

**Hankook Tire & Technology Co., Ltd.  
and Subsidiaries**

**Consolidated financial statements**

**As of and for the years ended**

**December 31, 2023 and 2022**

**Attachment: Independent Auditor's Report**

**Hankook Tire & Technology Co., Ltd**



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## **Independent auditor's report**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of

Hankook Tire & Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Hankook Tire & Technology Co., Ltd. and Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Company's internal control over financial reporting for Consolidation purpose as of December 31, 2023, based on criteria established in Internal Control – Design and Operation Integrated Framework in accordance with Korean Standards on Auditing ("KSA") issued by the Committee of Internal Control Operations. and our report dated March 20, 2024 expressed an unqualified opinion.

### **Basis for opinion**

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). 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 that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

Estimation of net realizable value for the finished goods

As described in the Note 2, the Group measures inventories at the lower of cost and net realizable value and recognized inventory valuation allowance of KRW 21,258 million. (See Note 10) Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Accordingly, net realizable value of



finished goods is calculated by various assumptions, such as estimating the expected selling price and the additional cost of selling the product. Considering that these estimates require significant level of management's judgements and the impact of the finished goods' valuation loss on profit or loss for the year ended December 31, 2023 and subsequent years, may be significant, we determined the estimation of net realizable value for the finished goods as a key audit matter.

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

- We obtained an understanding of the accounting policy and internal control relevant to the valuation of finished goods inventories.
- We assessed design and effectiveness of major internal controls on net realizable value and valuation process of obsolescence of finished goods.
- We confirmed the basic information data used to estimate net realizable value of finished goods such as aging data for finished goods through sampling.
- We conducted sampling from finished goods sold after the year ended December 31, 2023 and compared the Group's actual selling price of the samples with the estimated selling price used in calculation of net realizable value of finished goods.
- We recalculated valuation allowance of finished goods prepared by the Group.

#### **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 KIFRS, and for such internal control as management determines is necessary to enable the preparation of the 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, or has no realistic alternative but to do so.

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 KSA 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 KSA 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 Gil Jae Lee.

Seoul, Korea

March 20, 2024

This report is effective as of March 20, 2024, 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.**  
**Consolidated Statements of Financial Position**  
**December 31, 2023 and 2022**

(in thousands of Korean won)

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	₩ 2,243,874,565	₩ 1,139,442,351
Short-term financial assets	6	417,956,126	594,766,222
Financial assets at fair value through profit or loss	5,6,7	97,441,965	252,793,629
Trade and other receivables	4,6,9,15,42	1,873,647,482	1,710,111,272
Inventories	10	2,022,627,127	2,449,545,168
Other financial assets	4,5,6,8,11	4,343,904	126,156,619
Other current assets	12	104,840,561	131,214,209
Current tax assets	36	3,345,996	32,274,952
		₩ 6,768,077,726	₩ 6,436,304,423
<b>Non-current assets</b>			
Long-term financial assets	6	119,657,221	114,904,679
Long-term trade and other receivables	6,9,15	53,333,283	56,040,676
Other financial assets	4,5,6,8,11	105,302,440	109,758,283
Financial assets at fair value through other comprehensive income	4,5,6,7	111,364,771	166,538,583
Financial assets at fair value through profit or loss	5,6,7	101,852,102	110,501,621
Investments in associates and joint ventures	17	1,117,000,810	1,177,113,112
Property, plant and equipment	13,15	3,714,262,483	3,687,477,399
Investment properties	14,15	116,069,932	113,388,865
Intangible assets	16	251,505,487	254,483,011
Other non-current assets	12	10,649,201	32,425,866
Net defined benefit assets	21	18,693,861	89,706,924
Deferred tax assets	36	275,536,370	232,720,717
		5,995,227,962	6,145,059,736
<b>Total assets</b>		₩ 12,763,305,688	₩ 12,581,364,159
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,6,19,42	₩ 1,304,944,055	₩ 1,210,829,036
Borrowings	4,6,20	557,776,832	1,351,443,155
Current tax liabilities	36	123,909,651	120,391,662
Provisions	22	6,267,121	16,857,757
Other financial liabilities	4,5,6,8,23	6,031,344	5,856,851
Other current liabilities	24	285,442,170	181,697,046
		₩ 2,284,371,173	₩ 2,887,075,507
<b>Non-current liabilities</b>			
Borrowings	6,20	609,006,905	585,073,028
Net defined benefit liabilities	21	8,233,687	7,326,855
Provisions	22	22,430,876	29,366,722
Other financial liabilities	5,6,8,23	25,282,912	22,685,510
Other non-current liabilities	24	123,217,707	117,049,810
Deferred tax liabilities	36	61,209,253	57,077,479
		849,381,339	818,579,404
<b>Total liabilities</b>		₩ 3,133,752,512	₩ 3,705,654,911
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Share capital	25	9,552,508,439	8,807,110,452
Other paid-in capital	26	61,937,535	61,937,535
Other components of equity	27	2,962,186,308	2,962,186,308
Retained earnings	28	91,120,237	(61,811,586)
		6,437,264,359	5,844,798,195
<b>Non-controlling interests</b>		77,044,738	68,598,796
<b>Total equity</b>		9,629,553,176	8,875,709,248
<b>Total liabilities and equity</b>		₩ 12,763,305,688	₩ 12,581,364,159

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



**Hankook Tire & Technology Co., Ltd.**  
**Consolidated Statements of Comprehensive Income**  
**Year Ended December 31, 2023 and 2022**

(in thousands of Korean won, except per share data)

	Notes	2023	2022
<b>Sales</b>	29,30,40,42	₩ 8,939,621,476	₩ 8,394,203,037
<b>Cost of sales</b>	29,37,42	(6,043,639,924)	(6,291,656,294)
<b>Gross profit</b>		2,895,981,551	2,102,546,743
Selling and distribution expenses	31,37	(1,568,036,230)	(1,396,728,654)
<b>Operating profit</b>		1,327,945,321	705,818,089
Finance income	32	153,097,539	144,685,379
Finance costs	33	(198,888,909)	(146,434,464)
Other non-operating income	34	304,191,732	483,081,997
Other non-operating expense	35	(399,952,420)	(314,180,626)
Gain on investments in associates, net	17	(12,007,781)	(11,553,141)
Loss on net monetary position		(3,166,548)	(3,063,408)
<b>Profit before income tax</b>		1,171,218,933	858,353,826
Income tax expenses	36	(442,425,981)	(152,579,300)
<b>Profit for the year</b>		₩ 728,792,952	₩ 705,774,526
<b>Other comprehensive income (loss)</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Cash flow hedges	8,27	(943,368)	(4,920,557)
Share of other comprehensive income of associates	27	13,015,273	85,565
Exchange differences on translating foreign operations	27	151,618,763	(53,611,624)
<i>Items that will not be reclassified to profit or loss</i>			
Financial assets at fair value through other comprehensive income	27	(116,239)	(3,906,898)
Remeasurements of net defined benefit liabilities		(36,348,447)	61,225,140
Remeasurements of net defined benefit liabilities of associates		(604,639)	6,651,186
Share of other comprehensive income of associates		(3,926,007)	4,053,423
<b>Other comprehensive income (loss) for the year, net of tax</b>		122,695,336	9,576,236
<b>Total comprehensive income for the year</b>		₩ 851,488,288	₩ 715,350,762
<b>Profit for the year is attributable to:</b>			
Owners of the Parent Company		₩ 720,217,649	₩ 690,248,872
Non-controlling interests		8,575,303	15,525,654
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the Parent Company		₩ 842,988,989	₩ 700,153,149
Non-controlling interests		8,499,299	15,197,613
<b>Earnings per share</b>			
Basic and diluted earnings per shares	39	₩ 5,904	₩ 5,658

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



**Hankook Tire & Technology Co., Ltd.**  
**Consolidated Statements of Changes in Equity**  
**Year Ended December 31, 2023 and 2022**

(in thousands of Korean won, except per share data)

	Notes	Share capital	Other paid-in capital	Other components of equity	Retained earnings	Controlling interest	Non-controlling interest	Total Equity
<b>Balance at January 1, 2022</b>		<u>₩ 61,937,535</u>	<u>₩ 2,927,985,080</u>	<u>₩ (12,766,416)</u>	<u>₩ 5,180,992,003</u>	<u>₩ 8,158,148,201</u>	<u>₩ 37,366,089</u>	<u>₩ 8,195,514,290</u>
<b>Total comprehensive income for the year</b>								
Profit for the year		-	-	-	690,248,872	690,248,872	15,525,654	705,774,526
Cash flow hedges	8,27	-	-	(4,920,557)	-	(4,920,557)	-	(4,920,557)
Gain (loss) on valuation and disposal of equity instruments at fair value through other comprehensive income	27	-	-	5,021,714	(8,926,879)	(3,905,164)	(1,733)	(3,906,898)
Remeasurements of net defined benefit liabilities		-	-	-	61,225,140	61,225,140	-	61,225,140
Remeasurements of net defined benefit liabilities of associates		-	-	-	6,651,186	6,651,186	-	6,651,186
Changes in equity method capital	27	-	-	4,138,988	-	4,138,988	-	4,138,988
Foreign business translation gains and losses	27	-	-	(53,285,315)	-	(53,285,315)	(326,309)	(53,611,624)
Deal with Owner:								
annual dividend		-	-	-	(85,392,127)	(85,392,127)	-	(85,392,127)
Capital surplus directly reflected in capital			22,875,136	-	-	22,875,136	-	22,875,136
Capital Transactions with Non-Controlling Interests			11,326,093	-	-	11,326,093	16,035,094	27,361,187
<b>Balance at December 31, 2022</b>		<u>₩ 61,937,535</u>	<u>₩ 2,962,186,308</u>	<u>₩ (61,811,586)</u>	<u>₩ 5,844,798,195</u>	<u>₩ 8,807,110,452</u>	<u>₩ 68,598,796</u>	<u>₩ 8,875,709,248</u>
<b>Balance at January 1, 2023</b>		<u>₩ 61,937,535</u>	<u>₩ 2,962,186,308</u>	<u>₩ (61,811,586)</u>	<u>₩ 5,844,798,195</u>	<u>₩ 8,807,110,452</u>	<u>₩ 68,598,796</u>	<u>₩ 8,875,709,248</u>
<b>Total comprehensive income for the year</b>								
Profit for the year					720,217,649	720,217,649	8,575,303	728,792,952
Cash flow hedges	8,27	-	-	(943,368)	-	(943,368)	-	(943,368)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	27	-	-	(6,908,263)	6,792,602	(115,661)	(578)	(116,239)
Remeasurements of net defined benefit liabilities		-	-	-	(36,348,447)	(36,348,447)	-	(36,348,447)
Remeasurements of net defined benefit liabilities of associates		-	-	-	(604,639)	(604,639)	-	(604,639)
Changes in equity method capital	27	-	-	9,089,266	-	9,089,266	-	9,089,266
Foreign business translation gains and losses	27	-	-	151,694,189	-	151,694,189	(75,426)	151,618,763
Deal with Owner:								
annual dividend	28	-	-	-	(97,591,002)	(97,591,002)	(711,504)	(98,302,506)
Share-based payments		-	-	-	-	-	658,147	658,147
<b>Balance at December 31, 2023</b>		<u>₩ 61,937,535</u>	<u>₩ 2,962,186,308</u>	<u>₩ 91,120,237</u>	<u>₩ 6,437,264,359</u>	<u>₩ 9,552,508,439</u>	<u>₩ 77,044,738</u>	<u>₩ 9,629,553,176</u>

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



**Hankook Tire & Technology Co., Ltd.**  
**Consolidated Statements of Cash Flows**  
**Year Ended December 31, 2023 and 2022**

<i>(in thousands of Korean won)</i>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Cash generated from operating activities			
Profit for the year		₩ 728,792,952	₩ 705,774,526
Adjustments	38	1,147,079,851	708,217,882
Changes in operating assets and liabilities	38	498,782,837	(792,291,369)
		2,374,655,640	621,701,039
Interest income received		84,753,483	30,033,448
Interest expense paid		(76,476,609)	(62,275,449)
Dividends received		45,064,424	40,095,140
Income tax paid		(454,824,443)	(124,983,477)
<b>Net Cash inflow from operating activities</b>		<b>1,973,172,495</b>	<b>504,570,700</b>
<b>Cash flows from investing activities</b>			
Net change in short-term financial assets		185,331,196	(88,152,907)
Net change in long-term financial assets		1,570,000	(160,000)
Payments for financial instruments measured at fair value through profit or loss		(21,909,909)	(545,822,311)
Proceeds from disposal of financial instruments measured at fair value through profit or loss		230,722,946	727,019,618
Payments for financial instruments at fair value through other comprehensive income		(1,365,229)	(73,977,588)
Proceeds from disposal of financial instruments at fair value through other comprehensive income		11,659,829	1,751,814
Payments for property, plant and equipment		(420,124,507)	(294,810,754)
Proceeds from disposal of property, plant and equipment		12,958,563	45,509,421
Payments for intangible assets		(8,832,331)	(12,902,411)
Proceeds from disposal of intangible assets		26,946	123,827
Payments for Investment Property		(4,104,153)	-
Proceeds from disposal of Investment Property		-	4,587,533
Settlement of derivatives		24,791,659	(33,313,914)
Net change in other financial assets		76,661,407	(42,832,886)
Collection of finance lease receivables		9,622,452	2,315,892
Payments for investments in associates and joint ventures		-	(68,150,292)
Proceeds from disposal of investments in associates and joint ventures		-	50,101,920
Payment of rental deposit		(522,128)	(3,408,910)
Collection of rental deposit		426,915	120,475
<b>Net Cash outflow from investing activities</b>		<b>96,913,657</b>	<b>(332,001,473)</b>
<b>Cash flows from financing activities</b>			
	38		
Net changes in short-term borrowings		(137,293,907)	26,553,596
Net changes in long-term borrowings		130,541,000	2,865,376
Refund of bond issuance cost		(651,090,000)	-
Settlement of derivatives		58,346,000	-
Repayments of lease liabilities		(71,838,891)	(62,537,727)
Repayments of current portion of long-term borrowings		(195,811,500)	-
Collection of leasehold deposits received		248,960	750,687
Payments of leasehold deposits received		(197,000)	(141,658)
Dividends paid to the owners of the parent company		(97,587,060)	(85,388,677)
Increase (decrease) in financial liabilities to non-controlling interests		22,355	452,727
Dividends paid to non-controlling Interests		(711,504)	-
Paid-in capital increase		-	27,106,503
<b>Net Cash outflow from financing activities</b>		<b>(965,371,547)</b>	<b>(90,339,172)</b>
<b>Net increase(decrease) in cash and cash equivalents</b>		<b>1,104,714,604</b>	<b>82,230,055</b>
The effects of applying financial reporting in a hyperinflationary economy		2,324,915	2,635,070
Cash and cash equivalents at the beginning of the financial year		1,139,442,351	1,062,042,416
Effects of exchange rate changes on cash and cash equivalents		(2,607,306)	(7,465,190)
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 2,243,874,565</b>	<b>₩ 1,139,442,351</b>

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



## 1. General Information

General information of Hankook Tire & Technology Co., Ltd. (the Company), that is a controlling company in accordance with Korea 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 Tire & Technology Co., Ltd. (formerly Hankook Technology 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 changes its names on May 8, 2019, according to the approval of general meeting of stockholders on March 28, 2019.

As of December 31, 2023 and 2022, the Group's shareholders are as follows:

	2023		2022	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Hankook & Company Co., Ltd.	37,995,959	30.67	37,995,959	30.67
Hyun Bum Cho	9,581,144	7.74	9,581,144	7.74
Hyun Shick Cho	799,241	0.65	799,241	0.65
Others <sup>1</sup>	75,498,725	60.94	75,498,725	60.94
Total	123,875,069	100.00	123,875,069	100.00

<sup>1</sup> Including 1,886,316 treasury shares as of December 31, 2023



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
**Year Ended December 31, 2023 and 2022**

**1.2 Consolidated Subsidiaries**

Details of the consolidated subsidiaries as of December 31, 2023 and 2022, are as follows:

Name of entity	Location	Main business	Ownership interest held by the Group(%)		Closing month
			2023	2022	
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. HANKOOK TIRE 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 Tires India Itp.	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 Lastikler 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
JAX Quickfit Retailing Pty Ltd	Australia	Distribution of tires	100.0	100.0	December
JAX Property Investments Pty Ltd	Australia	Distribution of tires	100.0	100.0	December
JAX Property Investments Trust	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	Sales of tires	100.0	100.0	December



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
**Year Ended December 31, 2023 and 2022**

Model Solution Co., Ltd.	Korea	Manufacture of injection molds	62.9	62.9	December
ModelSolution Inc.	USA	Computer printing	62.9	62.9	December
Reifen-Muller KG	Germany	Distribution of tires	100.0	100.0	December
Reifen-Muller GmbH & Co.	Germany	Distribution of tires	100.0	100.0	December
Runderneuerungswerk KG					
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 D.O.O. Beograd	Serbia	Sales of tires	100.0	100.0	December
Hankook Tire Middle East and Africa FZE	United Arab Emirates	Sales of tires	100.0	100.0	December
Hankook Tire Vietnam. Co., Ltd.	Vietnam	Sales of tires	100.0	100.0	December
PT. HANKOOK TIRE SALES INDONESIA	Indonesia	Sales of tires	100.0	100.0	December
Hankook Tire Austria GmbH	Austria	Sales of tires	100.0	100.0	December
TNACo., Ltd.	Korea	Sales of tires	100.0	100.0	December
Mirae Asset OCIO Best Solution Privately Place Investment Trust 1	Korea	Specialized investment type private collective investment scheme	99.7	99.7	December
TIGER CONSTANT 1 Hedge Fund	Korea	Specialized investment type private collective investment scheme	98.0	98.0	December
CNT Tech Mobility Startups Investment Fund	Korea	Specialized investment type private collective investment scheme	66.7	66.7	December
Hankook Tire &Technology Egypt LLC	Egypt	Sales of tires	100.0	100.0	December
Hankook Tire Chile SPA	Chile	Sales of tires	100.0	-	December
Hankook Tire Taiwan Co.,Ltd	Taiwan	Sales of tires	100.0	-	December
Hankook Gulf Tire LLC	United Arab Emirates	Sales of tires	100.0	-	December
Hankook Tire Romania SRL	Romania	Sales of tires	100.0	-	December

### 1.3 Changes in Scope for Consolidation.

Subsidiaries newly included in the consolidation for the year ended December 31, 2023, are as follow, and there are no subsidiaries excluded from consolidation:

Subsidiary	Reason
Hankook Tire &Technology Chile SPA	Newly established
Hankook Tire Taiwan Co.,Ltd.	Newly established
Hankook Gulf Tire LLC	Newly established
Hankook Tire Romania SRL	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 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 consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments)
- 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, 2023. The Group have not adopted the amended accounting standards issued that are not mandatory.

##### *(a) Korean IFRS 1117 Insurance Contracts*

KIFRS 1117 Insurance is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach mainly for short-duration contracts (the premium allocation approach).

The new standard had no impact on the Group's consolidated financial statements.



*(b) Amendments to Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates*

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

*(c) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments to KIFRS 1001 and KIFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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

The amendments to KIFRS 1012 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

*(e) Amendments to Korean IFRS 1012 Income Taxes – International Tax Reform-Pillar Two Model Rules*

The amendments to KIFRS 1012 have been introduced in response to the OECD's BEPS Pillar Two Model Rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

The Group applies the mandatory exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation.

However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023.

The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable.



*2.2.2 New and amended standards not yet adopted by the Group*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group.

*(a) Amendments to Korean IFRS 1116 Lease Liability in a Sale and Leaseback*

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

The amendments to Paragraphs 69–76 of Korean IFRS 1001 clarify the following requirements for the classification of liabilities as current and non-current.

