

**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

Hankook Tire & Technology Co., Ltd. and Subsidiaries

Index

December 31, 2023 and 2022

| | Page(s) |
|--|---------|
| Independent auditor's report | 1-4 |
| Consolidated financial statements | |
| Consolidated Statements of Financial Position | 5 |
| Consolidated Statements of Comprehensive Income | 6 |
| Consolidated Statements of Changes in Equity | 7 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to the Consolidated Financial Statements | 9-106 |
| Report on Independent Auditor's Audit of Internal Control over Financial Reporting for Consolidation purpose | 109-110 |
| Report on Effectiveness of Internal Control over Financial Reporting for Consolidation purpose | 111 |



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 |
|---|-------------|-------------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| 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 |
| | | <u>₩ 6,768,077,726</u> | <u>₩ 6,436,304,423</u> |
| Non-current assets | | | |
| 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 |
| | | <u>5,995,227,962</u> | <u>6,145,059,736</u> |
| Total assets | | <u>₩ 12,763,305,688</u> | <u>₩ 12,581,364,159</u> |
| Liabilities | | | |
| Current liabilities | | | |
| 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 |
| | | <u>₩ 2,284,371,173</u> | <u>₩ 2,887,075,507</u> |
| Non-current liabilities | | | |
| 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 |
| | | <u>849,381,339</u> | <u>818,579,404</u> |
| Total liabilities | | <u>₩ 3,133,752,512</u> | <u>₩ 3,705,654,911</u> |
| Equity | | | |
| Equity attributable to owners of the Parent Company | | | |
| 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) |
| | | <u>6,437,264,359</u> | <u>5,844,798,195</u> |
| Non-controlling interests | | 77,044,738 | 68,598,796 |
| Total equity | | <u>9,629,553,176</u> | <u>8,875,709,248</u> |
| Total liabilities and equity | | <u>₩ 12,763,305,688</u> | <u>₩ 12,581,364,159</u> |

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 |
|--|-------------|-----------------|-----------------|
| Sales | 29,30,40,42 | ₩ 8,939,621,476 | ₩ 8,394,203,037 |
| Cost of sales | 29,37,42 | (6,043,639,924) | (6,291,656,294) |
| Gross profit | | 2,895,981,551 | 2,102,546,743 |
| Selling and distribution expenses | 31,37 | (1,568,036,230) | (1,396,728,654) |
| Operating profit | | 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) |
| Profit before income tax | | 1,171,218,933 | 858,353,826 |
| Income tax expenses | 36 | (442,425,981) | (152,579,300) |
| Profit for the year | | ₩ 728,792,952 | ₩ 705,774,526 |
| Other comprehensive income (loss) | | | |
| <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 |
| Other comprehensive income (loss) for the year, net of tax | | 122,695,336 | 9,576,236 |
| Total comprehensive income for the year | | ₩ 851,488,288 | ₩ 715,350,762 |
| Profit for the year is attributable to: | | | |
| Owners of the Parent Company | | ₩ 720,217,649 | ₩ 690,248,872 |
| Non-controlling interests | | 8,575,303 | 15,525,654 |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of the Parent Company | | ₩ 842,988,989 | ₩ 700,153,149 |
| Non-controlling interests | | 8,499,299 | 15,197,613 |
| Earnings per share | | | |
| 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 |
|--|-------|---------------|-----------------------|----------------------------|-------------------|----------------------|--------------------------|-----------------|
| Balance at January 1, 2022 | | ₩ 61,937,535 | ₩ 2,927,985,080 | ₩ (12,766,416) | ₩ 5,180,992,003 | ₩ 8,158,148,201 | ₩ 37,366,089 | ₩ 8,195,514,290 |
| Total comprehensive income for the year | | | | | | | | |
| 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 |
| Balance at December 31, 2022 | | ₩ 61,937,535 | ₩ 2,962,186,308 | ₩ (61,811,586) | ₩ 5,844,798,195 | ₩ 8,807,110,452 | ₩ 68,598,796 | ₩ 8,875,709,248 |
| Balance at January 1, 2023 | | ₩ 61,937,535 | ₩ 2,962,186,308 | ₩ (61,811,586) | ₩ 5,844,798,195 | ₩ 8,807,110,452 | ₩ 68,598,796 | ₩ 8,875,709,248 |
| Total comprehensive income for the year | | | | | | | | |
| 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 |
| Balance at December 31, 2023 | | ₩ 61,937,535 | ₩ 2,962,186,308 | ₩ 91,120,237 | ₩ 6,437,264,359 | ₩ 9,552,508,439 | ₩ 77,044,738 | ₩ 9,629,553,176 |

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> | Notes | 2023 | 2022 |
|--|--------------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| 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) |
| Net Cash inflow from operating activities | | 1,973,172,495 | 504,570,700 |
| Cash flows from investing activities | | | |
| 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 |
| Net Cash outflow from investing activities | | 96,913,657 | (332,001,473) |
| Cash flows from financing activities | | | |
| Net changes in short-term borrowings | 38 | (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 |
| Net Cash outflow from financing activities | | (965,371,547) | (90,339,172) |
| Net increase(decrease) in cash and cash equivalents | | 1,104,714,604 | 82,230,055 |
| 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) |
| Cash and cash equivalents at the end of the year | | ₩ 2,243,874,565 | ₩ 1,139,442,351 |

