100.0	December
Hankook Tire Hungary Ltd.	Hungary	Manufacture and sales of tires	100.0	100.0	December
Hankook Tire Budapest Kereskedelmi Kft	Hungary	Sales of tires	100.0	100.0	December
Hankook Tire Italia S.R.L.	Italy	Sales of tires	100.0	100.0	December
Hankook Tire Europe GmbH	Germany	Support to sales of tires	100.0	100.0	December
Hankook Tire Rus LLC	Russia	Sales of tires	100.0	100.0	December
Hankook Tire DE Mexico, S.A. DE C.V.	Mexico	Sales of tires	100.0	100.0	December
Chongqing Hankooktire Co., Ltd.	China	Manufacture and sales of tires	100.0	100.0	December
PT. HANKOOKTIRE INDONESIA.	Indonesia	Manufacture and sales of tires	99.9	99.9	December
MK Mold (Jiaxing) Co., LTD.	China	Manufacture and sales of tire mold	50.1	50.1	December
Hankook Precision Works Co., Ltd.	Korea	Manufacture and sales of tire mold	50.1	50.1	December
Hankook Tire Singapore PTE., Ltd.	Singapore	Trade and consulting	100.0	100.0	December
Hankook Tire Malaysia SDN.BHD.	Malaysia	Sales of tires	100.0	100.0	December

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Name of entity	Location	Main business	Ownership interest held by the Group (%)		Closing month
			2021	2020	
Hankook Tire India llp.	India	Sales of tires	100.0	100.0	December
Hankook Tire Sweden AB	Sweden	Sales of tires	100.0	100.0	December
Beijing Jielun Trading Company Co., Ltd.	China	Sales of tires	100.0	100.0	December
Qingdao Jieluntong Trading Co., LTD	China	Sales of tires	100.0	100.0	December
Xiamen Jieluntong Trading Co., LTD	China	Sales of tires	100.0	100.0	December
Hankook Lastikleri A.S.	Turkey	Sales of tires	100.0	100.0	December
Hankook Tire Polska Sp. z o.o.	Poland	Sales of tires	100.0	100.0	December
Hankook Tire Thailand Co., Ltd.	Thailand	Sales of tires	100.0	100.0	December
Hankook Tire de Colombia Ltda.	Colombia	Sales of tires	100.0	100.0	December
Hankook Tire Manufacturing Tennessee LP	USA	Manufacture and sales of tires	100.0	100.0	December
Hankook Tire America Holdings I, LLC	USA	Building American governance	100.0	100.0	December
Hankook Tire America Holdings II, LLC	USA	Building American governance	100.0	100.0	December
MK Technology (CHONGQING) Mould Co., Ltd.	China	Manufacture and sales of tire mold	50.1	50.1	December
Hankook Tire Ceska Republika s.r.o.	Czech	Sales of tires	100.0	100.0	December
Hankook Donggeurami Partners Co., Ltd.	Korea	Facilities management service, baking	100.0	100.0	December
Hankook Tyre Australia Retail Pty., Ltd.	Australia	Distribution of tires	100.0	100.0	December
JAX Quickfit Franchising Systems Unit Trust.	Australia	Distribution of tires	100.0	100.0	December
JAX Quickfit Franchising Systems Pty Ltd.	Australia	Distribution of tires	100.0	100.0	December
JAX Quickfit Properties Pty Ltd.	Australia	Distribution of tires	100.0	100.0	December
Hankook Tire Latam, S.A.	Panama	Trade and consulting	100.0	100.0	December
Hankook Tire Latin America Distribution Center, S.A.	Panama	Sales of tires	100.0	100.0	December
Hankook Tire Ukraine LLC	Ukraine	Sale of tires	100.0	100.0	December
KCG 1 Private Equity Fund Limited Partnership ¹	Korea	Collective investment	-	80.0	December
Model Solution Co., Ltd.	Korea	Manufacture of injection molds	75.0	75.0	December
ModelSolution Inc.	USA	Computer printing	75.0	75.0	December
Reifen-Muller KG	Germany	Distribution of tires	100.0	100.0	December
Reifen-Muller GmbH & Co. Runderneuerungswerk KG	Germany	Distribution of tires	100.0	100.0	December
Rm Verwaltungs GmbH	Germany	Building European governance	100.0	100.0	December
RU Verwaltungs GmbH	Germany	Building European governance	100.0	100.0	December

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Name of entity	Location	Main business	Ownership interest held by the Group (%)		Closing month
			2021	2020	
Hankook Tire D.O.O. Beograd	Serbia	Sale of tires	100.0	100.0	December
Hankook Tire Middle East and Africa FZE	United Arab Emirates	Sale of tires	100.0	100.0	December
Hankook Tire Vietnam. Co., Ltd.	Vietnam	Sale of tires	100.0	100.0	December
PT. HANKOOK TIRE SALES INDONESIA	Indonesia	Sale of tires	100.0	100.0	December
Hankook Tire Austria GmbH	Austria	Sale of tires	100.0	100.0	December
TNA Co., Ltd.	Korea	Sale of tires	100.0	-	December
Mirae Asset OCIO Best Solution Privately Placed Investment Trust 1	Korea	Collective investment business	99.7	-	December
TIGER CONSTANT 1 Hedge Fund	Korea	Collective investment business	98.0	-	December
CNT Tech Mobility Startups Investment Fund	Korea	Collective investment business	66.7	-	December

¹ The investment amount was fully recovered, and it was dissolved for the year ended December 31, 2021.

1.3 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation during the year ended December 31, 2021, are as follow, and there are no subsidiaries excluded from consolidation:

Subsidiary	Reason
Mirae Asset OCIO Best Solution Privately Placed Investment Trust 1	Newly established
TIGER CONSTANT 1 Hedge Fund	Newly established
KCG 1 Private Equity Fund Limited Partnership	Dissolved during the year
CNT Tech Mobility Startups Investment Fund	Newly established

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

(a) Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification. The amendment does not have a significant impact on the consolidated financial statements.

(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

instruments at amortized costs is replaced and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship.

The Group's risk exposure directly affected by interest rate benchmark reform is two cases of borrowings at variable rate of 3 years for US\$ 100 million and borrowings at variable rate of 3 years for US\$ 80 million. To hedge fluctuations in cash flows of borrowings resulting from the changes in USD LIBOR of 3 months which is an interest rate benchmark, the Group enters into a currency swap contract for nominal amount of US\$100 million and designates it as a hedging instrument of cash flow hedge. However, the interest rate of USD LIBOR will be replaced to SOFR (Secured Overnight Financing Rate) based on actual transactions since 2023. In the hedging relationship, the Group shall assume that a spread which is to be changed based on SOFR in 2023 is similar with the spread included in the currency swap used as hedging instruments, with all other conditions not changed. For the purpose to minimize disruptions in business, mitigate operating risk and reduce financial losses as possible, the Group performs a replacement of existing interest rate benchmarks with alternative benchmarks within contracts. Meanwhile, the Group has entered into an interest rate swap contract to hedge the interest rate fluctuation risk of borrowings at variable rate of 3 years for US\$ 80 million (Note 4). As at December 31, 2021, the Group plans to enter into an interest rate swap contract for borrowings at variable rate of 3 years for US\$ 100 million.

(c) Amendment to Korean IFRS 1116 Lease - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. The Group has early adopted this amendment. The amendment does not have a significant impact on the consolidated financial statements.

2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group.

(a) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS 2121 Levies. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(b) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(c) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(d) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(e) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 Disclosure of Accounting Policies to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(f) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

(g) Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements

(h) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

(c) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates, and

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

- All resulting exchange differences are recognized in other comprehensive income.

When the Group ceases to control a subsidiary, exchange differences that were recorded in equity are recognized in the consolidated statements of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the Group and translated at the closing rate at the end of the reporting period.

2.5 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other income or expenses' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

receivables. (Note 43 provides more detail of how the Group determines there has been a significant increase in credit risk.)

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss as 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in 'finance income (expenses)'. The effective portion of changes in the fair value of derivatives, previously deferred in other comprehensive income, is reclassified from capital to profit or loss on the time of repayment and when interest expenses are recognized.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance. (Note 9)

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the following method:

Type of inventory	Costing method
Finished goods and work in process	Weighted-average method
Raw materials, merchandise and supplies	Moving-weighted average method
Materials in transit	Specific identification method

In addition, if the actual level of production is below the normal capacity, the allocation of fixed manufacturing overheads to each unit of product is based on the normal capacity, and the unallocated fixed manufacturing overheads (loss of capacity) are recognized as an expense in the period in which they are incurred.

2.9 Non-current Assets (or Disposal Group) Held for sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.10 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings	13 - 60 years
Structures	2 - 50
Machinery	2 - 18
Vehicles	2 - 10
Tools, furniture and fixtures	2 - 30
Molds	8
Right-of-use assets	1 – 32

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

appropriate, at the end of each reporting period.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.13 Intangible Assets

Goodwill is measured as described in Note 2.3.(a), and carried at cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are internally generated by the Group are recognized as intangible assets when the criteria including technical feasibility and probability of generating future economic benefits are met. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Industrial property rights	5 - 10 years
Other intangible assets and others	3 - 50
Brand and customer relationship	5 - 20

2.14 Investment Property

Investment property(including right-of-use assets) is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method and estimated useful lives are as follows:

	Useful lives
Buildings	20 - 60 years
Right-of-use assets	2 - 7

2.15 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance costs', together with interest expenses recognized from other financial liabilities.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2.18 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following:

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

The liability is recognized in the statement of financial position within 'other financial liabilities'.

2.19 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense of 2021 is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax based on amounts expected to be paid to the tax authorities.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis.

2.21 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

curtailments are recognized immediately in profit or loss as past service costs.

(b) Other long-term employee benefits

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2.22 Revenue Recognition

(a) Sales of goods

Revenue from sale of goods is recognized when products are delivered to the purchaser. Delivery occurs when the goods have been transferred to the specific location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. The Group recognizes provisions for product warranties based on reasonable expectation reflecting warranty obligation rates incurred historically.

(b) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.23 Lease

(a) Lessor

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Group leases various warehouses, equipment, cars and others. Lease contracts are typically made for fixed periods but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Measurement of lease liability also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by corporation, a subsidiary of the Group, which does not have recent third-party financing, and

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

2.24 Greenhouse Gas Emission Permits and Obligations

Emission permits and emission obligations for compliance

With enforcement of The Act on the Allocation and Trading of Greenhouse Gas Emission Permits, emission permits that are allocated free of charge from the government are measured at zero, and emission permits purchased are recognized at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost less accumulated impairment losses, and those to be submitted to the government within one year from the end of reporting period are classified as current assets.

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Group derecognizes the emission permits when the emission allowance is disposed or submitted to government or becomes unable to be disposed or submitted and accordingly, the future economic benefits are no longer expected to be probable. The Group derecognizes the emission obligations when the Group submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the statement of financial position.

Emission permits held for trading

Emission permits held for trading are classified as current assets and measured at fair value, and changes in fair value are recognized as profit or loss for the year. Changes in fair value and gain (loss) on disposal are recognized as other income and other expenses, respectively.

2.25 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.26 Approval of Issuance of the Financial Statements

The consolidated financial statements 2021 were approved for issue by the Board of Directors on February 15, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(a) Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 19).

(b) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects (Note 36).

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(d) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 43).

(e) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 25).

(f) Provisions

The Group recognizes provision for warranty on products sold. The Group accrues provision for warranty based on the best estimate of amounts necessary to settle future and existing claims. The amounts are estimated based on past experience (Note 22).

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(g) Valuation of inventories

Inventories are stated at the lower of cost and net realizable value. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to past experience, current market conditions and events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period (Note 10).

(h) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). (Note 17)

(i) Impact of Coronavirus disease 2019 ("COVID-19")

During 2021, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact, such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

4. Financial Risk Management

(a) Capital management

The Group manages its capital to ensure that entities under the Group will be able to continue while maximizing the return to shareholders through the optimization of its debt and equity balance. The Group's overall strategy remains unchanged from that of the prior periods. The Group utilizes the debt ratio as capital management index, which is the total liabilities divided by the total equity. Total liabilities and total equity are based on the amounts stated in the consolidated financial statements. The Group is not subject to any externally imposed capital requirements.

The debt ratios as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021		2020
Total liabilities	₩	3,498,782,298	₩	3,246,400,366
Total equity		8,205,135,825		7,412,147,522
Debt ratio		42.64%		43.80%

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(b) The significant accounting policies and methods (including recognition, measurement and related gain and loss recognition) adopted for the Group's financial assets, financial liabilities and equity are detailed in Note 2. Financial instrument category for financial assets and financial liabilities at the end of the reporting period are detailed in Note 6.

(c) Financial risk management

1) Purpose of financial risk management

The Group is exposed to various risks related to its financial instruments, such as market risk (currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The finance department of the Group manages operations, organizes the approach to financial market and controls the financial risks related to operations of the Group through internal risk reports, which analyze the scope and degree of each risk factor.

The Group uses derivative financial instruments to hedge these risks. The use of derivatives is decided in the observance of the Group's policies approved by the Board of Directors. They provide the documented principles of currency risk, interest rate risk, credit risk, use of derivatives/non-derivatives and excessive liquidity investments. The audit committee constantly oversees the observance of the policies and the degree of risk exposure. The Group does not trade the financial instruments, including derivatives for the purpose of speculation.

The finance department of the Group reports the details quarterly to Financial Risk Management Committee that monitors whether the Group continues to comply with the risk management policies and the current risk management system works appropriately for the risks that the Group is exposed to.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2) Market risk

The Group's activities are mainly exposed to financial risks of changes in currency and interest rates. The Group makes various derivative contracts to manage the interest rate risk and foreign currency rate risk.

a) Foreign currency risk management

The Group is exposed to foreign exchange risk arising from foreign currency transactions. Currency exposures are managed within approved policy parameters by utilizing currency forward contracts.

The sensitivity analysis includes outstanding monetary items denominated in foreign currencies, and foreign exchange translations are adjusted based on assumption that Korean won has weakened/strengthened by 10% at the end of the reporting period. The sensitivity analysis includes monetary items denominated in foreign currencies.

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit before tax for the year. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

<i>(in thousands of Korean won)</i>		2021		2020
Weakened	₩	66,849,292	₩	86,429,969
Strengthened		(66,849,292)		(86,429,969)

In order to reduce the impact of changes in exchange rates on future cash flows, the Group entered into foreign currency forward contracts. The outstanding forward contracts as at December 31, 2021 are as follows:

<i>(in thousands of USD, CNY, THB, MYR)</i>	Maturity date	Selling currency	Selling amount	Contract exchange rate	Buying Currency	Contractual inflow amount
MUFG	2022-04-12	THB	13,724	32.79	USD	419
JPM-MY	2022-06-30	MYR	18,106	4.22	USD	4,290
BOA and others	2022-04-06	USD	122,500	6.41	CNY	784,944

b) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from the Group's investing and financing activities will fluctuate because of changes in market interest rate. In order to minimizing uncertainty caused by fluctuations in interest rates and minimizing finance costs, the Group monitors a fluctuation of domestic and foreign interest rates and establishes alternatives.

The table below summarizes the impact of increases/decreases of interest rate in borrowings with floating interest rate on the Group's pre-tax profit for the year. The analysis is based on the assumption that the interest rate has increased/decreased by 10 basis point with all other variables

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

held constant.

<i>(in thousands of Korean won)</i>		Impact on profit before tax			
		2021		2020	
10 bp	Increase	₩	100,091	₩	214,091
	Decrease		(100,091)		(214,091)

In order to reduce the impact of changes in exchange rates on future cash flows of long-term debentures in foreign currency, the Group entered into currency swap contracts. A summary of derivative contracts as at December 31, 2021 is as follows:

<i>(in thousands of USD)</i>	Contract amount	Agreed Interest rate (%)	Payment interest rate – (KRW) (%)	Receipt interest rate (USD) (%)	Contract date	Contract maturity
Korea Develop Bank	USD 300,000	1061.5~1071.9	2.61~2.64	3.50	2018-01-25 ~2018-01-30	2023-01-30
SMBC	USD 100,000	1226.0	1.17	Libor (3M) +1.17	2020-05-15	2023-05-15

For currency swap contracts, losses on valuation of derivatives amount to ₩ 488,535 thousand (Note 8) after applying the tax effect, and gains on valuation of derivatives amounting ₩ 671,546 thousand is recognized in profit or loss for the year ended December 31, 2021.

In addition, the Group entered into an interest rate swap contract to hedge the risk of interest rate fluctuations related to borrowings from overseas subsidiaries, and the details of the derivative contract are as follows:

<i>(in thousands of USD)</i>	Contract date	Expiration date	Contracted amount (USD)	Interest rate (received) (%)	Interest rate (paid) (%)
Credit Agricole	2020-07-01	2023-04-17	80,000	Libor(3M)+0.92	1.25

c) Other price risks

The Group is exposed to equity securities price risks arising from its equity investments.

The below sensitivity analysis was performed based on stock price fluctuation risk at the end of the reporting period.

- If the equity securities price has increased/decreased by 5%, the Group's other comprehensive income would be increased/decreased by ₩ 4,335,610 thousand (2020: ₩ 1,959,023 thousand) due to changes in financial assets at fair value.
- If the equity securities price has increased/decreased by 5%, the Group's profit or loss would be increased/decreased by ₩ 1,484,509 thousand due to changes in financial assets at fair value.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3) Credit risk management

Credit risk refers to risk of financial losses to the Group when the counterpart defaults on the obligations of the contracts. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only deals with the customers rated higher than investment grade by the independent credit rating agencies. If those grades are not available, customers' credit is evaluated upon their other financial information, sales figures and other factors posted publicly. The Group regularly monitors customers' credit ratings, checks on the credit risk exposure and readjusts deposit or aggregate amount of transactions. The aggregate risks are allocated to total portfolio of approved customers for diversification effect that are reviewed and approved annually by Financial Risk Management Committee.