- The definition of right to defer settlement of a liability
- The right to defer settlement of a liability must exist at the end of the reporting period
- Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability
- Classification of a liability is unaffected by the terms of the liability only if the embedded derivative of the convertible liability is an equity instrument

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments shall be applied for annual periods beginning on or after 1 January 2024 and applied retrospectively. The Group performs evaluation of the impact of the amendments on accounting practices and whether existing loan agreements need to be renegotiated.

*(c) Amendments to Korean IFRS 1007 and Korean IFRS 1107 Supplier Finance Arrangements*

The amendments to KIFRS 1007 Statement of Cash Flows and KIFRS 1107 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.



*(d) Amendments to Korean IFRS 1021 and Korean IFRS 1101 Lack of Exchangeability*

The amendments to KIFRS 1021 The Effects of Changes in Foreign Exchange Rates and consequential amendments to KIFRS 1101 First-time Adoption of IFRS specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments require disclosure of information that enables users of financial statements to understand the risk and impact of a currency not being exchangeable.

The amendments apply to annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact.

The amendments are not expected to have a material impact on the Group's financial statements.

*2.2.3 Application of Financial Reporting in Hyperinflationary Economy of Türkiye*

(a) In applying Korean IFRS 1029 Financial Reporting in Hyperinflationary Economies in accordance with the hyperinflationary situation in Türkiye starting from 2022, the Consumer Price Index (CPI) announced by the Turkish Statistical Institute was used. The CPI as of the end of each quarters of 2023 and 2022 announced by the Turkish Statistical Institute is as follows:

	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
2022	843.64	977.90	1,046.89	1,128.45
2023	1,269.75	1,351.59	1,691.04	1,859.38



(b) The Group restated the financial statements of Hankook Lastikleri A.S., a subsidiary located in Türkiye, in accordance with Korean IFRS 1029. The Group reflected the effects of initial application of Korean IFRS 1029 as other components of equity, and the standards of restating consolidated financial statements are as follows:

- The financial statements are presented based on historical cost.
- Monetary assets and liabilities are not remeasured since those amounts are already presented in the measurement unit at the end of the reporting period.
- Non-monetary assets and liabilities are remeasured by considering the inflation rate at the end of the reporting period from the time of acquisition.
- Effects of increase or decrease in purchasing power due to retention of net monetary assets in hyperinflationary economies are presented as loss incurred from net monetary assets in the consolidated statement of comprehensive income.
- For the exchange rate for translation to the presentation currency, the exchange rate at the end of reporting period is applied in accordance with Korean IFRS 1021 The Effects of Changes in Foreign Exchange Rates.

### **2.3 Consolidation**

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidation 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 right 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 basis either at fair 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 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.

Non-controlling interests at the acquisition date are measured at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Changes in a parent's ownership interest that do not result in a loss of control are accounted for as equity transactions.



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 changed 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 with 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 changed 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 associates 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 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 cash and cash equivalents, short and long-term financial assets, loans and 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 classified as available-for-sale financial assets are recognized in other comprehensive income.

*(c) Transactions 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 reporting period,
- Income and expenses for each statement of profit or loss are translated at average exchange rates, and
- 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 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 non-operating income or expenses' and impairment losses are presented in 'other non-operating 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 non-operating 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, 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 non-operating 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, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the 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 and Hedge Accounting**

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.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an 'economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.



Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction.

If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

## **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. (Refer to additional information of trade receivables in Note 9 and accounting policies on impairment of financial assets in Note 43).

## **2.8 Inventories**

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

<b>Type of inventories</b>	<b>Costing method</b>
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:

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

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Furthermore, the Group considers climate-related matters, including physical and transition risks. Specifically, the Group determines whether climate-related legislation and regulations might impact either the useful life or residual values, e.g., by banning or restricting the use of the Group's fossil fuel-driven machinery and equipment or imposing additional energy efficiency requirements on the Group's buildings and office properties.

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

	<b>Useful lives</b>
Buildings	20 – 60 years
Right-of-use assets	2 – 10



## **2.14 Intangible Assets**

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

Intangible assets 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:

	<b>Useful lives</b>
Industrial property rights	5 – 10 years
Other intangible assets	3 – 50
Brand and customer relationship	5 – 20

## **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. The Group assesses whether climate risks, including physical risks and transition risks could have a significant impact. If so, these risks are included in the cash-flow forecasts in assessing value-in-use amounts.

## **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. 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.



*(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 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 and deferred 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 current income tax expense 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.

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 profit 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 intend 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 are 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 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.



## **2.22 Revenue Recognition**

### *(a) Identifying the performance obligations*

With regard to the contract of selling products to the customer, the Group identifies the services rendered separately to the customer as a different performance obligation. When entering into contracts with customers for the sales of products, The Group determines standard warranty coverage periods per product and customer considering warranty periods required by law and others when entering into contracts with customers for the sales of products. If the Group provides an extended warranty beyond the standard warranty coverage period or a customer has the option to purchase an additional warranty separately, the warranty is considered as a separate performance obligation when revenue is recognized.

### *(b) A performance obligation satisfied at a point in time*

The revenue from the sale of goods is recognized when the products have been delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products 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 goods are often sold with volume discounts, and it is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate for the discounts and the refund, and the volume discounts is calculated based on the periodical forecast sales. The warranty provision for the sales and refund is reasonably estimated and recognized properly.

### *(c) Significant financing component*

As a practical expedient, the Group need not adjust the promised amount of consideration for the effects of a significant financing component as the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less.

### *(d) 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.

### *(e) Dividend income*

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

## **2.23 Leases**

### *(a) Lessor*

A lessor shall classify each of its leases as either an operating lease or a finance lease in inception of lease.

For the purposes of classifying the lease, the Group generally determines whether it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, and if not, it is classified as an operating lease.

Lease income from the 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 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.

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 of 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 which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

When an individual lessee can readily observe (through recent financial or market data) the interest rate on an amortizing loan with a similar payment schedule to the lease, the Group refers to the rate as a starting point when determining its incremental borrowing rate for a lease.



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.

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. Low-value assets comprise IT-equipment and office furniture.

## **2.24 Greenhouse Gas Emission Permits and Obligations**

### *(a) 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 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 other current assets and liabilities, respectively, in the statement of financial position.

### *(b) 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 Climate-related matters**

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. Even though the Group believes its business model and products will still be viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions underpinning several items in the financial statements. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment - When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures.
- Impairment of non-financial assets - The value-in-use may be impacted in several different ways by transition risk in particular, such as climate-related legislation and regulations and changes in demand for the Group's products.
- Fair value measurement - For investment properties and revalued office properties, the Group considers the effect of physical and transition risks and whether investors would consider those risks in their valuation. The Group believes it is not currently exposed to severe physical risks, but believes that investors, to some extent, would consider impacts of transition risks in their valuation, such as increasing requirements for energy efficiency of buildings due to climate-related legislation and regulations as well as tenants' increasing demands for low-emission buildings.
- Emission rights - The Group receives free emission rights on an annual basis and, in return, it is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted.

## **2.27 Approval of Issuance of the Financial Statements**

The consolidated financial statements 2023 were approved for issue by the Board of Directors on February 28, 2024 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.

#### *(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 16).

#### *(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.

When a certain amount of taxable income has not been used for investment, wage increase and so on, for a certain period, the Group will bear the additional corporate tax calculated according to the method specified by the tax law. Therefore, when measuring the current and deferred tax for the current period, the effect of the tax should be reflected. 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 provision for impairment for financial assets is 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 21).



*(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).

*(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) Leases*

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 15).

*(i) Uncertainty of the impact of the situation in Ukraine*

In February 2022, a dispute broke out between Russia and Ukraine, and international sanctions have been imposed in 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. The ultimate impact of these disputes and sanctions on the financial position and operating performance of the Group is 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 of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>2023</b>		<b>2022</b>
Total liabilities	₩	3,133,752,512	₩	3,705,654,911
Total equity		9,629,553,176		8,875,709,248
Debt ratio		32.54%		41.75%

(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.

###### **2) Market risk**

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



*a) Foreign currency risk management*

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Subsidiaries of the Group mainly conduct transactions in each company's functional currency, and the parent company, exposed to foreign currency risk, manages exchange rate exposures within approved policy parameters utilizing forward foreign exchange contracts. In result, the Group manages mainly the foreign currency risk of the parent company. 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 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.

*(in thousands of Korean won)*

		<b>2023</b>		<b>2022</b>
10% Strengthened	₩	40,794,169	₩	(39,405,806)
10% weakened		(40,794,169)		39,405,806

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 of December 31, 2023 are as follows:

*(in thousands of USD, EUR, MYR, AUD, GBP, JPY, CAD, SEK, THB, PLN)*

	<b>Maturity date</b>	<b>Selling currency</b>	<b>Selling amount</b>	<b>Contract exchange rate</b>	<b>Buying Currency</b>	<b>Contractual inflow amount</b>
Deutsche and others	2024-04-26 and others	THB	25,557	35.447	USD	721
SMBC and others	2024-06-14 and others	MYR	27,133	4.607	USD	5,890
CITI and others	2024-05-27 and others	AUD	7,770	0.211	CNY	36,870
ICBC and others	2024-03-26 and others	CAD	1,926	0.187	CNY	10,283
CITI	2024-01-26	CZK	3,376	3.135	CNY	1,077
ICBC and others	2024-01-26 and others	EUR	18,000	0.128	CNY	140,520
JPM and others	2024-01-26 and others	GBP	13,990	0.112	CNY	125,440
JPM and others	2024-03-26 and others	JPY	164,567	20.212	CNY	8,142
ICBC	2024-01-26	PLN	1,781	0.570	CNY	3,124
ICBC and others	2024-01-26 and others	SEK	15,098	1.460	CNY	10,339



*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

When the interest rate of floating rate borrowings changes by 10bp while all other variables are constant, the effect on the Group's Profit before income tax as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>			<b>2023</b>		<b>2022</b>
10 bp	Increase	₩	(577,026)	₩	(717,303)
	Decrease		577,026		717,303

*c) Other price risks*

The Group is exposed to equity 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 ₩ 5,542,386 thousand (2022: ₩ 5,892,135 thousand) due to changes in financial assets at fair value and no change in profit or loss due to changes in fair value through profit or loss.



### 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 Foreign Exchange 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. 'Financing Arrangements' (Note 41) explains details of unused balances of credit facility agreements entered through the Group's discretion to reduce the liquidity risk.

The table below illustrates remaining contractual maturity of non-derivative financial liabilities in detail. Contractual maturity is based on the earliest day when the payment can be claimed to the Group. Maturity analysis of non-derivative financial liabilities according to their remaining maturity at the end of the reporting period, are as follows:

	2023					
			Residual value			
	Book amount	Contractual Cash flows	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	₩ 508,929,714	₩ 508,929,714	₩ 508,929,714	₩ -	₩ -	-
Non-trade payables <sup>1</sup>	307,054,108	307,054,108	307,054,108	-	-	-
Accrued expenses <sup>1</sup>	403,061,296	403,061,296	403,061,296	-	-	-
Dividends payable	18,239	18,239	18,239	-	-	-
Leasehold deposits received	24,992,908	36,588,955	5,139,985	176,600	-	31,272,370
Short-term borrowings	333,973,171	334,098,573	334,098,573	-	-	-
Long-term borrowings	273,680,408	313,256,576	157,122,879	7,769,628	148,364,069	-
Debentures	149,902,019	152,765,625	2,212,500	150,553,125	-	-
Lease liabilities	409,228,139	489,768,183	79,286,217	69,111,559	157,051,111	184,319,296
Total	₩ 2,410,840,002	₩ 2,545,541,269	₩ 1,796,923,511	₩ 227,610,912	₩ 305,415,180	₩ 215,591,666

<sup>1</sup>Payables related to employee benefits are excluded.



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		2022					
				Residual value			
		Book amount	Contractual Cash flows	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Trade payables	₩	503,121,053	₩ 503,121,053	₩ 503,121,053	₩	- ₩	- ₩
Non-trade payables <sup>1</sup>		239,836,049	239,836,049	239,836,049	-	-	-
Accrued expenses <sup>1</sup>		381,214,393	381,214,393	381,214,393	-	-	-
Dividends payable		14,297	14,297	14,297	-	-	-
Leasehold deposits received		24,392,467	36,587,545	4,448,145	843,400	-	31,296,000
Short-term borrowings		437,810,564	438,953,230	438,953,230	-	-	-
Long-term borrowings		332,517,050	345,678,282	199,282,852	146,395,430	-	-
Debentures		806,644,858	819,808,821	667,043,196	2,212,500	150,553,125	-
Lease liabilities		359,543,711	420,693,780	66,331,737	55,039,464	120,307,057	179,015,522
Total	₩	3,085,094,442	₩ 3,185,907,450	₩ 2,500,244,952	₩ 204,490,794	₩ 270,860,182	₩ 210,311,522

<sup>1</sup>Payables related to employee benefits are excluded.



## 5. Fair value

For the year ended December 31, 2023, 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 of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Financial assets at fair value through other comprehensive income					
	₩	111,364,771	₩ 111,364,771	₩ 166,538,583	₩ 166,538,583
Financial assets at fair value through profit or loss					
		199,294,067	199,294,067	363,295,250	363,295,250
Financial derivative assets					
		6,561,835	6,561,835	91,585,290	91,585,290
Financial liabilities					
Debentures					
		149,902,019	145,565,842	806,644,858	790,375,333
Long-term borrowings					
		273,680,408	281,962,063	332,517,050	329,979,309
Financial derivative liabilities					
		4,492,150	4,492,150	2,397,170	2,397,170

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.

### 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).



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Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

<b>2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Financial assets at fair value through other comprehensive Income	₩ 110,847,716	₩ -	₩ 517,055	₩ 111,364,771
Financial assets at fair value through profit or loss	6,179,229	10,128,237	182,986,601	199,294,067
Financial derivative assets	-	6,561,835	-	6,561,835
Financial derivative liabilities	-	584,080	3,908,070	4,492,150
Debentures	-	145,565,842	-	145,565,842
Long-term borrowings	-	281,962,063	-	281,962,063

*(in thousands of Korean won)*

<b>2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Financial assets at fair value through other comprehensive Income	₩ 129,904,376	₩ -	₩ 36,634,207	₩ 166,538,583
Financial assets at fair value through profit or loss	6,843,985	218,569,766	137,881,499	363,295,250
Financial derivative assets	-	91,585,290	-	91,585,290
Financial derivative liabilities	-	1,408,706	988,464	2,397,170
Debentures	-	790,375,333	-	790,375,333
Long-term borrowings	-	329,979,309	-	329,979,309



### 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 for the year ended December 31, 2023.

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023					
	Beginning balance	Purchase	Sales	Profit or loss	Others	Ending balance
Financial assets						
Financial assets at fair value through profit or loss	₩137,881,499	₩ 18,728,636	₩ (5,360,552)	₩ (4,380,134)	₩ 36,117,152	₩ 182,996,601
Financial assets at fair value through other comprehensive Income	36,634,207	-	-	-	(36,117,652)	517,055
Financial liabilities						
Financial derivative liabilities (put options)	988,464	-	-	2,919,606	-	3,908,070

(in thousands of Korean won)

	2022					
	Beginning balance	Purchase	Sales	Profit or loss	Others	Ending balance
Financial assets						
Financial assets at fair value through profit or loss	₩113,763,089	₩ 32,163,901	₩ (5,988,938)	₩ (488,253)	₩ (1,568,300)	₩ 137,881,499
Financial assets at fair value through other comprehensive Income	516,555	-	-	-	36,117,652	36,634,207
Financial liabilities						
Financial derivative liabilities (put options)	-	876,982	-	111,482	-	988,464



## 5.4 Valuation Technique and the Inputs

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

(in thousands of Korean won)

<b>2023</b>				
	<b>Fair values</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Financial derivative assets				
Currency swap	350,681	2	Discounted cash flow model	Discount rate, exchange rate
Interest rate swap	5,817,481	2	Discounted cash flow model	Discount rate derived from yield curve, interest rate
Forward exchange	393,673	2	Discounted cash flow model	Discount rate, exchange rate
Financial derivative liabilities				
Put options	3,908,070	3	Option pricing model	Underlying asset price, credit risk adjusted discount rate, underlying asset variability
Currency Swap	2,842	2	Discounted cash flow model	Discount rate, exchange rate
Forward exchange	581,238	2	Discounted cash flow model	Discount rate, exchange rate
Financial assets at fair value through other comprehensive income				
Unlisted shares	517,055	3	Transaction costs	-
Financial assets at fair value through profit or loss				
Investment instruments and others	10,128,237	2	Discounted cash flow model	Discount rate, exchange rate
Investment instruments and others	153,410,366	3	Net asset valuation	Net asset value
Investment instruments and others	9,727,473	3	Transaction costs	-
Investment instruments and others	7,873,818	3	Discounted cash flow model	Discount rate, exchange rate
Beneficiary certificates	11,974,944	3	Net asset valuation	Net asset value
Borrowings				
Debentures	145,565,842	2	Discounted cash flow model	Credit risk adjusted discount rate
Long-term borrowings	281,962,063	2	Discounted cash flow model	Credit risk adjusted discount rate



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**2022**

	<b>Fair values</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Financial derivative assets				
Currency swap	77,484,328	2	Discounted cash flow model	Discount rate, exchange rate
Interest rate swap	9,661,715	2	Discounted cash flow model	Discount rate derived from yield curve, interest rate
Forward exchange	4,439,247	2	Discounted cash flow model	Discount rate, exchange rate
Financial derivative liabilities				
Currency swap	1,157,207	2	Discounted cash flow model	Discount rate, exchange rate
Put options	988,464	3	Option pricing model	Underlying asset price, credit risk adjusted discount rate, underlying asset variability
Forward exchange	251,499	2	Discounted cash flow model	Discount rate, exchange rate
Financial assets at fair value through other comprehensive income				
Investment instruments and others	36,117,152	3	Net asset valuation	Net asset value
Unlisted shares	517,055	3	Transaction costs	-
Financial assets at fair value through profit or loss				
Investment instruments and others	218,569,766	2	Discounted cash flow model	Discount rate, exchange rate
Investment instruments and others	104,059,603	3	Net asset valuation	Net asset value
Investment instruments and others	19,132,953	3	Transaction costs	-
Beneficiary certificates	11,580,980	3	Net asset valuation	Net asset value
Convertible notes	3,107,963	3	TF model	Underlying asset, exercise price per share
Borrowings				
Debentures	790,375,333	2	Discounted cash flow model	Credit risk adjusted discount rate
Long-term borrowings	329,979,309	2	Discounted cash flow model	Credit risk adjusted discount rate



## 6. Financial Instrument by Category

### 6.1 Carrying Amounts of Financial Instruments by Category

Categorizations of financial assets and liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		<b>2023</b>		<b>2022</b>	
<b>Financial assets</b>					
Other financial assets	Financial derivative assets	₩	6,561,835	₩	91,585,290
Financial assets at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income		111,364,771		166,538,583
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss		199,294,067		363,295,250
Financial assets at amortized cost	Cash and cash equivalents		2,243,874,565		1,139,442,351
	Short-term financial assets		417,956,126		594,766,222
	Trade receivables (current)		1,652,672,423		1,623,344,006
	Trade receivables (non-current)		1,409,673		3,949,630
	Non-trade receivables (current) <sup>1</sup>		180,234,776		62,832,620
	Non-trade receivables (non-current)		72,856		69,006
	Accrued income		29,711,400		14,269,375
	Lease receivables (current)		10,175,523		8,601,802
	Lease receivables (non-current)		51,724,154		51,642,242
	Deposits provided (current)		1,634,712		2,143,057
	Deposits provided (non-current)		98,370,763		95,250,525
	Short-term loans		816,416		44,728,327
	Long-term loans		2,262,618		2,207,702
	Long-term financial assets		119,657,221		114,904,679
Total		₩	5,127,793,899	₩	4,379,570,667

<sup>1</sup> Receivables related to employee benefits are excluded.