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 ¹ | 75,498,725 | 60.94 | 75,498,725 | 60.94 |
| Total | 123,875,069 | 100.00 | 123,875,069 | 100.00 |

¹ 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 Iip. | India | Sales of tires | 100.0 | 100.0 | December |
| Hankook Tire Sweden AB | Sweden | Sales of tires | 100.0 | 100.0 | December |
| Beijing Jielun Trading Company Co., Ltd. | China | Sales of tires | 100.0 | 100.0 | December |
| Qingdao Jieluntong Trading Co., LTD | China | Sales of tires | 100.0 | 100.0 | December |
| Xiamen Jieluntong Trading Co., LTD | China | Sales of tires | 100.0 | 100.0 | December |
| Hankook Lastikleri A.S. | Turkey | Sales of tires | 100.0 | 100.0 | December |
| Hankook Tire Polska Sp. z o.o. | Poland | Sales of tires | 100.0 | 100.0 | December |
| Hankook Tire Thailand Co., Ltd. | Thailand | Sales of tires | 100.0 | 100.0 | December |
| Hankook Tire de Colombia Ltda. | Colombia | Sales of tires | 100.0 | 100.0 | December |
| Hankook Tire Manufacturing Tennessee LP | USA | Manufacture and sales of tires | 100.0 | 100.0 | December |
| Hankook Tire America Holdings I, LLC | USA | Building American governance | 100.0 | 100.0 | December |
| Hankook Tire America Holdings II, LLC | USA | Building American governance | 100.0 | 100.0 | December |
| MK Technology (CHONGQING) Mould Co., Ltd | China | Manufacture and sales of tire mold | 50.1 | 50.1 | December |
| Hankook Tire Ceska Republika s.r.o. | Czech | Sales of tires | 100.0 | 100.0 | December |
| Hankook Donggeurami Partners Co., Ltd. | Korea | Facilities management service, baking | 100.0 | 100.0 | December |
| Hankook Tyre Australia Retail Pty., Ltd. | Australia | Distribution of tires | 100.0 | 100.0 | December |
| JAX Quickfit Franchising Systems Unit Trust. | Australia | Distribution of tires | 100.0 | 100.0 | December |
| JAX Quickfit Franchising Systems Pty Ltd. | Australia | Distribution of tires | 100.0 | 100.0 | December |
| JAX Quickfit Properties Pty Ltd. | Australia | Distribution of tires | 100.0 | 100.0 | December |
| 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 | Germany | Building European governance | 100.0 | 100.0 | December |
| RM Verwaltungs GmbH | Germany | Building European governance | 100.0 | 100.0 | December |
| RU Verwaltungs GmbH | Germany | Building European governance | 100.0 | 100.0 | December |
| Hankook Tire 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 Turkiye

(a) In applying Korean IFRS 1029 Financial Reporting in Hyperinflationary Economies in accordance with the hyperinflationary situation in Turkiye 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 change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve 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 change in carrying amount recognized in profit or loss.

(b) Associates

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

(c) Joint Arrangements

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

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

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

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

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

2.10 Property, Plant and Equipment

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

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

| | <u>Useful lives</u> |
|-------------------------------|---------------------|
| 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:

| | <u>Useful lives</u> |
|---------------------|---------------------|
| 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:

| | <u>Useful lives</u> |
|---------------------------------|---------------------|
| 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> | | <u>2023</u> | | <u>2022</u> |
|-------------------------------------|---|---------------|---|---------------|
| 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.

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

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)

| | 2023 | | 2022 | |
|------------------|-------------|--------------|-------------|--------------|
| 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)

| | Maturity date | Selling currency | Selling amount | Contract exchange rate | Buying Currency | Contractual inflow amount |
|---------------------|-----------------------|-------------------------|-----------------------|-------------------------------|------------------------|----------------------------------|
| 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> | | 2023 | 2022 |
|-------------------------------------|----------|-------------|-------------|
| 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 | | | | | |
|---------------------------------|-------------------------|------------------------|------------------------|----------------------|----------------------|----------------------|
| | Contractual Cash | | Residual value | | | |
| | Book amount | 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 ¹ | 307,054,108 | 307,054,108 | 307,054,108 | - | - | - |
| Accrued expenses ¹ | 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 |

¹Payables related to employee benefits are excluded.

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

(in thousands
of Korean won)

| | 2022 | | | | | |
|---------------------------------|--------------------|-------------------------------|-----------------------|---------------------|---------------------|---------------------|
| | Book amount | Contractual Cash flows | Residual value | | | |
| | | | 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 ¹ | 239,836,049 | 239,836,049 | 239,836,049 | - | - | - |
| Accrued expenses ¹ | 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 |

¹Payables 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:

| <i>(in thousands of Korean won)</i> | 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).