Credit ratings of trade receivables are evaluated constantly and credit guarantee contracts are made, if necessary. The maximum exposure to credit risk is not disclosed as the book amount of financial assets exposed to credit risk are the best presentation of the maximum exposure to credit risk.

4) Liquidity risk management

The Group has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Board of Directors has a full responsibility of the liquidity risk management. The Group manages liquidity risk by maintaining adequate reserves and credit facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 41 explains details of unused balances of credit facility agreements entered through the Group's discretion to reduce the liquidity risk.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

a) Details of liquidity and interest rate risk

The table below discloses remaining contractual maturity of non-derivative financial liabilities and derivatives which will be settled net in cash in detail. Derivatives which will be settled net in cash consist of interest swap contract to manage interest risk of the Group. The table below is prepared based on undiscounted cash flow of non-derivative financial liabilities. Contractual maturity is based on the earliest day when the payment can be claimed to the Group.

(in thousands of Korean won)	2021					
	Book amount	Contractual cash flows	Residual amount			
			Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	₩ 399,595,981	₩ 399,595,981	₩ 399,595,981	₩ -	₩ -	₩ -
Non-trade payables	354,595,986	354,595,986	354,595,986	-	-	-
Accrued expenses ¹	347,418,620	347,418,620	347,418,620	-	-	-
Dividends payable	26,508	26,508	26,508	-	-	-
Leasehold deposits received	23,185,426	37,322,016	4,073,308	237,200	100,000	32,911,508
Short-term borrowings	395,765,525	395,856,377	395,856,377	-	-	-
Long-term borrowings	309,321,002	317,957,907	-	185,487,405	132,470,502	-
Debentures	773,043,198	804,938,415	18,255,027	633,917,763	152,765,625	-
Lease liabilities	342,255,571	408,851,132	64,180,228	48,577,919	102,892,125	193,200,861
Total	₩ 2,945,207,817	₩ 3,066,562,942	₩ 1,584,002,035	₩ 868,220,287	₩ 388,228,252	₩ 226,112,369

¹ Payables related to employee benefits are excluded.

(in thousands of Korean won)	2020					
	Book amount	Contractual cash flows	Residual amount			
			Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	₩ 369,877,209	₩ 369,877,209	₩ 369,877,209	₩ -	₩ -	₩ -
Non-trade payables	298,776,511	298,776,511	298,776,511	-	-	-
Accrued expenses	293,879,305	293,879,305	293,879,305	-	-	-
Dividends payable	23,299	23,299	23,299	-	-	-
Leasehold deposits received	30,786,439	32,937,678	3,116,268	1,703,438	28,117,972	-
Short-term borrowings	473,600,182	474,132,829	474,132,829	-	-	-
Long-term borrowings	163,200,000	169,080,640	2,352,256	2,352,256	164,376,128	-
Debentures	733,071,261	781,589,638	17,213,505	17,213,505	747,162,628	-
Lease liabilities	349,140,066	410,356,250	60,316,344	13,033,014	138,281,241	198,725,651
Total	₩ 2,712,354,272	₩ 2,830,653,359	₩ 1,519,687,526	₩ 34,302,213	₩ 1,077,937,969	₩ 198,725,651

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

As at December 31, 2021, gross settlement contracts consist of currency forward contract, which will be settled within 6 months. This contract is not included in above table and non-discounted contractual cash inflow/outflow from the contract is as follows:

<i>(in thousands of Korean won)</i>		2021		2020	
Contractual cash inflow	₩	151,785,506	₩	14,007,690	
Contractual cash outflow		150,851,334		14,454,543	

5. Fair Value

For the year ended December 31, 2021, there were no changes in business environment and economic environment that have significant impacts on the fair value of assets and liabilities of the Group.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value through other comprehensive income	₩ 87,229,257	₩ 87,229,257	₩ 39,697,511	₩ 39,697,511
Financial assets at fair value through profit or loss	548,217,731	548,217,731	553,188,099	553,188,099
Financial derivative assets	43,545,296	43,545,296	14,191,707	14,191,707
Financial liabilities				
Debentures	773,043,198	776,594,910	733,071,261	749,444,230
Long-term borrowings	309,321,002	311,457,747	163,200,000	169,060,755
Financial derivative liabilities	2,783,469	2,783,469	14,915,562	14,915,562

Financial assets including trade and non-trade receivables, and financial liabilities at amortized cost except for debentures and long-term borrowings whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

5.2 Fair value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income	₩ 86,712,702	₩ -	₩ 516,555	₩ 87,229,257
Financial assets at fair value through profit or loss	29,690,188	404,764,454	113,763,089	548,217,731
Financial derivative assets	-	43,545,296	-	43,545,296
Financial derivative liabilities	-	2,783,469	-	2,783,469
Debentures	-	776,594,910	-	776,594,910
Long-term borrowings	-	311,457,747	-	311,457,747

(in thousands of Korean won)

	2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income	₩ 39,180,956	₩ -	₩ 516,555	₩ 39,697,511
Financial assets at fair value through profit or loss	-	540,757,099	12,431,000	553,188,099
Financial derivative assets	-	14,191,707	-	14,191,707
Financial derivative liabilities	-	14,915,562	-	14,915,562
Debentures	-	749,444,230	-	749,444,230
Long-term borrowings	-	169,060,755	-	169,060,755

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

Details of transfers between levels of each fair value hierarchy of financial instruments are as follows:

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021						
	Beginning balance	Purchases	Sales	Profit or loss	Other comprehensive income	Others	Ending balance
Financial assets							
Financial assets at fair value through profit or loss (excluding financial derivative assets)	₩ 12,431,000	₩ 101,044,791	₩ (150,000)	₩ 437,298	₩ -	₩ -	₩ 113,763,089
Financial assets at fair value through other comprehensive income	516,555	-	-	-	-	-	516,555
Financial liabilities							
Financial derivative liabilities (put options)	-	-	-	-	-	-	-

(in thousands of Korean won)

	2020						
	Beginning balance	Purchases	Sales	Profit or loss	Other comprehensive income	Others	Ending balance
Financial assets							
Financial assets at fair value through profit or loss (excluding financial derivative assets)	₩ 8,140,000	₩ 4,610,000	₩ (319,000)	₩ -	₩ -	₩ -	₩ 12,431,000
Financial assets at fair value through other comprehensive income	516,555	-	-	-	-	-	516,555
Financial liabilities							
Financial derivative liabilities (put options)	-	-	-	-	-	-	-

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

5.4 Valuation Technique and the Inputs

Valuation techniques and inputs used in level 2 and level 3 fair value measurements are as follows:

2021				
<i>(in thousands of Korean won)</i>	Fair value	Level	Valuation techniques	Inputs
Financial derivative assets				
Currency swap	42,640,697	2	Discounted cash flow model	Discount rate, exchange rate
Currency forward contract	904,599	2	Discounted cash flow model	Discount rate, exchange rate
Financial derivative liabilities				
Currency swap	2,372,259	2	Discounted cash flow model	Discount rate, exchange rate
Currency forward contract	39,744	2	Discounted cash flow model	Discount rate, exchange rate
Interest rate swap	371,466	2	Option pricing model	Underlying asset price, credit risk adjusted discount rate, underlying asset variability
Financial assets at fair value through other comprehensive income				
Unlisted shares and others	516,555	3	Transaction costs	
Financial assets at fair value through profit or loss				
Investment instruments and others	404,764,454	2	Discounted cash flow model	Discount rate, exchange rate
Beneficiary certificates	11,657,411	3	Net asset valuation	Net asset value
Beneficiary certificates	300,000	3	Transaction costs	
Investment instruments and others	98,754,653	3	Net asset valuation	Net asset value
Convertible notes	3,051,025	3	TF model	Underlying asset, exercise price per share
Borrowings				
Debentures	776,594,910	2	Discounted cash flow model	Credit risk adjusted discount rate
Long-term borrowings	311,457,747	2	Discounted cash flow model	Credit risk adjusted discount rate
2020				
<i>(in thousands of Korean won)</i>	Fair value	Level	Valuation techniques	Inputs
Financial derivative assets				
Currency swap	₩ 14,191,680	2	Discounted cash flow model	Discount rate, exchange rate
Currency forward contract	27	2	Discounted cash flow model	Discount rate, exchange rate
Financial derivative liabilities				
Currency swap	13,266,161	2	Discounted cash flow model	Discount rate, exchange rate
Currency forward contract	1,391,947	2	Discounted cash flow model	Discount rate, exchange rate
Interest rate swap	257,455	2	Option pricing model	Underlying asset price, credit risk adjusted discount rate, underlying asset variability
Financial assets at fair value through other comprehensive income				
Unlisted shares and others	516,555	3	Transaction costs	-
Financial assets at fair value through profit or loss				
MMDA and others	540,757,099	2	Discounted cash flow model	Discount rate, exchange rate
Beneficiary certificates	12,431,000	3	Transaction costs	-
Borrowings				
Debentures	749,444,230	2	Discounted cash flow model	Credit risk adjusted discount rate
Long-term borrowings	169,060,755	2	Discounted cash flow model	Credit risk adjusted discount rate

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

6. Financial Instrument by Category

6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021	2020
Financial assets			
Other financial assets	Financial derivative assets	₩ 43,545,296	₩ 14,191,707
Financial assets at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	87,229,257	39,697,511
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	548,217,730	553,188,099
Financial assets at amortized cost	Cash and cash equivalents	1,062,042,416	1,060,864,709
	Short-term financial assets	480,020,612	239,826,957
	Trade receivables (current)	1,395,341,862	1,211,167,806
	Trade receivables (non-current)	6,339,062	26,305,798
	Non-trade receivables (current) ¹	102,881,312	99,913,992
	Non-trade receivables (non-current)	37,428,706	36,449,464
	Accrued income	9,108,186	3,301,367
	Deposits provided (current)	4,035,466	2,994,679
	Deposits provided (non-current)	89,442,615	79,153,717
	Short-term loans	501,491	2,497,415
Long-term loans	3,699,980	3,759,076	
Long-term financial assets	114,001,639	257,000	
Total	₩ 3,983,835,630	₩ 3,373,569,297	

¹ Receivables related to employee benefits are excluded.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Korean won)

		2021		2020
Financial liabilities				
Other financial liabilities	Financial derivative liabilities	₩ 2,783,469	₩	14,915,562
Financial liabilities at amortized cost	Trade payables	399,595,981		369,877,209
	Non-trade payables	354,595,986		298,776,511
	Accrued expenses ²	347,418,620		229,087,737
	Dividends payable	26,508		23,299
	Borrowings (current)	144,132,272		314,460,042
	Borrowings (non-current)	309,321,002		163,200,000
	Borrowings (non-current debentures)	773,043,198		733,071,261
	Leasehold deposits received (current)	4,073,308		3,116,268
	Leasehold deposits received (non-current)	19,112,119		27,670,171
	Deposits for facility guarantee	481,800		440,000
	Non-controlling interests	804,997		3,518,026
	Collateral loan on trade receivables ¹	251,633,253		159,140,140
	Other financial liabilities	20,631,939		20,631,939
	Total	<u>₩ 2,627,654,452</u>	₩	<u>2,337,928,165</u>

¹ The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained by the transferor as the transferred asset is measured at amortized cost.

² Payables related to employee benefits are excluded.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

6.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Financial derivative assets, liabilities		
Gains (losses) on valuation of derivatives	₩ 1,809,627	₩ (1,436,756)
Gains (losses) on transaction of derivatives	1,853,647	(4,031,910)
Cash flow hedges (after tax other comprehensive income)	(488,535)	5,538,152
Equity instruments at fair value through other comprehensive income		
Gains on valuation (after tax other comprehensive income)	12,999,922	6,631,507
Debt instruments at fair value through other comprehensive income		
Losses on disposal	(1,135)	(87,556)
Equity instruments at fair value through profit or loss		
Gains on valuation	419,704	-
Losses on disposal	(681,397)	-
Debt instruments at fair value through profit or loss		
Gains on valuation	2,864,046	68,977
Losses on disposal	(436,157)	(58,123)
Financial assets at amortized cost		
Interest income	16,026,559	14,800,167
Gains (losses) on foreign currency transaction	37,175,536	(11,858,803)
Gains (losses) on foreign currency translation	14,754,278	(30,759,782)
Impairment loss reversal(loss)	2,680,522	(13,245,486)
Financial liabilities at amortized cost		
Interest expense	(34,094,933)	(37,579,501)
Losses on foreign currency transaction	(4,795,769)	(8,636,428)
Gains on foreign currency translation	3,680,440	7,145,955
Total	<u>₩ 53,766,355</u>	<u>₩ (73,509,587)</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

7. Financial Assets

7.1 Financial Assets at Fair Value through Profit or Loss

(a) Equity instruments at fair value through profit or loss

Equity instruments at fair value through profit or loss as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Current				
Investment instruments and others	₩	19,783,213	₩	-
Non-current				
Investment instruments and others		10,615,576		-
Total	₩	<u>30,398,789</u>	₩	<u>-</u>

(b) Debt instruments at fair value through profit or loss

Debt instruments at fair value through profit or loss as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Current				
Investment instruments and others	₩	439,203,192	₩	406,933,099
Non-current				
Beneficiary certificates		11,657,411		10,431,000
Beneficiary certificates		300,000		-
Investment instruments and others		63,607,314		133,824,000
Convertible notes		3,051,025		2,000,000
Total	₩	<u>517,818,942</u>	₩	<u>553,188,099</u>

7.2 Financial Assets at Fair Value through Other Comprehensive Income

(a) Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Non-current				

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2021		2020	
Listed shares and others ¹	₩	86,712,702	₩	39,180,956
Unlisted shares and others ¹		516,555		516,555
	₩	<u>87,229,257</u>	₩	<u>39,697,511</u>

¹ Upon disposal of these equity investments, the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

(b) Debt instruments at fair value through other comprehensive income

There are no debt instruments at fair value through other comprehensive income held by the Group as at December 31, 2021. Upon disposal of the debt instruments, the accumulated other comprehensive income is reclassified to profit or loss.

8. Derivative Financial Instruments

(a) Details of derivative financial instruments not applying hedge accounting as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap	₩ -	₩ 371,466	₩ -	₩ 257,455
Currency forward contracts	904,599	39,744	27	1,391,947
Total	₩ 904,599	₩ 411,210	₩ 27	₩ 1,649,402

(b) Details of derivative financial instruments applying cash flow hedge accounting as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges (currency swap) ¹	₩ 42,640,697	₩ 2,372,259	₩ 14,191,680	₩ 13,266,161

¹ As a result of applying cash flow hedge accounting, other comprehensive income after tax recognized for the years ended December 31, 2021 and 2020 is as follows:

<i>(in thousands of Korean won)</i>	2021			Recognized amount in other comprehensive income (after tax)
	Changes in value of derivative (after tax)	Line items in the statements of profit or loss	Reclassified amount in profit or loss (after tax)	

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

	₩	25,221,292	Interest expense and Foreign exchange differences	₩	(25,709,827)	₩	(488,535)
<i>(in thousands of Korean won)</i>							
2020							
		Changes in value of derivative (after tax)	Line items in the statements of profit or loss		Reclassified amount in profit or loss (after tax)		Recognized amount in other comprehensive income (after tax)
	₩	(21,081,547)	Interest expense and Foreign exchange differences	₩	26,619,699	₩	5,538,152

9. Trade and Other Receivables

(a) Details of trade and other receivable as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021		
		Gross amount	Less: loss allowance	Net amount
Current				
Trade receivables	₩	1,404,794,730	₩ (9,452,869)	₩ 1,395,341,861
Non-trade receivables		103,153,629	(272,316)	102,881,313
Accrued income		9,108,186	-	9,108,186
	₩	<u>1,517,056,545</u>	<u>₩ (9,725,185)</u>	<u>₩ 1,507,331,360</u>
Non-Current				
Trade receivables	₩	8,887,892	₩ (2,548,830)	₩ 6,339,062
Non-trade receivables		37,428,706	-	37,428,706
	₩	<u>46,316,598</u>	<u>₩ (2,548,830)</u>	<u>₩ 43,767,768</u>

(in thousands of Korean won)

		2020		
		Gross amount	Less: loss allowance	Net amount
Current				
Trade receivables	₩	1,227,671,828	₩ (16,504,022)	₩ 1,211,167,806
Non-trade receivables		100,323,026	(409,034)	99,913,992
Accrued income		3,301,367	-	3,301,367
	₩	<u>1,331,296,221</u>	<u>₩ (16,913,056)</u>	<u>₩ 1,314,383,165</u>
Non-Current				
Trade receivables	₩	29,066,572	₩ (2,760,774)	₩ 26,305,798
Non-trade receivables		36,449,464	-	36,449,464
	₩	<u>65,516,036</u>	<u>₩ (2,760,774)</u>	<u>₩ 62,755,262</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(b) Movements on the provision for impairment of trade receivables and other receivables for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		
	Trade receivables	Non-trade receivables	Total
Beginning balance	₩ 16,504,022	₩ 409,033	₩ 16,913,055
Net impairment loss (reversal)	(3,042,499)	361,977	(2,680,522)
Write-offs	(4,698,909)	3,135	(4,695,774)
Exchange differences	690,255	(501,829)	188,426
Ending balance	₩ 9,452,869	₩ 272,316	₩ 9,725,185

(in thousands of Korean won)