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		<b>2023</b>		<b>2022</b>	
<b>Financial liabilities</b>					
Other financial liabilities	Financial derivative liabilities	₩	4,492,150	₩	2,397,170
Financial liabilities	Trade payables		508,929,714		503,121,053
at amortized cost	Non-trade payables <sup>1</sup>		307,054,108		239,836,049
	Accrued expenses <sup>1</sup>		403,061,296		381,214,393
	Dividends payable		18,239		14,297
	Borrowings (current)		457,604,886		520,314,967
	Borrowings (non-current)		459,104,886		435,252,813
	Borrowings				
	(current- debentures)		-		656,824,643
	Borrowings				
	(non-current- debentures)		149,902,019		149,820,215
	Collateral loan				
	on trade receivables <sup>2</sup>		100,171,946		174,303,545
	Leasehold deposits received				
	(current)		5,139,985		4,448,145
	Leasehold deposits received				
	(non-current)		19,852,923		19,944,322
	Deposits for facility guarantee		-		495,000
	Non-controlling interests		1,280,078		1,257,724
	Deferred revenue - mileage		745,198		657,400
	Total	₩	2,417,357,428	₩	3,089,244,336

<sup>1</sup> Payables related to employee benefits are excluded.

<sup>2</sup> 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.



## 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, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>	<b>2022</b>
Financial derivatives assets/liabilities		
Gains on valuation of derivatives	₩ (10,858,579)	₩ 17,450,293
Gains (losses) on transaction of derivatives	17,119,270	(28,748,731)
Cash flow hedges (after tax other comprehensive income)	(943,368)	(4,920,557)
Financial instruments at fair value through other comprehensive income		
Gains (losses) on valuation (after tax other comprehensive income)	(116,239)	(3,906,898)
Losses on disposal	-	-
Financial instruments at fair value through profit or loss		
Gains (losses) on valuation	340,255	(2,953,448)
Gains (losses) on disposal	(1,291,630)	(3,646,703)
Financial assets at amortized cost		
Interest income	94,362,042	35,518,089
Gains (losses) on foreign currency transaction	(25,522,568)	87,594,215
Gains (losses) on foreign currency translation	(218,912)	(29,021,336)
Impairment loss (Reversal of impairment loss)	(1,809,406)	2,401,535
Financial liabilities at amortized cost		
Interest expense	(70,370,514)	(61,658,027)
Gains (losses) on foreign currency transaction	(47,174,824)	33,750,698
Gains on foreign currency translation	18,330	6,524,883
Total	₩ (46,466,143)	₩ 48,384,013



## **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 of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current		
Investment instruments and others	₩ 2,216,869	₩ 8,795,249
Non-current		
Investment instruments and others	8,873,818	14,214,604
Total	₩ 11,090,687	₩ 23,009,853

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

Debt instruments at fair value through profit or loss as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current		
Investment instruments and others	₩ 95,225,096	₩ 241,914,686
Convertible bonds	-	2,083,693
Non-current		
Beneficiary certificates	11,974,944	11,580,980
Investment instruments and others	81,003,340	83,681,768
Convertible bonds	-	1,024,270
Total	₩ 188,203,380	₩ 340,285,397



## 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 of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		<b>2022</b>	
Non-current				
Listed securities and others <sup>1</sup>	₩	110,847,716	₩	166,021,528
Unlisted securities and others <sup>1</sup>		517,055		517,055
Total	₩	111,364,771	₩	166,538,583

<sup>1</sup> Upon disposal of these listed securities and others, 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 of December 31, 2023. 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 of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		<b>2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Interest rate swap	₩ 5,817,481	₩ -	₩ 9,661,715	₩ -
Put options <sup>1</sup>	-	3,908,070	-	988,464
Forward exchange	393,673	581,238	4,439,247	251,499
Currency swap	350,681	2,842	8,531,852	1,157,207
Total	₩ 6,561,835	₩ 4,492,150	₩ 22,632,814	₩ 2,397,170

<sup>1</sup>The Group has entered into shareholder agreements with sellers (Tiansheng Zhou Family Trust, ACE Optical Ltd, BDC Capital Inc.) in relation to PMC investment (Note 41), and derivative liabilities are recognized in relation to put options in contracts between shareholders.



(b) Details of derivative financial instruments applying cash flow hedge accounting as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges (currency swap) <sup>1</sup>	₩ -	₩ -	₩ 68,952,476	₩ -

<sup>1</sup>As a result of applying cash flow hedge accounting, other comprehensive income after tax recognized for the years ended December 31, 2023 and 2022 are as follows:

(in thousands of Korean won)

Change in value of derivatives (after tax)	Line items recognized in profit or loss	2023		Recognized amount in other comprehensive income (after tax)
		Reclassified amount in profit or loss(after tax)		
₩ (8,127,741)	Interest expense and differences on foreign currency (translation)	₩ 7,184,373	₩	(943,368)

(in thousands of Korean won)

Change in value of derivatives (after tax)	Line items recognized in profit or loss	2022		Recognized amount in other comprehensive income (after tax)
		Reclassified amount in profit or loss(after tax)		
₩ 20,860,963	Interest expense and differences on foreign currency (translation)	₩ (25,781,520)	₩	(4,920,557)



**9. Trade and Other Receivables**

(a) Details of trade and other receivables as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		
	<b>Gross amount</b>	<b>Less: Provision for impairment</b>	<b>Net amount</b>
<b>Current</b>			
Trade receivables	₩ 1,661,211,751	₩ (8,539,328)	₩ 1,652,672,423
Non-trade receivables	182,271,267	(1,183,131)	181,088,136
Accrued income	29,711,400	-	29,711,400
Financial lease receivables	10,175,523	-	10,175,523
Total	₩ 1,883,369,941	₩ (9,722,459)	₩ 1,873,647,482
<b>Non-current</b>			
Trade receivables	₩ 3,417,108	₩ (2,007,435)	₩ 1,409,673
Non-trade receivables	199,456	-	199,456
Financial lease receivables	51,724,154	-	51,724,154
Total	₩ 55,340,718	₩ (2,007,435)	₩ 53,333,283

(in thousands of Korean won)

	<b>2022</b>		
	<b>Gross amount</b>	<b>Less: Provision for impairment</b>	<b>Net amount</b>
<b>Current</b>			
Trade receivables	₩ 1,630,139,243	₩ (6,795,237)	₩ 1,623,344,006
Non-trade receivables	64,952,501	(1,056,413)	63,896,088
Accrued income	14,269,375	-	14,269,375
Financial lease receivables	8,601,803	-	8,601,803
Total	₩ 1,717,962,922	₩ (7,851,650)	₩ 1,710,111,272
<b>Non-current</b>			
Trade receivables	₩ 5,875,294	₩ (1,925,664)	₩ 3,949,630
Non-trade receivables	448,804	-	448,804
Financial lease receivables	51,642,242	-	51,642,242
Total	₩ 57,966,340	₩ (1,925,664)	₩ 56,040,676



(b) Movements on the provision for impairment of trade receivables and other receivables for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		
	<b>Trade receivables</b>	<b>Non-trade receivables</b>	<b>Total</b>
Beginning balance	₩ 8,720,901	₩ 1,056,413	₩ 9,777,314
Net impairment loss(reversal)	1,721,608	87,798	1,809,406
Write-offs	(72,766)	-	(72,766)
Exchange differences	177,020	38,920	215,940
Ending balance	₩ 10,546,763	₩ 1,183,131	₩ 11,729,894

(in thousands of Korean won)

	<b>2022</b>		
	<b>Trade receivables</b>	<b>Non-trade receivables</b>	<b>Total</b>
Beginning balance	₩ 12,001,699	₩ 272,316	₩ 12,274,015
Net impairment loss(reversal)	(1,185,831)	784,295	(401,536)
Write-offs	(1,330,521)	-	(1,330,521)
Exchange differences	(764,446)	(198)	(764,644)
Ending balance	₩ 8,720,901	₩ 1,056,413	₩ 9,777,314

(c) Credit risk and provision for impairment

The above trade receivables and other receivables are classified as financial assets measured at amortized cost. The Group considers a change of credit grade about trade receivables from starting date for granting credit to the end of reporting period to judge recoverability of trade receivables and others.

(d) The aging analysis of the trade receivables as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
Receivables not past due	₩ 1,056,874,415	₩ 261,406,245	₩ 1,318,280,660
Past due but not impaired			
Below 3 months	488,537,248	6,770,098	495,307,346
4 to 6 months	103,366,740	699,156	104,065,896
Above 6 months	9,470,857	374,268	9,845,125
Impaired	6,379,599	4,832,033	11,211,632
Total	₩ 1,664,628,859	₩ 274,081,800	₩ 1,938,710,659



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	2022		
	Trade receivables	Non-trade receivables	Total
Receivables not past due	₩ 1,038,701,897	₩ 122,799,679	₩ 1,161,501,576
Past due but not impaired			
Below 3 months	534,440,157	7,183,938	541,624,095
4 to 6 months	42,731,167	7,220,907	49,952,074
Above 6 months	15,006,897	353,450	15,360,347
Impaired	5,134,419	2,356,751	7,491,170
Total	₩ 1,636,014,537	₩ 139,914,725	₩ 1,775,929,262

## 10. Inventories

Details of inventories as of December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

	2023				
	Acquisition Cost	Inventory valuation	Inventory valuation allowance	Exchange differences	Valuation loss(reversal)
Finished goods	₩ 1,419,019,280	₩ 1,397,760,954	₩ 21,258,326	₩ 1,896,047	₩ (8,953,753)
Merchandise	41,488,542	41,488,542	-	-	-
Work in process	46,463,072	46,463,072	-	-	-
Raw materials	383,435,461	383,435,461	-	-	-
Supplies	52,380,004	52,380,004	-	-	-
Materials in transit	101,099,094	101,099,094	-	-	-
Total	₩ 2,043,885,453	₩ 2,022,627,127	₩ 21,258,326	₩ 1,896,047	₩ (8,953,753)



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	2022				
	Acquisition Cost	Inventory valuation	Inventory valuation allowance	Exchange differences	Valuation loss(reversal)
Finished goods	₩ 1,683,648,549	₩ 1,655,332,517	₩ 28,316,032	₩ 3,482,366	₩ (20,889,345)
Merchandise	44,880,246	44,880,246	-	-	-
Work in process	57,046,221	57,046,221	-	-	-
Raw materials	509,439,453	509,439,453	-	-	(24,892)
Supplies	52,122,570	52,122,570	-	-	-
Materials in transit	130,724,161	130,724,161	-	-	-
Total	₩ 2,477,861,200	₩ 2,449,545,168	₩ 28,316,032	₩ 3,482,366	₩ (20,914,237)

The Group recognizes loss from inventory valuation and inventory shrinkage as expenses in the period 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 period in which the reversal occurs.

On the other hand, as a fire broke out in the current year, the Group reduced its inventory assets by ₩ 29,867,829 thousand and recognized as losses due to the disaster.



## 11. Other Financial Assets

(a) Details of other financial assets as of December 31, 2023 and 2022, are as follows:

*(in thousands of  
Korean won)*

	<b>2023</b>		<b>2022</b>	
	<b>Current</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>
Loans	₩ 816,416	₩ 2,262,618	₩ 44,728,327	₩ 2,207,702
Guarantee deposits provided	1,634,712	98,370,763	2,143,057	95,250,525
Financial derivative assets	1,892,776	4,669,059	79,285,234	12,300,056
Total	₩ 4,343,904	₩ 105,302,440	₩ 126,156,618	₩ 109,758,283

(b) Movement on the provision for impairment of loans for the years ended December 31, 2023 and 2022, are as follows:

*(in thousands of Korean won)*

	<b>2023</b>	<b>2022</b>
Beginning Balance	₩ -	₩ 2,000,000
Additional provisions (reversed)	-	(2,000,000)
Ending Balance	₩ -	₩ -

## 12. Other Assets

Details of other assets as of December 31, 2023 and 2022, are as follows:

*(in thousands of  
Korean won)*

	<b>2023</b>		<b>2022</b>	
	<b>Current</b>	<b>Non-Current</b>	<b>Current</b>	<b>Non-Current</b>
Advance payments	₩ 11,180,772	₩ 2,960	₩ 30,185,116	₩ 21,707,245
Prepaid expenses	40,897,735	10,518,288	27,784,227	10,590,706
Others	52,762,054	127,952	73,244,866	127,915
Total	₩ 104,840,561	₩ 10,649,200	₩ 131,214,209	₩ 32,425,866



### 13. Property, Plant and Equipment

(a) Detailed of the book amount of property, plant and equipment as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book amount	
Land	₩ 452,083,982	₩ -	₩ -	₩ 452,083,982	
Buildings	2,233,905,629	(766,664,799)	(11,804,174)	1,455,436,656	
Structures	248,026,653	(88,879,827)	(7,626,499)	151,520,327	
Machinery	5,087,877,302	(4,615,598,071)	(12,412,671)	459,866,560	
Vehicles	123,529,748	(98,598,394)	-	24,931,354	
Tools, furniture and fixtures	1,505,472,274	(1,045,389,687)	(1,678,045)	458,404,542	
Machinery in transit	17,039,974	-	-	17,039,974	
Construction in progress	267,731,373	-	-	267,731,373	
Operating lease assets	62,441	(54,721)	-	7,720	
Right-of-use assets	694,077,612	(266,837,617)	-	427,239,995	
Total	₩ 10,629,806,988	₩ (6,882,023,116)	₩ (33,521,389)	₩ 3,714,262,483	

(in thousands of Korean won)

		2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book amount	
Land	₩ 433,481,950	₩ -	₩ -	₩ 433,481,950	
Buildings	2,231,951,360	(737,825,367)	(8,674,094)	1,485,451,899	
Structures	243,517,509	(79,871,028)	(7,626,499)	156,019,982	
Machinery	5,216,784,507	(4,629,866,271)	(12,412,671)	574,505,565	
Vehicles	122,052,010	(92,875,689)	-	29,176,321	
Tools, furniture and fixtures	1,480,344,775	(1,023,868,579)	(1,683,617)	454,792,579	
Machinery in transit	32,109,406	-	-	32,109,406	
Construction in progress	129,741,963	-	-	129,741,963	
Operating lease assets	61,877	(42,313)	-	19,564	
Right-of-use assets	632,811,172	(240,633,002)	-	392,178,170	
Total	₩ 10,522,856,529	₩ (6,804,982,249)	₩ (30,396,881)	₩ 3,687,477,399	



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(b) Changes in property, plant and equipment for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

	2023									
	Opening net book amount	Acquisition	Disposal	Depreciation	Impairment	Others <sup>1,2</sup>	Exchange differences <sup>3</sup>	Closing net book amount		
Land	₩ 433,481,950	₩ 678,560	₩ -	₩ -	₩ -	₩ 14,731,926	₩ 3,191,546	₩ 452,083,982		
Buildings	1,485,451,898	10,330,132	(969,519)	(61,735,583)	(3,130,976)	(1,357,349)	26,848,053	1,455,436,656		
Structures	156,019,982	426,644	(47,500)	(6,884,422)	-	1,437,250	568,373	151,520,327		
Machinery and equipment	574,505,565	39,760,650	(761,016)	(215,591,527)	-	56,648,207	5,304,681	459,866,560		
Vehicles	29,176,321	4,551,862	(170,488)	(11,114,723)	-	1,879,611	608,771	24,931,354		
Tools, furniture and fixtures	454,792,579	63,958,319	(12,746,727)	(114,415,087)	-	60,373,725	6,441,733	458,404,542		
Machinery in transit	32,109,406	12,830,310	-	-	-	(28,917,176)	1,017,434	17,039,974		
Construction in progress	129,741,963	283,949,403	(229,248)	-	-	(145,861,317)	130,572	267,731,373		
Operating lease assets	19,565	15,306	(8,966)	(18,185)	-	-	-	7,720		
Right-of-use assets	392,178,170	103,086,412	(1,064,587)	(76,758,156)	-	260,109	9,538,047	427,239,995		
Total	₩ 3,687,477,399	₩ 519,587,598	₩ (15,998,051)	₩ (486,517,683)	₩ (3,130,976)	₩ (40,805,014)	₩ 53,649,210	₩ 3,714,262,483		

<sup>1</sup> As a fire broke out in the current year, the Group reduced plant and equipment by ₩ 39,128,538 thousand and recognized as losses due to the disaster.

<sup>2</sup> Includes transfers between property, plant and equipment and financial lease receivables and transfers between property, plant and equipment and investment properties.

<sup>3</sup> Includes the effect of applying financial reporting in hyperinflationary economy of Türkiye.

(in thousands of  
Korean won)

	2022									
	Opening net book amount	Acquisition	Disposal	Depreciation	Impairment	Others <sup>1</sup>	Exchange differences <sup>2</sup>	Closing net book amount		
Land	₩ 427,956,064	₩ 2,373,759	₩ (56,859)	₩ -	₩ -	₩ (2,125,297)	₩ 5,334,283	₩ 433,481,950		
Buildings	1,477,855,457	16,538,904	(4,641,796)	(62,477,887)	(268,604)	58,308,458	137,367	1,485,451,899		
Structures	50,826,404	17,854,204	(30)	(6,198,320)	(7,405,852)	101,895,811	(952,235)	156,019,982		
Machinery and equipment	753,352,068	18,531,853	(1,014,710)	(257,474,810)	-	49,588,678	11,522,486	574,505,565		
Vehicles	33,948,959	2,694,343	(118,005)	(11,676,826)	-	3,090,899	1,236,952	29,176,322		
Tools, furniture and fixtures	450,392,481	68,066,229	(8,760,428)	(114,040,187)	-	59,996,509	(862,026)	454,792,578		
Machinery in transit	10,497,113	30,171,510	-	-	-	(8,176,100)	(383,117)	32,109,406		
Construction in progress	239,461,554	166,696,843	(2,009,722)	-	-	(272,784,431)	(1,622,281)	129,741,963		
Operating lease assets	20,971	19,105	-	(20,511)	-	-	-	19,565		
Right-of-use assets	377,141,889	82,382,391	(4,394,802)	(63,350,995)	-	-	399,686	392,178,169		
Total	₩ 3,821,452,960	₩ 405,329,141	₩ (20,996,352)	₩ (515,239,536)	₩ (7,674,456)	₩ (10,205,473)	₩ 14,811,115	₩ 3,687,477,399		

<sup>1</sup> Includes transfers between property, plant and equipment and financial lease receivables and transfers between property, plant and equipment and investment properties.

<sup>2</sup> Includes the effect of applying financial reporting in hyperinflationary economy of Türkiye.



(c) The amount of each account item including depreciation of property, plant and equipment for the years ended December 31, 2023 and 2022 is as follows.

(in thousands of Korean won)

	<b>2023</b>		<b>2022</b>	
Cost of sales	₩	368,612,921	₩	410,541,458
Selling and administrative expenses (including ordinary R&D expenses)		117,904,762		104,698,078
Total	₩	486,517,683	₩	515,239,536

(d) Acquisition agreement of tangible assets.

The Group is seeking to expand U.S. production plant. In order to expand U.S. production plant, the Group has entered into a major acquisition agreement for tangible assets during the current period (part of the important contract amount under investment in USD 710,277,932), of which USD 83,181,053 is recorded as assets under construction in the statement of financial position.

As of the end of the current fiscal year, the acquisition of tangible assets is a fraction of what is expected to be spent on the expansion of U.S. production plants, and a number of additional agreements will be signed until the process of expansion and the future time of investment.