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

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)

| | 2023 | | | |
|---|----------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 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)

| | 2022 | | | |
|---|----------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 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)

| | 2023 | | | |
|--|--------------------|--------------|-----------------------------|--|
| | Fair values | Level | Valuation techniques | Inputs |
| 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 |

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

(in thousands of Korean won)

2022

| | Fair values | Level | Valuation techniques | Inputs |
|---|--------------------|--------------|-----------------------------|--|
| 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)

| | | <u>2023</u> | <u>2022</u> |
|---|---|------------------------|------------------------|
| Financial assets | | | |
| 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) ¹ | 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 |

¹ Receivables related to employee benefits are excluded.

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

(in thousands of Korean won)

| | | <u>2023</u> | <u>2022</u> |
|---|---|------------------------|------------------------|
| Financial liabilities | | | |
| Other financial liabilities | Financial derivative liabilities | ₩ 4,492,150 | ₩ 2,397,170 |
| Financial liabilities at amortized cost | Trade payables | 508,929,714 | 503,121,053 |
| | Non-trade payables ¹ | 307,054,108 | 239,836,049 |
| | Accrued expenses ¹ | 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 ² | 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 |

¹ Payables related to employee benefits are excluded.

² 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)

| | 2023 | 2022 |
|---|----------------|--------------|
| 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> | 2023 | 2022 |
|-------------------------------------|--------------|--------------|
| 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> | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| 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:

| <i>(in thousands of Korean won)</i> | <u>2023</u> | | <u>2022</u> | |
|---|-------------|-------------|-------------|-------------|
| Non-current | | | | |
| Listed securities and others ¹ | ₩ | 110,847,716 | ₩ | 166,021,528 |
| Unlisted securities and others ¹ | | 517,055 | | 517,055 |
| Total | ₩ | 111,364,771 | ₩ | 166,538,583 |

¹ 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:

| <i>(in thousands of Korean won)</i> | <u>2023</u> | | <u>2022</u> | |
|-------------------------------------|---------------|--------------------|---------------|--------------------|
| | <u>Assets</u> | <u>Liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| Interest rate swap | ₩ 5,817,481 | ₩ - | ₩ 9,661,715 | ₩ - |
| Put options ¹ | - | 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 |

¹The 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) ¹ | ₩ - | ₩ - | ₩ 68,952,476 | ₩ - |

¹As 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)

| | 2023 | | |
|-----------------------------|------------------------|---------------------------------------|------------------------|
| | Gross amount | Less: Provision for impairment | Net amount |
| Current | | | |
| 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 | <u>₩ 1,883,369,941</u> | <u>₩ (9,722,459)</u> | <u>₩ 1,873,647,482</u> |
| Non-current | | | |
| 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 | <u>₩ 55,340,718</u> | <u>₩ (2,007,435)</u> | <u>₩ 53,333,283</u> |

(in thousands of Korean won)

| | 2022 | | |
|-----------------------------|------------------------|---------------------------------------|------------------------|
| | Gross amount | Less: Provision for impairment | Net amount |
| Current | | | |
| 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 | <u>₩ 1,717,962,922</u> | <u>₩ (7,851,650)</u> | <u>₩ 1,710,111,272</u> |
| Non-current | | | |
| 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 | <u>₩ 57,966,340</u> | <u>₩ (1,925,664)</u> | <u>₩ 56,040,676</u> |

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

(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)

| | 2023 | | |
|-------------------------------|--------------------------|------------------------------|--------------|
| | Trade receivables | Non-trade receivables | Total |
| 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)

| | 2022 | | |
|-------------------------------|--------------------------|------------------------------|--------------|
| | Trade receivables | Non-trade receivables | Total |
| 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)

| | 2023 | | |
|---------------------------|--------------------------|--------------------------|-----------------|
| | Trade receivables | Other receivables | Total |
| 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 |

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

(in thousands of Korean won)

| | 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) |

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

(in thousands of
Korean won)

| | 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 | <u>₩ 2,477,861,200</u> | <u>₩ 2,449,545,168</u> | <u>₩ 28,316,032</u> | <u>₩ 3,482,366</u> | <u>₩ (20,914,237)</u> |

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)

| | 2023 | | 2022 | |
|-----------------------------|----------------|--------------------|----------------|--------------------|
| | Current | Non-Current | Current | Non-Current |
| 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)

| | 2023 | 2022 |
|----------------------------------|-------------|-------------|
| 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)

| | 2023 | | 2022 | |
|------------------|----------------|--------------------|----------------|--------------------|
| | Current | Non-Current | Current | Non-Current |
| 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 | <u>₩ 10,629,806,988</u> | <u>₩ (6,882,023,116)</u> | <u>₩ (33,521,389)</u> | <u>₩ 3,714,262,483</u> |

(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 | <u>₩ 10,522,856,529</u> | <u>₩ (6,804,982,249)</u> | <u>₩ (30,396,881)</u> | <u>₩ 3,687,477,399</u> |

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

(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 ^{1,2} | Exchange differences ³ | 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 |

¹ 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.

² Includes transfers between property, plant and equipment and financial lease receivables and transfers between property, plant and equipment and investment properties.

³ Includes the effect of applying financial reporting in hyperinflationary economy of Turkiye.