	2020		
	Trade receivables	Non-trade receivables	Total
Beginning balance	₩ 8,464,683	₩ 105,078	₩ 8,569,761
Net impairment loss	12,943,195	302,291	13,245,486
Write-offs	(3,741,721)	-	(3,741,721)
Exchange differences	(1,162,135)	1,664	(1,160,471)
Ending balance	₩ 16,504,022	₩ 409,033	₩ 16,913,055

Credit risk and loss allowance

The above trade and other receivables are measured at amortized cost. Changes in loss allowance of trade and other receivables for the year ended December 31, 2021 are not significant. The Group considers changes in credit ratings of trade receivables from the commencement date of the credit granting to the end of the reporting period in determining the recoverability of the trade receivables.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

10. Inventories

Details of inventories as at December 31, 2021 and 2020 are as follows:

<i>(in thousands of Korean won)</i>	December 31, 2021			2021	
	Acquisition cost	Inventory valuation	Inventory valuation allowance	Exchange differences	Valuation loss (reversal)
Finished goods	₩ 1,277,663,781	₩ 1,231,940,770	₩ 45,723,011	₩ 2,750,076	₩ 24,449,916
Merchandise	37,375,320	37,375,320	-	-	-
Work in process	47,181,729	47,181,729	-	-	-
Raw materials	417,815,355	417,790,463	24,892	24,892	-
Supplies	44,442,777	44,442,777	-	-	-
Materials in transit	117,857,673	117,857,673	-	-	-
Total	₩ 1,942,336,635	₩ 1,896,588,732	₩ 45,747,903	₩ 2,774,968	₩ 24,449,916

<i>(in thousands of Korean won)</i>	December 31, 2020			2020	
	Acquisition cost	Inventory valuation	Inventory valuation allowance	Exchange differences	Valuation loss (reversal)
Finished goods	₩ 1,100,893,002	₩ 1,082,369,982	₩ 18,523,019	₩ 233,663	₩ (5,036,918)
Merchandise	37,292,375	37,292,375	-	-	-
Work in process	39,548,819	39,548,819	-	-	-
Raw materials	236,289,050	236,289,050	-	-	-
Supplies	41,251,175	41,251,175	-	-	-
Materials in transit	126,013,399	126,013,399	-	-	-
Total	₩ 1,581,287,820	₩ 1,562,764,800	₩ 18,523,019	₩ 233,663	₩ (5,036,918)

The Group recognizes loss from inventory valuation and inventory shrinkage as expenses in the year in which the loss occurs. In addition, reversal of inventory write-downs due to an increase in the net realizable value of inventory assets is deducted from cost of sales recognized as an expense in the year in which the reversal occurs.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

11. Other Financial Assets

(a) Details of other financial assets as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Loans	₩ 501,491	₩ 3,699,980	₩ 2,497,415	₩ 3,759,076
Guarantee deposits provided	4,035,466	89,442,615	2,994,679	79,153,717
Financial derivative assets	822,761	42,722,535	27	14,191,680
Lease receivables	5,440,480	45,363,385	3,441,746	37,822,721
Total	₩ 10,800,198	₩ 181,228,515	₩ 8,933,867	₩ 134,927,194

(b) Movements on the provision for impairment of loans for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Beginning Balance	₩ 2,000,000	₩ 5,000,000
Additional provisions (reversed)	500,000	(3,000,000)
Ending Balance	₩ 2,500,000	₩ 2,000,000

12. Other Assets

Details of other assets as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advance payments	₩ 5,541,338	₩ 20,296,049	₩ 7,317,830	₩ -
Prepaid expenses	19,031,490	15,137,857	22,173,146	17,393,125
Net defined benefit assets	-	46,706,576	-	11,262,412
Others	31,164,566	127,912	27,297,866	127,908
Total	₩ 55,737,394	₩ 82,268,394	₩ 56,788,842	₩ 28,783,445

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

13. Investment in Associates and Joint Ventures

(a) Details of the Group's investment in associates and joint ventures as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	Closing month	Location	Number of shares	Percentage of ownership (%)	2021	
					Acquisition cost	Book amount
Hanon Systems Co., Ltd. ^{1,2}	December	Korea	104,031,000	19.49	₩ 1,061,740,386	₩ 1,092,643,884
Peaches Group Korea Co., Ltd. ^{2,3}	December	Korea	1,311	8.42	520,827	488,898
Daemyeong Tech Won Co., Ltd.	December	Korea	980	49.00	1,147,000	1,057,833
TOWNZ Co., Ltd. ²	December	Korea	2,200	15.40	220,000	78,593
DS Quattro H Kosdaq Venture Fund ⁴	December	Korea	6,000,000,000	31.14	6,000,000	6,123,051
TIMEFOLIO Kosdaq Venture Hedge-S No.2 ⁵	December	Korea	8,000,000,000	30.88	8,000,000	8,222,469
Nexgen Food Partners ^{4,5}	December	Korea	6,000,000,000	25.00	6,000,000	5,798,047
I&B Corporation Co., Ltd. ⁶	December	Korea	134,000	100.00	20,100,000	22,205,023
Mirae Asset Core Plus Privately Placed Investment Trust ^{4,5}	December	Korea	49,996,000,320	22.83	50,000,000	50,026,800
Total					₩ 1,153,728,213	₩ 1,186,644,598

(in thousands of Korean won)

	Closing month	Location	Number of shares	Percentage of ownership (%)	2020	
					Acquisition cost	Book amount
Hanon Systems Co., Ltd. ^{1,2}	December	Korea	104,031,000	19.49	₩ 1,061,740,386	₩ 1,069,108,719
Peaches Group Korea Co., Ltd. ^{2,3}	December	Korea	1,311	8.43	520,827	520,827
Daemyeong Tech Won Co., Ltd.	December	Korea	980	49.00	1,147,000	934,394
TOWNZ Co., Ltd. ²	December	Korea	2,200	18.00	220,000	220,000
Total					₩ 1,063,628,213	₩ 1,070,783,940

¹ As at December 31, 2021, the fair value of marketable investment in associates is ₩ 1,399,216,950 thousand (2020: ₩ 1,690,503,750 thousand).

² Even though the Group's equity interest in this entity is less than 20%, the investment was classified as investment in associates as the Group has authority to most of the associate's business operation (election of directors, etc.) by contract between shareholders.

³ The percentage of ownership of Peaches Group Korea Co., Ltd. includes ordinary shares and redeemable convertible preference shares.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

^{4,5} As a collective investment vehicle invested by the Group, the investment was classified as investment in associates according to the requirement for ownership (20% or more). Meanwhile, as the base price is set at ₩ 1 per share/unit in the trust contract, the number of shares/unites of the Group is equal to the investment amount.

⁶ In 2021, I&B Corporation Co., Ltd. was newly established. Although the Group's ownership interest in this entity is 100%, the investment was classified as investment in joint ventures as the investors who hold convertible notes issued by I&B Corporation Co., Ltd. have authority to most of the associate's business operation (election of directors, etc.).

(b) The table below provides summarized financial information for those associates and joint ventures that are material to the Group and received dividends from the associates.

(in thousands of Korean won)	2021						
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)	Dividend received
Hanon Systems Co., Ltd.	₩ 8,233,732,862	₩ 5,757,074,853	₩ 2,476,658,009	₩ 7,351,423,826	₩ 310,725,206	₩ 447,118,430	₩ 40,155,966
Daemyeong Tech Won Co., Ltd.	2,378,420	221,246	2,157,174	1,987,972	251,917	251,917	
Peaches Group Korea Co., Ltd.	4,122,907	4,476,754	(353,847)	4,575,323	(819,340)	(819,340)	-
TOWNZ Corp.	363,168	82,445	280,723	1,720	(926,116)	(926,116)	-
DS Quattro H Kosdaq Venture Fund ⁴	19,721,565	59	19,721,506	677,889	581,965	581,965	-
TIMEFOLIO Kosdaq Venture Hedge-S No.2 ⁵	26,691,998	151	26,691,847	968,867	720,443	720,443	-
Nexgen Food Partners ^{4,5}	23,195,488	3,300	23,192,188	642	(807,812)	(807,812)	-
I&B Corporation Co., Ltd.	223,182,267	4,041,532	219,140,735	519,914	145,556	145,556	-
Mirae Asset Core Plus Privately Placed Investment Trust ^{4,5}	32,630,534	5,065,090	27,565,444	-	(507,264)	(507,264)	-

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of Korean won)	2020						
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)	Dividend received
Hanon Systems Co., Ltd.	₩ 7,807,411,034	₩ 5,567,975,657	₩ 2,239,435,377	₩ 6,872,832,577	₩ 113,459,525	₩ 46,889,698	₩ 29,544,804
Daemyeong Tech Won Co., Ltd.	2,129,985	224,727	1,905,258	1,634,867	(431,631)	(431,631)	-

¹ Amounts of assets, liabilities and equity as at December 31, 2020.

(c) Details of the valuation of equity-accounted investees of the Group as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021				
	Beginning balance	Acquisition	Share of profit of associates and joint ventures accounted for using the equity method	Net defined benefit liabilities	Cash flow hedges
Hanon Systems Co., Ltd.	₩ 1,069,108,719	₩ -	₩ 43,844,522	₩ 1,662,652	₩ (4,970,807)
Peaches Group Korea Co., Ltd.	520,827	-	(31,929)	-	-
Daemyeong Tech Won Co., Ltd.	934,394	-	123,439	-	-
TOWNZ Co., Ltd.	220,000	-	(141,407)	-	-
DS Quattro H Kosdaq Venture Fund	-	6,000,000	123,236	-	-
TIMEFOLIO Kosdaq Venture Hedge-S No.2	-	8,000,000	222,469	-	-
Nexgen Food Partners	-	6,000,000	(201,953)	-	-
I&B Corporation Co., Ltd.	-	20,100,000	(507,264)	-	-
Mirae Asset Core Plus Privately Placed Investment Trust	-	50,000,000	33,226	-	-
Total	₩ 1,070,783,940	₩ 90,100,000	₩ 43,464,339	₩ 1,662,652	₩ (4,970,807)

(in thousands of Korean won)	2021			
	Exchange differences on translating foreign operations	Dividend	Others	Ending balance
Hanon Systems Co., Ltd.	₩ 26,765,937	₩ (40,155,966)	₩ (3,611,173)	₩ 1,092,643,884
Peaches Group Korea Co., Ltd.	-	-	-	488,898
Daemyeong Tech Won Co., Ltd.	-	-	-	1,057,833

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

TOWNZ Co., Ltd.	-	-	-	78,593
DS Quattro H Kosdaq Venture Fund	-	-	(185)	6,123,051
TIMEFOLIO Kosdaq Venture Hedge-S No.2	-	-	-	8,222,469
Nexgen Food Partners	-	-	-	5,798,047
I&B Corporation Co., Ltd.	-	-	2,612,287	22,205,023
Mirae Asset Core Plus Privately Placed Investment Trust	-	-	(6,426)	50,026,800
Total	₩ 26,765,937	₩ (40,155,966)	₩ (1,005,497)	₩ 1,186,644,598

(in thousands of
Korean won)

2020

	Beginning balance	Share of profit of associates accounted for using the equity method	Net defined benefit liabilities	Cash flow hedges
Hanon Systems Co., Ltd.	₩ 1,104,583,999	₩ 5,403,260	₩ (4,511,547)	₩ 4,147,215
Peaches Group Korea Co., Ltd.	519,142	-	-	-
Daemyeong Tech Won Co., Ltd.	1,147,000	(212,606)	-	-
TOWNZ Co., Ltd.	-	-	-	-
Total	₩ 1,106,250,141	₩ 5,190,654	₩ (4,511,547)	₩ 4,147,215

(in thousands of
Korean won)

2020

	Exchange differences on translating foreign operations	Dividend	Others	Ending balance
Hanon Systems Co., Ltd.	₩ (13,189,792)	₩ (29,544,804)	₩ 2,220,388	₩ 1,069,108,719
Peaches Group Korea Co., Ltd.	-	-	1,685	520,827
Daemyeong Tech Won Co., Ltd.	-	-	-	934,394
TOWNZ Co., Ltd.	-	-	220,000	220,000
Total	₩ (13,189,792)	₩ (29,544,804)	₩ 2,442,073	₩ 1,070,783,940

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(d) The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.

<i>(in thousands of Korean won)</i>	2021					
	Net assets at the end of the year	Group's share in %	Group's share in KRW	Goodwill	Accumulated equity method adjustment	Book amount
Hanon Systems Co., Ltd.	₩ 2,343,235,177	19.49%	₩ 456,696,536	₩ 540,921,568	₩ 95,025,780	₩ 1,092,643,884
I&B Corporation Co., Ltd.	27,565,444	100%	27,565,444	-	(5,360,421)	22,205,023

¹ Amounts of net assets excluding non-controlling interests.

<i>(in thousands of Korean won)</i>	2020					
	Net assets at the end of the year	Group's share in %	Group's share in KRW	Goodwill	Accumulated equity method adjustment	Book amount
Hanon Systems Co., Ltd.	2,117,410,257	19.49%	412,683,259	540,921,568	115,503,892	1,069,108,719

¹ Amounts of net assets excluding non-controlling interests.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

14. Investment in Subsidiaries

The summarized financial information of the subsidiaries as at and for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021			
	Assets	Liabilities	Sales	Profit (loss) for the year
Hankook Tire America Corp.	₩1,022,345,968	₩ 559,133,839	₩ 1,742,657,964	₩ 70,897,555
Hankook Tire Canada Corp.	71,192,450	44,338,809	134,076,215	2,597,408
Hankook Tire DE Mexico, S.A. DE C.V.	61,889,850	59,159,282	126,213,206	(1,029,453)
Hankook Tire de Colombia Ltda.	11,141,457	8,634,697	27,848,301	690,223
Hankook Tire Manufacturing Tennessee LP	723,732,137	647,554,990	346,253,591	27,937,886
Hankook Tire America Holdings I, LLC	1,892,783	-	-	(344)
Hankook Tire America Holdings II, LLC	186,437,955	-	-	(344)
Hankook Tire Latin America Distribution Center, S.A.	21,534,648	23,365,809	41,261,078	1,319,453
Hankook Tire Latam, S.A.	238,209	46,658	980,403	55,060
Hankook Tire Europe Holdings B.V.	1,008,291,589	13,545,204	-	202,622,069
Hankook Tire Netherlands B.V.	148,933,757	114,711,444	308,370,256	4,521,503
Hankook Tyre U.K. Ltd.	131,277,600	105,560,329	198,751,133	2,410,040
Hankook Reifen Deutschland GmbH	284,496,498	238,332,677	639,732,617	7,378,566
Hankook Tire France S.A.R.L.	132,778,049	114,093,081	263,379,157	3,123,339
Hankook Tire Italia S.R.L.	148,421,652	128,013,267	193,832,040	3,340,526
Hankook Espana S.A.	65,045,318	44,572,417	117,346,229	1,456,770
Hankook Tire Europe GmbH	415,224,210	244,298,240	25,996,970	15,070,493
Hankook Tire Hungary Ltd.	1,181,243,153	160,138,932	942,445,586	209,596,915
Hankook Tire Budapest Kereskedelmi Kft	51,198,337	36,814,706	102,110,029	3,232,786
Hankook Tire Rus LLC	68,831,064	60,559,772	108,028,999	3,697,989
Hankook Tire Sweden AB	58,645,865	54,996,915	91,432,819	1,187,822
Hankook Lastikleri A.S.	46,615,785	26,286,218	119,426,937	5,982,717
Hankook Tire Polska Sp. z o.o.	50,264,422	41,494,761	116,833,057	2,560,539
Hankook Tire Ceska Republika s.r.o.	18,678,701	13,091,958	48,885,863	814,573
Hankook Tire Ukraine LLC	1,471,626	680,524	1,986,959	175,396
Hankook Tire Japan Corp.	15,313,812	13,991,782	31,323,658	529,107
Hankook Tyre Australia Pty. Ltd.	35,873,140	24,948,696	80,216,962	2,152,237
PT. HANKOOK TIRE INDONESIA	700,965,883	98,343,458	488,949,025	14,699,555
Hankook Tire Thailand Co., Ltd.	7,669,881	5,643,964	21,136,341	24,747
Hankook Tires India llp.	104,104	2,817	731,388	(39,025)
Hankook Tire Malaysia SDN.BHD.	10,777,653	15,946,679	26,242,755	1,070,348
Hankook Tire Singapore PTE., Ltd.	329,812,111	317,339,217	3,422,586	3,392,724
Hankook Tyre Australia Retail Pty., Ltd. ¹	127,943,482	63,720,784	31,941,894	2,548,298
Hankook Tire China Co., Ltd.	1,460,780,906	150,162,193	570,900,382	20,483,433
Jiangsu Hankook Tire Co., Ltd.	792,168,683	127,714,790	477,374,228	17,619,673
Shanghai Hankook Tire Sales Co., Ltd.	562,093,279	502,776,134	864,340,610	13,529,535
Chongqing Hankooktire Co., Ltd.	479,175,758	292,551,145	356,054,252	(1,088,561)
Beijing Jielun Trading Company Co.,	1,022,559	649,748	12,327,445	11,509