#### 14. Investment Properties

(a) Details of investment properties as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		<b>2023</b>			
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Balance</b>
Land	₩	89,931,858	₩ -	₩ -	₩ 89,931,858
Buildings		55,543,919	(29,538,668)	(365,545)	25,639,706
Right-of-use assets		1,137,306	(638,938)	-	498,368
Total	₩	146,613,083	₩ (30,177,606)	₩ (365,545)	₩ 116,069,932

(in thousands of Korean won)

		<b>2022</b>			
		<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment losses</b>	<b>Balance</b>
Land	₩	86,349,556	₩ -	₩ -	₩ 86,349,556
Buildings		57,206,924	(29,890,000)	(365,545)	26,951,379
Right-of-use assets		596,688	(508,758)	-	87,930
Total	₩	144,153,168	₩ (30,398,758)	₩ (365,545)	₩ 113,388,865



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(b) Changes in investment properties for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

		2023					
		Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Ending balance
Land	₩	86,349,556	₩ 3,802,301	₩ -	₩ -	(219,999)	₩ 89,931,858
Buildings		26,951,379	301,852	(44,206)	(1,367,969)	(201,350)	25,639,706
Right-of-use assets		87,930	540,618	-	(130,180)	-	498,368
Total	₩	113,388,865	₩ 4,644,771	₩ (44,206)	₩ (1,498,149)	₩ (421,349)	₩ 116,069,932

(in thousands of  
Korean won)

		2022				
		Beginning balance	Disposal	Depreciation	Transfer	Ending balance
Land	₩	80,482,909	₩ (946,799)	₩ -	₩ 6,813,446	₩ 86,349,556
Buildings		39,328,530	(944,245)	(1,547,178)	(9,885,728)	26,951,379
Right-of-use assets		217,408	-	(129,478)	-	87,930
Total	₩	120,028,847	₩ (1,891,044)	₩ (1,676,656)	₩ (3,072,282)	₩ 113,388,865

(c) As of December 31, 2023, the fair value of investment property is ₩ 241,813,126 thousand (2022: ₩ 235,546,670 thousand).

(d) Rental income from investment property for the year ended December 31, 2023 was ₩ 5,161,155 thousand (2022: ₩ 4,644,460 thousand), and rental cost was ₩ 1,360,389 thousand (2022: ₩ 1,221,489 thousand).



## 15. Lease

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Right-of-use assets <sup>1</sup>		
Land	₩ 41,714,648	₩ 43,140,120
Buildings	367,953,840	330,520,103
Machinery and equipment	2,683,865	3,550,392
Tools, furniture and fixtures	5,266,651	5,202,953
Vehicles	10,119,359	9,852,533
Total	₩ 427,738,363	₩ 392,266,101

<sup>1</sup>Included in 'property, plant and equipment' and 'investment property' in the statement of financial position (Note 13,14). Increased right-of-use assets amounted to ₩ 103,627,030 thousand for the year ended December 31, 2023 (2022: ₩ 82,382,391 thousand).

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Lease liabilities <sup>1</sup>		
Current	₩ 79,063,253	₩ 66,712,948
Non-current	330,164,886	292,830,763
Total	₩ 409,228,139	₩ 359,543,711

<sup>1</sup>Included in 'borrowings' in the statement of financial position.



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

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

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Depreciation of right-of-use assets		
Land	₩ 1,382,278	₩ 1,410,434
Buildings	67,980,558	55,144,150
Machinery and equipment	1,183,693	1,046,553
Tools, furniture and fixtures	382,953	332,157
Vehicles	5,958,854	5,547,179
Total	₩ 76,888,336	₩ 63,480,473
Interest expense relating to lease liabilities (included in finance costs) <sup>1</sup>	₩ 16,129,706	₩ 9,863,460
Expense relating to short-term leases	11,191,805	3,695,965
Expense relating to low-value leases	2,314,893	1,104,351
Expense relating to variable lease payments not included in lease liabilities	82,419,978	73,846,641

<sup>1</sup>Excluded borrowing costs capitalized amount of ₩ 246,452 thousand (2022: ₩ 247,262 thousand).

The total cash outflow from leases for the year ended December 31, 2023 is ₩ 184,141,726 thousand (2022: ₩ 151,295,406 thousand).

(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>	<b>2023</b>	<b>2022</b>
<b>Total minimum lease payments</b>		
Within one year	₩ 79,286,217	₩ 66,331,737
Later than one year but not later than five years	226,162,670	175,346,521
Later than five years	184,319,296	179,015,522
Total	₩ 489,768,183	₩ 420,693,780

(d) As of December 31, 2023, total future minimum sublease receipts under non-cancellable subleases amount to ₩ 61,348,615 thousand. The lease agreements do not include terms of renewal or purchase options. Meanwhile, there are no other restrictions imposed under lease arrangements relating to dividends, additional debt and further leasing.

(e) Details of financial lease receivables as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Financial lease receivables-buildings	₩ 61,899,677	₩ 60,244,043



(f) The present value of the minimum lease payment and the gross investment amount of the financial lease receivables provided as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		<b>2022</b>	
	Gross investment		Gross investment	
Within one years	₩	12,461,139	₩	11,189,520
Within two years		11,516,323		10,665,295
Within three years		10,193,339		9,214,738
Within four years		8,895,395		7,674,871
Within five years		7,560,729		6,190,981
Later than five years		47,437,820		48,956,340
Total	₩	98,064,745	₩	93,891,745

## 16. Intangible Assets

(a) Details of intangible assets as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book amount
Industrial rights	₩ 20,749,493	₩ (17,649,993)	₩ -	₩ 3,099,500
Other intangible assets	152,322,557	(128,733,108)	(24,721)	23,564,728
Goodwill	162,281,996	-	(6,890,051)	155,391,945
Brand and customer relationship	116,112,384	(55,900,363)	-	60,212,021
Construction in progress	9,237,293	-	-	9,237,293
Total	₩ 460,703,723	₩ (202,283,464)	₩ (6,914,772)	₩ 251,505,487

(in thousands of Korean won)

	<b>2022</b>			
	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book amount
Industrial rights	₩ 19,463,909	₩ (16,293,232)	₩ -	₩ 3,170,677
Other intangible assets	153,820,615	(132,177,114)	(25,819)	21,617,682
Goodwill	158,291,684	-	(6,699,810)	151,591,874
Brand and customer relationship	112,250,009	(44,225,132)	-	68,024,877
Construction in progress	10,077,901	-	-	10,077,901
Total	₩ 453,904,118	₩ (192,695,478)	₩ (6,725,629)	₩ 254,483,011



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(b) Changes in intangible assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands  
of Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Amortization	Others	Exchange differences <sup>1</sup>	Ending balance
Industrial rights	₩ 3,170,676	₩ 558,263	₩ (1,570)	₩ (1,374,196)	₩ 746,864	₩ (538)	₩ 3,099,499
Other intangible assets	21,617,683	1,747,159	(25,378)	(6,549,943)	6,507,230	267,978	23,564,729
Goodwill	151,591,873	-	-	-	-	3,800,071	155,391,944
Brand and customer relationship	68,024,878	-	-	(9,860,893)	-	2,048,037	60,212,022
Construction in progress	10,077,901	6,526,909	(24,990)	-	(7,346,941)	4,414	9,237,293
Total	₩ 254,483,011	₩ 8,832,331	₩ (51,938)	₩ (17,785,032)	₩ (92,847)	₩ 6,119,962	₩ 251,505,487

<sup>1</sup> Includes the effect of applying financial reporting in hyperinflationary economy of Turkiye.

(in thousands of  
Korean won)

	2022						
	Beginning balance	Acquisition	Disposal	Amortization	Others	Exchange differences <sup>1</sup>	Ending balance
Industrial rights	₩ 3,408,699	₩ 511,289	₩ -	₩ (1,341,751)	₩ 593,462	₩ (1,023)	₩ 3,170,676
Other intangible assets	20,589,919	1,400,390	(123,827)	(7,747,713)	7,324,291	174,623	21,617,683
Goodwill	150,316,083	715,332	-	-	343,158	217,300	151,591,873
Brand and customer relationship	77,596,369	-	-	(9,867,033)	-	295,542	68,024,878
Construction in progress	11,726,479	10,275,400	(138,411)	-	(11,860,177)	74,610	10,077,901
Total	₩ 263,637,549	₩ 12,902,411	₩ (262,238)	₩ (18,956,497)	₩ (3,599,266)	₩ 761,052	₩ 254,483,011

<sup>1</sup> Includes the effect of applying financial reporting in hyperinflationary economy of Turkiye.



(c) Impairment Tests for Goodwill

1) Goodwill is allocated to each of the CGUs identified for each consolidated entity. Details of goodwill of each consolidated entity as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		<b>2023</b>		<b>2022</b>
Manufacturing and sales of tires	₩	27,632,207	₩	27,632,207
Distribution of tires		85,432,509		81,632,438
None-tire business		42,327,228		42,327,228
Total	₩	155,391,944	₩	151,591,873

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.

2) The recoverable amounts of all cash-generating units have been determined based on value-in-use calculations. 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 include in the related industry report.

3) 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 of December 31, 2023 are as follows:

<i>(in percentage. %)</i>	<b>Discount rate</b>	<b>Long-term growth rate</b>
Manufacturing and sales of tires	10.00	1.00
Distribution of tires	7.21~7.83	1.50~2.00
None-tire business	11.30	1.00

4) 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>		<b>Amount of impairment</b>		
		<b>Manufacturing and sales of tires</b>	<b>Distribution of tires</b>	<b>None-tire business</b>
0.5% increase of discount rate	₩	-	₩	-
0.5% decrease of long-term growth rate		-	-	-



**17. Investment in Associates and Joint Ventures**

(a) Details of the Group's investment in associates and joint ventures as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	Closing month	Location	Percentage of ownership (%)	2023	
				Acquisition cost	Book amount
Hanon Systems Co., Ltd. <sup>1, 2</sup>	December	Korea	19.49	₩ 1,061,740,386	₩ 1,029,142,994
Peaches Group Korea Co. Ltd. <sup>3</sup>	December	Korea	25.31	3,740,072	726,385
Daemyeong Tech Won Co., Ltd.	December	Korea	49.00	1,147,000	840,430
TOWNZ Corp. <sup>2</sup>	December	Korea	18.42	220,000	-
DS Quattro H Kosdaq Venture Fund <sup>4</sup>	December	Korea	31.14	6,000,000	6,453,700
TIMEFOLIO Kosdaq Venture Hedge-S No.2 <sup>4</sup>	December	Korea	30.88	8,000,000	9,117,511
Nexgen Food Partners <sup>4</sup>	December	Korea	25.00	6,000,000	5,719,460
I&B Corporatrn Co., Ltd. <sup>5</sup>	December	Korea	100.00	20,100,000	25,725,058
Preciseley Microtechnology Corporation	December	Canada	22.86	69,027,274	39,275,272
Total				₩ 1,175,974,732	₩ 1,117,000,810

(in thousands of Korean won)

	Closing month	Location	Percentage of ownership (%)	2022	
				Acquisition cost	Book amount
Hanon Systems Co., Ltd. <sup>1, 2</sup>	December	Korea	19.49	₩ 1,061,740,386	₩ 1,059,375,373
Peaches Group Korea Co. Ltd. <sup>2, 3</sup>	December	Korea	7.79	520,827	449,967
Daemyeong Tech Won Co., Ltd.	December	Korea	49.00	1,147,000	1,050,464
TOWNZ Corp. <sup>2</sup>	December	Korea	14.00	220,000	-
DS Quattro H Kosdaq Venture Fund <sup>4</sup>	December	Korea	31.14	6,000,000	5,638,493
TIMEFOLIO Kosdaq Venture Hedge-S No.2 <sup>4</sup>	December	Korea	30.88	8,000,000	8,016,524
Nexgen Food Partners <sup>4</sup>	December	Korea	25.00	6,000,000	5,832,278
I&B Corporatrn Co., Ltd. <sup>5</sup>	December	Korea	100.00	20,100,000	30,419,431
Mirae Asset Core Plus Privately Placed investment Trust	December	Korea	-	-	-
Preciseley Microtechnology Corporation	December	Canada	22.86	69,027,274	66,330,581
Total				₩ 1,172,755,487	₩ 1,177,113,111



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<sup>1</sup> As of December 31, 2023, the fair value of marketable investment in associate is ₩ 758,385,990 thousand (2022: ₩ 841,610,790 thousand).

<sup>2</sup> 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.

<sup>3</sup> The Group acquired 5,627 shares of common stock additionally by converting Peaches Group Korea's convertible bonds into common shares in the period.

<sup>4</sup> As a collective investment scheme invested by the Group, the investment was classified as investment in associates according to the requirement for ownership (20% or more). Meanwhile, as the standard price in the trust contract is set at KRW 1 per share, the number of stocks the Group owned is equal to the investment amount.

<sup>5</sup> 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)

	<b>2023</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit(loss) for the year</b>	<b>Total comprehensive income(loss)</b>	<b>Dividend received</b>
Hanon Systems Co., Ltd.	₩ 9,244,404,434	₩ 6,735,917,854	₩ 2,508,486,580	₩ 9,559,328,248	₩ 58,886,775	₩ 321,975,788	₩ 35,156,048
Daemyeong Tech Won co., Ltd.	1,081,871	224,062	857,809	1,675,576	(532,078)	(532,078)	-
Peaches Group Korea Co. Ltd	13,329,809	2,497,987	10,831,822	6,435,427	(11,025,159)	(11,025,159)	-
TOWNZ Corp.	487,100	455,564	31,536	97,657	(1,668,718)	(1,668,718)	-
DS Quattro H Kosdaq Venture Fund	20,837,675	-	20,837,675	2,936,309	2,936,309	2,936,309	-
TIMEFOLIO Kosdaq Venture Hedge-S No.2	37,630,003	55,390	37,574,613	2,610,262	2,603,961	2,603,961	-
Nexgen Food Partners	23,078,824	200,984	22,877,840	30	(451,271)	(451,271)	-
I&B Corporation Co., Ltd.	34,762,510	6,696,354	28,066,156	-	1,364,825	(3,175,893)	-
Preciseley Microtechnology Corporation	145,871,788	14,903,344	130,968,444	5,978,931	(10,188,300)	(10,188,300)	-

(in thousands  
of Korean won)

	<b>2022</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit(loss) for the year</b>	<b>Total comprehensive income(loss)</b>	<b>Dividend received</b>
Hanon Systems Co., Ltd.	₩ 9,116,797,898	₩ 6,737,054,925	₩ 2,379,742,973	₩ 8,627,727,574	₩ 35,088,937	₩ 96,052,215	₩ 37,451,160
Daemyeong Tech Won co., Ltd.	2,734,702	228,955	2,505,747	1,817,450	(6,548)	(6,548)	-
Peaches Group Korea Co. Ltd	6,915,920	4,591,654	2,324,266	7,926,229	(1,709,340)	(1,709,340)	-
TOWNZ Corp.	773,327	72,167	701,160	152,394	(1,245,961)	(1,245,961)	-
DS Quattro H Kosdaq Venture Fund	18,184,116	-	18,184,116	753,058	(1,251,096)	(1,251,096)	-
TIMEFOLIO Kosdaq Venture Hedge-S No.2	26,040,204	214	26,039,990	1,083,936	(892,096)	(892,096)	-
Nexgen Food Partners	23,335,711	6,600	23,329,111	10,204	(328,693)	(328,693)	-
I&B Corporation Co., Ltd.	37,281,597	5,159,395	32,122,202	-	1,182,724	6,530,248	-
Preciseley Microtechnology Corporation	153,414,144	16,191,825	137,222,319	20,412,567	(1,796,252)	(1,796,252)	-



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(c) Details of the valuation of equity-accounted investment of the Group as of December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

		2023					
	Beginning balance	Acquisition	Share of profit(loss) of associates and joint ventures accounted for using the equity method	Dividend	Changes in equity method capital, and others <sup>2</sup>	Ending balance	
Hanon Systems Co., Ltd.	₩ 1,059,375,373	₩ -	₩ (7,796,774)	₩ (35,156,048)	₩ 12,720,443	₩ 1,029,142,994	
Peaches Group Korea Co. Ltd	449,967	3,219,245	(2,942,827)	-	-	726,385	
Daemyeong Tech Won co., Ltd.	1,050,464	-	(85,208)	-	(124,856)	840,430	
TOWNZ Corp. <sup>1</sup>	-	-	-	-	-	-	
DS Quattro H Kosdaq Venture Fund	5,638,493	-	815,207	-	-	6,453,700	
TIMEFOLIO Kosdaq Venture Hedge-S No.2	8,016,524	-	1,100,987	-	-	9,117,511	
Nexgen Food Partners	5,832,278	-	(112,818)	-	-	5,719,460	
I&B Corporation Co., Ltd.	30,419,431	-	1,346,825	-	(6,059,198)	25,725,058	
Preciseley Microtechnology Corporation	66,330,581	-	(4,351,173)	-	(22,704,136)	39,275,272	
Total	₩ 1,177,113,111	₩ 3,219,245	₩ (12,007,781)	₩ (35,156,048)	₩ (16,167,717)	₩ 1,117,000,810	

(in thousands of  
Korean won)

		2022					
	Beginning balance	Acquisition	Disposal	Share of profit(loss) of associates and joint ventures accounted for using the equity method	Dividend	Changes in equity method capital, and others	Ending balance
Hanon Systems Co., Ltd.	₩ 1,092,643,884	₩ -	₩ -	₩ (10,490,103)	₩ (37,451,160)	₩ 14,672,752	₩ 1,059,375,373
Peaches Group Korea Co. Ltd	488,898	-	-	(38,931)	-	-	449,967
Daemyeong Tech Won co., Ltd.	1,057,833	-	-	(7,369)	-	-	1,050,464
TOWNZ Corp. <sup>1</sup>	78,593	-	-	(78,593)	-	-	-
DS Quattro H Kosdaq Venture Fund	6,123,051	-	-	(484,558)	-	-	5,638,493
TIMEFOLIO Kosdaq Venture Hedge-S No.2	8,222,469	-	-	(205,945)	-	-	8,016,524
Nexgen Food Partners	5,798,047	-	-	34,231	-	-	5,832,278
I&B Corporation Co., Ltd.	22,205,023	-	-	1,182,724	-	7,031,684	30,419,431
Mirae Asset Core Plus Privately Placed investment Trust	50,026,800	-	(50,052,861)	26,061	-	-	-
Preciseley Microtechnology Corporation	-	69,027,274	-	(1,539,717)	-	(1,156,976)	66,330,581
Total	₩ 1,186,644,598	₩ 69,027,274	₩ (50,052,861)	₩ (11,602,200)	₩ (37,451,160)	₩ 20,547,460	₩ 1,177,113,111

<sup>1</sup> The equity method evaluation was discontinued because the carrying amount of the investment in the associate was evaluated below "zero" in accordance with the IFRS. According to the criteria, the loss of the unreflected equity method is ₩ 385,225 thousand.

<sup>2</sup> The amount of loss incurred by associates' investment stock impairment losses recognized during the current period is included.



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(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 associates.

(in thousands of  
Korean won)

	2023						
	Net assets at the end of the year <sup>1</sup>	Group's share in %	Group's share in KRW	Goodwill	Accumulated equity method adjustment	Impairment loss	Book amount
Hanon Systems Co., Ltd.	₩ 2,508,486,581	19.49%	₩ 488,904,035	₩ 540,921,568	₩ (682,609)	-	₩ 1,029,142,994
I&B Corporation Co., Ltd.	28,066,156	100.00%	28,066,156	-	(2,341,098)	-	25,725,058
Preciseley Microtechnology Corporation	130,968,444	22.86%	29,939,386	55,549,744	(23,371,315)	(22,842,543)	39,275,272

<sup>1</sup> Amount of net assets excluding non-controlling interests.