(in thousands of Korean won)

| | 2022 | | | | | | | |
|-------------------------------|-------------------------|----------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------------|
| | Opening net book amount | Acquisition | Disposal | Depreciation | Impairment | Others ¹ | Exchange differences ² | 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 |

¹ Includes transfers between property, plant and equipment and financial lease receivables and transfers between property, plant and equipment and investment properties.

² Includes the effect of applying financial reporting in hyperinflationary economy of Turkiye.

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

(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.

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

(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:

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

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

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

(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> | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Right-of-use assets ¹ | | |
| 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 |

¹Included 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> | 2023 | 2022 |
|-------------------------------------|---------------|---------------|
| Lease liabilities ¹ | | |
| Current | ₩ 79,063,253 | ₩ 66,712,948 |
| Non-current | 330,164,886 | 292,830,763 |
| Total | ₩ 409,228,139 | ₩ 359,543,711 |

¹Included 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> | 2023 | 2022 |
|--|--------------|--------------|
| 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) ¹ | ₩ 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 |

¹Excluded 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> | 2023 | 2022 |
|--|---------------|---------------|
| Total minimum lease payments | | |
| 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> | 2023 | 2022 |
|---------------------------------------|--------------|--------------|
| Financial lease receivables-buildings | ₩ 61,899,677 | ₩ 60,244,043 |

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

(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)

| | 2023 | | 2022 | |
|-----------------------|------------------|------------|------------------|------------|
| | 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)

| | 2023 | | | |
|---------------------------------|------------------|--------------------------|-------------------------------|---------------|
| | 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)

| | 2022 | | | |
|---------------------------------|------------------|--------------------------|-------------------------------|---------------|
| | 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 |

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

(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 ¹ | 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 |

¹ 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 ¹ | 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 |

¹ 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> | 2023 | | 2022 | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| 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> | Discount rate | Long-term growth rate |
|----------------------------------|----------------------|------------------------------|
| 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> | Amount of impairment | | |
|--|---|------------------------------|---------------------------|
| | Manufacturing and sales of tires | Distribution of tires | None-tire business |
| 0.5% increase of discount rate | ₩ - | ₩ - | ₩ - |
| 0.5% decrease of long-term growth rate | - | - | - |

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

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. ^{1,2} | December | Korea | 19.49 | ₩ 1,061,740,386 | ₩ 1,029,142,994 |
| Peaches Group Korea Co. Ltd. ³ | 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. ² | December | Korea | 18.42 | 220,000 | - |
| DS Quattro H Kosdaq Venture Fund ⁴ | December | Korea | 31.14 | 6,000,000 | 6,453,700 |
| TIMEFOLIO Kosdaq Venture Hedge-S No.2 ⁴ | December | Korea | 30.88 | 8,000,000 | 9,117,511 |
| Nexgen Food Partners ⁴ | December | Korea | 25.00 | 6,000,000 | 5,719,460 |
| I&B Corporatirion Co., Ltd. ⁵ | 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 | ₩ 1,177,000,810 |

(in thousands of Korean won)

| | Closing month | Location | Percentage of ownership (%) | 2022 | |
|---|---------------|----------|-----------------------------|------------------|-----------------|
| | | | | Acquisition cost | Book amount |
| Hanon Systems Co., Ltd. ^{1,2} | December | Korea | 19.49 | ₩ 1,061,740,386 | ₩ 1,059,375,373 |
| Peaches Group Korea Co. Ltd. ^{2,3} | 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. ² | December | Korea | 14.00 | 220,000 | - |
| DS Quattro H Kosdaq Venture Fund ⁴ | December | Korea | 31.14 | 6,000,000 | 5,638,493 |
| TIMEFOLIO Kosdaq Venture Hedge-S No.2 ⁴ | December | Korea | 30.88 | 8,000,000 | 8,016,524 |
| Nexgen Food Partners ⁴ | December | Korea | 25.00 | 6,000,000 | 5,832,278 |
| I&B Corporatirion Co., Ltd. ⁵ | 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 |

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

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

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

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

⁴ 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.

⁵ 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)

| | 2023 | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------------------|--|-------------------|
| | Assets | Liabilities | Equity | Sales | Profit(loss) for the year | Total comprehensive income(loss) | Dividend received |
| 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)

| | 2022 | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------------------|--|-------------------|
| | Assets | Liabilities | Equity | Sales | Profit(loss) for the year | Total comprehensive income(loss) | Dividend received |
| 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) | - |

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

(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 ² | 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. ¹ | - | - | - | - | - | - |
| 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. ¹ | 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 |

¹ 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.

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

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

(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 ¹ | 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 |

¹ Amount of net assets excluding non-controlling interests.

(in thousands of Korean won)

| | 2022 | | | | | |
|--|--|--------------------|----------------------|---------------|--------------------------------------|-----------------|
| | Net assets at the end of the year ¹ | 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 |

¹ 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.

