

Hankook Tire Worldwide Co., Ltd.
Separate Financial Statements
December 31, 2016

Hankook Tire Worldwide Co., Ltd.

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December 31, 2016 and 2015

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying financial statements of Hankook Tire Worldwide Co., Ltd. (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hankook Tire Worldwide Co., Ltd. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Korean IFRS.

Other Matters

The financial statements of Hankook Tire Worldwide Co., Ltd. for the year ended December 31, 2015, were not audited.

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

Seoul, Korea
March 16, 2017

<p>This report is effective as of March 16, 2017, 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 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.</p>
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Hankook Tire Worldwide Co., Ltd.
Separate Statements of Financial Position
December 31, 2016 and 2015

<i>(in thousands of Korean won)</i>	Notes	2016	2015 (Unaudited)	2014 (Unaudited)
Assets				
Current assets				
Cash and cash equivalents	4	₩ 173,856,581	₩ 124,995,571	₩ 211,798,689
Short-term financial assets	4	247,500,000	269,000,000	180,000,000
Available-for-sale financial assets	4,6	2,104,938	-	-
Trade receivables	4,5	29,060,718	27,696,954	25,494,709
Other receivables	4,5	58,225,477	41,092,584	36,221,095
Derivative financial assets	4,8	2,309,748	-	-
Other current assets	9	17,157	18,312	2,212,193
		<u>513,074,619</u>	<u>462,803,421</u>	<u>455,726,686</u>
Non-current assets				
Financial assets at fair value through profit or loss	4,7	20,072,360	-	-
Other non-current receivables	4,5	-	57,053,800	56,004,680
Property, plant and equipment	11	28,593,456	29,118,292	30,341,586
Investment properties	12	24,701,533	25,534,180	26,704,361
Intangible assets	13	8,956,613	8,976,656	6,423,100
Investments in subsidiaries	10	12,229,979	-	-
Investments in associates	10	1,630,433,853	1,642,663,831	1,632,017,958
Available-for-sale financial assets	4,6	30,642,468	22,561,651	20,733,839
Net defined benefit assets	16	964	1,468,031	645,129
Derivative financial assets	4,8	-	-	2,390,374
Other non-current assets	9	650,018	650,018	650,018
		<u>1,756,281,244</u>	<u>1,788,026,459</u>	<u>1,775,911,045</u>
Total assets		<u>₩ 2,269,355,863</u>	<u>₩ 2,250,829,880</u>	<u>₩ 2,231,637,731</u>
Liabilities				
Current liabilities				
Other payables	4,14	₩ 7,365,452	₩ 14,379,623	₩ 13,511,367
Current tax liabilities		5,919,337	3,102,262	6,936,059
Derivative financial assets	4,8	-	2,677,568	429,313
Other current liabilities	15	2,384,008	1,329,732	2,051,440
		<u>15,668,797</u>	<u>21,489,185</u>	<u>22,928,179</u>
Non-current liabilities				
Other non-current payables	4,14	6,668,342	-	-
Deferred tax liabilities	25	59,187,906	58,213,644	53,972,721
Other non-current liabilities	15	269,238	222,739	169,024
		<u>66,125,486</u>	<u>58,436,383</u>	<u>54,141,745</u>
Total liabilities		<u>81,794,283</u>	<u>79,925,568</u>	<u>77,069,924</u>
Equity				
Share capital	1,17	46,510,087	46,510,087	46,510,087
Other paid-in capital	18	1,291,535,691	1,291,535,691	1,291,535,691
Retained earnings	19	847,999,087	831,346,183	817,573,158
Other components of equity	20	1,516,715	1,512,351	(1,051,129)
Total equity		<u>2,187,561,580</u>	<u>2,170,904,312</u>	<u>2,154,567,807</u>
Total liabilities and equity		<u>₩ 2,269,355,863</u>	<u>₩ 2,250,829,880</u>	<u>₩ 2,231,637,731</u>

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

Hankook Tire Worldwide Co., Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

<i>(in thousands of Korean won, except per share data)</i>	Notes	2016		2015 (Unaudited)	
Operating income	21, 27, 29	₩	90,300,328	₩	86,064,597
Operating expense	22		46,256,224		42,086,347
Operating profit			44,044,104		43,978,250
Finance income	23		12,467,812		11,340,659
Finance costs	23		512,127		1,660,601
Other non-operating income	24		6,835,687		5,535,930
Other non-operating expense	24		7,963,617		8,700,681
Profit before income tax			54,871,859		50,493,557
Income tax expense	25		10,113,280		9,424,442
Profit for the period		₩	44,758,579	₩	41,069,115
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit assets	16		(597,150)		212,436
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets	4,20		4,364		2,563,480
Other comprehensive income (loss) for the period, net of tax			(592,786)		2,775,916
Total comprehensive income for the period		₩	44,165,793	₩	43,845,031
Earnings per share					
Basic and diluted earnings per share	30	₩	488	₩	448