(in thousands of  
Korean won)

	2022					
	Net assets at the end of the year <sup>1</sup>	Group's share in %	Group's share in KRW	Goodwill	Accumulated equity method adjustment	Book amount
Hanon Systems Co., Ltd.	₩ 2,245,883,517	19.49%	₩ 437,722,697	₩ 540,921,568	₩ 80,731,108	₩ 1,059,375,373
I&B Corporation Co., Ltd.	34,095,693	100.00%	34,095,693	-	(3,676,262)	30,419,431
Preciseley Microtechnology Corporation	137,222,319	22.86%	31,363,529	55,549,744	(20,582,692)	66,330,581

<sup>1</sup> Amount of net assets excluding non-controlling interests.

(e) Impairment assessment on investments shares of associates.

1) The Group conducted an impairment assessment on investment shares of associate (Preciseley Microtechnology Corporation) with signs of impairment. When estimating the cash flow and discount rate, the Group comprehensively considers the characteristics of the industry to which the related companies under evaluation belong and historical data. The main assumptions applied by the Group in estimating the use value of the investments in associates subject to valuation at the end of the current year are as follows:

(in percentage. %)

	<u>Discount rate</u>	<u>Permanent growth rate</u>
Preciseley Microtechnology Corporation	14.31	1.00

2) As a result of the impairment assessment of the associate investment stocks subject to the above evaluation, the impairment loss of ₩ 22,842,543 thousand was recognized as the book value was determined to exceed the recoverable amount.



3) The results of the impairment assessment sensitivity analysis according to changes in the discount rate and permanent growth rate are as follows.

(in thousands of Korean won)

		<b>Amount of impairment</b>
1% increase of discount rate,		
1% decrease of permanent growth rate	₩	28,845,970
1% decrease of discount rate,		
1% increase of permanent growth rate		14,303,064

## 18. Investment in Subsidiaries

The summarized financial information of the subsidiaries as of and for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

		<b>2023</b>				
		<b>Assets</b>	<b>Liabilities</b>	<b>Sales</b>		<b>Profit(loss) for the year</b>
Hankook Tire America Corp.	₩	1,589,018,609	₩ 606,065,325	₩ 2,268,730,546	₩	186,186,096
Hankook Tire Canada Corp.		62,311,047	32,017,979	145,675,227		(1,370,756)
Hankook Tire DE Mexico, S.A. DE C.V.		110,374,544	100,314,276	179,522,497		2,736,031
Hankook Tire de Colombia Ltda.		19,284,347	13,566,584	48,435,041		1,385,948
Hankook Tire Manufacturing Tennessee LP		917,268,669	617,081,309	448,032,639		14,100,268
Hankook Tire America Holdings I, LLC		3,917,061	-	-		(589)
Hankook Tire America Holdings II, LLC		386,853,433	-	-		(589)
Hankook Tire Chile SPA		277,159	2,738	125,370		5,275
Hankook Tire Latin America Distribution Center, S.A.		31,317,391	34,695,898	47,514,060		(2,422,744)
Hankook Tire Latam, S.A.		322,529	74,888	963,695		17,324
Hankook Tire Europe Holdings B.V.		614,498,878	2,416,749	4,274		6,926,550
Hankook Tire Netherlands B.V.		240,001,585	187,846,863	476,130,966		8,078,770
Hankook Tyre U.K. Ltd.		180,880,759	153,463,952	267,479,770		(1,638,426)
Hankook Reifen Deutschland GmbH		356,344,146	292,696,197	780,353,332		3,920,454
Hankook Tire France S.A.R.L.		179,915,474	153,094,233	359,364,011		3,452,182
Hankook Tire Italia S.R.L.		192,230,584	166,973,798	265,812,577		345,727
Hankook Espana S.A.		87,495,625	61,510,793	189,108,598		1,445,177



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Hankook Tire Europe GmbH	590,386,976	433,925,932	31,485,644	8,084,608
Hankook Tire Hungary Ltd.	1,666,585,598	193,704,336	1,167,404,299	167,040,652
Hankook Tire Budapest Kereskedelmi Kft	58,886,306	37,939,292	124,273,111	2,004,302
Hankook Tire Rus LLC	58,250,034	53,886,826	111,390,090	(7,796,133)
Hankook Tire Sweden AB	56,902,352	53,266,529	98,686,761	(508,746)
Hankook Lastikleri A.S.	80,655,519	57,754,848	204,693,191	5,092,205
Hankook Tire Polska Sp. z o.o.	52,216,449	44,281,017	135,989,487	(2,700,939)
Hankook Tire Ceska Republika s.r.o.	29,714,698	23,620,111	66,605,151	(613,420)
Hankook Tire Ukraine LLC	573,872	410,551	721,930	(91,085)
Hankook Tire Japan Corp.	33,198,782	28,223,992	59,057,743	3,145,121
Hankook Tyre Australia Pty. Ltd	45,553,850	39,173,554	82,735,651	(3,749,754)
PT. HANKOOK TIRE INDONESIA	1,005,880,410	141,568,220	661,026,710	126,379,296
Hankook Tire Thailand Co., Ltd.	5,861,104	3,749,905	17,558,740	248,760
Hankook Tires India llp.	101,146	2,741	-	-
Hankook Tire Malaysia SDN.BHD.	9,981,207	14,619,133	39,981,376	432,148
Hankook Tire & Technology Egypt LLC	119,186	53,658	362,210	74,143
Hankook Tire Singapore PTE., Ltd.	678,592,512	665,136,039	2,890,525	10,589,734
Hankook Tyre Australia Retail Pty., Ltd. <sup>1</sup>	140,303,283	68,709,296	36,442,611	2,074,676
Hankook Tire China Co., Ltd.	1,661,938,771	202,781,019	848,403,054	232,355,008
Jiangsu Hankook Tire Co., Ltd.	689,280,551	142,223,680	708,682,076	113,205,062
Shanghai Hankook Tire Sales Co., Ltd.	807,521,036	718,102,036	981,089,271	20,142,648
Chongqing Hankooktire Co., Ltd.	400,683,741	144,159,442	473,692,066	77,259,523
Beijing Jielun Trading Company Co., Ltd.	986,650	425,615	16,344,392	187,685
Qingdao Jieluntong Trading Co., LTD	332,270	327,322	11,618,056	52,298
Xiamen Jieluntong Trading Co., LTD	391,513	715,922	11,033,695	39,810
Hankook Precision Works Co., Ltd.	153,434,366	9,154,925	90,986,351	7,693,071
MK Mold (Jiaxing) Co., LTD.	25,593,265	3,743,968	23,504,693	4,399,282
MK Technology (CHONGQING) Mould Co., Ltd.	2,003,934	37,811	754,396	141,084
Model Solution Co., Ltd.	86,165,817	23,108,394	64,187,621	1,568,694



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ModelSolution Inc.	1,204,128	1,221,372	4,469,421	(356,212)
Hankook Engineering Works Co., Ltd.	53,114,103	15,551,961	47,494,959	(956,102)
Hankook Donggeurami Partners	2,149,310	1,033,451	7,068,670	191,374
Reifen-Muller KG	218,742,623	157,738,425	391,866,769	451,933
Reifen-Muller Runderneuerung BV	35,187,492	1,187,342	27,363,100	6,112,412
RM Verwaltungs GmbH	636,634	357,103	951,835	41,213
RU Verwaltungs GmbH	264,600	89,428	348,040	23,178
Hankook Tire D.O.O. Beograd	24,307,179	22,223,502	63,089,078	1,002,878
Hankook Tire Romania	56,012	60,060	-	(18,077)
HANKOOK TIRE MIDDLE EAST AND AFRICA FZE	18,896,640	18,032,407	37,057,320	45,027
Hankook Tire Vietnam. Co., Ltd.	2,489,962	1,648,390	7,011,715	(70,069)
Hankook Tyre Taiwan Co., LTD	537,277	31,527	32,812	1,987
PT. HANKOOK TIRE SALES INDONESIA	23,607,454	20,393,626	58,014,380	1,417,080
Hankook Gulf Tire LLC	47,465	9,621	12,511	2,771
Hankook Tire Austria GmbH	47,328,315	55,783,052	66,008,674	(3,329,897)
TNA Co., Ltd.	16,156,852	8,796,623	18,737,535	(48,848)
Mira Asset OCIO Best Solution Privately Placed Investment Trust 1	103,703,581	19,675	-	5,214,145
TIGER CONSTANT 1 Hedge	7,122,274	1,881,239	-	434,806
CNT Tech Mobility Startups	2,265,096	44,664	-	(80,752)

<sup>1</sup> 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.



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(in thousands of Korean won)

		2022			
		Assets	Liabilities	Sales	Profit(loss) for the year
Hankook Tire America Corp.	₩	1,286,036,324	₩ 696,240,788	₩ 2,243,723,728	₩ 110,459,571
Hankook Tire Canada Corp.		70,746,559	40,348,330	146,755,630	3,551,655
Hankook Tire DE Mexico, S.A. DE C.V.		100,515,595	93,642,848	167,575,967	3,752,781
Hankook Tire de Colombia Ltda.		20,371,923	17,068,174	47,430,714	1,218,818
Hankook Tire Manufacturing Tennessee LP		695,600,462	604,339,951	438,318,222	10,026,116
Hankook Tire America Holdings I, LLC		1,893,069	-	-	(389)
Hankook Tire America Holdings II, LLC		186,438,241	-	-	(389)
Hankook Tire Latin America Distribution Center, S.A.		30,242,282	31,160,350	49,604,912	1,059,662
Hankook Tire Latam, S.A.		268,611	42,032	913,900	22,235
Hankook Tire Europe Holdings B.V.		999,754,113	877	635	1,117,334
Hankook Tire Netherlands B.V.		188,485,276	146,815,529	380,333,969	7,255,117
Hankook Tyre U.K. Ltd.		165,771,609	138,719,470	234,899,516	2,607,155
Hankook Reifen Deutschland GmbH		344,381,553	287,847,847	752,901,948	10,288,250
Hankook Tire France S.A.R.L.		167,915,605	145,814,458	332,062,242	3,308,154
Hankook Tire Italia S.R.L.		181,381,798	157,790,495	237,353,636	3,062,381
Hankook Espana S.A.		86,209,719	62,980,686	162,637,173	2,633,184
Hankook Tire Europe GmbH		557,416,102	371,056,457	27,762,791	15,296,973
Hankook Tire Hungary Ltd.		1,332,636,234	150,554,882	1,050,043,258	240,833,655
Hankook Tire Budapest Kereskedelmi Kft		71,328,682	54,178,163	128,306,663	3,906,547
Hankook Tire Rus LLC		35,105,774	21,522,519	62,864,826	6,119,437
Hankook Tire Sweden AB		58,186,977	54,271,030	110,786,027	570,949
Hankook Lastikleri A.S.		71,666,838	45,399,509	157,994,846	10,586,923
Hankook Tire Polska Sp. z o.o.		74,470,559	65,005,837	143,994,069	800,612
Hankook Tire Ceska Republika s.r.o.		37,808,532	31,324,407	68,425,287	860,464
Hankook Tire Ukraine LLC		521,387	267,123	433,199	(433,559)
Hankook Tire Japan Corp.		25,404,622	23,391,999	36,783,260	633,002



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Hankook Tyre Australia Pty. Ltd	48,058,490	38,262,427	73,178,817	(494,460)
PT. HANKOOK TIRE INDONESIA	845,829,273	119,853,393	740,547,097	85,650,955
Hankook Tyre Thailand Co., Ltd.	8,854,108	7,039,648	17,746,816	(274,807)
Hankook Tires India llp.	100,052	2,708	-	-
Hankook Tyre Malaysia SDN.BHD.	11,743,640	16,923,850	43,408,739	41,806
Hankook Tire & Technology Egypt LLC	61,631	70,244	92,309	(57,680)
Hankook Tire Singapore PTE., Ltd.	680,564,727	677,619,490	2,862,913	(10,590,343)
Hankook Tyre Australia Retail Pty., Ltd. <sup>1</sup>	130,705,698	62,529,085	37,548,292	4,161,876
Hankook Tire China Co., Ltd.	1,555,659,350	191,780,068	765,272,032	81,493,507
Jiangsu Hankook Tire Co., Ltd.	847,787,509	156,125,247	641,603,377	46,405,995
Shanghai Hankook Tire Sales Co., Ltd.	799,165,131	729,289,335	891,816,841	12,878,379
Chongqing Hankooktire Co., Ltd.	389,047,995	207,766,213	447,430,972	(542,059)
Beijing Jielun Trading Company Co., Ltd.	1,027,970	649,926	13,472,310	15,712
Qingdao Jieluntong Trading Co., LTD	385,012	431,556	9,979,679	34,432
Xiamen Jieluntong Trading Co., LTD	333,651	698,346	9,738,814	(42,396)
Hankook Precision Works Co., Ltd.	150,518,018	13,822,926	128,798,861	17,928,631
MK Mold (Jiaxing) Co., LTD.	22,549,981	4,972,242	23,475,964	5,373,705
MK Technology (CHONGQING) Mould Co., Ltd.	1,926,116	92,425	682,619	98,111
Model Solution Co., Ltd.	89,948,047	26,262,777	68,886,235	7,818,794
ModelSolution Inc.	2,089,310	1,736,121	5,798,687	(64,962)
Hankook Engineering Works Co., Ltd.	49,519,218	9,239,029	51,091,008	3,255,157
Hankook Donggeurami Partners	2,018,767	911,700	6,452,646	301,023
Reifen-Muller KG	221,056,010	163,597,706	383,700,518	7,991,029
Reifen-Muller Runderneuerung BV	28,141,414	1,785,769	28,264,967	6,535,333
RM Verwaltungs GmbH	423,542	198,211	980,023	70,299
RU Verwaltungs GmbH	224,107	80,366	384,136	42,059
Hankook Tire D.O.O. Beograd	28,627,296	27,615,295	61,756,735	415,001
HANKOOK TIRE MIDDLE	23,860,166	23,055,874	44,449,162	3,442,061



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EAST AND AFRICA FZE Hankook Tire Vietnam. Co., Ltd.	2,232,794	1,314,649	6,070,673	(39,950)
PT. HANKOOK TIRE SALES INDONESIA Hankook Tire Austria GmbH	12,726,489	10,954,167	40,971,952	821,625
TNA Co., Ltd.	37,462,017	42,284,251	49,795,040	278,610
Mira Asset OCIO Best Solution Privately Placed Investment Trust 1	16,392,182	8,963,349	15,429,639	(381,385)
TIGER CONSTANT 1 Hedge	98,665,867	18,027	-	(3,742,018)
CNT Tech Mobility Startups	6,353,065	1,509,463	-	(367,206)
	2,605,828	2,750	-	(77,571)

<sup>1</sup> 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.



## 19. Trade and other payables

Details of trade and other payables as of December 31, 2023 and 2022 are as follows:

<i>(in thousands of Korean won)</i>		2023	2022
Trade payables	₩	508,929,714	₩ 503,121,053
Non-trade payables		343,801,242	277,108,500
Accrued expenses		452,194,859	430,585,186
Dividends payable		18,239	14,297
Total	₩	1,304,944,054	₩ 1,210,829,036

## 20. Borrowings

(a) Details of borrowings as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		2023		2022	
		Current	Non-current	Current	Non-current
Short-term borrowings	₩	333,973,171	₩ -	₩ 437,810,564	₩ -
Long-term borrowings		144,740,408	128,940,000	190,095,000	142,422,050
Lease liabilities		79,063,253	330,164,886	66,712,948	292,830,763
Debentures		-	149,902,019	656,824,643	149,820,215
Total	₩	557,776,832	₩ 609,006,905	₩ 1,351,443,155	₩ 585,073,028

(b) Details of short-term borrowings as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>		Annual Interest rate(%) (2023.12.31)	2023		2022	
	Lender					
General loans	BMG and others	6.06	₩	227,793,372	₩	201,543,112
Transfer of trade receivables <sup>1</sup>	Woori Bank and others	7.99 <sup>2</sup>		100,171,946		174,303,545
Usance	UOB	5.82		6,007,853		61,963,907
Total			₩	333,973,171	₩	437,810,564

<sup>1</sup> As transfer of trade receivables does not meet derecognition criteria, financial liabilities are recognized and secured by the Group's trade receivables (Note 41 (5)).

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



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(c) Details of long-term borrowings as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)				2023		2022	
				Current	Non-current	Current	Non-current
	Lender	Maturity date	Annual interest rate(%) (2022.12.31)				
Long-term borrowings in local currency	KEB Hana Bank and others	2024.05.17	2.12~2.15	₩ 11,400,000	₩ -	₩ -	₩ 11,400,000
Long-term borrowings in foreign currency	CitiBank and others	2028.04.15	3.02~6.76	133,340,408	128,940,000	190,095,000	131,022,050
Total				₩ 144,740,408	₩ 128,940,000	₩ 190,095,000	₩ 142,422,050

(d) Details of debentures as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)				2023		2022	
				Current	Non-current	Current	Non-current
	Issue date	Maturity date	Annual interest rate(%) (2022.12.31)				
The 84-1 <sup>st</sup> debentures	2020.03.05	2023.03.05	-	₩ -	₩ -	₩ 150,000,000	₩ -
The 84-2 <sup>nd</sup> debentures	2020.03.05	2025.03.05	1.48	-	150,000,000	-	150,000,000
Long-term debentures in foreign currency	2018.01.30	2023.01.30	-	-	-	380,190,000	-
Shogun bond <sup>1</sup>	2020.05.15	2023.05.15	-	-	-	126,730,000	-
Less: Discount on debentures					(97,981)	(95,357)	(179,785)
Total				₩ -	₩ 149,902,019	₩ 656,824,643	₩ 149,820,215

## 21. Net Defined Benefit Liabilities

### 21.1 Defined Benefit Plan

(a) Amounts recognized in statements of comprehensive income regarding defined benefit pension plans for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		2023	2022
Current service cost	₩	48,044,758	₩ 53,809,240
Net interest cost		(5,533,258)	(745,218)
Total	₩	42,511,500	₩ 53,064,022

(b) Details of net defined benefit liabilities (assets) recognized in the statements of financial position as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)		2023	2022
Present value of defined benefit obligations	₩	492,224,263	₩ 428,722,795
Fair value of plan assets <sup>1</sup>		(502,684,437)	(511,102,864)
Net defined benefit liabilities (assets)	₩	(10,460,174)	₩ (82,380,069)

<sup>1</sup> The contributions to the National Pension Fund of ₩ 5,232 thousand are included in the fair value of plan assets as of December 31, 2023 (2022: ₩ 5,232 thousand).