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

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)

| | Amount of impairment | |
|--------------------------------------|-----------------------------|------------|
| 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)

| | | 2023 | | | |
|--|---|---------------|--------------------|-----------------|----------------------------------|
| | | Assets | Liabilities | Sales | Profit(loss) for the year |
| 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 |

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

| | | | | |
|---|---------------|-------------|---------------|-------------|
| 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. ¹ | 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 |

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

| | | | | |
|---|-------------|-------------|-------------|-------------|
| 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) |

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

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

(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 |

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

| | | | | |
|---|---------------|-------------|-------------|--------------|
| 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 Tire Thailand Co., Ltd. | 8,854,108 | 7,039,648 | 17,746,816 | (274,807) |
| Hankook Tires India Ilp. | 100,052 | 2,708 | - | - |
| Hankook Tire 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. ¹ | 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. Chongqing Hankooktire Co., Ltd. | 799,165,131 | 729,289,335 | 891,816,841 | 12,878,379 |
| Beijing Jielun Trading Company Co., Ltd. | 389,047,995 | 207,766,213 | 447,430,972 | (542,059) |
| Qingdao Jieluntong Trading Co., LTD | 1,027,970 | 649,926 | 13,472,310 | 15,712 |
| Xiamen Jieluntong Trading Co., LTD | 385,012 | 431,556 | 9,979,679 | 34,432 |
| Hankook Precision Works Co., Ltd. | 333,651 | 698,346 | 9,738,814 | (42,396) |
| MK Mold (Jiaxing) Co., LTD. | 150,518,018 | 13,822,926 | 128,798,861 | 17,928,631 |
| MK Technology (CHONGQING) Mould Co., Ltd. | 22,549,981 | 4,972,242 | 23,475,964 | 5,373,705 |
| Model Solution Co., Ltd. | 1,926,116 | 92,425 | 682,619 | 98,111 |
| ModelSolution Inc. | 89,948,047 | 26,262,777 | 68,886,235 | 7,818,794 |
| Hankook Engineering Works Co., Ltd. | 2,089,310 | 1,736,121 | 5,798,687 | (64,962) |
| Hankook Donggeurami Partners | 49,519,218 | 9,239,029 | 51,091,008 | 3,255,157 |
| Reifen-Muller KG | 2,018,767 | 911,700 | 6,452,646 | 301,023 |
| Reifen-Muller Runderneuerung BV | 221,056,010 | 163,597,706 | 383,700,518 | 7,991,029 |
| RM Verwaltungs GmbH | 28,141,414 | 1,785,769 | 28,264,967 | 6,535,333 |
| RU Verwaltungs GmbH | 423,542 | 198,211 | 980,023 | 70,299 |
| Hankook Tire D.O.O. Beograd | 224,107 | 80,366 | 384,136 | 42,059 |
| HANKOOK TIRE MIDDLE | 28,627,296 | 27,615,295 | 61,756,735 | 415,001 |
| | 23,860,166 | 23,055,874 | 44,449,162 | 3,442,061 |

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

| | | | | |
|---|------------|------------|------------|-------------|
| 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) |

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

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> | <u>2023</u> | | <u>2022</u> | |
|-------------------------------------|-------------|----------------------|-------------|----------------------|
| 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 | ₩ | <u>1,304,944,054</u> | ₩ | <u>1,210,829,036</u> |

20. Borrowings

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

| <i>(in thousands of Korean won)</i> | <u>2023</u> | | | | <u>2022</u> | | | |
|-------------------------------------|----------------|--------------------|--------------------|--------------------|----------------|----------------------|--------------------|--------------------|
| | <u>Current</u> | | <u>Non-current</u> | | <u>Current</u> | | <u>Non-current</u> | |
| 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 | ₩ | <u>557,776,832</u> | ₩ | <u>609,006,905</u> | ₩ | <u>1,351,443,155</u> | ₩ | <u>585,073,028</u> |

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

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

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

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

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

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

| <i>(in thousands of Korean won)</i> | | | | 2023 | | 2022 | |
|--|--------------------------|---------------|---|----------------------|----------------------|----------------------|----------------------|
| | Lender | Maturity date | Annual Interest rate(%) (2022.12.31) | Current | Non-current | Current | Non-current |
| Long-term borrowings in local currency | KEB Hana Bank and others | 2024.05.17 | 2.12~2.15 | ₩ 11,400,000 | ₩ - | ₩ - | ₩ 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 | | | <u>₩ 144,740,408</u> | <u>₩ 128,940,000</u> | <u>₩ 190,095,000</u> | <u>₩ 142,422,050</u> |

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

| <i>(in thousands of Korean won)</i> | | | | 2023 | | 2022 | |
|--|------------------------------|---------------|---|------------|----------------------|----------------------|----------------------|
| | Issue date | Maturity date | Annual interest rate(%) (2022.12.31) | Current | Non-current | Current | Non-current |
| The 84-1 st debentures | 2020.03.05 | 2023.03.05 | - | ₩ - | ₩ - | ₩ 150,000,000 | ₩ - |
| The 84-2 nd 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 ¹ | 2020.05.15 | 2023.05.15 | - | - | - | 126,730,000 | - |
| | Less: Discount on debentures | | | - | (97,981) | (95,357) | (179,785) |
| | Total | | | <u>₩ -</u> | <u>₩ 149,902,019</u> | <u>₩ 656,824,643</u> | <u>₩ 149,820,215</u> |

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:

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

(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:

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

¹ 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).