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

Hankook Tire Worldwide Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2016 and 2015

	Notes	Other paid-in capital			Retained earnings	Other components of equity	Total Equity
		Share capital	Share premium	Treasury shares		Changes in the fair value of available-for-sale financial assets	
<i>(in thousands of Korean won)</i>							
Balance as of January 1, 2015 (Unaudited)		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 817,573,158	₩ (1,051,129)	₩ 2,154,567,807
Total comprehensive income for the period							
Profit for the period		-	-	-	41,069,115	-	41,069,115
Remeasurements of net defined benefit assets	16	-	-	-	212,436	-	212,436
Changes in the fair value of available-for-sale financial assets	20	-	-	-	-	2,563,480	2,563,480
Transactions with owners :							
Annual dividends	19	-	-	-	(27,508,526)	-	(27,508,526)
Balance at December 31, 2015 (Unaudited)		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 831,346,183	₩ 1,512,351	₩ 2,170,904,312
Balance as of January 1, 2016 (Unaudited)		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 831,346,183	₩ 1,512,351	₩ 2,170,904,312
Total comprehensive income for the period							
Profit for the period		-	-	-	44,758,579	-	44,758,579
Remeasurements of net defined benefit assets	16	-	-	-	(597,150)	-	(597,150)
Changes in the fair value of available-for-sale financial assets	20	-	-	-	-	4,364	4,364
Transactions with owners :							
Annual dividends	19	-	-	-	(27,508,525)	-	(27,508,525)
Balance at December 31, 2016		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 847,999,087	₩ 1,516,715	₩ 2,187,561,580

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

Hankook Tire Worldwide Co., Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2016 and 2015

<i>(in thousands of Korean won)</i>	Notes	2016	2015 (Unaudited)
Cash flows from operating activities			
Cash generated from operating activities			
Profit for the period		₩ 44,758,579	₩ 41,069,115
Adjustments	26	(7,554,364)	(6,814,168)
Changes in operating assets and liabilities	26	103,587	(9,618,404)
		<u>37,307,802</u>	<u>24,636,543</u>
Interest received		7,694,214	12,784,050
Dividends received		14,465,650	14,379,238
Income tax paid		(6,132,690)	(9,903,558)
Net cash inflow from operating activities		<u>53,334,976</u>	<u>41,896,273</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		376,000,000	-
Repayments of short-term loans		92,213,800	-
Proceeds from sale of available-for-sale securities		2,467,094	1,892
Proceeds from sale of property, plant and equipment		-	2,195
Proceeds from sale of intangible assets		-	13,853
Payments for short-term financial assets		(354,500,000)	(89,000,000)
Increase in short-term loans		(56,996,920)	-
Payments for financial assets at fair value through profit and loss	7	(20,000,000)	-
Payments for available-for-sale securities		(10,180,000)	-
Payments for property, plant and equipment	11	(349,030)	(204,134)
Payments for intangible assets	13	(474,604)	(923,033)
Payments for investments in associates	10	-	(10,645,873)
Cash outflow from derivative transactions		(5,145,883)	(434,000)
Net cash inflow (outflow) from investing activities		<u>23,034,457</u>	<u>(101,189,100)</u>
Cash flows from financing activities			
Dividends payment	19	(27,508,525)	(27,508,167)
Net cash outflow from financing activities		<u>(27,508,525)</u>	<u>(27,508,167)</u>
Net increase (decrease) in cash and cash equivalents		<u>48,860,908</u>	<u>(86,800,994)</u>
Cash and cash equivalents at the beginning of the financial year		124,995,571	211,798,689
Effects of exchange rate changes on cash and cash equivalents		102	(2,124)
Cash and cash equivalents at the end of the year		<u>₩ 173,856,581</u>	<u>₩ 124,995,571</u>

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

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Notes to the Separate Financial Statements
December 31, 2016 and 2015(Unaudited)

1. General Information

Hankook Tire Worldwide Co., Ltd. (the Company) was incorporated in May 1941 to manufacture and sell tires, tubes and alloy wheels. In December 1968, the Company offered its shares for public ownership and all of the Company's shares were registered with the Korea Exchange. On April 25, 2012, the Board of Directors resolved to spin-off the tire business unit and the investment business unit separately; the former engages in manufacturing, processing and distribution of tires, tubes and parts; the latter engages in the subsidiary management and real estate rental business. Following the shareholders' meeting on July 27, 2012, the spin-off has been approved and the Company changed its name from Hankook Tire Co., Ltd. to Hankook Tire Worldwide Co., Ltd.