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2021			
	Assets	Liabilities	Sales	Profit (loss) for the year
Ltd.				
Qingdao Jieluntong Trading Co., LTD	320,444	401,702	9,505,437	98,656
Xiamen Jieluntong Trading Co., LTD	311,064	644,226	7,038,358	2,727
Hankook Precision Works Co., Ltd. (formerly, MK Technology)	130,737,170	12,988,237	121,193,613	10,958,781
MK Mold (Jiaxing) Co., LTD.	22,406,355	2,633,570	16,002,492	3,352,213
MK Technology (CHONGQING) Mould Co., Ltd.	1,850,749	63,738	730,637	54,841
Model Solution Co., Ltd.	49,163,498	21,181,785	60,078,878	7,158,312
ModelSolution Inc.	1,849,251	1,459,249	7,169,997	369,812
Hankook Engineering Works (formerly, Daehwa Engineering & Machinery Co., Ltd.)	46,317,978	11,739,305	46,146,311	1,824,446
Hankook Donggeurami Partners Co., Ltd.	1,522,613	947,071	5,398,878	152,518
Reifen-Muller KG	210,011,131	160,855,181	355,139,602	9,669,716
Reifen-Muller Runderneuerung BV	23,804,594	1,545,004	21,906,915	4,728,899
RM Verwaltungs GmbH	333,668	168,241	923,950	67,272
RU Verwaltungs GmbH	167,149	60,646	396,307	32,152
Hankook Tire D.O.O. Beograd	21,018,110	20,424,869	22,327,044	718,249
HANKOOK TIRE MIDDLE EAST AND AFRICA FZE	10,465,588	12,848,684	28,465,782	1,405,629
Hankook Tire Vietnam. Co., Ltd.	1,624,559	695,996	4,039,518	64,715
PT. HANKOOK TIRE SALES INDONESIA	14,109,089	13,074,266	36,517,010	431,942
Hankook Tire Austria GmbH	26,150,353	31,216,471	32,770,553	(1,379,351)
TNA Co., Ltd.	16,537,249	8,800,331	12,065,279	(101,142)
Mirae Asset OCIO Best Solution Privately Placed Investment Trust 1	102,473,670	18,787	-	667,807
TIGER CONSTANT 1 Hedge Fund	5,910,296	699,489	-	(41,217)
CNT Tech Mobility Startups Investment Fund	1,189,136	-	-	(7,243)

¹ Financial information including JAX Quickfit Franchising Systems Unit Trust., JAX Quickfit Franchising Systems Pty Ltd., JAX Quickfit Properties Pty Ltd., which are 100% owned by Hankook Tyre Australia Retail Pty., Ltd.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

	2020			
	Assets	Liabilities	Sales	Profit (loss) for the year
	<i>(in thousands of Korean won)</i>			
Hankook Tire America Corp.	₩ 923,537,938	₩ 549,222,341	₩ 1,508,421,494	₩ 5,103,477
Hankook Tire Canada Corp.	61,103,742	39,022,086	126,954,235	(473,798)
Hankook Tire DE Mexico, S.A. DE C.V.	64,287,926	60,711,151	121,298,495	(33,375)
Hankook Tire de Colombia Ltda.	10,230,987	8,177,395	24,080,922	546,402
Hankook Tire Manufacturing Tennessee LP	677,162,477	633,811,959	260,284,106	(11,340,029)
Hankook Tire America Holdings I, LLC	1,892,315	-	-	(362)
Hankook Tire America Holdings II, LLC	186,437,487	-	-	(362)
Hankook Tire Latin America Distribution Center, S.A.	16,947,853	19,882,816	31,519,178	(1,830,798)
Hankook Tire Latam, S.A.	232,618	114,203	530,801	30,372
Hankook Tire Europe Holdings B.V.	792,166,974	3,427	-	242,927,440
Hankook Tire Netherlands B.V.	142,235,370	112,590,456	236,560,891	4,589,679
Hankook Tyre U.K. Ltd.	133,994,617	112,441,131	194,249,340	2,704,693
Hankook Reifen Deutschland GmbH	217,461,906	180,767,117	521,948,880	(4,088,997)
Hankook Tire France S.A.R.L.	105,086,237	89,548,085	206,816,938	832,130
Hankook Tire Italia S.R.L.	153,422,366	136,384,545	160,645,348	(1,686,807)
Hankook Espana S.A.	66,141,698	47,172,430	104,704,256	1,731,090
Hankook Tire Europe GmbH	470,555,606	314,658,536	23,900,032	8,638,706
Hankook Tire Hungary Ltd.	1,149,235,698	122,749,033	746,676,803	172,631,055
Hankook Tire Budapest Kereskedelmi Kft	47,027,191	35,672,048	77,018,363	1,256,667
Hankook Tire Rus LLC	51,724,923	47,576,805	133,921,035	1,485,381
Hankook Tire Sweden AB	54,619,981	52,105,513	68,047,229	99,191
Hankook Lastikleri A.S.	39,114,022	42,111,540	98,019,021	(2,589,393)
Hankook Tire Polska Sp. z o.o.	39,983,348	33,739,251	86,549,912	(156,094)
Hankook Tire Ceska Republika s.r.o.	19,609,174	15,144,717	48,085,232	46,660
Hankook Tire Ukraine LLC	726,054	204,242	1,386,113	106,420
Hankook Tire Japan Corp.	12,001,209	11,149,470	31,338,720	548,422
Hankook Tyre Australia Pty. Ltd.	37,589,709	28,090,573	89,221,625	3,139,014
PT. HANKOOK TIRE INDONESIA	614,918,432	80,404,612	398,695,130	21,305,585
Hankook Tire Thailand Co., Ltd.	9,493,841	7,449,189	21,611,462	31,476
Hankook Tires India llp.	725,202	593,256	3,288,492	(402,626)
Hankook Tire Malaysia SDN.BHD.	9,609,595	15,562,361	27,307,351	910,756
Hankook Tire Singapore PTE., Ltd.	157,705,458	149,483,831	2,823,334	914,939
Hankook Tyre Australia Retail Pty., Ltd	118,965,309	58,881,505	27,101,528	1,931,187
Hankook Tire China Co., Ltd.	1,278,639,810	106,404,431	535,222,920	32,973,655
Jiangsu Hankook Tire Co., Ltd.	662,551,587	86,654,520	451,164,172	25,789,216
Shanghai Hankook Tire Sales Co., Ltd.	766,924,367	726,453,610	796,210,387	15,737,549
Chongqing Hankooktire Co., Ltd.	417,947,186	250,738,266	310,127,680	7,027,112
Beijing Jielun Trading Company Co., Ltd.	992,273	668,922	21,626,030	(28,507)
Qingdao Jieluntong Trading Co., LTD	275,705	441,377	7,698,454	48,978
Xiamen Jieluntong Trading Co., LTD	161,041	462,247	5,874,580	38,874
Hankook Precision Works Co., Ltd.	129,220,873	15,259,388	105,021,818	19,420,940

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2020			
	Assets	Liabilities	Sales	Profit (loss) for the year
(formerly, MK Technology)				
MK Mold (Jiaxing) Co., LTD.	16,535,147	2,214,711	16,148,480	2,866,738
MK Technology (CHONGQING) Mould Co., Ltd.	1,589,577	39,338	1,091,233	84,175
Model Solution Co., Ltd.	42,770,149	19,325,601	55,018,463	1,731,209
ModelSolution Inc.	863,890	857,545	3,434,222	(7,740)
Hankook Engineering Works (formerly, Daehwa Engineering & Machinery Co., Ltd.)	48,160,800	13,634,495	46,024,037	(2,397,692)
Hankook Donggeurami Partners Co., Ltd.	1,805,251	1,382,488	5,174,769	117,920
KCG 1 Private Equity Fund limited partnership	17,786,237	1,477	-	840,839
Reifen-Muller KG	232,598,721	190,481,961	322,636,737	1,154,824
Reifen-Muller Runderneuerung BV	23,843,694	2,100,622	20,319,393	4,232,445
RM Verwaltungs GmbH	202,152	103,778	856,934	26,057
RU Verwaltungs GmbH	132,365	57,994	398,883	20,566
Hankook Tire D.O.O. Beograd	331,819	450,897	1,101,169	57,501
HANKOOK TIRE MIDDLE EAST AND AFRICA FZE	11,897,741	15,731,248	33,094,627	(1,864,154)
Hankook Tire Vietnam. Co., Ltd.	1,570,802	792,435	4,449,308	(57,405)
PT. HANKOOK TIRE SALES INDONESIA	10,981,015	10,435,077	31,006,510	715,302
Hankook Tire Austria GmbH	26,138,951	29,825,079	23,276,807	(2,625,792)
TNA Co., Ltd.	4,284,494	2,192,981	1,983,910	117,361

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

15. Property, Plant and Equipment

(a) Details of the book amount of property, plant and equipment as at December 31, 2021 and 2020, are as follows:

*(in thousands of
Korean won)*

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 427,956,064	₩ -	₩ -	₩ 427,956,064
Buildings	2,178,299,100	(692,003,336)	(8,440,307)	1,477,855,457
Structures	128,240,067	(77,193,016)	-	51,047,051
Machinery and equipment	5,231,468,459	(4,465,703,720)	-	765,764,739
Vehicles	116,864,986	(82,916,028)	-	33,948,958
Tools, furniture and fixtures	1,437,330,710	(985,209,880)	(1,728,350)	450,392,480
Machinery in transit	10,497,113	-	-	10,497,113
Construction in progress	239,461,554	-	-	239,461,554
Operating lease	47,055	(26,083)	-	20,972
Right-of-use assets	541,769,181	(164,627,292)	-	377,141,889
Total	<u>₩ 10,311,934,289</u>	<u>₩ (6,467,679,355)</u>	<u>₩ (10,168,657)</u>	<u>₩ 3,834,086,277</u>

*(in thousands of
Korean won)*

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 414,008,721	₩ -	₩ -	₩ 414,008,721
Buildings	2,094,151,382	(608,691,924)	(6,581,832)	1,478,877,626
Structures	122,913,361	(70,433,668)	-	52,479,693
Machinery and equipment	4,928,107,449	(4,002,834,614)	-	925,272,835
Vehicles	111,755,837	(71,988,603)	-	39,767,234
Tools, furniture and fixtures	1,335,233,113	(892,820,375)	(1,549,276)	440,863,462
Machinery in transit	7,301,846	-	-	7,301,846
Construction in progress	146,962,339	-	-	146,962,339
Operating lease	29,453	(13,976)	-	15,477
Right-of-use assets	466,307,538	(70,249,581)	-	396,057,957
Total	<u>₩ 9,626,771,039</u>	<u>₩ (5,717,032,741)</u>	<u>₩ (8,131,108)</u>	<u>₩ 3,901,607,190</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(b) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021							
	Beginning balance	Acquisition	Disposal	Depreciation	Impairment	Others	Exchange differences	Ending balance
Land	₩ 414,008,721	₩ 1,036,888	₩ (1,714,150)	₩ -	₩ -	₩ 8,141,478	₩ 6,483,127	₩ 427,956,064
Buildings	1,478,877,626	12,326,740	(3,466,529)	(61,427,344)	(1,859,007)	(13,781,735)	67,185,706	1,477,855,457
Structures	52,479,693	293	(36,158)	(4,793,551)	-	534,291	2,862,483	51,047,051
Machinery and equipment	925,272,835	25,154,555	(704,777)	(325,390,879)	-	67,641,803	73,791,202	765,764,739
Vehicles	39,767,234	2,770,011	(74,692)	(11,359,583)	-	884,817	1,961,171	33,948,958
Tools, furniture and fixtures	440,863,462	54,964,251	(18,179,371)	(109,238,865)	-	64,114,445	17,868,558	450,392,480
Machinery in transit	7,301,846	14,840,963	-	-	-	(11,986,156)	340,460	10,497,113
Construction in progress	146,962,339	217,976,499	(54,340)	-	-	(128,334,837)	2,911,893	239,461,554
Operating lease	15,477	21,273	-	(15,778)	-	-	-	20,972
Right-of-use assets	396,057,957	47,909,673	(14,934,331)	(57,636,270)	-	(2,386,533)	8,131,393	377,141,889
Total	₩ 3,901,607,190	₩ 377,001,146	₩ (39,164,348)	₩ (569,862,270)	₩ (1,859,007)	₩(15,172,427)	₩181,535,993	₩ 3,834,086,277

(in thousands of Korean won)

	2020						
	Beginning balance	Acquisition	Disposal	Depreciation	Others ¹	Exchange differences	Ending balance
Land ¹	₩ 397,854,036	₩ 34,430,361	₩ -	₩ -	₩ (12,794,716)	₩ (5,480,960)	₩ 414,008,721
Buildings	1,553,601,737	14,157,514	(635,552)	(59,403,290)	2,371,264	(31,214,047)	1,478,877,626
Structures	56,633,829	191,914	(184,547)	(4,553,202)	504,260	(112,561)	52,479,693
Machinery and equipment	1,189,199,881	34,823,607	(1,380,767)	(355,565,900)	76,511,408	(18,315,394)	925,272,835
Vehicles	47,314,655	4,570,134	(899,509)	(12,452,792)	2,479,036	(1,244,290)	39,767,234
Tools, furniture and fixtures	420,261,830	72,183,270	(15,835,880)	(114,574,598)	84,981,027	(6,152,187)	440,863,462
Machinery in transit	6,817,867	6,074,006	(66,256)	-	(5,480,849)	(42,922)	7,301,846
Construction in progress	162,393,981	152,912,226	(88,960)	-	(168,163,805)	(91,103)	146,962,339
Operating lease	6,066	21,681	-	(12,270)	-	-	15,477
Right-of-use assets	271,416,794	156,578,787	(15,726,983)	(55,346,019)	33,543,213	5,592,165	396,057,957
Total	₩ 4,105,500,676	₩ 475,943,500	₩ (34,818,454)	₩ (601,908,071)	₩ 13,950,838	₩ (57,061,299)	₩ 3,901,607,190

¹ Account transfers of land-use rights recognized as intangible assets to property, plant and equipment and account transfers of property, plant and equipment to assets held for sale are included.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(c) Line items including depreciation in the statements of profit or loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Cost of sales	₩ 468,258,510	₩ 493,936,812
Selling and administrative expenses (including research and development cost)	101,603,760	107,971,259
Total	<u>₩ 569,862,270</u>	<u>₩ 601,908,071</u>

(d) Pledged assets as collaterals

As at December 31, 2021, a certain portion of the Group's property, plant and equipment (land, buildings and machinery) is pledged as collaterals for its credit line and others (Note 41).

16. Assets Held for Sale

On December 18, 2020, the Group decided to sell the Busan Logistics Center by approval of management, and as a result, the assets for sale are recorded as held for sale. The sales transaction was expected to be completed by December 2021, but the sale was delayed to May 2022 due to an agreement between the relevant parties.

<i>(in thousands of Korean won)</i>	2021	2020
Disposal group		
Land	₩ 37,734,720	₩ 37,734,720

17. Lease

(a) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:
(in thousands of Korean won)

<i>(in thousands of Korean won)</i>	2021	2020
Right-of-use assets ¹		
Land	₩ 45,362,516	₩ 42,685,992
Buildings	315,177,647	335,968,239
Machinery and equipment	3,799,999	5,408,833
Tools, furniture and fixtures	5,051,578	4,839,424
Vehicles	7,967,557	7,604,401
Total	<u>₩ 377,359,297</u>	<u>₩ 396,506,889</u>

¹ Included in the line item 'Property, plant and equipment', and 'Investment properties' in the statement of financial position (Notes 15 and 18). Additions to the right-of-use assets during the 2021 financial year were ₩ 48,009,389 thousand.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2021		2020	
Lease liabilities ²				
Current	₩	61,528,942	₩	54,729,684
Non-current		280,726,629		294,410,383
Total	₩	<u>342,255,571</u>	₩	<u>349,140,066</u>

² Included in the line item 'borrowings' in the statement of financial position.

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	2021		2020	
Depreciation of right-of-use assets				
Land	₩	1,327,584	₩	362,101
Buildings		49,631,823		48,889,169
Machinery and equipment		1,260,115		1,204,107
Tools, furniture and fixtures		112,966		433,081
Vehicles		5,467,648		4,457,560
Total	₩	<u>57,800,134</u>	₩	<u>55,346,018</u>
Interest expense relating to lease liabilities (included in finance costs)	₩	9,667,156	₩	10,081,627
Expense relating to short-term leases		1,284,361		3,751,935
Expense relating to leases of low-value assets		1,285,086		1,665,428
Expense relating to variable lease payments not included in lease liabilities		71,383,008		79,823,418

The total cash outflow for leases in 2021 is ₩ 131,792,198 thousand (2020: ₩ 148,971,843 thousand).

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(c) The total of future minimum lease payments to the lessor at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Total minimum lease payments		
Within one year	₩ 64,180,228	₩ 60,316,344
Later than one year but not later than five years	151,470,043	151,314,255
Later than five years	<u>193,200,861</u>	<u>198,725,651</u>
Total	<u>408,851,132</u>	<u>410,356,250</u>

(d) As at December 31, 2021, total future minimum sublease receipts under non-cancellable subleases amount to ₩ 61,511,175 thousand. The lease agreements do not include terms of renewal or purchase options, and there are no other restrictions imposed under lease arrangements relating to dividends, additional debt and further leasing.