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

(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)

| | 2023 | | |
|---|---|--------------------------------------|-----------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Total |
| 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) |
| | <u>71,408,224</u> | <u>(28,896,724)</u> | <u>42,511,500</u> |
| 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 |
| | <u>42,123,994</u> | <u>5,111,946</u> | <u>47,235,940</u> |
| 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 | <u>₩ 492,224,263</u> | <u>₩ (502,684,437)</u> | <u>₩ (10,460,174)</u> |

(in thousands of Korean won)

| | 2022 | | |
|---|---|--------------------------------------|-----------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Total |
| 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) |
| | <u>70,882,595</u> | <u>(17,818,573)</u> | <u>53,064,022</u> |
| 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 |
| | <u>(92,235,687)</u> | <u>9,742,407</u> | <u>(82,493,280)</u> |
| 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 | <u>₩ 428,722,795</u> | <u>₩ (511,102,864)</u> | <u>₩ (82,380,069)</u> |

(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> | 2023 | 2022 |
|---------------------------|-------------|-------------|
| 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> | 2023 | |
|-------------------------------------|-----------------|-----------------|
| | Increase | Decrease |
| 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> | 2022 | |
|-------------------------------------|-----------------|-----------------|
| | Increase | Decrease |
| 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> | 2023 | | 2022 | |
|-------------------------------------|---------------|--------------------|---------------|--------------------|
| | Amount | Composition | Amount | Composition |
| 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> | 2023 | | | | |
|-------------------------------------|-------------------------|------------------------------|------------------------------|---------------------|---------------|
| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
| 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:

| <i>(in thousands of Korean won)</i> | 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 | |

| <i>(in thousands of Korean won)</i> | 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:

| <i>(in tCO₂-eq)</i> | 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:

| <i>(in tCO₂-eq)</i> | 2021 | 2022 ² | 2023 ³ |
|--|-----------|-------------------|-------------------|
| 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 ¹ | (436,988) | (462,752) | (407,990) |
| Carry forward | 36,315 | 40,006 | 73,823 |
| At December 31 | 36,315 | 40,006 | 73,823 |

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

² The quantity of surrendered to the government for the year ended December 31, 2022 was 462,752 tCO₂eq in May 2022. And the residual amount compared to the allocated amount of emissions was carried over 2023.

³ 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 ¹ | 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 |

¹ As the term of Mirae Asset OCIO Best Solution Privately Placed Investment Trust 1, TIGER CONSTANT 1 Hedge Fund, CNT Tech Mobility Startups Investment Fund, 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 ¹ | 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 | 100,149,47 | 734,505 |
| Total | ₩ 285,442,171 | ₩ 123,217,707 | ₩ 181,697,046 | ₩ 117,049,810 |

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

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

(in thousands of Korean won)

| | 2022 | | | | Ending balance |
|-----------------------------|--------------------------|------------------------------|----------------|---|-----------------------|
| | Beginning balance | Additional provisions | Payment | | |
| 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)

| | 2023 | | 2022 | |
|-----------------------|-------------|----------------|-------------|----------------|
| 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)

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

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

27. Other Components of Equity

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

| <i>(in thousands of Korean won)</i> | 2023 | | | | |
|--|----------------------|-------------------------------------|---------------------------------------|---|----------------|
| | Beginning balance | Increase (decrease) ¹ | Reclassification to profit or loss | Reclassification to non-controlling interests | Ending balance |
| Gain (loss) on valuation of financial assets at fair value through other comprehensive income | ₩ 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 |

¹ The amount of tax effect is deducted.

| <i>(in thousands of Korean won)</i> | 2022 | | | | |
|--|----------------------|-------------------------------------|---------------------------------------|---|----------------|
| | Beginning balance | Increase (decrease) ¹ | Reclassification to profit or loss | Reclassification to non-controlling interests | Ending balance |
| Gain (loss) on valuation of financial assets at fair value through other comprehensive income | ₩ 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) |

¹ 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 | ₩ 8,756,386,813 | ₩ 179,585,903 | ₩ 8,935,972,716 |

| <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 | ₩ 8,165,618,560 | ₩ 225,435,455 | ₩ 8,391,054,015 |

(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 ¹ | ₩ | 1,654,082,096 | ₩ | 1,627,293,636 |
| Contract liabilities ² | | 15,888,225 | | 20,425,171 |

¹ The amount after the provision for impairment.