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(c) Movements in the defined benefit liabilities and the fair value of plan assets for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>		
	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Total</b>
Beginning balance	₩ 428,722,795	₩ (511,102,864)	₩ (82,380,069)
Current service cost	48,044,758	-	48,044,758
Interest expense (income)	23,363,466	(28,896,724)	(5,533,258)
	71,408,224	(28,896,724)	42,511,500
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	5,111,946	5,111,946
Actuarial gain from change in demographic assumptions	188,793	-	188,793
Actuarial loss from change in financial assumptions	31,185,118	-	31,185,118
Actuarial gain from experience adjustments	10,750,083	-	10,750,083
	42,123,994	5,111,946	47,235,940
Employers' contributions	-	(15,246,863)	(15,246,863)
Benefit payments	(49,610,438)	47,382,781	(2,227,657)
Others (affiliate transfer effect included)	(420,312)	67,287	(353,025)
Ending balance	₩ 492,224,263	₩ (502,684,437)	₩ (10,460,174)

(in thousands of Korean won)

	<b>2022</b>		
	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Total</b>
Beginning balance	₩ 489,695,339	₩ (528,894,394)	₩ (39,199,055)
Current service cost	53,809,240	-	53,809,240
Interest expense (income)	17,073,355	(17,818,573)	(745,218)
	70,882,595	(17,818,573)	53,064,022
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	9,742,407	9,742,407
Actuarial gain from change in demographic assumptions	(365,939)	-	(365,939)
Actuarial loss from change in financial assumptions	(98,707,232)	-	(98,707,232)
Actuarial gain from experience adjustments	6,837,484	-	6,837,484
	(92,235,687)	9,742,407	(82,493,280)
Employers' contributions	-	(14,187,983)	(14,187,983)
Benefit payments	(37,154,288)	35,039,543	(2,114,745)
Others (affiliate transfer effect included)	(2,465,164)	5,016,136	2,550,972
Ending balance	₩ 428,722,795	₩ (511,102,864)	₩ (82,380,069)



(d) The significant actuarial assumptions used in defined benefit obligations assessment as of December 31, 2023 and 2022, are as follows:

<i>(In percentage, %)</i>	<b>2023</b>	<b>2022</b>
Discount rate	4.01 ~ 7.00	5.30 ~ 7.25
Salary growth rate	3.00 ~ 9.00	3.00 ~ 9.00

(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>	<b>2023</b>		<b>2022</b>	
	<b>Increase</b>		<b>Decrease</b>	
1% change of discount rate	₩	(37,770,664)	₩	44,151,421
1% change of salary growth rate		44,207,867		(38,502,322)
<i>(in thousands of Korean won)</i>	<b>2022</b>		<b>2022</b>	
	<b>Increase</b>		<b>Decrease</b>	
1% change of discount rate	₩	(33,734,318)	₩	39,548,965
1% change of salary growth rate		39,901,039		(34,613,378)

(f) Plan assets as of December 31, 2023 and 2022, consist of:

<i>(in thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Composition</b>	<b>Amount</b>	<b>Composition</b>
Debt instruments	₩ 501,983,912	99.86%	₩ 460,825,145	90.16%
Cash and cash equivalents	679,453	0.14%	50,272,487	9.84%
Others	21,072	0.01%	5,232	0.00%
Total	₩ 502,684,437	100.00%	₩ 511,102,864	100.00%

(g) The effects of the defined benefit obligation on future cash flow are:

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. The expected contributions to post-employment benefit plans for the year ending December 31, 2024 is ₩ 37,063,047 thousand (2022: ₩ 5,948,186 thousand).

The expected maturity analysis of undiscounted pension benefits as of December 31, 2023, are as follows:

<i>(in thousands of Korean won)</i>	<b>2023</b>				
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 17,020,030	₩ 46,214,581	₩ 107,480,901	₩ 625,252,576	₩ 795,968,088

The weighted average duration of the defined benefit obligation is 9.15 years (2022: 9.33 years).

## **21.2 Defined Contribution Plan**

The expense recognized for the year ended December 31, 2023 in relation to defined contribution plan was ₩ 4,778,275 thousand (2022: ₩ 6,528,075 thousand).



## 22. Provisions

(a) Changes in provisions for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023					
	Beginning balance	Recognized in profit or loss	Used during the year	Exchange differences	Ending balance	
Provision for product liabilities	₩ 3,906,548	₩ (3,906,548)	₩ -	₩ -	₩ -	-
Provision for product warranties	30,368,178	11,590,098	(14,576,181)	96,223		27,478,318
Provision for litigation	2,359,666	(1,798,043)	(100,429)	24,703		485,897
Other provisions	9,590,087	142,856,135	(151,784,430)	71,990		733,782
Total	₩ 46,224,479	₩ 148,741,642	₩ (166,461,040)	₩ 192,916	₩	28,697,997

(in thousands of Korean won)	2022					
	Beginning balance	Recognized in profit or loss	Used during the year	Others	Exchange differences	Ending balance
Provision for product liabilities	₩ 6,126,584	₩ (1,865,159)	₩ (354,877)	₩ -	₩ -	₩ 3,906,548
Provision for product warranties	68,588,987	12,342,546	(13,735,800)	(36,510,719)	(316,836)	30,368,178
Provision for litigation	834,801	1,517,973	-	-	6,892	2,359,666
Other provisions	6,158,775	11,744,436	(8,324,521)	-	11,397	9,590,087
Total	₩ 81,709,147	₩ 23,739,796	₩ (22,415,198)	₩ (36,510,719)	₩ (298,547)	₩ 46,224,479

(b) Greenhouse Gas Emission Permits and Obligations

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

(in tCO <sub>2</sub> -eq)	2021	2022	2023	2024	2025	Total
Allocation of emission						
Allowances free of charge	466,413	466,397	466,387	461,996	461,996	2,323,189

2) Details of emission rights received free of charge for each reporting period and greenhouse gas emission estimated by the Parent Company as of December 31, 2023 are as follows:

(in tCO <sub>2</sub> -eq)	2021	2022 <sup>2</sup>	2023 <sup>3</sup>
At January 1	25,000	36,315	40,006
Free allocation	467,218	467,218	467,218
Cancelled allocation	(805)	(821)	(831)
Disposal	(18,110)	(19,954)	(24,580)
Purchase	-	20,000	-
Surrendered to the government <sup>1</sup>	(436,988)	(462,752)	(407,990)
Carry forward	36,315	40,006	73,823
At December 31	36,315	40,006	73,823

<sup>1</sup> The quantity of surrendered to the government for the year ended December 31, 2022 is actual and settled, and for 2023 is an estimation.

<sup>2</sup> The quantity of surrendered to the government for the year ended December 31, 2022 was 462,752 tCO<sub>2</sub>eq in May 2022. And the residual amount compared to the allocated amount of emissions was carried over 2023.

<sup>3</sup> Considering that the quantity of surrendered to the government for 2023 is the same as 2022, it is expected that the allocation will not be exceeded.



### 23. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2023 and 2022, are as follows

(in thousands of  
Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Leasehold deposits received	₩ 5,139,985	₩ 19,852,923	₩ 4,448,145	₩ 19,944,322
Financial derivative liabilities	581,238	3,910,912	1,408,707	988,464
Financial liabilities to non-controlling interests <sup>1</sup>	310,121	969,957	-	1,257,724
Others	-	549,120	-	495,000
Total	₩ 6,031,344	₩ 25,282,912	₩ 5,856,852	₩ 22,685,510

<sup>1</sup> 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, the Group invested in is limited, non-controlling interests were classified as financial liabilities.

### 24. Other Liabilities

(a) Details of other liabilities as of December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

	2023		2022	
	Current	Non-current	Current	Non-current
Advance received	₩ 24,871,754	₩ -	₩ 27,290,151	₩ -
Withholdings	172,572,644	-	45,125,098	-
Unearned revenues <sup>1</sup>	23,579,026	74,342,604	9,132,321	73,716,302
Long-term employee liabilities	-	48,071,604	-	42,599,003
Others	64,418,747	803,499	100,149,476	734,505
Total	₩ 285,442,171	₩ 123,217,707	₩ 181,697,046	₩ 117,049,810

<sup>1</sup> 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 property, plant and equipment and recognized the grants as deferred revenue.



(b) Changes in long-term employee benefits for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>Additional provisions</b>	<b>Payment</b>	<b>Ending balance</b>
Long-term employee benefits	42,599,003	12,541,868	(7,069,267)	₩ 48,071,604

(in thousands of Korean won)

	<b>2022</b>			
	<b>Beginning balance</b>	<b>Additional provisions</b>	<b>Payment</b>	<b>Ending balance</b>
Long-term employee benefits	₩ 45,212,356	₩ 1,666,410	₩ (4,279,763)	₩ 42,599,003

## 25. Share Capital

Details of share capital as of December 31, 2023 and 2022, are as follows:

(in Korean won)

	<b>2023</b>	<b>2022</b>
Authorized (shares)	250,000,000	250,000,000
Par value	₩ 500	₩ 500
Outstanding (shares):		
Ordinary shares	123,875,069	123,875,069
Share capital:		
Ordinary shares	₩ 61,937,534,500	₩ 61,937,534,500

## 26. Other Paid-in Capital

Details of other paid-in capital as of December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

	<b>2023</b>	<b>2022</b>
Share premium	₩ 2,993,465,738	₩ 2,993,465,738
Other capital surplus	13,569,289	13,569,289
Treasury shares <sup>1</sup>	(44,848,719)	(44,848,719)
Total	₩ 2,962,186,308	₩ 2,962,186,308

<sup>1</sup> 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.



## 27. Other Components of Equity

Changes in other components of equity for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)	2023				
	Beginning balance	Increase (decrease) <sup>1</sup>	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	₩ 6,836,764	₩ (6,908,841)	₩ -	₩ 578	₩ (71,499)
Cash flow hedge	943,368	(8,127,741)	7,184,373	-	-
Exchange differences on translating foreign operations	(82,953,813)	151,618,763	-	75,426	68,740,376
Share of other comprehensive income of associates	13,362,094	9,089,266	-	-	22,451,360
Total	₩ (61,811,587)	₩ 145,671,447	₩ 7,184,373	₩ 76,004	₩ 91,120,237

<sup>1</sup> The amount of tax effect is deducted.

(in thousands of Korean won)	2022				
	Beginning balance	Increase (decrease) <sup>1</sup>	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	₩ 1,815,049	₩ 5,023,448	₩ -	₩ (1,733)	₩ 6,836,764
Cash flow hedge	5,863,925	20,860,963	(25,781,520)	-	943,368
Exchange differences on translating foreign operations	(29,668,497)	(52,959,007)	-	(326,309)	(82,953,813)
Share of other comprehensive income of associates	9,223,106	4,138,988	-	-	13,362,094
Total	₩ (12,766,417)	₩ (22,935,608)	₩ (25,781,520)	₩ (328,042)	₩ (61,811,587)

<sup>1</sup> The amount of tax effect is deducted.



## 28. Retained Earnings

(a) Details of retained earnings as of December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Legal reserve:		
Surplus reserve	₩ 35,489,915	₩ 35,298,014
	35,489,915	35,298,014
Discretionary reserve:		
Dividend equalization reserve	90,000,000	90,000,000
Director's retirement bonus reserve	5,000,000	5,000,000
Voluntary reserve	93,948,602	94,000,000
	188,948,602	189,000,000
Unappropriated retained earnings	6,212,825,842	5,620,500,181
Total	₩ 6,437,264,359	₩ 5,844,798,195

(b) Dividend distributed to the Group's ordinary shareholders amounted to ₩ 97,591,002 thousand (2022: ₩ 85,392,127 thousand) for the year ended December 31, 2022, was paid in April 2023. Dividend distributed to non-controlling interests amounted to ₩ 711,504 thousand (2022: None) was paid for same period.

## 29. Sales and Cost of Sales

(a) Details of sales for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Sales of goods	₩ 8,808,346,590	₩ 8,240,848,307
Sale of finished goods	8,924,815,659	8,337,984,652
Sale of Merchandise	329,406,367	340,891,108
Sale discount	(73,312,324)	(75,365,293)
Sales incentive	(372,563,112)	(362,662,160)
Rendering of services	131,274,886	153,354,730
Rental sales	3,648,760	3,149,022
Service sales	127,626,126	150,205,708
Total	₩ 8,939,621,476	₩ 8,394,203,037

(b) Details of cost of sales for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	2023	2022
Cost of finished goods sold	₩ 5,667,655,355	₩ 5,798,382,695
Cost of Merchandise sold	276,693,579	266,136,814
Cost of service sales	107,920,230	249,099,360
Custom duties reimbursed	(3,177,354)	(3,497,142)
Loss (reversal) on valuation of inventories and others	(5,451,886)	(18,465,433)
Total	₩ 6,043,639,924	₩ 6,291,656,294



**30. Revenue from contracts with customers**

(a) Details of revenue for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Revenue recognized at a point in time		
Revenue from contracts with customers	₩ 8,825,665,535	₩ 8,259,661,023
Revenue recognized over time		
Revenue from contracts with customers	110,307,180	131,392,991
Others	3,648,761	3,149,023
Total	<u>₩ 8,939,621,476</u>	<u>₩ 8,394,203,037</u>

(b) Details of revenue from contracts with customers for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>		
	<u>Tire</u>	<u>Non-tire</u>	<u>Total</u>
Types of goods or services			
Sales of goods	₩ 8,629,805,923	₩ 178,540,667	₩ 8,808,346,590
Rendering of services	126,580,890	1,045,236	127,626,126
Total	<u>₩ 8,756,386,813</u>	<u>₩ 179,585,903</u>	<u>₩ 8,935,972,716</u>

<i>(in thousands of Korean won)</i>	<u>2022</u>		
	<u>Tire</u>	<u>Non-tire</u>	<u>Total</u>
Types of goods or services			
Sales of goods	₩ 8,016,268,304	₩ 224,580,003	₩ 8,240,848,307
Rendering of services	149,350,256	855,452	150,205,708
Total	<u>₩ 8,165,618,560</u>	<u>₩ 225,435,455</u>	<u>₩ 8,391,054,015</u>

(c) Trade Receivables and contract liabilities from contracts with customers for the years ended December 31, 2023 and 2022, are as follows:

<i>(in thousands of Korean won)</i>	<u>2023</u>	<u>2022</u>
Trade Receivables <sup>1</sup>	₩ 1,654,082,096	₩ 1,627,293,636
Contract liabilities <sup>2</sup>	15,888,225	20,425,171

<sup>1</sup> The amount after the provision for impairment.

<sup>2</sup> The amount includes advance related to the tire sales.



### 31. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	<b>2023</b>	<b>2022</b>
Payroll	₩ 296,362,119	₩ 272,242,346
Post-employment benefits	9,886,866	13,010,082
Service expenses	43,450,494	38,191,708
Employee benefits	53,425,603	44,599,014
Utility expenses	6,757,577	6,311,133
Supplies expenses	2,421,237	2,138,149
Repairs expenses	9,192,192	5,277,909
Test expenses	24,794,371	21,129,594
Overseas branch maintenance expenses	9,572,337	8,209,104
Travel expenses	14,752,985	10,625,735
Training expenses	1,289,213	1,281,842
Communication expenses	3,804,440	3,786,127
Entertainment expenses	2,673,564	2,398,371
Vehicles maintenance expenses	5,373,382	5,912,465
Publication expenses	1,315,623	1,179,073
Commission expenses	98,290,231	80,409,967
Rental expenses	15,648,244	10,600,607
Depreciation of property, plant and equipment	98,003,206	85,707,537
Depreciation of investment property	1,253,048	1,240,668
Amortization of intangible assets	15,984,077	16,542,766
Insurance	13,180,560	12,237,720
Taxes and dues	33,183,474	25,152,809
Impairment(Reversal) loss on receivables	1,721,608	(1,185,830)
Conference expenses	610,237	355,809
Brand loyalty expenses	43,305,058	41,787,722
SSC service fee	7,417,559	6,857,363
Travel and transportation expenses	199,400,301	182,459,179
Advertising	199,705,073	182,767,660
Other export expenses	11,714,699	12,801,313
Packing charges	7,167,412	7,733,151
Sales damage expenses	7,683,550	10,477,386
Foreign market development expenses	136,990	70,014
Warehouse fees	122,496,285	92,431,207
Sales Commission	66,803	-
Other expenses	3,147,326	3,726,413
Research and development expenses	202,848,486	188,262,540
Total	₩ 1,568,036,230	₩ 1,396,728,653



### 32. Finance Income

Details of finance income for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Interest income	₩ 94,362,042	₩ 35,518,089
Gains on valuation of derivatives	174,030	12,194,029
Gains on transaction of derivatives	18,242,514	10,050,110
Gains on foreign currency translation	4,261,652	28,281,990
Gains on foreign currency transaction	27,594,680	56,653,143
Gains on valuation of instruments at fair value through profit or loss	7,498,652	222,104
Gains on disposal of instruments at fair value through profit or loss	963,969	1,765,914
<b>Total</b>	<b>₩ 153,097,539</b>	<b>₩ 144,685,379</b>

### 33. Finance Costs

Details of finance costs for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Interest expense	₩ 70,370,514	₩ 61,658,027
Losses on valuation of derivatives	11,154,206	1,642,659
Losses on transaction of derivatives	13,193,476	10,580,564
Losses on foreign currency translation	89,857,950	57,079,435
Losses on foreign currency transaction	4,898,767	6,885,610
Losses on disposal of debt instruments at fair value through profit or loss	2,255,599	5,412,617
Losses on valuation of debt instruments at fair value through profit or loss	7,158,397	3,175,552
<b>Total</b>	<b>₩ 198,888,909</b>	<b>₩ 146,434,464</b>



### 34. Other Non-operating Income

Details of other non-operating income for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Dividend income	₩ 9,955,394	₩ 3,557,933
Commission income	6,977,300	5,690,581
Rental income	2,529,923	1,692,632
Gains on foreign currency translation	46,678,277	40,856,069
Gains on foreign currency transaction	163,808,972	274,268,670
Gains on disposal of property, plant and equipment	1,629,837	118,422,896
Gains on disposal of investments in associates	-	2,840,401
Gains on insurance settlements	5,678,623	207,955
Gains on transaction of derivatives	39,302,124	7,871,167
Gains on valuation of derivatives	256,021	8,335,030
Gains on disposal of right-of-use assets	359,436	2,648,009
Miscellaneous Profits	22,610,793	10,476,664
Others	4,405,032	6,213,990
<b>Total</b>	<b>₩ 304,191,732</b>	<b>₩ 483,081,997</b>

### 35. Other Non-operating Expenses

Details of other non-operating expenses for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Losses on foreign currency transaction	174,243,094	151,791,162
Losses on foreign currency translation	46,241,744	84,748,902
Losses on disposal of trade receivables	21,614	1,249
Impairment losses on investments in associates	22,967,370	-
Losses on disposal of investment properties	44,206	143,913
Losses on disposal of property, plant and equipment	3,329,355	3,410,804
Losses on impairment of property, plant and equipment	3,130,976	7,674,457
Losses on abandonment of property, plant and equipment	180,416	15,373
Losses on disposal of intangible assets	24,991	138,411
Losses on valuation of derivatives	134,423	1,436,107
Losses on transaction of derivatives	27,231,892	36,089,443
Losses on disposal of right-of-use assets	350,347	2,315,104
Other impairment loss	87,798	784,295
Miscellaneous losses	47,303,985	16,094,504
Losses due to disaster	74,037,277	-
Others	622,933	9,536,902
<b>Total</b>	<b>₩ 399,952,421</b>	<b>₩ 314,180,626</b>



### 36. Tax Expense and Deferred Tax

(a) Income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Current tax:		
Current tax on profits for the year	₩ 461,924,484	₩ 207,998,235
Deferred tax:		
Changes in temporary differences	(46,911,639)	(32,647,471)
Changes in tax credit	27,413,136	(22,771,464)
Income tax expenses	<u>₩ 442,425,981</u>	<u>₩ 152,579,300</u>

(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 Group as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Profit before income tax expense	₩ 1,171,218,933	₩ 858,353,826
Tax calculated at statutory tax rates of each country applicable to profits	<u>271,394,341</u>	<u>168,044,917</u>
Tax effects of:		
Income not subject to tax	(8,353,966)	(18,032,029)
Expenses not deductible for tax purposes	11,915,192	5,741,437
Effect of tax credit and tax reduction	(11,015,370)	(17,820,333)
Additional payment (refunds) of income taxes	82,151,940	(4,348,498)
Investments in Subsidiaries/affiliates, Joint Venture	59,670,562	(15,767,122)
Others	36,663,282	34,760,929
Adjustments	<u>171,031,640</u>	<u>(15,465,616)</u>
Income tax expense	<u>₩ 442,425,981</u>	<u>152,579,300</u>
Effective tax rate	<u>37.80%</u>	<u>17.80%</u>