(e) Details of the financial lease receivables at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Lease receivables_ buildings	₩ 50,803,865	₩ 41,264,468

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(f) The gross investment amount of the financial lease receivables provided as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Within one year	₩	8,405,458	₩	4,249,374
Within two years		8,288,502		7,596,835
Within three years		7,859,860		7,500,451
Within four years		6,485,110		7,005,990
Within five years		5,042,968		5,660,084
Later than five years		25,160,209		17,199,968
Total	₩	<u>61,242,107</u>	₩	<u>49,212,702</u>

18. Investment Properties

(a) Details of investment properties as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 80,482,909	₩ -	₩ -	₩ 80,482,909
Buildings	66,903,846	(27,242,884)	(332,432)	39,328,530
Right-of-use assets	596,688	(379,280)	-	217,408
Total	<u>₩ 147,983,443</u>	<u>₩ (27,622,164)</u>	<u>₩ (332,432)</u>	<u>₩ 120,028,847</u>

<i>(in thousands of Korean won)</i>	2020		
	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 88,620,040	₩ -	₩ 88,620,040
Buildings	50,139,884	(25,272,133)	24,867,751
Right-of-use assets	841,994	(393,062)	448,932
Total	<u>₩ 139,601,918</u>	<u>₩ (25,665,195)</u>	<u>₩ 113,936,723</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(b) Changes in investment properties for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021					
	Beginning balance	Acquisition	Depreciation	Others	Impairment	Ending balance
Land	₩ 88,620,040	₩ -	₩ -	₩ (8,137,131)	₩ -	₩ 80,482,909
Buildings	24,867,751	-	(1,500,138)	16,293,349	(332,432)	39,328,530
Right-of-use assets	448,932	99,716	(163,864)	(167,376)	-	217,408
Total	₩ 113,936,723	₩ 99,716	₩ (1,664,002)	₩ 7,988,842	₩ (332,432)	₩ 120,028,847

<i>(in thousands of Korean won)</i>	2020				
	Beginning balance	Acquisition	Depreciation	Others	Ending balance
Land	₩ 75,838,560	₩ -	₩ -	₩ 12,781,480	₩ 88,620,040
Buildings	22,519,683	34,517	(1,010,330)	3,323,881	24,867,751
Right-of-use assets	662,783	-	(213,010)	(841)	448,932
Total	₩ 99,021,026	₩ 34,517	₩ (1,223,340)	₩ 16,104,520	₩ 113,936,723

(c) Fair value of investment properties as at December 31, 2021 is ₩ 288,319,930 thousand (2020: ₩ 224,044,444 thousand).

(d) For the year ended December 31, 2021, rental income from investment property is ₩ 4,382,734 thousand (2020: ₩ 4,103,457 thousand), and operating expenses from property that generated rental income are ₩ 1,413,382 thousand (2020: ₩ 1,011,814 thousand).

19. Intangible Assets

(a) Details of intangible assets as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Industrial rights	₩ 18,369,498	₩ (14,960,799)	₩ -	₩ 3,408,699
Other intangible assets	145,785,937	(125,168,112)	(27,906)	20,589,919
Goodwill	157,014,723	-	(6,698,640)	150,316,083
Customer value and others	111,903,025	(34,306,656)	-	77,596,369
Construction in progress	11,726,479	-	-	11,726,479
Total	₩ 444,799,662	₩ (174,435,567)	₩ (6,726,546)	₩ 263,637,549

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Korean won)	2020				
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount	
Industrial rights	₩ 17,252,224	₩ (13,577,880)	₩ -	₩	3,674,343
Other intangible assets	137,501,929	(111,004,481)	(28,557)		26,468,891
Goodwill	155,332,604	-	(5,855,920)		149,476,684
Customer value and others	110,945,713	(24,396,835)	-		86,548,878
Construction in progress	4,975,679	-	-		4,975,679
Total	₩ 426,008,149	₩ (148,979,196)	₩ (5,884,477)	₩	271,144,476

(b) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021						
	Beginning balance	Acquisition	Disposal	Amortization	Others	Exchange differences	Ending balance
Industrial rights	₩ 3,674,343	₩ 463,303	₩ -	₩ (1,394,404)	₩ 665,776	₩ (319)	₩ 3,408,699
Other intangible assets	26,468,891	1,646,956	(147,566)	(9,468,348)	1,526,569	563,416	20,589,919
Goodwill	149,476,684	114,987	-	-	-	724,412	150,316,083
Brand and customer relationship	86,548,878	-	-	(9,792,044)	-	839,535	77,596,369
Construction in progress	4,975,679	9,108,806	(152,472)	-	(2,232,865)	27,331	11,726,479
Total	₩ 271,144,475	₩ 11,334,052	₩ (300,038)	₩ (20,654,796)	₩ (40,520)	₩ 2,154,376	₩ 263,637,549

(in thousands of Korean won)	2020						
	Beginning balance	Acquisition	Disposal	Amortization	Others	Exchange differences	Ending balance
Industrial rights	₩ 2,310,669	₩ 780,485	₩ -	₩ (1,194,726)	₩ 1,778,036	₩ (121)	₩ 3,674,343
Other intangible assets	33,724,941	2,705,218	(224,537)	(12,580,377)	2,652,098	191,548	26,468,891
Goodwill	147,333,639	-	-	-	-	2,143,045	149,476,684
Land-use rights ¹	57,583,608	-	-	(926,352)	(57,471,201)	813,945	-
Brand and customer relationship	93,988,967	-	-	(9,691,170)	-	2,251,081	86,548,878
Construction in progress	5,574,468	3,854,014	(161,025)	-	(4,320,420)	28,642	4,975,679
Total	₩ 340,516,292	₩ 7,339,717	₩ (385,562)	₩ (24,392,625)	₩ (57,361,487)	₩ 5,428,140	₩ 271,144,475

¹ Land-use rights recognized as intangible assets were transferred to property, plant and equipment.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(c) Impairment Tests for Goodwill

Goodwill is allocated to each of the CGUs identified for each consolidated entity. Details of goodwill of each consolidated entity as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Manufacture and sales of tires	₩	27,632,207	₩	27,632,207
Distribution of tires		80,356,648		79,517,249
Non-tire business		42,327,228		42,327,228
Total	₩	150,316,083	₩	149,476,684

Goodwill impairment reviews are undertaken annually. As a result of impairment test, it is considered that the carrying value of cash generating units does not exceed the recoverable amount.

The recoverable amounts of all cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on a business plan approved by management covering five-years. Also, when measuring value in use, the Group estimated the cash flows assuming that COVID-19 would end within the estimated period. Cash flows beyond the five-years of the business plan are extrapolated using the estimated long-term growth rates stated below. The growth rate does not exceed the long-term average growth rate included in the related industry report.

Management determined the estimated pre-tax cash flow based on past performance and its expectations of market development. Value in use is measured by applying the discount rates reflecting specific risks relating to the relevant industry in which they operate. The key assumptions used as at December 31, 2021, are as follows:

<i>(in percentage, %)</i>	Annual growth rate for sales	Discount rate	Long-term growth rate
Manufacture and sales of tires	4.64	7.50	1
Distribution of tires	2.52 ~ 10.53	5.90 ~ 11.40	1.50 ~ 2.00
Non-tire business	7.37	9.74	1

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

The results of the sensitivity analysis for impairment assessment according to changes in discount rate and long-term growth rate are as follows:

<i>(in thousands of Korean won)</i>	Amount of impairment					
	Manufacture and sales of tires		Distribution of tires		Non-tire business	
0.5% increase of discount rate	₩	-	₩	-	₩	-
0.5% decrease of long-term growth rate		-		-		-

20. Trade and Other Payables

Details of trade and other payables as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Trade payables	₩	399,595,981	₩	369,877,209
Non-trade payables		354,595,986		298,776,511
Accrued expenses		398,282,567		293,879,305
Dividends payable		26,508		23,298
Total	₩	<u>1,152,501,042</u>	₩	<u>962,556,323</u>

21. Borrowings

(a) Details of borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021				2020			
	Current		Non-current		Current		Non-current	
Short-term borrowings	₩	395,765,525	₩	-	₩	430,080,182	₩	-
Long-term borrowings		-		309,321,002		43,520,000		163,200,000
Lease liabilities		61,528,942		280,726,629		54,729,683		294,410,383
Debentures		-		773,043,198		-		733,071,261
Total	₩	<u>457,294,467</u>	₩	<u>1,363,090,829</u>	₩	<u>528,329,865</u>	₩	<u>1,190,681,644</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(b) Details of short-term borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Lender	Annual interest rate (%)			2021			2020
General loans	BMG and others	0.65	₩		98,312,544	₩		225,524,111
Transfer of trade receivables ¹	Woori Bank and others	7.11 ²			251,633,253			159,140,140
Usance	SMBC and others	0.50			45,819,728			45,415,931
	Total				₩ 395,765,525			₩ 430,080,182

¹ As transfer of trade receivables does not meet derecognition criteria, financial liabilities are recognized and secured by the Group's trade receivables (Note 41).

² The weighted average borrowing interest rate on financial liabilities recognized in connection with the transfer of trade receivables.

(c) Details of long-term borrowings of the Group as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Lender	Maturity date	Annual interest rate (%)	2021		2020	
				Current	Non-current	Current	Non-current
Long-term borrowings in local currency	KEB Hana Bank and others	2024.05.17	2.12~2.15	₩ -	₩ 11,400,000	₩ -	₩ -
Long-term borrowings in foreign currency	CitiBank and others	2024.11.19	1.04~2.61	-	297,921,002	43,520,000	163,200,000
	Total			₩ -	309,321,002	43,520,000	163,200,000

(d) Details of debentures as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	Issue date	Payment date	Annual interest rate(%)	2021		2020	
				Current	Non-current	Current	Non-current
The 84-1st debentures	2020.03.05	2023.03.05	1.38	₩ -	₩ 150,000,000	₩ -	₩ 150,000,000
The 84-2nd debentures	2020.03.05	2025.03.05	1.48	-	150,000,000	-	150,000,000
Long-term debentures in foreign currency ¹	2018.01.30	2023.01.30	3.50	-	355,650,000	-	326,400,000
Shogun bond ¹	2020.05.15	2023.05.15	1.33	-	118,550,000	-	108,800,000
Less: discount on borrowings				-	(1,156,802)	-	(2,128,739)
Total				-	₩ 773,043,198	₩ -	₩ 733,071,261

¹ The Group entered into currency swap contracts to hedge cash flow risks related to floating interest rates and foreign exchange rates of the above borrowings (Note 8).

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

22. Provisions

Changes in provisions for the years ended December 31, 2021 and 2020, are as follows:

*(in thousands of
Korean won)*

	2021				
	Beginning balance	Recognized in profit or loss	Used during the year	Exchange differences	Ending balance
Provision for product liabilities	₩ 7,382,407	₩ (1,250,532)	₩ (5,291)	₩ -	₩ 6,126,584
Provision for product warranties	62,799,737	20,373,303	(15,817,782)	1,233,729	68,588,987
Other provisions	687,872	6,583,263	(149,619)	(127,940)	6,993,576
Total	<u>₩ 70,870,016</u>	<u>₩ 25,706,034</u>	<u>₩ (15,972,692)</u>	<u>₩ 1,105,789</u>	<u>₩ 81,709,147</u>

*(in thousands of
Korean won)*

	2020				
	Beginning balance	Recognized in profit or loss	Used during the year	Exchange differences	Ending balance
Provision for product liabilities	₩ 8,049,365	₩ 1,474,322	₩ (2,141,280)	₩ -	₩ 7,382,407
Provision for product warranties	61,345,989	19,517,678	(18,015,247)	(48,683)	62,799,737
Other provisions	669,062	76,674	(69,490)	11,626	687,872
Total	<u>₩ 70,064,416</u>	<u>₩ 21,068,674</u>	<u>₩ (20,226,017)</u>	<u>₩ (37,057)</u>	<u>₩ 70,870,016</u>

Greenhouse Gas Emission Permits and Obligations

The quantities of emission permits which are allocated free of charge for the 3rd planning period (2021~2025) are as follows.

<i>(in tCO₂-eq)</i>	2021	2022	2023	2024	2025	Total
Allocation of emission Allowances free of charge	467,218	467,218	467,218	462,843	462,843	2,327,340

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Details of emission rights received free of charge for each reporting period and greenhouse gas emission estimated by the Parent Company as at December 31, 2021 and 2020, are as follows:

<i>(unit: tCO₂-eq)</i>	2019	2020²	2021³
At January 1	45,258	-	25,000
Allocation with nil consideration	495,322	494,319	467,218
Disposal	(50,000)	(10,000)	(5,000)
Purchase	-	4,350	-
Carried from	425	(425)	-
Surrendered to the government ¹	(491,005)	(463,244)	(470,000)
Carry forward	-	25,000	17,218
At December 31	<u>-</u>	<u>25,000</u>	<u>17,218</u>

¹ The quantity of surrendered to the government for the year ended December 31, 2020 is actual and settled, and for 2021 is an estimation.

² The quantity surrendered to the government for the year ended December 31, 2020, was 463,244 tCO₂eq in September 2021. And the residual amount compared to the allocated amount of emissions was carried over 2021.

³ Considering that the quantity of surrendered to the government for 2021 is the same as the previous year, it is expected that the allocation will not be exceeded.

23. Other Financial Liabilities

Details of other financial liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
	Current	Non-current	Current	Non-current
Leasehold deposits received	₩ 4,073,308	₩ 19,112,119	₩ 3,116,268	₩ 27,670,171
Financial derivative liabilities	39,744	2,743,725	1,391,947	13,523,615
Financial liabilities to non-controlling interests ¹	-	804,997	-	3,518,026
Other financial liabilities ²	20,631,940	-	-	20,631,940
Others	-	481,800	-	440,000
Total	<u>₩ 24,744,992</u>	<u>₩ 23,142,641</u>	<u>₩ 4,508,215</u>	<u>₩ 65,783,752</u>

¹ As the term of Mirae Asset OCIO Best Solution Privately Placed Investment Trust 1, TIGER CONSTANT 1 Hedge Fund, CNT Tech Mobility Startups Investment Fund acquired in 2021, the Group invested in is limited, non-controlling interests were classified as financial liabilities.

² The Group recognized an obligation to purchase its share capital as financial liabilities upon the acquisition of Model Solution Co., Ltd. and the related amount was deducted from other paid-in capital (Note 41).

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

24. Other Liabilities

Details of other liabilities as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Current	Non-current	Current	Non-current
Advance received	₩ 149,223,449	₩ -	₩ 147,217,502	₩ -
Withholdings	42,787,499	-	41,005,240	-
Unearned revenue ¹	11,036,958	70,745,961	18,606,549	66,892,115
Long-term employee liabilities	-	45,212,355	-	23,788,514
Others	1,536,497	580,634	1,825,791	2,660,790
Total	₩ 204,584,403	₩ 116,538,950	₩ 208,655,082	₩ 93,341,419

¹ Chongqing Hankooktire Co., Ltd. and Hankook Tire Manufacturing Tennessee LP of the Group received government grants from state and local governments for the purpose of providing land free-of charge and subsidies for acquisition of tangible assets and recognized the grants as deferred revenue.

25. Net Defined Benefit Liabilities

25.1 Defined Benefit Plan

(a) Amounts recognized in statements of comprehensive income regarding defined pension plans for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Current service cost	₩ 51,819,615	₩ 56,177,610
Net interest cost	1,008,835	1,166,779
Total	₩ 52,828,450	₩ 57,344,389

(b) Details of net defined benefit liabilities (assets) recognized in the statements of financial position as at December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021	2020
Present value of defined benefit obligations	₩ 489,695,339	₩ 476,188,762
Fair value of plan assets ¹	(528,894,394)	(471,840,065)
Net defined benefit liabilities (assets)	₩ (39,199,055)	₩ 4,348,697

¹ The contributions to the National Pension Fund of ₩ 5,232 thousand are included in the fair value of plan assets as at December 31, 2021 (2020: ₩ 6,437 thousand).

(c) Movements in the defined benefit liabilities and the fair value of plan assets for the years ended December 31, 2021 and 2020, are as follows:

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of Korean won)

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩ 476,188,762	₩ (471,840,065)	₩ 4,348,697
Current service cost	51,819,615	-	51,819,615
Interest expense (income)	16,204,453	(15,195,618)	1,008,835
	<u>68,024,068</u>	<u>(15,195,618)</u>	<u>52,828,450</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	6,138,949	6,138,949
Actuarial gain from change in demographic assumptions	(3,163,788)	-	(3,163,788)
Actuarial loss from change in financial assumptions	3,328,988	-	3,328,988
Actuarial gain from experience adjustments	(12,006,169)	-	(12,006,169)
	<u>(11,840,969)</u>	<u>6,138,949</u>	<u>(5,702,020)</u>
Employers' contributions	-	(88,199,642)	(88,199,642)
Benefit payments	(42,308,642)	39,603,791	(2,704,851)
Others (affiliate transfer effect included)	(367,880)	598,191	230,311
Ending balance	<u>₩ 489,695,339</u>	<u>₩ (528,894,394)</u>	<u>₩ (39,199,055)</u>

(in thousands of Korean won)

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	470,879,296	₩ (458,420,675)	₩ 12,458,621
Current service cost	56,177,610	-	56,177,610
Interest expense (income)	13,621,478	(12,454,699)	1,166,779
	<u>69,799,088</u>	<u>(12,454,699)</u>	<u>57,344,389</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	3,512,247	3,512,247
Actuarial loss (gain) from change in demographic assumptions	-	-	-
Actuarial gain from change in financial assumptions	(26,654,228)	-	(26,654,228)
Actuarial gain from experience adjustments	(1,175,683)	-	(1,175,683)
	<u>(27,829,911)</u>	<u>3,512,247</u>	<u>(24,317,664)</u>
Employers' contributions	-	(43,858,616)	(43,858,616)

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Benefit payments	(36,728,683)	38,865,716	2,137,033
Others (affiliate transfer effect included)	<u>68,972</u>	<u>515,962</u>	<u>584,934</u>
Ending balance	<u>476,188,762</u>	<u>₩ (471,840,065)</u>	<u>₩ 4,348,697</u>

(d) The significant actuarial assumptions used in defined benefit obligations assessment as at December 31, 2021 and 2020, are as follows:

<i>(in percentage, %)</i>	2021	2020
Discount rate	2.91 ~ 7.50	2.39 ~ 7.75
Salary growth rate	3.0 ~ 9.0	3.0 ~ 10.0

(e) While holding all other assumptions constant, if significant actuarial assumptions vary within a reasonable range, the effects on the defined benefit obligations are as follows.