Through the multiple capital increases, transfers of convertible notes and the spin-off, the authorized number of the Company's ordinary shares are 250 million with a par value of ₩500 per share as at December, 31 2016. The share capital of the Company is ₩46,510,087 thousand (ordinary shares: 93,020,173 shares) and the Company's shareholders as at the end of the reporting period, are as follows:

	2016		2015		2014	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Yang Rai Cho	21,942,693	23.6	21,942,693	23.6	21,942,693	23.6
Hyun Shick Cho	17,974,870	19.3	17,974,870	19.3	17,974,870	19.3
Hyun Bum Cho	17,959,178	19.3	17,959,178	19.3	17,959,178	19.3
Treasury shares	1,325,089	1.4	1,325,089	1.4	1,325,089	1.4
Others	33,818,343	36.4	33,818,343	36.4	33,818,343	36.4
	<u>93,020,173</u>	<u>100.0</u>	<u>93,020,173</u>	<u>100.0</u>	<u>93,020,173</u>	<u>100.0</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 Company 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 separate 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 Company's financial position, financial performance or cash flows, is not

Hankook Tire Worldwide Co., Ltd.

Notes to the Separate Financial Statements

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presented in the accompanying separate financial statements.

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

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- *Disclosure Initiative* – Amendments to Korean IFRS 1001 *Presentation of Financial Statements*
- Korean IFRS 1011 *Construction Contract*, Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 2115 *Arrangements for Property Construction*
- *Agriculture: Bearer Plants* – Amendments to Korean IFRS 1016 *Property, Plant and Equipment*, and Korean IFRS 1041 *Agriculture*
- *Clarification of Acceptable methods of Depreciation and Amortization* – Amendments to Korean IFRS 1016 *Property, Plant and Equipment*, and Korean IFRS 1038 *Intangible assets*
- *Investment entities: Applying the Consolidation Exception* – Amendments to Korean IFRS 1110 *Consolidated Financial Statements*, Korean IFRS 1028 *Investments in Associates and Joint Ventures*, and Korean IFRS 1112 *Disclosures of Interests in Other Entities*
- *Accounting for Acquisitions of Interests in Joint Operations* – Amendments to Korean IFRS 1111 *Joint Arrangement*
- Annual Improvements to Korean IFRS 2012-2014 *Cycle*

(b) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Company are set out below.

- Amendments to Korean IFRS 1007 *Statement of Cash Flows*

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Amendments to Korean IFRS 1007 *Statement of Cash flows* requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. This amendment will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. This amendment will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendment clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. This amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Korean IFRS 1109 *Financial Instruments*

The new standard for financial instruments issued on September 25, 2015 are effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Company will apply the standards for annual periods beginning on or after January 1, 2018, and the Company is analyzing the effects of applying the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company will apply Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted under Korean IFRS. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The Company must apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018.

The new standard is based on the principle that revenue is recognized when control of a good or

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service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

As at December 31, 2016, the Company neither prepared for internal management process nor began to adjust accounting system in relation to implementation of Korean IFRS 1115. Also, the Company did not analyze the financial effects of applying the standard. The Company plans to analyze the financial effects of applying the standard and disclose the result of the analysis in the notes on the financial statements as at September 30, 2017.

2.3 Subsidiaries and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 Separate Financial Statements. Investments in subsidiaries, joint ventures and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the

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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.

2.5 Financial Assets

(a) Classification and measurement

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets, loans and receivables, and held-to-maturity financial assets. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

For hybrid (combined) instruments, the Company is unable to measure an embedded derivative separately from its host contract; therefore, the entire hybrid (combined) contract is classified as at fair value through profit or loss. The Company designated financial assets, securitized derivatives, as at fair value through profit or loss.