(c) The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2023 and 2022, is as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>			<b>2022</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurements of net defined benefit liabilities	₩ (47,431,737)	₩ 11,083,290	₩ (36,348,447)	₩ 79,710,319	₩ (18,485,179)	₩ 61,225,140
Remeasurements of net defined benefit liabilities of associates	(789,758)	185,119	(604,639)	8,801,290	(2,150,104)	6,651,186
Gains (losses) on valuation of financial assets at fair value through other comprehensive income	(151,827)	35,588	(116,239)	(5,169,866)	1,262,968	(3,906,898)
Cash flow hedges Gains (losses)	(1,231,069)	287,701	(943,368)	(6,468,413)	1,547,856	(4,920,557)
Exchange differences on translation foreign operations	151,618,763	-	151,618,763	(53,611,624)	-	(53,611,624)
Share of other comprehensive income of associates	11,872,082	(2,782,816)	9,089,266	5,476,983	(1,337,995)	4,138,988
Total	<u>₩ 113,886,454</u>	<u>₩ 8,808,882</u>	<u>₩ 122,695,336</u>	<u>₩ 28,738,689</u>	<u>₩ (19,162,455)</u>	<u>₩ 9,576,235</u>



(d) The analysis of deferred tax assets and liabilities as of December 31, 2023 and 2022, is as follows:

(In thousands of Korean won)

	<b>2023</b>		<b>2022</b>	
Deferred tax asset(liabilities) to be settled within 12 months	₩	40,454,458	₩	1,353,728
Deferred tax asset(liabilities) to be settled after more than 12 months		173,872,660		174,289,510
<b>Total</b>	<b>₩</b>	<b>214,327,118</b>	<b>₩</b>	<b>175,643,238</b>

(e) The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(In thousands of Korean won)

	<b>2023</b>			
	<b>Beginning balance</b>	<b>profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
Property, plant and equipment	₩ 34,024,990	₩ (2,847,897)	₩ -	₩ 31,177,093
Inventories	3,409,130	(1,884,003)	-	1,525,127
Accrued income	(34,842)	(253,467)	-	(288,309)
Financial derivative assets and liabilities	(1,896,648)	1,430,571	287,701	(178,376)
Long term employee benefits	9,275,145	1,222,823	-	10,497,968
Other provisions	6,767,837	(3,966,924)	-	2,800,913
Net defined benefit liabilities(Assets)	(21,315,495)	5,958,593	11,083,290	(4,273,612)
Accrued expenses	9,776,582	11,761,698	-	21,538,280
Advanced depreciation provision for non- depreciable assets	(12,391,053)	220,516	-	(12,170,537)
Advanced depreciation provision for depreciable assets	(130,915)	25,334	-	(105,581)
Others	7,110,729	17,656,073	1,026,389	25,793,191
Deferred tax asset(liabilities) of subsidiaries	10,191,637	54,388,123	(323,246)	64,256,514
Deferred tax asset(liabilities) related with consolidation adjustment	99,944,986	(36,799,801)	6,235,988	69,381,173
	₩ 144,732,083	₩ 46,911,639	₩ 18,310,122	₩ 209,953,844
Tax credit and tax reduction	30,911,155	(27,413,136)	875,253	4,373,272
<b>Total</b>	<b>₩ 175,643,238</b>	<b>₩ 19,498,503</b>	<b>₩ 19,185,375</b>	<b>₩ 214,327,116</b>



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(In thousands of Korean won)

	2022			
	Beginning balance	profit or loss	Other comprehensive income	Ending balance
Property, plant and equipment	₩ 35,022,420	₩ (997,430)	₩ -	₩ 34,024,990
Inventories	3,834,807	(425,677)	-	3,409,130
Accrued income	(1,491)	(33,351)	-	(34,842)
Financial derivative assets and liabilities	(1,328,913)	(2,115,591)	1,547,856	(1,896,648)
Long term employee benefits	10,020,435	(745,290)	-	9,275,145
Other provisions	14,622,890	(7,855,053)	-	6,767,837
Net defined benefit liabilities(Assets)	(13,002,406)	10,172,090	(18,485,179)	(21,315,495)
Accrued expenses	14,693,678	(4,917,096)	-	9,776,582
Advanced depreciation provision for non- depreciable assets	(13,076,296)	685,243	-	(12,391,053)
Advanced depreciation provision for depreciable assets	(159,713)	28,798	-	(130,915)
Others	7,187,496	961,607	(1,038,374)	7,110,729
Deferred tax asset(liabilities) of subsidiaries	44,405,171	(32,668,678)	(1,544,856)	10,191,637
Deferred tax asset(liabilities) related with consolidation adjustment	37,691,952	70,557,899	(8,304,865)	99,944,986
	₩ 139,910,030	₩ 32,647,471	₩ (27,825,418)	₩ 144,732,083
Tax credit and tax reduction	8,020,730	22,771,464	118,961	30,911,155
Total	₩ 147,930,760	₩ 55,418,935	₩ (27,706,457)	₩ 175,643,238

(f) Details of significant unrecognized taxable temporary differences as deferred tax liabilities as of December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)	2023	2022	Remarks
Investments in subsidiaries	₩ 2,831,641,233	₩ 3,211,498,734	Permanent reinvestment plan of undistributed profit
	449,194,106	786,754,417	No Plan to dispose the investments



### 37. Expenses by Nature

Expenses by nature for the years ended December 31, 2023 and 2022, are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>	<b>2022</b>
Changes in inventories		
Finished goods	₩ 235,531,718	₩ (423,391,747)
Merchandise	3,157,418	(7,504,926)
Work in process	3,546,464	(9,864,492)
Supplies	(433,687)	(7,679,793)
Raw materials	125,623,233	(91,648,990)
Purchase of raw materials and others	3,319,438,291	3,862,590,793
Payroll	1,372,922,675	1,238,473,496
Depreciation <sup>1</sup>	488,015,831	516,916,192
Amortization of intangible assets	17,785,032	18,956,497
Commission fees	169,010,513	151,357,759
Others	1,877,078,668	2,440,180,158
<b>Total</b>	<b>₩ 7,611,676,156</b>	<b>₩ 7,688,384,947</b>

<sup>1</sup> Includes depreciation of investment property.



**38. Cash Flow Information**

- (a) Details of adjustments of cash generated from operations for the years ended December 31, 2023 and 2022, are as follows:

*(In thousands of Korean won)*

	<b>2023</b>	<b>2022</b>
Adjustments:		
Income tax expense	₩ 442,425,981	152,579,300
Interest income	(94,362,042)	(35,518,089)
Interest expense	70,370,514	61,658,027
Dividend income	(9,955,393)	(3,557,933)
Gains on foreign currency translation	(50,939,929)	(69,138,059)
Losses on foreign currency translation	51,140,511	91,634,513
Losses on disposal of financial assets at fair value through profit or loss	2,255,599	5,412,617
Gains on disposal of financial assets at fair value through profit or loss	(963,969)	(1,765,914)
Gains on valuation of financial assets at fair value through profit or loss	(7,498,652)	(222,104)
Losses on valuation of financial assets at fair value through profit or loss	7,158,397	3,175,552
Gains on disposal of property, plant and equipment	(1,629,837)	(118,422,896)
Losses on disposal of property, plant and equipment	3,329,355	3,410,804
Losses on impairment of property, plant and equipment	3,130,976	7,674,457
Losses on abandonment of property, plant and equipment	180,416	15,373
Gains on disposal of investment properties	-	(2,840,401)
Losses on disposal of investment properties	44,206	143,913
Gains on disposal of right-of-use assets	(359,436)	(2,648,009)
Losses on disposal of right-of-use assets	350,347	2,315,104
Losses on disposal of intangible assets	24,991	138,411
Depreciation of property, plant and equipment	488,015,832	515,239,536
Depreciation of investment properties	1,570,964	1,676,656
Amortization of intangible assets	17,785,032	18,956,497
Losses on valuation of inventories	(8,953,753)	(20,914,237)
Losses on abandonment of inventories	3,391,781	2,587,258



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*(In thousands of Korean won)*

	<b>2023</b>	<b>2022</b>
Impairment loss(Gain) on trade receivables	21,614	1,249
Impairment loss on receivables	1,721,608	(1,185,831)
Other impairment loss	87,798	784,295
Sales damage expense	7,683,550	10,477,387
Employee benefits	12,520,307	1,594,400
Compensation Expenses Associated with Stock Option	658,147	-
Post-employment benefit	40,625,606	53,064,022
Other provisions (reversal)	(569,648)	2,997,146
Gains and losses on investment in associates	12,007,782	11,553,141
Impairment losses on investments in associates	22,967,370	-
Gains on valuation of derivatives	(430,050)	(20,529,058)
Losses on valuation of derivatives	11,288,628	3,078,765
Gains on transaction of derivatives	(57,544,638)	(17,921,276)
Losses on transaction of derivatives	40,425,368	46,670,007
Gains on foreign currency transaction	(3,486,953)	(16,743,179)
Losses on foreign currency transaction	44,993,139	22,567,069
Losses due to disaster	74,037,277	-
Other	23,561,057	219,368
Total	<u>₩ 1,147,079,853</u>	<u>708,217,881</u>



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(In thousands of Korean won)

	<b>2023</b>	<b>2022</b>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	₩ 62,498,443	₩ (251,057,951)
Decrease (increase) in other receivables	(118,486,293)	258,370,092
Decrease (increase) in inventories	480,088,590	(512,451,286)
Decrease in other financial assets	177,396	1,972,483
Decrease (increase) in other assets	68,696,143	(62,828,737)
Increase (decrease) in trade payables	(65,199,880)	25,220,701
Increase (decrease) in other payables	78,695,656	(82,928,845)
Decrease in provision	(24,763,803)	(8,358,909)
Increase (decrease) in other liabilities	34,377,642	(146,423,065)
Payment of post-employment benefits	(52,143,341)	(40,215,893)
Decrease (increase) in plan assets	34,842,283	26,410,042
Total	₩ 498,782,836	₩ (792,291,368)

(b) The principal non-cash transaction for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

	<b>2023</b>	<b>2022</b>
Transfer of construction in progress and others to intangible assets and property, plant and equipment	₩ 182,125,434	₩ 272,784,431
Changes in non-trade payables due to acquisition of property, plant and equipment	(7,565,995)	24,193,123
Capitalized borrowing costs	3,927,368	3,923,768
Dividend receivable	-	143,128
Increase in right-of-use assets	103,627,030	82,382,391
Increase in lease liabilities	111,626,593	81,678,217
Reclassification of current portion of long-term borrowings	146,277,450	193,792,500
Reclassification of current portion of bond	-	648,045,581
Replacement of advance payment due to disposal of assets scheduled for sale	-	123,360,000
Transfer of financial assets at fair value through profit or loss to investments in associates <sup>1</sup>	3,219,245	-

<sup>1</sup>The Group acquired 5,627 shares of common stock additionally by converting Peaches Group Korea's convertible bonds into common shares in the period.



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(c) Changes in liabilities arising from financial activities for the year ended December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)	2023									
	Short-term borrowings <sup>1</sup>	Long-term borrowings	Debentures (current)	Debentures (Non-current)	Lease liabilities (current)	Lease liabilities (Non-current)	Leasehold deposits received	Non-controlling interest	Dividend payables	Total
At January 1, 2023	₩ 627,905,564	₩ 142,422,050	₩ 656,824,643	₩149,820,215	₩ 66,712,948	₩292,830,763	₩ 24,392,467	₩ 1,257,724	₩ 14,297	₩1,962,180,671
Exchange differences	37,635,972	2,254,400	(5,830,000)	-	10,878,320	(27,145)	(61,372)	-	-	44,850,175
Cash flows (Principal)	(333,105,407)	130,541,000	(651,090,000)	-	(71,838,891)	-	51,960	22,355	(98,298,564)	(1,023,717,547)
Cash flows (Interest expenses)	-	-	-	-	(16,376,159)	-	-	-	-	(16,376,159)
Amortization cost for debentures	-	-	95,357	81,804	-	16,376,159	609,853	-	-	17,163,173
Lease contract	-	-	-	-	-	111,626,593	-	-	-	111,626,593
Others (dividend declaration and others)	-	-	-	-	-	(954,449)	-	-	98,302,506	97,348,057
Reclassification of current portion	146,277,450	(146,277,450)	-	-	89,687,035	(89,687,035)	-	-	-	-
At December 31, 2023	₩ 478,713,579	₩ 128,940,000	₩ -	₩149,902,019	₩ 79,063,253	₩330,164,886	₩ 24,992,908	₩ 1,280,079	₩ 18,239	₩1,193,074,963

  

(In thousands of Korean won)	2022									
	Short-term borrowings <sup>1</sup>	Long-term borrowings	Debentures (current)	Debentures (Non-current)	Lease liabilities (current)	Lease liabilities (Non-current)	Leasehold deposits received	Non-controlling interest	Dividend payables	Total
At January 1, 2022	₩ 395,765,525	₩ 309,321,002	₩ -	₩773,043,198	₩ 61,528,942	₩280,726,629	₩ 23,185,426	₩ 804,997	₩ 26,508	₩1,844,402,227
Exchange differences	11,793,943	24,028,172	8,180,000	24,540,000	177,266	1,406,249	(46,665)	-	-	70,078,965
Cash flows (Principal)	26,553,596	2,865,376	-	-	(62,537,728)	-	609,029	452,727	(85,388,678)	(117,445,678)
Cash flows (Interest expenses)	-	-	-	-	(10,110,721)	-	-	-	-	(10,110,721)
Amortization cost for debentures	-	-	599,062	282,598	-	10,110,721	644,677	-	-	11,637,058
Lease contract	-	-	-	-	-	81,678,217	-	-	-	81,678,217
Others (dividend declaration and others)	-	-	-	-	14,531,041	(17,966,905)	-	-	85,376,467	81,940,603
Reclassification of current portion	193,792,500	(193,792,500)	648,045,581	(648,045,581)	63,124,148	(63,124,148)	-	-	-	-
At December 31, 2022	₩ 627,905,564	₩ 142,422,050	₩ 656,824,643	₩149,820,215	₩ 66,712,948	₩292,830,763	₩ 24,392,467	₩ 1,257,724	₩ 14,297	₩1,962,180,671

<sup>1</sup> Includes current portion of long-term borrowings.



### 39. Earnings per Share

The basic and diluted earnings per share for the years ended December 31, 2023 and 2022, are computed as follows:

<i>(In Korean won)</i>	<b>2023</b>	<b>2022</b>
Profit for the year	₩ 720,217,649,290	₩ 690,248,871,529
Weighted-average number of ordinary shares outstanding (in shares) <sup>1</sup>	121,988,753	121,988,753
Basic and diluted earnings per share <sup>2</sup>	₩ 5,904	₩ 5,658

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

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

### 40. Operating Segment Information

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

(b) Information by region

The Group is mainly operating in five geographical regions. Net sales information by geographical region for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)		2023		2022		
		Amount	Ratio	Amount	Ratio	
North America	₩	2,436,083,901	27.25%	₩	2,458,244,599	29.29%
South and Central America		406,501,790	4.55%		360,099,197	4.29%
Asia, except Korea		1,470,071,160	16.44%		1,334,350,230	15.90%
Europe		3,673,073,061	41.09%		3,281,847,319	39.10%
Korea		953,891,564	10.67%		959,661,692	11.42%
Total	₩	8,939,621,476	100%	₩	8,394,203,037	100.00%

(c) There is no external customer, who contributes more than 10% of the Group's total revenue for the years ended December 31, 2023 and 2022.

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

<i>(In thousands of Korean won)</i>	<b>2023<sup>1</sup></b>	<b>2022<sup>1</sup></b>
North America	₩ 609,854,041	₩ 530,562,061
South and Central America	10,418,937	1,327,764
Asia, except Korea	1,067,746,699	1,143,030,131
Europe	598,869,682	566,718,301
Korea	1,805,597,743	1,846,136,885
Total	₩ 4,092,487,102	₩ 4,087,775,142

<sup>1</sup>Financial assets, deferred tax assets, investment in associates and joint ventures and net defined benefit assets are excluded from non-current assets.



#### 41. Contingencies and Commitments

(a) Pledged assets as collaterals

As of December 31, 2023, 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, RUB, EUR and USD)</i>	<b>Pledged assets</b>	<b>Pledged amounts</b>	
The Korea Development Bank and others	land, buildings	KRW	13,880,000
CitiBank	Financial instruments	EUR	83,864
ING Bank	Financial instruments	USD	80,000

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

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

(c) For the purpose of providing tires, in India, 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 KEB Hana Bank Gangnam branch for up to USD 18,128.

(d) The Group receives grants from the Hungarian government and provides Direct Suretyship as follows:

	<b>Agreement</b>
Guarantee provided	HUF 9,214,435,200 + interest incurred
The term of guarantee	From February 27, 2014, to September 30, 2025
Summary of agreements	To certify that the Group should sincerely carry out the investment plan according to the investment contract; otherwise, the Group should return some or whole amount of the subsidy provided by the Hungarian government.

(e) Transfer of trade receivables

Trade receivables with recourse 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>		<b>2023</b>		<b>2022</b>
Collateralized borrowing of trade receivable	₩	100,171,946	₩	174,303,545

The Group recognized trade receivables with recourse which were transferred to financial institutions, but not yet matured as short-term borrowings (Note 20).



(f) 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 & Group Co., Ltd., one of its related parties, to be provided trademark license and supporting work 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.

(g) Financing arrangements

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

*(In thousands of Korean won)*

		<b>2023</b>	<b>2022</b>
Credit line agreements such as	Used	₩ 287,560,855	₩ 1,002,088,594
collateralized borrowing	Unused	2,686,254,835	2,911,554,677
Total		₩ 2,973,815,690	₩ 3,913,643,271

(h) Seoul Guarantee Insurance Co., Ltd has provided guarantee amount to ₩ 7,029,341 thousand (2022: ₩3,077,331 thousand) for Performance guarantee and others.

(i) The Group enters into cash pooling contract between the consolidated subsidiaries. According to this contract, a subsidiary, which needs funds, can finance within the balance of the deposit without restriction.

(j) Pending litigations

The Group has been litigated due to alleging Performing Rights from Korea Music Copyright Association, and the Group recognized ₩ 13,441 thousand as provisions in accordance with the judgment on February 3, 2023. The Group filed an appeal, and the amount of final debt attributable to the outcome of the lawsuit may differ from the amount estimated by the Group (Note 22).

On December 22, 2021, the Daejeon District Prosecutors' Office filed a complaint on charges of violating the Occupational Safety and Health Act, and the Group recognized ₩ 5,000 thousand as provisions in accordance with the judgment on June 15, 2023. The Group filed an appeal, and the amount of final debt attributable to the outcome of the lawsuit may differ from the amount estimated by the Group (Note 22).

In addition to the above, there are a number of pending litigations as of December 31, 2023. The final outcome and impact of the lawsuit cannot be reasonably predicted and the Group's management does not believe that it will materially affect the Group's financial condition.



(k) 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, which is the largest shareholder.

1) Details of Shares Purchase Agreement

- Seller: Visteon Corp. and VIHI LLC
- Purchaser: Hahn & Co. Auto Holdings LLC and Hankook Tire & Technology Co., Ltd. (formerly, Hankook Tire Co., Ltd.)
- Contract date: 2014.12.17
- Closing date of deal: 2015.06.10
- Number of shares purchased per purchaser
  - (i) Hahn & Co. Auto Holdings LLC: 269,569,000 shares (50.50% of ownership)
  - (ii) Hankook Tire & Technology Co., Ltd. (formerly, Hankook Tire Co., Ltd.): 104,031,000 shares (19.49% of ownership)

2) 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
- Group's right of first refusal
- Group's tag-along right

(l) Agreements related to shares acquisition

The Group purchased 2,059,539 shares (22.86%) of Preciseley Microtechnology Corporation from Tiansheng Zhou Family Trust, ACE Optical Ltd., and BDC Capital Inc. In connection with purchasing, the Group has entered into a shareholder agreement with the Tiansheng Zhou Family Trust, ACE Optical Ltd. and BDC Capital Inc. The Group recognized derivative financial liabilities measured as a fair value of the granted put option amounting to ₩ 3,908,070 thousand.