<i>(in thousands of Korean won)</i>	2021	
	Increase	Decrease
1% change of discount rate	₩ (42,940,405)	₩ 58,040,483
1% change of salary growth rate	57,250,061	(43,186,326)
<i>(in thousands of Korean won)</i>	2020	
	Increase	Decrease
1% change of discount rate	₩ (45,292,911)	₩ 53,276,423
1% change of salary growth rate	52,576,275	(45,621,197)

(f) Plan assets as at December 31, 2021 and 2020, consist of:

<i>(in thousands of Korean won)</i>	2021		2020	
	Amount	Composition	Amount	Composition
Debt instruments	₩ 512,781,056	96.95%	₩ 471,445,527	99.92%
Cash and cash equivalents	16,108,106	3.05%	388,101	0.08%
Others	<u>5,232</u>	<u>0.00%</u>	<u>6,437</u>	<u>0.00%</u>
Total	<u>₩ 528,894,394</u>	<u>100.00%</u>	<u>₩ 471,840,065</u>	<u>100.00%</u>

(g) The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2022 are ₩ 10,535,827 thousand (2020: ₩ 66,417,485 thousand).

The expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	₩ 15,581,465	₩ 38,179,225	₩ 85,243,831	₩ 615,004,783	₩ 754,009,304

The weighted average duration of the defined benefit obligation is 10.56 years (2020: 10.65 years).

25. 2 Defined Contribution Plan

The expense recognized in the current year in relation to defined contribution plan was ₩ 7,061,485 thousand (2020: ₩ 2,778,656 thousand).

26. Share Capital

Details of share capital as at December 31, 2021 and 2020, are as follows:

<i>(in Korean won, except for number of shares)</i>	2021	2020
Authorized (in shares)	250,000,000	250,000,000
Par value	₩ 500	₩ 500
Outstanding (in shares):		
Ordinary shares	<u>123,875,069</u>	<u>123,875,069</u>
Share capital:		
Ordinary shares	<u>₩ 61,937,534,500</u>	<u>₩ 61,937,534,500</u>

27. Other Paid-in Capital

Details of other paid-in capital as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Share premium	₩ 2,993,465,738	₩ 2,993,465,738
Other capital surplus	(20,631,939)	(20,631,939)
Treasury shares ¹	<u>(44,848,719)</u>	<u>(44,848,719)</u>
Total	<u>₩ 2,927,985,080</u>	<u>₩ 2,927,985,080</u>

¹ After acquiring 22,388 treasury shares through a spin-off in 2012, the Group additionally acquired 1,863,928 shares in 2020. Further appropriation of them is not determined.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

28. Retained Earnings and Dividends

Details of retained earnings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Legal reserve:		
Surplus reserve	₩ 35,298,014	₩ 35,298,014
	<u>35,298,014</u>	<u>35,298,014</u>
Voluntary reserve:		
Dividend equalization reserve	90,000,000	80,000,000
Director's retirement bonus reserve	5,000,000	5,000,000
Voluntary reserve	94,000,000	83,000,000
	<u>189,000,000</u>	<u>168,000,000</u>
Unappropriated retained earnings	4,966,315,524	4,461,967,062
Total	<u>₩ 5,190,613,538</u>	<u>₩ 4,665,265,076</u>

Dividend distributed to the Group's ordinary shareholders amounted to ₩ 79,292,689 thousand (2020: ₩ 68,118,975 thousand) for the year ended December 31, 2020, was paid in April 2021. Dividend distributed to non-controlling interests is ₩ 4,954,188 thousand (2020: ₩ 4,954,188 thousand), which was paid in April 2021.

29. Other Components of Equity

Changes in other components of equity for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021				
	Beginning balance	Increase (decrease)¹	Reclassification to profit or loss	Reclassification to non-controlling interests	Ending balance
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (9,664,362)	₩ 11,480,696	₩ -	₩ (1,285)	₩ 1,815,049
Cash flow hedge	6,352,460	25,221,292	(25,709,827)	-	5,863,925
Exchange differences on translating foreign operations	(267,413,821)	238,889,690	-	(1,144,366)	(29,668,497)
Share of other comprehensive income of associates	(6,967,063)	16,190,169	-	-	9,223,106
Total	<u>₩ (277,692,786)</u>	<u>₩ 291,781,847</u>	<u>₩ (25,709,827)</u>	<u>₩ (1,145,651)</u>	<u>₩ (12,766,417)</u>

¹ The amount of tax effect is deducted.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of
Korean won)

	2020				
	Beginning balance	Increase (decrease) ¹	Reclassification on to profit or loss	Reclassification to non-controlling interests	Ending balance
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (13,108,353)	₩ 3,442,289	₩ -	₩ 1,702	₩ (9,664,362)
Cash flow hedge	814,308	(21,081,547)	26,619,699	-	6,352,460
Exchange differences on translating foreign operations	(207,043,698)	(64,080,952)	-	3,710,829	(267,413,821)
Share of other comprehensive income of associates	(1,283,238)	(5,683,825)	-	-	(6,967,063)
Total	₩ (220,620,981)	₩ (87,404,035)	₩ 26,619,699	₩ 3,712,531	₩ (277,692,786)

¹ The amount of tax effect is deducted.

30. Sales and Cost of Sales

Details of sales for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021	2020
Sales of goods	₩ 6,995,230,496	₩ 6,318,869,057
Sale of finished goods	7,379,686,345	6,683,366,707
Sale discount	(61,893,530)	(51,666,524)
Sales incentive	(322,562,319)	(312,831,126)
Rendering of services	145,906,332	134,202,728
Rental sales	2,430,481	2,425,589
Service sales	143,475,851	131,777,139
Total	₩ 7,141,136,828	₩ 6,453,071,785

Details of cost of sales for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)	2021	2020
Cost of finished goods sold	₩ 5,063,493,330	₩ 4,474,485,691
Cost of service sales	108,302,099	81,660,555
Custom duties reimbursed	(3,412,527)	(3,083,960)
Loss (reversal) on valuation of inventories and others	25,454,488	(3,002,436)
Total	₩ 5,193,837,390	₩ 4,550,059,850

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

31. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Payroll	₩	259,156,971	₩	245,024,900
Post-employment benefits		11,962,070		13,127,112
Service expenses		41,614,796		36,783,713
Employee benefits		50,924,383		44,618,260
Utility expenses		5,488,294		4,949,433
Supplies expenses		2,129,457		3,012,461
Repairs expenses		7,789,554		7,530,404
Test expenses		16,821,546		14,286,124
Overseas branch maintenance expenses		7,157,963		7,484,048
Travel expenses		6,837,377		6,480,730
Training expenses		1,195,626		891,763
Communication expenses		3,595,508		3,473,731
Entertainment expenses		2,138,027		1,991,747
Vehicles maintenance expenses		4,784,305		4,166,550
Publication expenses		842,811		1,046,384
Commission fees		73,783,195		78,643,555
Rental expenses		9,247,244		8,657,265
Depreciation of property, plant and equipment		82,779,537		80,553,308
Depreciation of investment property		1,286,011		1,219,378
Amortization of intangible assets		18,147,869		21,460,050
Insurance		11,141,826		11,655,906
Taxes and dues		27,670,101		24,006,712
Impairment loss on receivables		(3,042,499)		12,943,195
Conference expenses		814,997		972,045
Brand loyalty expenses		35,729,925		32,967,684
SSC service fee		6,723,646		6,187,379
Travel and transportation expenses		155,481,610		146,954,098
Advertising		153,692,646		133,394,056
Other export expenses		12,215,008		10,959,654
Packing charges		8,158,276		7,802,963
Sales damage expenses		19,122,771		20,992,000
Foreign market development expenses		1,129		3,712
Warehouse fees		87,161,447		97,133,268
Other expenses		3,268,123		2,624,610
Total	₩	1,125,821,550	₩	1,093,998,198

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

32. Finance Income

Details of finance income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Interest income	₩	18,223,189	₩	16,316,992
Gains on valuation of derivatives		1,238,647		3,951,365
Gains on transaction of derivatives		3,191,136		-
Gains on foreign currency translation		31,619,790		14,070,694
Gains on foreign currency transaction		23,717,075		66,195,457
Gains on valuation of debt instruments at fair value through profit or loss		4,108,730		68,977
Gains on valuation of equity instruments at fair value through profit or loss		419,704		-
Gains on disposal of debt instruments at fair value through profit or loss		428,264		-
Others		-		4,511
Total	₩	<u>82,946,535</u>	₩	<u>100,607,996</u>

33. Finance Costs

Details of finance costs for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Interest expense	₩	43,762,089	₩	47,464,093
Losses on valuation of derivatives		184,904		4,891,468
Losses on transaction of derivatives		3,930,258		4,076,782
Losses on foreign currency transaction		27,964,310		62,392,561
Losses on foreign currency translation		8,744,914		18,445,285
Loss on disposal of debt instruments at fair value through other comprehensive income		1,135		87,556
Loss on disposal of debt instruments at fair value through profit or loss		864,421		58,123
Loss on disposal of equity instruments at fair value through profit or loss		681,397		-
Losses on valuation of debt instruments at fair value through profit or loss		1,244,684		-
Total	₩	<u>87,378,112</u>	₩	<u>137,415,868</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

34. Other Non-operating Income

Details of other non-operating income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021	2020
Dividend income	₩	2,166,587	1,438,139
Commission income		3,893,174	2,582,942
Rental income		1,221,321	1,838,713
Gains on foreign currency translation		25,336,827	28,205,795
Gains on foreign currency transaction		136,257,119	140,488,051
Gains on disposal of property, plant and equipment		9,761,014	3,790,884
Gains on insurance settlements		347,144	244,986
Gains on transaction of derivatives		3,642,681	692,867
Gains on valuation of derivatives		794,250	30
Other		23,050,293	27,728,497
Total	₩	<u>206,470,410</u>	<u>₩ 207,010,904</u>

35. Other Non-operating Expenses

Details of other non-operating expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021	2020
Donation	₩	5,032,531	₩ 1,252,161
Losses on foreign currency transaction		108,083,187	163,268,699
Losses on foreign currency translation		28,198,854	43,308,015
Losses on disposal of trade receivables		1,694	53,393
Losses on disposal of investment property		332,432	-
Losses on disposal of property, plant and equipment		9,164,263	9,657,798
Impairment loss on property, plant and equipment		1,859,006	-
Losses on abandonment of property, plant and equipment		4	141
Losses on disposal of intangible assets		157,162	115,504
Impairment loss on intangible assets		-	4,500
Losses on valuation of derivative instruments		38,367	496,683
Losses on derivative instruments transactions		1,049,912	647,995
Other impairment losses		361,977	302,291
Other		7,930,265	6,288,958
Total	₩	<u>162,209,654</u>	<u>₩ 225,396,138</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

36. Tax Expense and Deferred Tax

(a) Income tax expense for the years ended December 31, 2021 and 2020, consists of:

<i>(in thousands of Korean won)</i>	2021	2020
Current tax:		
Current tax on profit for the year	₩ 102,329,068	₩ 190,916,822
Deferred tax:		
Changes in temporary differences	16,165,375	(21,183,774)
Changes in tax credit	2,656,445	23,329,673
Income tax expense	₩ 121,150,888	₩ 193,062,721

(b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Profit before income tax expense	₩ 725,486,424	₩ 578,268,103
Tax calculated at statutory tax rates applicable to profits in the respective countries	150,239,256	130,974,271
Tax effects of:		
Income not subject to tax	(12,850,842)	(5,613,392)
Expenses not deductible for tax purposes	6,191,352	3,445,788
Effect of tax credit and reduction	(12,928,572)	(1,850,632)
Additional payment (refunds) of income taxes	(11,556,374)	73,070,765
Others	2,056,068	(6,964,079)
Subtotal	(29,088,368)	62,088,450
Income tax expense	₩ 121,150,888	₩ 193,062,721
Effective tax rate	16.70%	33.39%

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(c) The tax effect relating to components of other comprehensive income for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurements of net defined benefit liabilities	₩ 5,679,783	₩ (1,631,676)	₩ 4,048,107	₩ 24,317,664	₩ (6,743,904)	₩ 17,573,760
Remeasurements of net defined benefit liabilities of associates	1,662,652	(402,362)	1,260,290	(4,347,892)	928,139	(3,419,753)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	16,490,505	(3,490,583)	12,999,922	8,527,267	(1,895,760)	6,631,507
Cash flow hedge	(749,062)	260,527	(488,535)	7,325,360	(1,787,208)	5,538,152
Exchange differences on translating foreign operations	238,889,690	-	238,889,690	(64,080,952)	-	(64,080,952)
Share of other comprehensive income of associates	21,253,437	(5,063,268)	16,190,169	(7,559,283)	1,875,458	(5,683,825)
Total	₩ 283,227,005	₩ (10,327,362)	₩ 272,899,643	₩ (35,817,836)	₩ (7,623,275)	₩ (43,441,111)

(d) The analysis of deferred tax assets and liabilities as at December 31, 2021 and 2020, is as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Deferred tax asset(liabilities) to be settled within 12 months	₩ 29,330,629	₩ 18,885,101
Deferred tax asset(liabilities) to be settled after more than 12 months	115,588,349	143,691,665
	₩ 144,918,978	₩ 162,576,766

(e) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

<i>(in thousands of Korean won)</i>	2021			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Property, plant and equipment	₩ 30,506,557	₩ 1,504,080	₩ -	₩ 32,010,637
Inventories	1,629,783	2,205,024	-	3,834,807
Accrued income	(207,002)	205,511	-	(1,491)
Derivatives	(1,691,872)	102,432	260,527	(1,328,913)
Long-term employee benefits	5,279,714	4,740,721	-	10,020,435
Other Provisions	15,124,289	(501,399)	-	14,622,890
Post-employment benefit obligation	(4,476,412)	(6,894,318)	(1,631,676)	(13,002,406)

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Accrued expense	13,490,664	1,203,014	-	14,693,678
Advanced depreciation provision for non-depreciable assets	(13,950,771)	874,475	-	(13,076,296)
Advanced depreciation provision for depreciable assets	(193,442)	33,729	-	(159,713)
Gains and losses on foreign currency translation	195	(7)	-	188
Others	10,399,777	(526,614)	(2,685,854)	7,187,309
Deferred tax asset(liabilities) of subsidiaries	33,439,766	7,274,609	3,690,796	44,405,171
Deferred tax asset(liabilities) related with consolidation adjustment	63,338,963	(26,386,632)	739,621	37,691,952
	₩ 152,690,209	₩ (16,165,375)	₩ 373,414	₩ 136,898,248
Tax credit and tax reduction	9,886,557	(2,656,445)	790,618	8,020,730
Total	₩ 162,576,766	₩ (18,821,820)	₩ 1,164,032	₩ 144,918,978

(in thousands of Korean won)

	2020			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Property, plant and equipment	₩ 25,279,803	₩ 5,226,754	₩ -	₩ 30,506,557
Inventories	1,687,680	(57,897)	-	1,629,783
Accrued income	(109,243)	(97,759)	-	(207,002)
Derivatives	137,309	(41,973)	(1,787,208)	(1,691,872)
Long-term employee benefits	5,024,014	255,700	-	5,279,714
Other provisions	17,226,651	(2,102,362)	-	15,124,289
Post-employment benefit obligation	(2,427,469)	4,846,685	(6,895,628)	(4,476,412)
Accrued expense	7,915,515	5,575,149	-	13,490,664
Advanced depreciation provision for non-depreciable assets	(15,797,870)	1,847,099	-	(13,950,771)
Advanced depreciation provision for depreciable assets	(244,598)	51,156	-	(193,442)
Gains and losses on foreign currency translation	216	(21)	-	195
Others	9,602,318	2,693,219	(1,895,760)	10,399,777
Deferred tax asset(liabilities) of subsidiaries	42,068	9,276,751	24,120,947	33,439,766
Deferred tax asset(liabilities) related with consolidation adjustment	65,778,352	(6,288,727)	3,849,338	63,338,963
	₩ 114,114,746	₩ 21,183,774	₩ 17,391,689	₩ 152,690,209
Tax credit and tax reduction	33,411,000	(23,329,673)	(194,770)	9,886,557
Total	₩ 147,525,746	₩ (2,145,899)	₩ 17,196,919	₩ 162,576,766

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(f) Details of unrecognized taxable temporary differences as deferred tax liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020	Remarks
Investments in subsidiaries	₩ 2,552,771,135	₩ 1,943,213,947	Permanent reinvestment plan of undistributed profit
	932,625,368	889,026,538	No plan to dispose the investments

37. Expenses by Nature

Expenses by nature for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Changes in inventories:		
Finished goods	₩ (149,570,788)	₩ 96,363,310
Merchandise	(82,945)	(1,509,494)
Work in process	(7,632,910)	4,249,044
Supplies	(3,191,602)	2,639,392
Raw materials	(181,501,413)	77,723,930
Purchase of raw materials and others	2,803,230,080	2,264,636,534
Payroll	1,157,737,201	1,007,180,549
Depreciation ¹	571,526,272	603,131,411
Amortization	20,654,796	24,392,625
Commission fees	137,616,878	129,172,509
Others	2,150,158,352	1,616,821,419
Total	₩ 6,498,943,921	₩ 5,824,801,229

¹ Includes depreciation of investment property.