² 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)

| | 2023 | | 2022 |
|---|-----------------|---|---------------|
| 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> | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| 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 |
| Total | <u>₩ 153,097,539</u> | <u>₩ 144,685,379</u> |

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> | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| 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 |
| Total | <u>₩ 198,888,909</u> | <u>₩ 146,434,464</u> |

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> | 2023 | 2022 |
|--|---------------|---------------|
| 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 |
| Total | ₩ 304,191,732 | ₩ 483,081,997 |

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> | 2023 | 2022 |
|--|---------------|---------------|
| 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 |
| Total | ₩ 399,952,421 | ₩ 314,180,626 |

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> | <u>2023</u> | <u>2022</u> |
|-------------------------------------|----------------------|----------------------|
| 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> | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| 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> | <u>2023</u> | | | <u>2022</u> | | |
|--|----------------------|--------------------|----------------------|---------------------|-----------------------|--------------------|
| | <u>Before tax</u> | <u>Tax effect</u> | <u>After tax</u> | <u>Before tax</u> | <u>Tax effect</u> | <u>After tax</u> |
| 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 | <u>11,872,082</u> | <u>(2,782,816)</u> | <u>9,089,266</u> | <u>5,476,983</u> | <u>(1,337,995)</u> | <u>4,138,988</u> |
| 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> |

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

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

| <i>(In thousands of Korean won)</i> | 2023 | | 2022 | |
|---|-------------|--------------------|-------------|--------------------|
| 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 |
| Total | ₩ | <u>214,327,118</u> | ₩ | <u>175,643,238</u> |

(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:

| <i>(In thousands of Korean won)</i> | 2023 | | | |
|---|--------------------------|-----------------------|-----------------------------------|-----------------------|
| | Beginning balance | profit or loss | Other comprehensive income | Ending balance |
| 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 |
| Total | ₩ 175,643,238 | ₩ 19,498,503 | ₩ 19,185,375 | ₩ 214,327,116 |

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

(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 |
| | <u>₩ 139,910,030</u> | <u>₩ 32,647,471</u> | <u>₩ (27,825,418)</u> | <u>₩ 144,732,083</u> |
| Tax credit and tax reduction | 8,020,730 | 22,771,464 | 118,961 | 30,911,155 |
| Total | <u>₩ 147,930,760</u> | <u>₩ 55,418,935</u> | <u>₩ (27,706,457)</u> | <u>₩ 175,643,238</u> |

(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 No Plan to dispose the investments |
| | 449,194,106 | 786,754,417 | |

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> | 2023 | 2022 |
|--------------------------------------|------------------------|------------------------|
| 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 ¹ | 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 |
| Total | <u>₩ 7,611,676,156</u> | <u>₩ 7,688,384,947</u> |

¹ 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)

| | <u>2023</u> | <u>2022</u> |
|--|---------------|---------------|
| 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 |

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

| <i>(In thousands of Korean won)</i> | 2023 | 2022 |
|--|------------------------|--------------------|
| 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 | ₩ 1,147,079,853 | 708,217,881 |

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

(In thousands of Korean won)

| | 2023 | 2022 |
|--|----------------------|------------------------|
| 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 | <u>₩ 498,782,836</u> | <u>₩ (792,291,368)</u> |

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

(In thousands of Korean won)

| | 2023 | 2022 |
|---|---------------|---------------|
| 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 ¹ | 3,219,245 | - |

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

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

(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 ¹ | 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 ¹ | 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 |

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

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

²Basic 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:

| <i>(In thousands of Korean won)</i> | 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> | 2023¹ | | 2022¹ | |
|-------------------------------------|-------------------------|---------------|-------------------------|---------------|
| 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 |

¹Financial 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> | <u>Pledged assets</u> | <u>Pledged amounts</u> | |
|---|-----------------------|------------------------|------------|
| 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:

| Agreement | |
|-----------------------|---|
| 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> | <u>2023</u> | <u>2022</u> |
|--|---------------|---------------|
| 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)

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

(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 option¹
- Group's Right of first refusal²
- Group's Tag-along right

¹ 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.

² 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 ¹ | 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 ² | 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. ² |
| Other related parties ³ | Daehwa Eng' & Machinery Jiaxing 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 |

¹ The entity has a significant influence on the Group.

² 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.

³ 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 | Others¹ | 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 | |
| Holding Group's associates | Hankook Networks Co., Ltd. | 21,156 | 467,791 | 488,947 | |
| Associates and joint ventures | Hanon System Co., Ltd. | 27,403 | - | 27,403 | |
| | I&B Corporation Co., Ltd | - | 12,000 | 12,000 | |
| Individuals | Individual shareholder | - | 37,107 | 37,107 | |
| Other related parties | Daehwa Eng& Machinery Jiaying Co., Ltd. | 275,433 | 2,961 | 278,394 | |
| | ARUM Dentistry Co., Ltd. | - | 418 | 418 | |
| | Total | <u>₩ 3,891,184</u> | <u>₩ 4,587,955</u> | <u>₩ 8,479,139</u> | |

¹ 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 | Others¹ | 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 | |
| Holding Group's associates | Hankook Networks Co., Ltd. | 23,404 | 470,122 | 493,526 | |
| Associates and joint ventures | Hanon System Co., Ltd. | 22,624 | - | 22,624 | |
| | I&B Corporation Co., Ltd | - | 12,129 | 12,129 | |
| Individuals | Individual shareholder | - | 54,578 | 54,578 | |
| Other related parties | Daehwa Eng& Machinery Jiaying Co., Ltd. | 79,574 | 257,683 | 337,257 | |
| | ARUM Dentistry Co., Ltd. | - | 418 | 418 | |
| | Total | <u>₩ 3,574,851</u> | <u>₩ 4,217,160</u> | <u>₩ 7,792,011</u> | |