At initial recognition, the Company 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss within other income or other expenses. Gains or losses arising from changes in the available-for-sale financial assets are recognized in other comprehensive income, and amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(b) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account, and

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that of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The Company considers that there is objective evidence of impairment if significant financial difficulties of the debtor, or delinquency in interest or principal payments for more than certain periods is indicated. Moreover, in the case of equity investments classified as available-for-sale, a significant decline in the fair value of the security below its cost by more than certain percentage, or prolonged decline for more than certain periods is considered an objective evidence of impairment.

(c) Derecognition

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

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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 Company or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

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2.7 Property, Plant and Equipment

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

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

	Useful lives
Buildings	20 - 40 years
Structures	20 - 40
Vehicles	4
Supplies	4

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.8 Intangible Assets

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

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Industrial property rights	5 years

2.9 Investment Property

Investment property 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 Company depreciates investment properties, except for land, using the straight-line method over their useful lives for 40 years.

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2.10 Impairment of Non-financial Assets

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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial Liabilities

(a) Classification and measurement

The Company'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 Company 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', 'other payables', and 'other non-current payables' in the statement of financial position.

(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.

2.12 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 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 Company recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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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 separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

2.13 Employee Benefits

(a) Post-employment benefits

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 Company 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 Company 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.

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2.14 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rendering of services

Revenue from rendering of services is recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(b) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company 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.

(d) Dividend income

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

(e) Rental income

Rental income from investment properties is recognized using the straight-line method over the period of rent.

2.15 Operating Segments

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.

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2.16 Approval of Issuance of the Financial Statements

The separate financial statements 2016 were approved for issue by the Board of Directors on March 16, 2017 and are subject to change with the approval of shareholders at their Annual General Meeting.

2.17 Reclassification of Prior Year Financial Statement

A certain amounts in the financial statements as of and for the year ended December 31, 2015, have been reclassified to conform to the December 31, 2016 financial statement presentation. These reclassifications have no effect on previously reported net income or equity.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(a) Income taxes

The Company'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.(Note 25)

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Company is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(b) 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 Company 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 4)

(c) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are

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determined on an actuarial basis using a number of assumptions including the discount rate.
 (Note 16)

4. Financial Risk Management

(a) Capital Management

The Company manages its capital to ensure that entities under the Company will be able to continue while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged from that of the prior periods. The Company 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 financial statements. The Company is not subject to any externally imposed capital requirements.

The debt ratio as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016	2015	2014
Total liabilities	₩ 81,794,283	₩ 79,925,569	₩ 77,069,925
Total equity	2,187,561,580	2,170,904,312	2,154,567,807
Debt ratio	3.7%	3.7%	3.6%

(b) The accounting policies and methods (including recognition, measurement, and related gain or loss recognition) adopted to the Company's financial assets, financial liabilities and equity at the end of the reporting period are detailed in Note 2.

(c) Categorizations of financial assets and liabilities as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016	2015	2014	
Financial assets:				
Derivatives designated as a hedging instrument	Foreign exchange forward contracts	₩ 2,309,748	₩ -	₩ 2,390,374
Available-for-sale financial assets	Available-for-sale financial assets	32,747,406	22,561,651	20,733,839
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	20,072,360	-	-
Loans and receivables	Cash and cash equivalents	173,856,581	124,995,571	211,798,689
	Short-term financial assets	247,500,000	269,000,000	180,000,000
	Trade receivables	29,060,718	27,696,954	25,494,709
	Non-trade receivables	58,225,477	41,092,584	36,221,095
	Other non-current receivables	-	57,053,800	56,004,680
		<u>₩ 563,772,290</u>	<u>₩ 542,400,560</u>	<u>₩ 532,643,386</u>

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<i>(in thousands of Korean won)</i>		2016		2015		2014	
Financial liabilities:							
Derivatives designated as a hedging instrument	Foreign exchange forward contracts	₩	-	₩	2,677,568	₩	429,313
Financial liabilities at amortized cost	Other payables		7,365,452		14,379,623		13,511,367
	Other non-current payables		6,668,342		-		-
		₩	<u>14,033,794</u>	₩	<u>17,057,191</u>	₩	<u>13,940,680</u>