38. Earnings per Share

The basic and diluted earnings per share for the years ended December 31, 2021 and 2020, are computed as follows:

<i>(in Korean won)</i>	2021	2020
Profit for the year attributable to the ordinary equity holders of the Parent Company	₩ 597,813,528,959	₩ 372,337,205,172
Weighted-average number of ordinary shares outstanding (in shares) ¹	121,988,753	122,810,025
Basic and diluted earnings per share ²	₩ 4,901	₩ 3,032

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

¹ Weighted average number of ordinary shares outstanding is calculated considering outstanding ordinary shares divided by outstanding period, excluding number of treasury shares.

² Basic and diluted earnings per share are the same because there is no potentially dilutive ordinary share issued by the Group.

39. Operating Segment Information

The Group has a single operating segment subject to Korean IFRS 1108 *Segment Reporting*; therefore, no operating segment information is disclosed.

The Group is mainly operating in five geographical regions. Net sales information by geographical region for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

	2021		2020	
	Amount	Ratio	Amount	Ratio
North America	₩ 2,034,053,179	28.48%	₩ 1,680,089,605	26.04%
South and Central America	277,060,669	3.89%	230,078,544	3.57%
Asia, except Korea	1,314,786,942	18.41%	1,240,854,799	19.23%
Europe	2,626,580,386	36.78%	2,437,777,476	37.78%
Korea	888,655,652	12.44%	864,271,361	13.39%
Total	₩ 7,141,136,828	100.00%	₩ 6,453,071,785	100.00%

There is no external customer, who contributes more than 10% of the Group's total revenue for the years ended December 31, 2021 and 2020.

At the end of the reporting period, non-current assets broken down by location of the assets are shown as follows:

(in thousands of Korean won)

	2021 ¹	2020 ¹
North America	₩ 519,499,532	₩ 512,083,539
South and Central America	1,926,252	2,432,366
Asia, except Korea	1,275,442,627	1,310,254,823
Europe	582,873,228	628,698,709
Korea	1,920,279,427	1,862,002,398
Total	₩ 4,300,021,066	₩ 4,315,471,835

¹ Financial assets, deferred tax assets and investment in associates are excluded from non-current assets.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

40. Cash Flow Information

Details of cash generated from operations for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Adjustments:		
Income tax expense	₩ 121,150,888	₩ 193,062,721
Gain on investments in associates	(43,464,339)	(5,190,653)
Gains on disposal of investments in associates	(1,274,156)	-
Interest income	(18,223,189)	(16,316,992)
Interest expense	43,762,089	47,464,093
Dividend income	(2,166,587)	(1,438,139)
Gains on foreign currency translation	(56,956,617)	(42,276,489)
Losses on foreign currency translation	36,943,769	61,753,299
Gains on foreign currency transaction	6,781,682	(46,624,940)
Losses on foreign currency transaction	(361,657)	22,632,941
Losses on disposal of debt instruments at fair value through other comprehensive income	10,076	97,801
Gains on disposal of debt instruments at fair value through profit or loss	(110)	-
Gains on valuation of equity instruments at fair value through profit or loss	(3,347,872)	(21,099)
Losses on valuation of debt instruments at fair value through profit or loss	64,122	-
Losses (gains) on valuation of inventories	24,449,916	(5,036,918)
Losses on abandonment of inventories	827,193	2,236,950
Losses on disposal of trade receivables	1,694	53,393
Impairment loss on trade receivables	(3,042,499)	12,943,195
Other impairment loss	361,977	(2,697,709)
Gains on disposal of property, plant and equipment	(9,761,014)	(3,790,883)
Losses on disposal of property, plant and equipment	9,164,263	9,657,798
Losses on abandonment of property, plant and equipment	4	141
Impairment loss on property, plant and equipment	1,859,007	-
Losses on disposal of intangible assets	157,162	115,504
Reversal of impairment loss of intangible assets	-	(9,417)
Impairment loss on investment properties	332,432	-
Depreciation of property, plant and equipment	569,862,271	601,908,071
Depreciation of investment properties	1,664,003	1,223,340
Amortization of intangible assets	20,654,796	24,392,625
Miscellaneous losses	-	4,701
Miscellaneous gains	(934,000)	-
Increase in other provisions	4,721,700	76,674

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Sales damage expense	19,122,771	20,992,000
Employee welfare benefit	24,586,054	6,234,332
Post-employment benefit	54,119,131	57,344,389
Gains on valuation of derivatives	(2,032,897)	(3,951,394)
Losses on valuation of derivatives	223,270	5,388,151
Gains on transaction of derivatives	(6,833,817)	(692,867)
Losses on transaction of derivatives	4,980,170	4,724,777
Others	1,539,413	859,324
Total	₩ 798,941,099	₩ 945,118,720

(in thousands of Korean won)

	2021	2020
Changes in operating assets and liabilities:		
Increase in trade receivables	₩ (114,183,772)	₩ (20,113,338)
Decrease (increase) in other receivables	96,772,902	(24,254,123)
Decrease (increase) in inventories	(282,117,777)	114,633,008
Increase in other financial assets	(280,427)	(600,175)
Decrease (increase) in other assets	(14,995,305)	7,345,319
Increase (decrease) in trade payables	(22,372,291)	56,094,297
Increase in other payables	119,741,000	53,350,358
Decrease in provision	(15,946,148)	(20,231,298)
Increase (decrease) in other liabilities	(95,761,316)	15,605,497
Payment of post-employment benefits	(43,672,894)	(36,910,526)
Increase in plan assets	(47,535,361)	(4,486,237)
Total	₩ (420,351,389)	₩ 140,432,782

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

The principal non-cash transaction for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021		2020	
Transfer of construction in progress and others to intangible assets and property, plant and equipment	₩	128,334,837	₩	172,484,225
Transfer of loans to property, plant and equipment		-		13,793,168
Changes in non-trade payables in relation to acquisition of fixed assets		1,538,135		3,980,467
Capitalized borrowing costs		3,561,825		3,186,055
Increase in right-of-use assets		48,009,389		156,578,787
Increase in lease liabilities		51,722,731		100,095,376
Reclassification of current portion of lease liabilities		61,528,942		54,729,684
Reclassification of current portion of borrowings		-		43,520,000
Reclassification of land to held for sale		-		37,734,720
Transfer of land-use rights to property, plant and equipment		-		57,471,201
Distribution of non-cash assets		3,879,502		-

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Changes in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021					
	Short-term borrowings ¹	Long-term borrowings	Debentures	Lease Liabilities (current)	Lease Liabilities (Non-current)	
At January 1, 2021	₩ 473,600,182	₩ 163,200,000	₩ 733,071,261	₩ 54,729,683	₩ 294,410,383	
Exchange differences	(8,812,229)	18,732,046	39,238,436	1,702,703	3,814,942	
Cash flows	(69,022,428)	127,388,956	34,024	(57,839,742)	-	
Amortization cost for debentures	-	-	699,477	-	9,671,516	
Lease contract	-	-	-	-	51,722,731	
Other (dividend declaration and others)	-	-	-	1,407,356	(17,364,001)	
Transfer	-	-	-	61,528,942	(61,528,942)	
At December 31, 2021	₩ 395,765,525	₩ 309,321,002	₩ 773,043,198	₩ 61,528,942	₩ 280,726,629	

<i>(in thousands of Korean won)</i>	2021			
	Leasehold deposits received	Non-controlling interests	Dividend payables	Total
At January 1, 2021	₩ 30,786,439	₩ 3,518,026	₩ 23,299	₩ 1,753,339,273
Exchange differences	594,399	-	-	55,270,297
Cash flows	3,789,939	804,996	(84,243,668)	(79,087,923)
Amortization cost for debentures	(11,985,351)	-	-	(1,614,358)
Lease contract	-	-	-	51,722,731
Other (dividend declaration and others)	-	(3,518,025)	84,246,877	64,772,207
Transfer	-	-	-	-
At December 31, 2021	₩ 23,185,426	₩ 804,997	₩ 26,508	₩ 1,844,402,227

¹ Includes current portion of long-term borrowings.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

<i>(in thousands of Korean won)</i>	2020				
	Short-term borrowings ¹	Long-term borrowings	Debentures	Lease Liabilities (current)	Lease Liabilities (Non-current)
At January 1, 2020	₩ 768,648,751	₩ 46,312,000	₩ 595,252,876	₩ 43,526,802	₩ 265,250,919
Exchange differences	(31,409,886)	(16,596,500)	(34,597,686)	(323,444)	6,015,021
Cash flows	(307,158,683)	177,004,500	171,765,592	(63,731,062)	-
Amortization cost for debentures	-	-	650,479	-	-
Lease contract	-	-	-	-	100,095,376
Other (dividend declaration and others)	-	-	-	59,380,358	(61,073,903)
Transfer	43,520,000	(43,520,000)	-	15,877,030	(15,877,030)
At December 31, 2020	₩ 473,600,182	₩ 163,200,000	₩ 733,071,261	₩ 54,729,684	₩ 294,410,383

<i>(in thousands of Korean won)</i>	2020			
	Leasehold deposits received	Non-controlling interests	Dividend payables	Total
At January 1, 2020	₩ 2,768,871	₩ 4,750,000	₩ 20,584	₩ 1,726,530,803
Exchange differences	(220,537)	-	-	(77,133,032)
Cash flows	30,389,344	(1,756,600)	(73,254,447)	(66,741,356)
Amortization cost for debentures	(2,151,239)	-	-	(1,500,760)
Lease contract	-	-	-	100,095,376
Other (dividend declaration and others)	-	524,626	73,257,162	72,088,243
Transfer	-	-	-	-
At December 31, 2020	₩ 30,786,439	₩ 3,518,026	₩ 23,299	₩ 1,753,339,274

¹ Includes current portion of long-term borrowings.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

41. Contingencies and Commitments

Pledged assets as collaterals

As at December 31, 2021, a certain portion of the Group's land, buildings, machinery and equipment and financial instruments is pledged as collaterals for borrowings as follows:

<i>(in thousands of Korean won, USD, CNY, RUB and EUR)</i>	Pledged assets	Pledged amounts	
The Korea Development Bank and others	Land, buildings, machinery and short-term financial assets	KRW	274,020,000
		USD	153,200
		CNY	276,270
		RUB	60,000
CitiBank	Financial instruments	EUR	83,864

Buildings, inventories, machinery and others are insured against a general liability insurance policy.

The beneficial interest of insurance for buildings and machinery is pledged as collateral for the Group's borrowings (The Korea Development Bank: ₩ 133,000,000 thousand and USD 110,000 thousand; Woori Bank: ₩ 138,140,000 thousand and USD 43,200 thousand; Hana Bank: ₩ 2,880,000 thousand; Bank of China: CNY 276,270 thousand; Alfa-Nedvizhimost LLC: RUB 60,000 thousand).

The Group is insured against potential future claims that may occur under the Product Liability Act in the Republic of Korea that was effective since July 1, 2002, which penalizes a manufacturer or seller when a product is defective and causes injury or damage to a person or property. The Group recognizes the best estimate amounting to ₩ 6,126,584 thousand, which is expected to be paid, as provision for product liabilities (Note 22).

The Group's long-term financial instruments of EUR 83,864 thousand are pledged as collateral to CitiBank for the Group's borrowings.

For the purpose of providing tires in India and UN Corp., the Group provided a payment guarantee to Bureau of Indian Standards through Shinhan Bank New Delhi branch for up to USD 70,000. Also, for the purpose of providing tires to UN Corp., the Group provided a payment guarantee to UN Corp. through Shinhan Bank GS Tower branch for up to USD 144,792.

Transfer of trade receivables

Trade receivables that are transferred to financial institutions, but not matured, at the end of the reporting period, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Collateral loan on trade receivables	₩ 251,633,253	₩ 159,140,140

The Group recognized trade receivables with recourse which were transferred to financial

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

institutions, but not yet matured as short-term borrowings (Note 21).

Purchase agreement

At the end of the reporting period, the Group has purchase agreements on raw rubber materials with several suppliers, including Southland, which are usually renewed annually. In addition, the Group has supply contracts with Hankook & Company Co., Ltd. (formerly, Hankook Technology Group Co., Ltd.), one of its related parties, to be provided trademark license and business support and to provide administrative work including finance, accounting, and legal affairs. Moreover, at the end of the reporting period, the Group has a long-term contract with Hankook Networks Co., Ltd. one of its related parties, to be provided with maintenance service for the Group's information system.

Financing arrangements

Details of the Group's financing arrangements at the end of the reporting period, are as follows:

<i>(in thousands of Korean won)</i>		2021	2020
Credit line agreements such as collateralized borrowing	Used	₩ 840,202,198	₩ 691,705,810
	Unused	<u>3,090,887,128</u>	<u>3,322,467,850</u>
		<u>₩ 3,931,089,326</u>	<u>₩ 4,014,173,660</u>

Seoul Guarantee Insurance Co., Ltd. has provided guarantee amount to ₩ 15,034,074 thousand (2020: ₩ 14,426,337 thousand) for performance guarantee and others.

Pending litigations

There are no cases having results from first trial as at the end of the reporting period and therefore, provisions for losses that may be incurred from the court's final judgment are not reflected in the financial statements.

The Group has many outstanding cases as a defendant or as a plaintiff. The ultimate outcome of these cases cannot be predicted reasonably. Management does not expect the outcome of the cases will have a material effect on the Group's financial position.

Co-investment agreement of shares acquisition

The Group acquired 104,031,000 shares of Hanon Systems Co., Ltd. (19.49% of ownership) from VIHI LLC, the largest shareholder of Hanon Systems Co., Ltd.

a) Details of Shares Purchase Agreement

- Seller: Visteon Corp. and VIHI LLC
- Purchaser: Hahn & Co. Auto Holdings LLC and Hankook Tire & Technology Co., Ltd.
- Contract date: 2014.12.17
- Closing date of deal: 2015.06.10

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

- Number of shares to be purchased per purchaser
 - (i) Hahn & Co. Auto Holdings LLC: 269,569,000 shares (50.50% of ownership)
 - (ii) Hankook Tire & Technology Co., Ltd.: 104,031,000 shares (19.49% of ownership)

b) Contract between shareholders

The purchasers above, the Group and Hahn & Co. Auto Holdings LLC entered into a contract between shareholders that includes the followings:

- Hahn & Co. Auto Holdings LLC's drag-along right
- The Group's right of first refusal
- The Group's tag-along right

Agreements related to shares acquisition

The Group acquired 140,735 shares (75% of ownership) of Model Solution Co., Ltd. from Monet Holdings (45,035 shares) and Laird Holding Limited (95,700 shares), shareholders of Model Solution Co., Ltd. In addition, the Group entered into a contract between shareholders with Monet Holdings in relation to investments in Model Solution Co., Ltd.

a) Details of Shares of Purchase Agreement

- Seller: Laird Holding Limited, Monet Holdings (Domestic PEF)
- Purchaser: Hankook Tire & Technology Co., Ltd.
- Contract date: 2018. 05. 31

b) Contract between shareholders

Type	Name of related parties
Limit on transfer of shares	1. Hankook Tire & Technology Co., Ltd. requires prior written consent if transfer of shares will not maintain the largest shareholder status, but, except for Model Solution Co., Ltd. after 1 year from IPO. 2. Monet Holdings is limited to transfer the shares to a company of the same business area or a competitor without prior consent of Hankook Tire & Technology Co., Ltd.
Tag-along right	Monet Holdings has tag-along right for the transfer of rights of Hankook Tire & Technology Co., Ltd., but except for the transfer of shares that are less than 15% of total issued shares to strategic investors who engage in business with strategic objectives and synergies or the transfer of shares that maintain largest shareholder status within 1 year after IPO of Model Solution Co., Ltd.
Right of first refusal	Hankook Tire & Technology Co., Ltd. has right of first refusal if Monet Holdings sells the shares to a third party.
Drag-along right	Monet Holdings has a drag-along right requesting to sell jointly all shares held by Hankook Tire & Technology Co., Ltd. on the same terms and conditions as Model Solution Co., Ltd. if Hankook Tire & Technology Co., Ltd. deliberately avoids IPO of Model Solution.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Put option¹ If IPO is not made within an agreed period, Monet Holdings has a put option to sell all shares of Hankook Tire & Technology Co., Ltd. held by Monet Holdings and its selling price is the number of shares held by Monet Holdings multiplied by the amount that selling price of a share determined in shares of purchase agreement concluded on May 31, 2018.

¹ The Group recognized present value of exercise price of put option related to above shares of purchase agreement as financial liabilities and deducted the same amount from its own equity.

42. Related Party Transactions

Details of related parties as at December 31, 2021, are as follows:

Type	Name of related parties
Individuals	Yang-Rai Cho, Hyun-Shick Cho, Hyun-Bum Cho
Holding company ¹	Hankook & Company Co., Ltd.
Holding company's subsidiaries and associates ²	Atlas BX Motorsports Co., Ltd., Hankook & Company ES America Corporation, Hankook Car & Life Co., Ltd., HK Motors Co., Ltd., Han Automobile.Co, Hankook Networks Co., Ltd., Hankook Networks America Inc., Wavers Co., Ltd.
Associates and joint ventures	Hanon Systems Co., Ltd., Peaches Group Korea Co., Ltd., TOWNZ Corp., DS Quattro H Kosdaq Venture Fund, TIMEFOLIO Kosdaq Venture Hedge-S No.2, Mirae Asset Core Plus Privately Placed Investment Trust, Nexgen Food Partners, Daemyeong Tech Won Co., Ltd., I&B Corporation Co., Ltd
Other related parties ³	Shin-Yang Tourist Development, Shin-Yang World Leisure, FWS Investment Advisory, Daehwa Eng' & Machinery Jiaxing Co., Ltd., MW Holding, Renew Energy Co., Ltd.(formerly, Another Geumsan Co.,Ltd.), Arum Electronics Co., Ltd. (formerly, YKT Co., Ltd.), Seil Hwangyeong Co., Ltd., Arum Holdings Co., Ltd. (formerly, Doowon Holdings Co., Ltd.), Arum Dentistry Co., Ltd., Janji Co., Ltd., Korea Asset General Private Equity Trust No. 1

¹ The entity has a significant influence on the Group.