¹ 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
Year Ended December 31, 2023 and 2022

b) Purchases and others

(In thousands of Korean won)

| | | 2023 | | | |
|-------------------------------|---|---------------------|---------------------|---------------------|--|
| | Name of entity | Purchases | Others | Total | |
| Holding Group ¹ | 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 | <u>₩ 10,330,031</u> | <u>₩ 89,257,103</u> | <u>₩ 99,587,134</u> | |

¹ 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 ¹ | Hankook & Group Co.,Ltd. ³ | ₩ 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 | <u>₩ 14,851,501</u> | <u>₩ 78,290,459</u> | <u>₩ 93,466,286</u> | |

¹ 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.
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023 and 2022

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)

| | | 2023 | | | |
|-------------------------------|------------------------------|-------------------|---|-------|------------|
| Name of entity | | Trade receivables | Non-trade receivables and others ¹ | Total | |
| Holding Group | Hankook & Group Co., Ltd. | ₩ 1,195,724 | ₩ 16,433,841 | ₩ | 17,629,565 |
| | Hankook Car & Life Co., Ltd. | - | 57,417 | | 57,417 |
| Holding Group's associates | Hankook Networks Co., Ltd., | 6,015 | 3,743,691 | | 3,749,706 |
| Associates and joint ventures | Hanon System Co., Ltd. | 2,661 | - | | 2,661 |
| Individuals | Individual shareholder | - | 346,792 | | 346,792 |
| Other related parties | Daehwa Eng& Machinery | | | | |
| | Jiaying Co., Ltd. | - | 155,574 | | 155,574 |
| | ARUM Dentistry Co., Ltd. | - | 919 | | 919 |
| Total | | ₩ 1,204,400 | ₩ 20,738,234 | ₩ | 21,942,634 |

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

(In thousands of Korean won)

| | | 2022 | | | |
|-------------------------------|--------------------------------|-------------------|---|-------|------------|
| Name of entity | | Trade receivables | Non-trade receivables and others ¹ | Total | |
| Holding Group | Hankook & Group Co., Ltd. | ₩ 290,945 | ₩ 16,939,310 | ₩ | 17,230,255 |
| Holding Group's subsidiaries | Atlas BX Motorsports Co., Ltd. | 4,488 | - | | 4,488 |
| | Hankook & Company ES | | | | |
| | America Corporation | - | 32,949,800 | | 32,949,800 |
| | Sonic Motors Co., Ltd., | 2,174 | - | | 2,174 |
| | Hankook Car & Life Co., Ltd. | - | 4,512 | | 4,512 |
| Holding Group's associates | Hankook Networks Co., Ltd., | 678 | 3,897,260 | | 3,897,938 |
| Associates and joint ventures | Hanon System Co., Ltd. | 2,469 | - | | 2,469 |
| Individuals | Individual shareholder | - | 577,986 | | 577,986 |
| Other related parties | Daehwa Eng& Machinery | | | | |
| | Jiaying Co., Ltd. | 13,328 | 232,023 | | 245,351 |
| | ARUM Dentistry Co., Ltd. | - | 460 | | 460 |
| Total | | ₩ 314,082 | ₩ 54,601,351 | ₩ | 54,915,433 |

¹ 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
Year Ended December 31, 2023 and 2022

b) Payables and others

(In thousands of Korean won)

| | | 2023 | | | |
|----------------------------------|--|----------------------|---|---------------------|--|
| | Name of entity | Trade payable | Non-trade payable and others¹ | 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 | <u>₩ 1,515,096</u> | <u>₩ 71,069,101</u> | <u>₩ 72,584,197</u> | |

¹ 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 others¹ | 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 | <u>₩ 1,943,483</u> | <u>₩ 67,225,718</u> | <u>₩ 69,169,201</u> | |

¹ 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 |
| Holdings's Subsidiaries | | | |
| 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 |
| Holdings's Subsidiaries | | | |
| 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)

| | Name of entity | 2023 | | | |
|---|--|------------------------|----------------------------|--|--|
| | | Dividend income | Payment of dividend | Collection of lease receivables | Repayments of lease liabilities |
| Holding Group ¹ | 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)

| | Name of entity | 2022 | | | |
|---|---|------------------------|----------------------------|--|--|
| | | Dividend income | Payment of dividend | Collection of lease receivables | Repayments of lease liabilities |
| Holding Group ¹ | 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 |

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

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

(In thousands of Korean won)

| Name of entity | | 2023 | | 2022 | | | | | |
|----------------|-----------------|------------------------|-----------------------|------------------------|-----------------------|---|--------|---|---|
| | | Receipt/ collection | Repayment/ payment | Receipt/ collection | Repayment/ payment | | | | |
| Holding Group | Hankook & Group | ₩ | - | ₩ | 80,000 | ₩ | 38,295 | ₩ | - |
| | 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)

| | | 2023 | | 2022 | |
|--|-----------------------------|------|------------|------|------------|
| | 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