1) Details of Shares of Purchase Agreement

- Seller: Tiansheng Zhou Family Trust, ACE Optical Ltd., BDC Capital Inc.
- Purchaser: Hahn & Co. Auto Holdings LLC and Hankook Tire & Technology Co., Ltd. (formerly, Hankook Tire Co., Ltd.)
- Contract date: 2022.02.18



2) Contract between shareholders

The purchasers above, the Group and Hankook & Company Co., Ltd. entered into a contract between shareholders that includes the followings:

- Put option<sup>1</sup>
- Group's Right of first refusal<sup>2</sup>
- Group's Tag-along right

<sup>1</sup> The parties to the put option are Hankook Tire & Technology Co., Ltd. and Hankook & Company Co., Ltd. or Preciseley Microtechnology Corporation, and seller can designate among Hankook Tire & Technology Co., Ltd. and Hankook & Company Co., Ltd.

<sup>2</sup> Hankook Tire & Technology Co., Ltd. may decide whether to acquire the stake for one month, and can sell them to third parties within six months if all shareholders of Preciseley Microtechnology Corporation refuse.

(m) Agreement of shares acquisition

The Group acquired 66,000 shares of TOWNZ Corp (18.42% of ownership).

1) Details of Shares Purchase Agreement

- Investment company: TOWNZ Corp.
- Investor: Hankook Tire & Technology Co., Ltd.
- Contract date: 2020.10.13

2) Contract between shareholders

The purchaser above, the Group entered into a contract between shareholders that includes the followings:

- Group's Right of first refusal
- Group's Tag-along right



## 42. Related Party Transactions

Details of related parties as of December 31, 2023, are as follows:

Type	Name of related parties
Individuals	Hyun-Shick Cho, Hyun-Bum Cho
Holding Group <sup>1</sup>	Hankook & Group Co., Ltd.
Holding Group's Subsidiaries and associates	Atlas BX Motorsports Co., Ltd., Hankook & Group ES America Corporation, Hankook Car & Life Co., Ltd., Sonic Motors Co., Ltd., Han Automobile Co., Ltd., Hankook Networks Co., Ltd., Hankook Networks America, Inc., Hankook & Group ES Deutschland GmbH, Smart Stream-WE Untact Fund No. 3
Associates and Joint Ventures <sup>2</sup>	Daemyong Tech One Co., Ltd., I&B Corporation Co., Ltd, Hanon Systems Co., Ltd., Peaches Group Korea Co., Ltd., TOWNZ Corp., DS Quattro H Kosdaq Venture Fund, TIMEFOLIO Kosdaq Venture Hedge-S No.2, Nexgen Food Partners, Preciseley Microtechnology Corporation, Handle Co., Ltd. <sup>2</sup>
Other related parties <sup>3</sup>	Daehwa Eng' & Machinery Jiaying Co., Ltd., Shin-Yang Tourist Development, ShinYang World Leisure, Janji Co., Ltd., MW & Group, MW Holding, Seil Hwangyeong Co., Ltd., Arum Electronics Co., Ltd., FWS Investment Advisory, Arum Holdings Co., Ltd., ARUM Dentistry Co., Ltd., Hakushi Co., Ltd., Korea Asset General Private Equity Trust No.1

<sup>1</sup> The entity has a significant influence on the Group.

<sup>2</sup> The Group has made SAFE(Simple Agreement for Future Equity) with the entity in the reporting period. The quantity and interest of ownership currently cannot be determined. However, as the Group has significant influence over the entity by exercising the major management-related rights such as appointment of directors, the Group classified the entity as investment in associates.

<sup>3</sup> Although the entity is not the related party of the Group in accordance with Korean IFRS 1024, the entity belongs to an identical large enterprise group with the Group in accordance with the Monopoly Regulation and Fair Trade Act.



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
**Year Ended December 31, 2023 and 2022**

Transactions between the Group and related parties for the years ended December 31, 2023 and 2022, are as follows:

a) Sales and others

(In thousands of Korean won)

		2023			
	Name of entity	Sales	Others <sup>1</sup>	Total	
Holding Group	Hankook&Group Co., Ltd.	₩ 3,561,708	₩ 4,018,664	₩	7,580,372
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	4,946	-		4,946
	Sonic Motors Co., Ltd.,	538	-		538
	Hankook Car & Life Co., Ltd.	-	49,014		49,014
	Hankook Networks Co., Ltd.	21,156	467,791		488,947
Holding Group's associates	Hanon System Co., Ltd.	27,403	-		27,403
Associates and joint ventures	I&B Corporation Co., Ltd	-	12,000		12,000
	Individual shareholder	-	37,107		37,107
Individuals					
Other related parties	Daehwa Eng' & Machinery				
	Jiaxing Co., Ltd.	275,433	2,961		278,394
	ARUM Dentistry Co., Ltd.	-	418		418
Total		₩ 3,891,184	₩ 4,587,955	₩	8,479,139

<sup>1</sup> Royalty income, commission income, interest income from loan is included. Dividend income is not included.

(In thousands of Korean won)

		2022			
	Name of entity	Sales	Others <sup>1</sup>	Total	
Holding Group	Hankook&Group Co., Ltd.	₩ 2,513,733	3,372,194	₩	5,885,927
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	912,972	3,533		916,505
	Sonic Motors Co., Ltd.,	22,544	-		22,544
	Hankook Car & Life Co., Ltd.	-	46,503		46,503
	Hankook Networks Co., Ltd.	23,404	470,122		493,526
Holding Group's associates	Hanon System Co., Ltd.	22,624	-		22,624
Associates and joint ventures	I&B Corporation Co., Ltd	-	12,129		12,129
	Individual shareholder	-	54,578		54,578
Individuals					
Other related parties	Daehwa Eng' & Machinery				
	Jiaxing Co., Ltd.	79,574	257,683		337,257
	ARUM Dentistry Co., Ltd.	-	418		418
Total		₩ 3,574,851	₩ 4,217,160	₩	7,792,011

<sup>1</sup> Royalty income, commission income, interest income from loan is included. Dividend income is not included.



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
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b) Purchases and others

(In thousands of Korean won)

		2023			
	Name of entity	Purchases	Others	Total	
Holding Group <sup>1</sup>	Hankook & Group Co., Ltd.	₩ 3,012,073	₩ 51,027,558	₩	54,039,631
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	792,936		792,936
	Sonic Motors Co., Ltd.,	-	76,742		76,742
Holding Group's associates	Hankook Networks Co., Ltd.,	6,622,619	19,736,682		26,359,301
	Hankook Networks America, Inc.	-	980,269		980,269
Associates and joint ventures	Peaches Group Korea Co., Ltd.	-	28,000		28,000
	Daemyeong Tech Won Co., Ltd	-	942,305		942,305
Individuals	Individual shareholder	-	254,519		254,519
Other related parties	Daehwa Eng'& Machinery Jiaxing Co., Ltd.	695,339	15,418,092		16,113,431
Total		₩ 10,330,031	₩ 89,257,103	₩	99,587,134

<sup>1</sup> The Group entered into contracts of Shared service provided by its holding Group, and using trademark license of Hankook & Group Co., Ltd.

(In thousands of Korean won)

		2022			
	Name of entity	Purchases	Others	Total	
Holding Group <sup>1</sup>	Hankook & Group Co., Ltd. <sup>3</sup>	₩ 3,784,263	₩ 47,976,301	₩	51,760,564
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	1,858,195		1,858,195
	Sonic Motors Co., Ltd.,	-	125,596		125,596
Holding Group's associates	Hankook Networks Co., Ltd.,	8,680,248	14,916,841		23,597,089
	Hankook Networks America, Inc.	-	1,056,550		1,056,550
Associates and joint ventures	Peaches Group Korea Co., Ltd.	-	404,938		404,938
	Daemyeong Tech Won Co., Ltd	-	962,413		962,413
Individuals	Individual shareholder	-	259,851		259,851
Other related parties	Daehwa Eng'& Machinery Jiaxing Co., Ltd.	2,386,990	10,729,774		13,116,764
Total		₩ 14,851,501	₩ 78,290,459	₩	93,466,286

<sup>1</sup> The Group entered into contracts of Shared service provided by its holding Group, and using trademark license of Hankook & Group Co., Ltd.



**Hankook Tire & Technology Co., Ltd.**  
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Outstanding balances of receivables and payables as of December 31, 2023 and 2022, are as follows:

a) Receivables and others

(In thousands of Korean won)

		<b>2023</b>	
	<b>Name of entity</b>	<b>Trade receivables</b>	<b>Non-trade receivables and others<sup>1</sup></b>
			<b>Total</b>
Holding Group	Hankook & Group Co., Ltd.	₩ 1,195,724	₩ 16,433,841
	Hankook Car & Life Co., Ltd.	-	57,417
Holding Group's associates	Hankook Networks Co., Ltd.,	6,015	3,743,691
Associates and joint ventures	Hanon System Co., Ltd.	2,661	-
Individuals	Individual shareholder	-	346,792
Other related parties	Daehwa Eng' & Machinery	-	-
	Jiaxing Co., Ltd.	-	155,574
	ARUM Dentistry Co., Ltd.	-	919
Total		₩ 1,204,400	₩ 20,738,234
			₩ 21,942,634

<sup>1</sup> Non-trade receivables, accrued income, leasehold deposits provided, financial lease receivables, loan and others are included.

(In thousands of Korean won)

		<b>2022</b>	
	<b>Name of entity</b>	<b>Trade receivables</b>	<b>Non-trade receivables and others<sup>1</sup></b>
			<b>Total</b>
Holding Group	Hankook & Group Co., Ltd.	₩ 290,945	₩ 16,939,310
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	4,488	-
	Hankook & Company ES	-	-
	America Corporation	-	32,949,800
	Sonic Motors Co., Ltd.,	2,174	-
	Hankook Car & Life Co., Ltd.	-	4,512
Holding Group's associates	Hankook Networks Co., Ltd.,	678	3,897,260
Associates and joint ventures	Hanon System Co., Ltd.	2,469	-
Individuals	Individual shareholder	-	577,986
Other related parties	Daehwa Eng' & Machinery	-	-
	Jiaxing Co., Ltd.	13,328	232,023
	ARUM Dentistry Co., Ltd.	-	460
Total		₩ 314,082	₩ 54,601,351
			₩ 54,915,433

<sup>1</sup> Non-trade receivables, accrued income, leasehold deposits provided, financial lease receivables, loan and others are included.



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
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b) Payables and others

(In thousands of Korean won)

		2023			
	Name of entity	Trade payable	Non-trade payable and others <sup>1</sup>	Total	
Holding Group	Hankook & Group Co., Ltd.	₩ 1,491,916	₩ 46,666,832	₩	48,158,748
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	35,428		35,428
	Sonic Motors Co., Ltd.,	-	37,688		37,688
Holding Group's associates	Hankook Networks Co., Ltd.,	23,180	11,586,555		11,609,735
	Hankook Networks America, Inc.	-	88,313		88,313
Associates and Joint ventures	I&B Corporation Co., Ltd	-	5,700		5,700
	Daemyeong Tech Won Co., Ltd	-	80,321		80,321
Individuals	Individual shareholder	-	10,029,295		10,029,295
Other related parties	Daehwa Eng' & Machinery	-			
	Jiaxing Co., Ltd.	-	2,538,969		2,538,969
Total		₩ 1,515,096	₩ 71,069,101	₩	72,584,197

<sup>1</sup> Non-trade payables, accrued expenses, leasehold deposits received, deferred income, lease liabilities and others are included.

(In thousands of Korean won)

		2022			
	Name of entity	Trade payable	Non-trade payable and others <sup>1</sup>	Total	
Holding Group	Hankook & Group Co., Ltd.	₩ 1,797,995	₩ 46,597,126	₩	48,395,121
Holding Group's subsidiaries	Atlas BX Motorsports Co., Ltd.	-	290,157		290,157
	Sonic Motors Co., Ltd.,	-	29,626		29,626
Holding Group's associates	Hankook Networks Co., Ltd.,	145,488	10,893,717		11,039,205
	Hankook Networks America, Inc.	-	70,335		70,335
Associates and Joint ventures	I&B Corporation Co., Ltd	-	5,700		5,700
	Peaches Group Korea Co., Ltd.	-	17,192		17,192
Individuals	Individual shareholder	-	7,945,048		7,945,048
Other related parties	Daehwa Eng' & Machinery	-			
	Jiaxing Co., Ltd.	-	1,376,817		1,376,817
Total		₩ 1,943,483	₩ 67,225,718	₩	69,169,201

<sup>1</sup> Non-trade payables, accrued expenses, leasehold deposits received, deferred income, lease liabilities and others are included.



**Hankook Tire & Technology Co., Ltd.**  
**Notes to the Consolidated Financial Statements**  
**Year Ended December 31, 2023 and 2022**

Fund transactions with related parties for the years ended December 31, 2023 and 2022, are as follows:

a) Loans to related parties for the year ended December 31, 2023 and 2022, are as follows:

(in thousands of  
Korean won)

		2023		
		Beginning balance	Decrease	Ending Balance
<b>Holdings's Subsidiaries</b>				
Hankook & Company ES America Corporation	₩	32,949,800	₩ 32,949,800	₩ -
Total	₩	32,949,800	₩ 32,949,800	₩ -

(in thousands of  
Korean won)

		2022		
		Beginning balance	Increase	Ending Balance
<b>Holdings's Subsidiaries</b>				
Hankook & Company ES America Corporation	₩	-	₩ 32,949,800	₩ 32,949,800
Total	₩	-	₩ 32,949,800	₩ 32,949,800

b) Dividend income and contributions in cash from/to related parties for the years ended December 31, 2023 and 2022, are as follows:

(In thousands of Korean won)

		2023			
		Dividend income	Payment of dividend	Collection of lease receivables	Repayments of lease liabilities
Holding Group <sup>1</sup>	Hankook & Group Co., Ltd.	₩ -	₩ 30,396,767	₩ 1,266,000	₩ -
Holding Group's Subsidiaries and Associates	Hankook Networks Co., Ltd.	-	-	297,600	-
Associates and Joint ventures	Hanon Systems Co., Ltd.	35,162,478	-	-	-
Individuals	Individual shareholder	-	8,304,308	-	423,000
Others related parties	ShinYang Tourist Development Co., Ltd.	-	634,818	-	-
Total		₩ 35,162,478	₩ 39,335,893	₩ 1,563,600	₩ 423,000

(In thousands of Korean won)

		2022			
		Dividend income	Payment of dividend	Collection of lease receivables	Repayments of lease liabilities
Holding Group <sup>1</sup>	Hankook & Group Co., Ltd.	₩ -	₩ 26,597,171	₩ 1,266,000	₩ 40,280
Holding Group's Subsidiaries and Associates	Hankook Networks Co., Ltd.	-	-	297,600	-
Associates and Joint ventures	Hanon Systems Co., Ltd.	37,451,160	-	-	-
Individuals	Individual shareholder	-	7,266,270	-	423,000
Others related parties	ShinYang Tourist Development Co., Ltd.	-	555,465	-	-
	Korea Asset General Private Equity Trust No.1	500,000	-	-	-
Total		₩ 37,951,160	₩ 34,418,906	₩ 1,563,600	₩ 463,280



- c) Receipt of leasehold deposits and others, for the years ended December 31, 2023 and 2022, are as follows:

*(In thousands of Korean won)*

		<b>2023</b>		<b>2022</b>	
	<b>Name of entity</b>	<b>Receipt/ collection</b>	<b>Repayment/ payment</b>	<b>Receipt/ collection</b>	<b>Repayment/ payment</b>
Holding Group	Hankook & Group Co., Ltd.	₩ -	₩ 80,000	₩ 38,295	₩ -
	Total	₩ -	₩ 80,000	₩ 38,295	₩ -

- d) Compensations for key management personnel for the years ended December 31, 2023 and 2022, are as follows:

*(In thousands of Korean won)*

	<b>2023</b>	<b>2022</b>
Salaries	₩ 18,286,844	₩ 14,945,028
Post-employment benefits	1,431,536	2,415,454
Long-term employee benefits	131,937	16,463
Total	₩ 19,850,317	₩ 17,376,945



#### **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 flows of debt instruments measured at amortized cost
- Contractual flows of debt instruments measured at fair value through other comprehensive income

##### **(a) 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.

##### **(b) 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 for the year ended December 31, 2023 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.



**Report on Independent Auditor's  
Audit of Internal Control over Financial Reporting for Consolidation purpose**

(English Translation of a Report Originally Issued in Korean)

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

**Opinion on Internal Control over Financial Reporting for Consolidation purpose**

We have audited Hankook Tire & Technology Co., Ltd.'s (the Company) Internal Control over Financial Reporting for Consolidation purpose as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* released by the Operating Committee of Internal Control over Financial Reporting in Korea.

In our opinion, the Company maintained, in all material respects, effective Internal Control over Financial Reporting for Consolidation purpose as at December 31, 2023, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards of Auditing, the consolidated financial statements of the Company, which comprise the consolidated statement of financial position as at December 31, 2023 and 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies, and our report dated March 20, 2024 expressed an unqualified opinion.

**Basis for Opinion on Internal Control over Financial Reporting for Consolidation purpose**

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards is further described in the *Auditor's Responsibilities for the Audit of the Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of Internal Control over Financial Reporting for Consolidation purpose 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.

**Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting for Consolidation purpose**

Management is responsible for designing, implementing and maintaining effective Internal Control over Financial Reporting for Consolidation purpose, and for its assessment and the effectiveness of Internal Control over Financial Reporting for Consolidation purpose, included in the accompanying *Internal Control over Financial Reporting for Consolidation purpose Operating Status Report by CEO & Internal Accounting Manager*.

Those charged with governance have the responsibilities for overseeing Internal Control over Financial Reporting for Consolidation purpose.



## **Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting for Consolidation purpose**

Our responsibility is to express opinion on the Company's Internal Control over Financial Reporting for Consolidation purpose based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective Internal Control over Financial Reporting for Consolidation purpose was maintained in all material respects.

An audit of Internal Control over Financial Reporting for Consolidation purpose involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of Internal Control over Financial Reporting for Consolidation purpose and testing and evaluating the design and operating effectiveness of Internal Control over Financial Reporting for Consolidation purpose based on the assessed risk.

## **Definition and Inherent Limitations of Internal Control over Financial Reporting for Consolidation purpose**

An entity's Internal Control over Financial Reporting for Consolidation purpose is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's Internal Control over Financial Reporting for Consolidation purpose includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, Internal Control over Financial Reporting for Consolidation purpose may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Gil Jae Lee, Certified Public Accountant.

Seoul, Korea

March 20, 2024

This report is effective as of March 20, 2024, 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 Company's Internal Control over Financial Reporting for Consolidation purpose 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.



## **Internal Control over Financial Reporting(“ICFR”) for Consolidation purpose Operating Status Report by CEO & Internal Accounting Manager**

To the Shareholders, Board of Directors and the Audit Committee of  
Hankook Tire & Technology CO., LTD.

We, as the chief executive officer (“CEO”) and the internal accounting control officer (“IACO”) of Hankook Tire & Technology CO., LTD. (the “Company”), have assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) as of December 31, 2023.

Design and operations of ICFR for consolidation purpose is the responsibility of the company’s management, including Chief Executive Officer and Internal Accounting Manager.

We evaluated whether the Company effectively designed and operated its ICFR for consolidation purpose to prevent and detect errors or frauds which may cause a misstatement in consolidated financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’ established by the Operating Committee of Internal Control over Financial Reporting in Korea (the “ICFR Committee”) as the criteria for design and operation of the Company’s ICFR for consolidation purpose. And we conducted an evaluation of ICFR based on the ‘Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting’ established by the ICFR Committee.

Based on our assessment, the Company’s ICFR for consolidation purpose is designed and operated effectively as of December 31, 2023 in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 28, 2024

Lee Soo-il, chief executive officer  
Park Jong-ho, internal accounting control officer