² In the case of Wavers Corp., although it is stated as the holding company's subsidiary, it is not stated in the affiliates because the Korea Fair Trade Commission's declaration of delaying its inclusion to the Group until June 27, 2026, was applied. The disposal of the shares was completed on January 6, 2022.

³ Although the entity is not the related party of the Group in accordance with Korean IFRS 1024, the entity belongs to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act. Renew Energy Co., Ltd. was excluded through the confirmation of exclusion after reporting to the Korea Fair Trade Commission.

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

Transactions between the Group and related parties for the years ended December 31, 2021 and 2020, are as follows:

a) Sales and others

(in thousands of
Korean won)

	Name of entity	2021		
		Sales	Others	Total
Holding company	Hankook & Company Co., Ltd. ¹	₩ 587,873	₩ 4,778,651	₩ 5,366,524
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.	529,814	-	529,814
	HK Motors Co., Ltd.	7,301	26,326	33,627
	Hankook Car & Life Co., Ltd.	21,154	47,339	68,493
	Hankook & Company ES America Corporation	-	-	-
Holding company's associates	Hankook Networks Co., Ltd.	7,396	410,816	418,212
Associates and joint ventures	Hanon Systems Co., Ltd.	13,891	-	13,891
	I&B Corporation Co., Ltd.	-	7,341	7,341
Individuals	Individual shareholder	-	72,049	72,049
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	-	338,031	338,031
	Renew Energy Co.,Ltd. (formerly, Anothern Geumsan Co.,Ltd.) ²	-	-	-
	ARUM Dentistry Co., Ltd.	-	2,757	2,757
	Arum Holdings Co., Ltd. (formerly, Doowon Holdings Co., Ltd.),	-	800	800
		₩ 1,167,429	₩ 5,684,110	₩ 6,851,539

¹ On April 1, 2021, Hankook & Company Co., Ltd. merged with Hankook Atlas BX Co., Ltd., and the transaction amount of Hankook Atlas BX Co., Ltd. for the years ended December 31, 2020 and 2021 is included in the amount of Hankook & Company Co., Ltd.

² As the major shareholder's equity and receivables/debt details have been removed, the Group has reported the exclusion to the Large Enterprise Group in May 2021. After obtaining approval by the Korea Fair Trade Commission, it was excluded from the list of related parties.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of
Korean won)

		2020			
	Name of entity	Sales	Others	Total	
Holding company	Hankook & Company Co., Ltd. ¹	₩ 71,841	₩ 2,623,621	₩ 2,695,462	
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	483,121	483,121	
	HK Motors Co., Ltd.	-	8,645	8,645	
	Hankook Car & Life Co., Ltd.	150,953	78,162	229,115	
	Hankook & Company ES America Corporation	-	38,468	38,468	
Holding company's associates	Hankook Networks Co., Ltd.	7,603	547,653	555,256	
Associates and joint ventures	Hanon Systems Co., Ltd.	19,878	-	19,878	
	I&B Corporation Co., Ltd	-	-	-	
Individuals	Individual shareholder	-	-	-	
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	-	392,337	392,337	
	Renew Energy Co., Ltd. (formerly, Another Geumsan Co.,Ltd.) ²	1,380	-	1,380	
	ARUM Dentistry Co., Ltd.	-	-	-	
	Arum Holdings Co., Ltd. (formerly, Doowon Holdings Co., Ltd.),	-	2,400	2,400	
			₩ 251,655	₩ 4,174,407	₩ 4,426,062

¹ On April 1, 2021, Hankook & Company Co., Ltd. merged with Hankook Atlas BX Co., Ltd., and the transaction amount of Hankook Atlas BX Co., Ltd. for the years ended December 31, 2020 and 2021 is included in the amount of Hankook & Company Co., Ltd.

² As the major shareholder's equity and receivables/debt details have been removed, the Group has reported the exclusion to the Large Enterprise Group in May 2021. After obtaining approval by the Korea Fair Trade Commission, it was excluded from the list of related parties.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

b) Purchases and others

(in thousands of
Korean won)

	Name of entity	2021		
		Purchases	Others ¹	Total
Holding company	Hankook & Company Co., Ltd. ^{2,3}	₩ 4,139,143	₩ 41,694,545	₩ 45,833,688
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	1,741,762	1,741,762
	HK Motors Co., Ltd.	37,909	48,965	86,874
	Hankook Car & Life Co., Ltd.	-	-	-
	Wavers Co., Ltd.	-	269,499	269,499
Holding company's associates	Hankook Networks Co., Ltd.	12,098,926	12,596,345	24,695,271
	Hankook Networks America, Inc.	-	1,148,840	1,148,840
Associates and joint ventures	Peaches Group Korea Co., Ltd.	-	302,646	302,646
	TOWNZ Corp.	-	-	-
	Daemyeong Tech Won Co., Ltd.	-	894,950	894,950
Individuals	Individual shareholder	-	277,617	277,617
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	-	14,393,582	14,393,582
	Renew Energy Co.,Ltd. (formerly, Another Geumsan Co.,Ltd.) ⁴	-	-	-
	ARUM Dentistry Co., Ltd.	-	-	-
	Shin-Yang Tourist Development	3,770,945	50,612	3,821,557
		₩ 20,046,923	₩ 73,419,363	₩ 93,466,286

¹ Sales rebates and other paid to related parties, which are sales deductible items, are presented as purchases and others.

² The Group entered into service supporting agreement and trademark license agreement with Hankook & Company Co., Ltd.

³ On April 1, 2021, Hankook & Company Co., Ltd. merged with Hankook Atlas BX Co., Ltd., and the transaction amount of Hankook Atlas BX Co., Ltd. for the years ended December 31, 2020 and 2021 is included in the amount of Hankook & Company Co., Ltd.

⁴ As the major shareholder's equity and receivables/debt details have been removed, the Group has reported the exclusion to the Large Enterprise Group in May 2021. After obtaining approval by the Korea Fair Trade Commission, it was excluded from the list of related parties.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of
Korean won)

	Name of entity	2020		
		Purchases	Others ¹	Total
Holding company	Hankook & Company Co., Ltd. ^{2,3}	₩ 4,346,974	₩ 38,149,109	₩ 42,496,083
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	1,096,034	1,096,034
	HK Motors Co., Ltd.	-	249,511	249,511
	Hankook Car & Life Co., Ltd.	1,066	56,211	57,277
	Wavers Co., Ltd.	-	415,000	415,000
Holding company's associates	Hankook Networks Co., Ltd.	-	30,572,065	30,572,065
	Hankook Networks America, Inc.	-	905,310	905,310
Associates and joint ventures	Peaches Group Korea Co., Ltd.	-	4,500	4,500
	TOWNZ Corp.	-	220,000	220,000
	Daemyeong Tech Won Co., Ltd.	-	834,384	834,384
Individuals	Individual shareholder	-	-	-
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	-	12,668,643	12,668,643
	Renew Energy Co., Ltd. (formerly, Anothern Geumsan Co.,Ltd.) ⁴	3,550,149	-	3,550,149
	ARUM Dentistry Co., Ltd.	-	179,000	179,000
	Shin-Yang Tourist Development	-	-	-
			₩ 7,898,189	₩ 85,349,767

¹ Sales rebates and other paid to related parties, which are sales deductible items, are presented as purchases and others.

² The Group entered into service supporting agreement and trademark license agreement with Hankook & Company Co., Ltd.

³ On April 1, 2021, Hankook & Company Co., Ltd. merged with Hankook Atlas BX Co., Ltd., and the transaction amount of Hankook Atlas BX Co., Ltd. for the years ended December 31, 2020 and 2021 is included in the amount of Hankook & Company Co., Ltd.

⁴ As the major shareholder's equity and receivables/debt details have been removed, the Group has reported the exclusion to the Large Enterprise Group in May 2021. After obtaining approval by the Korea Fair Trade Commission, it was excluded from the list of related parties.

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Outstanding balances of receivables and payables as at December 31, 2021 and 2020, are as follows:

a) Receivables and others

(in thousands of
Korean won)

		2021				
	Name of entity	Trade receivables		Non-trade receivables		Total
Holding company	Hankook & Company Co., Ltd.	₩	264,213	₩	18,444,091	₩ 18,708,304
Holding company's subsidiaries	Hankook Car & Life Co., Ltd.		-		29,008	29,008
Holding company's associates	Hankook Networks Co., Ltd.		678		3,971,910	3,972,588
Associates	Hanon Systems Co., Ltd.		1,981		-	1,981
Individuals	Individual shareholder		-		847,658	847,658
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.		-		265,727	265,727
	Shin-Yang Tourist Development		-		-	-
	ARUM Dentistry Co., Ltd.		-		3,033	3,033
		₩	<u>266,872</u>	₩	<u>23,561,427</u>	₩ <u>23,828,299</u>

(in thousands of
Korean won)

		2020				
	Name of entity	Trade receivables		Non-trade receivables		Total
Holding company	Hankook & Company Co., Ltd.	₩	7,542	₩	11,177,207	₩ 11,184,749
Holding company's subsidiaries	Hankook Car & Life Co., Ltd.		-		12,186	12,186
Holding company's associates	Hankook Networks Co., Ltd.		847		17,471	18,318
Associates	Hanon Systems Co., Ltd.		1,107		-	1,107
Individuals	Individual shareholder		-		1,453,129	1,453,129
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.		-		272,044	272,044
	Shin-Yang Tourist Development		-		400,000	400,000
	ARUM Dentistry Co., Ltd.		-		-	-
		₩	<u>9,496</u>	₩	<u>13,332,037</u>	₩ <u>13,341,533</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

b) Payables and others

(in thousands of
Korean won)

		2021				
	Name of entity	Trade payable		Non-trade payables		Total
Holding company	Hankook & Company Co., Ltd.	₩	1,987,200	₩	32,308,428	₩ 34,295,628
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.		-		454,260	454,260
	HK Motors Co., Ltd.		-		1,210	1,210
	Hankook Car & Life Co., Ltd.		-		-	-
Holding company's associates	Hankook Networks Co., Ltd.		143,888		8,319,116	8,463,004
	Hankook Networks America, Inc.		-		186,482	186,482
joint ventures	Daemyeong Tech Won Co., Ltd.		-		-	-
	I&B Corporation Co., Ltd		-		5,700	5,700
Individuals	Individual shareholder		-		8,493,757	8,493,757
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.		-		1,585,211	1,585,211
	Renew Energy Co., Ltd. (formerly, Another Geumsan Co.,Ltd.)		-		-	-
	Shin-Yang Tourist Development		-		-	-
			₩	<u>2,131,088</u>	₩	<u>51,354,164</u>

(in thousands of
Korean won)

		2020				
	Name of entity	Trade payable		Non-trade payables		Total
Holding company	Hankook & Company Co., Ltd.	₩	831,876	₩	41,003,798	₩ 41,835,674
Holding company's subsidiaries	Atlas BX Motorsports Co., Ltd.		-		106,966	106,966
	HK Motors Co., Ltd.		-		162,800	162,800
	Hankook Car & Life Co., Ltd.		-		5,327	5,327
Holding company's associates	Hankook Networks Co., Ltd.		60,772		11,663,186	11,723,958
	Hankook Networks America, Inc.		-		77,776	77,776
joint ventures	Daemyeong Tech Won Co., Ltd.		-		89,740	89,740
	I&B Corporation Co., Ltd		-		-	-
Individuals	Individual shareholder		-		8,659,255	8,659,255
Other related parties	Daehwa Eng' & Machinery Jiaxing Co., Ltd.		-		1,458,106	1,458,106
	Renew Energy Co., Ltd. (formerly, Another Geumsan Co.,Ltd.)		181,310		-	181,310
	Shin-Yang Tourist Development		-		33,367	33,367

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

₩ 1,073,958 ₩ 63,260,321 ₩ 64,334,279

Fund transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

Dividend income/paid and contributions in cash with related parties for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of Korean won)

		2021				
	Name of entity	Dividend income	Payment of dividend	Collection of lease receivables	Repayments of lease liabilities	Contributions in cash and others
Holding Company	Hankook & Company Co., Ltd.	₩ -	₩ 24,697,373	₩ 1,075,200	₩ 78,100	₩ -
Holding company's associates	Hankook Networks Co., Ltd.	-	-	24,800	-	-
Associates and joint ventures	Hanon Systems Co., Ltd.	40,155,966	-	-	-	-
	Daemyeong Tech Won Co., Ltd.	-	-	-	-	-
	Peaches Group Korea Co., Ltd.	-	-	-	-	-
	TOWNZ Corp.	-	-	-	-	-
	DS Quattro H Kosdaq Venture Fund	-	-	-	-	6,000,000
	TIMEFOLIO Kosdaq Venture Hedge-S No.2	-	-	-	-	8,000,000
	Nexgen Food Partners	-	-	-	-	6,000,000
	Mirae Asset Core Plus Privately Placed Investment Trust	-	-	-	-	50,000,000
	I&B Corporation Co., Ltd	-	-	-	-	20,100,000
	Individuals	Individual shareholder	-	6,747,250	-	443,115
Other related parties	Shin-Yang Tourist Development	-	515,789	-	33,600	-
	Korea Asset General Private Equity Trust No. 1	-	-	-	-	50,000,000
		₩ 40,155,966	₩ 31,960,412	₩ 1,100,000	₩ 554,815	₩ 140,100,000

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

(in thousands of
Korean won)

		2020					
	Name of entity	Dividend income	Payment of dividend	Collection of lease receivables	Repayments of lease liabilities	Contributions in cash and others	
Holding Company	Hankook & Company Co., Ltd.	₩ -	₩ 20,897,777	₩ 320,078	₩ 982,146	₩ -	
Holding company's associates	Hankook Networks Co., Ltd.	-	-	-	-	-	
Associates and joint ventures	Hanon Systems Co., Ltd.	29,544,804	-	-	-	-	
	Daemyeong Tech Won Co., Ltd.	-	-	-	-	-	
	Peaches Group Korea Co., Ltd.	-	-	-	-	1,685	
	TOWNZ Corp.	-	-	-	-	220,000	
	DS Quattro H Kosdaq Venture Fund	-	-	-	-	-	
	TIMEFOLIO Kosdaq Venture Hedge-S No.2	-	-	-	-	-	
	Nexgen Food Partners	-	-	-	-	-	
	Mirae Asset Core Plus Privately Placed Investment Trust	-	-	-	-	-	
	I&B Corporation Co., Ltd	-	-	-	-	-	
	Individuals	Individual shareholder	-	5,709,212	-	443,115	-
	Other related parties	Shin-Yang Tourist Development	-	436,437	-	50,400	-
Korea Asset General Private Equity Trust No. 1		-	-	-	-	-	
		₩ 29,544,804	₩ 27,043,426	₩ 320,078	₩ 1,475,661	₩ 221,685	

Hankook Tire & Technology Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2021 and 2020

Receipt of leasehold deposits and others, for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>		2021		2020	
		Receipt/ collection	Repayment/ payment	Receipt/ collection	Repayment/ payment
Holding company	Hankook & Company Co., Ltd.	₩ 3,300,000	₩ -	₩ 25,625,890	₩ -
Holding company's associate	Hankook Networks Co., Ltd.	757,000	-	5,474,300	-
Joint venture	I&B Corporation Co., Ltd	5,700	-	-	-
Others	Shin-Yang Tourist Development	400,000	-	-	-
		<u>₩ 4,462,700</u>	<u>₩ -</u>	<u>₩ 31,100,190</u>	<u>₩ -</u>

Compensations for key management for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of Korean won)</i>	2021	2020
Salaries	₩ 15,007,350	₩ 16,996,153
Post-employment benefits	2,389,926	2,158,870
Long-term employee benefits	1,778,126	50,168
Total	<u>₩ 19,175,402</u>	<u>₩ 19,205,191</u>

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

43. Credit Risk

The Group is exposed to credit risk when the following payments are not made from the counterparty by the payment date.

- Payment of trade receivables within the payment terms by customer.
- Contractual cash flows of debt instruments measured at amortized cost
- Contractual cash flow of debt instruments at fair value through other comprehensive income

Trade receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortized cost

All of the other financial assets at amortized costs are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected loss. Management considers 'low credit risk' for government bonds. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

44. Events After the Reporting Period

(a) Russia-Ukraine dispute

In February 2022, a dispute broke out between Russia and Ukraine, and international sanctions have been imposed on Russia. Due to measures such as restrictions on access to the SWIFT payment system of Russian banks, shortage of liquidity in the Russian foreign exchange market, the depreciation of ruble, and the decline in the share value of Russian companies and others are in progress. This may lead to a decrease in the value of financial assets or operating assets held by the Group in relation to the disputed country, an increase in the payback period, restrictions on transfer of funds, and a decrease in profits. It is highly uncertain to estimate the impact of these disputes and sanctions on the Group's financial position and operating performance, and the consolidated financial statements as at December 31, 2021 do not reflect the impact.

(b) Acquisition of PMC (Preciseley Microtechnology Corporation)

In February 2022, the Group acquired 22.86% of shares in PMC(Preciseley Microtechnology Corporation), a Canadian micro-precision electromechanical company, for ₩ 82.5 billion.