Net gains or losses on each category of financial instruments for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>		2016		2015	
Derivatives designated as a hedging instrument					
	Gain(loss) on valuation of foreign currency forward contract	₩	2,309,748	₩	(5,067,941)
	Loss on transaction of foreign currency forward contract		(2,468,315)		(4,688)
Available-for-sale financial assets					
	Gain on valuation (other comprehensive income)		4,364		2,563,480
	Gain on disposal		2,467,093		1,892
	Impairment(reversal)		-		(1,554,088)
	Dividend income		1,760		1,863
Financial assets at FVTPL					
	Gain on valuation		72,360		-
Loans and receivables					
	Interest income		9,614,387		11,178,415
	Gain on foreign currency transaction		1,863,464		55,962
	Gain(loss) on foreign currency translation		(2,246,658)		3,230,998
Financial liabilities measured at amortized cost					
	Loss on foreign currency transaction		(4,626)		(2,628)
	Loss on foreign currency translation		(6,438)		(661)
		₩	<u>11,607,139</u>	₩	<u>10,402,604</u>

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(d) Financial risk management

1) Purpose of financial risk management

The Company 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 Company manages operations, organizes the approach to financial market and controls the financial risks related to operations of the Company through internal risk reports which analyze the scope and degree of each risk factor.

The Company uses derivative financial instruments to hedge these risks. The use of derivatives is decided in the observance of the Company'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 Company does not trade the financial instruments including derivatives for the purpose of speculation.

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

2) Market risk

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

a) Foreign currency risk management

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

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

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The table below summarizes the impact of Korean won on the Company's pre-tax profit for the period. The analysis is based on the assumption that the foreign exchange rate based on Korean won has increased by 10% with all other variables held constant.

<i>(in thousands of Korean won)</i>		2016		2015		2014
USD	₩	(10,339)	₩	109,697	₩	40,732
CNY		359,589		61,530		328,863
EUR		(4,868)		(2,084)		(2,097)
Others		(988)		(759)		839

Details of unsettled currency forward contracts as at the end of the reporting period are as follows:

<i>(in thousands of Korean won, and thousands of CNY)</i>	2016						
	Contract date	Maturity date	Contract amount in foreign currency	Contract rate	Strike amount	Fair value	Gain on valuation
Citi Bank	2016.05.24	2017.05.24	CNY 316,000	176.30	₩ 55,710,800	₩ 53,401,052	₩ 2,309,748

<i>(in thousands of Korean won, and thousands of USD and CNY)</i>	2015						
	Contract date	Maturity date	Contract amount in foreign currency	Contract rate	Strike amount	Fair value	Loss on valuation
Deutsche Bank AG	2013.05.27	2016.05.26	CNY 136,000	176.82	₩ 24,047,520	₩ 25,424,670	₩ (1,377,150)
	2013.05.28	2016.05.29	CNY 180,000	176.63	31,793,400	33,620,321	(1,826,921)
Standard Chartered Bank	2015.03.03	2016.03.02	USD 30,000	1,111.50	33,345,000	35,208,870	(1,863,870)
					<u>₩ 89,185,920</u>	<u>₩ 94,253,861</u>	<u>₩ (5,067,941)</u>

<i>(in thousands of Korean won, And thousands of USD and CNY)</i>	2014						
	Contract date	Maturity date	Contract amount in foreign currency	Contract rate	Strike amount	Fair value	Loss on valuation
Deutsche Bank AG	2014.03.03	2015.03.03	USD 10,000	1,088.10	₩ 10,881,000	₩ 11,023,438	₩ (142,438)
	2013.05.27	2016.05.26	CNY 136,000	176.82	24,047,520	25,028,351	(980,831)
	2013.05.28	2016.05.29	CNY 180,000	176.63	31,793,400	33,088,593	(1,295,193)
Standard Chartered Bank	2014.03.03	2015.03.03	USD 20,000	1,088.00	21,760,000	22,046,875	(286,875)
					<u>₩ 88,481,920</u>	<u>₩ 91,187,257</u>	<u>₩ (2,705,337)</u>

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b) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from the Company'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 Company monitors a fluctuation of domestic and foreign interest rates and establishes alternatives.

c) Other price risks

The Company is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The table below summarizes the impact of increases/decreases of fair value of AFS financial assets on the Company's other comprehensive income. The analysis is based on the assumption that the equity index has increased/decreased by 5% with all other variables held constant.

<i>(in thousands of Korean won)</i>	2016		2015		2014	
AFS financial assets	₩	35,320	₩	15,686	₩	16,930

The price sensitivity of the Company indicated no significant change comparing to the year ended December 31, 2015.

3) Credit risk management

Credit risk refers to risk of financial losses to the Company when the counterpart defaults on the obligations of the contracts. The Company 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 Company 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 Company regularly monitors customers' credit ratings, checks on the credit risk exposure and readjusts deposit or aggregate amount of transactions. The aggregate risks are allocated to total portfolio of approved customers for diversification effect that are reviewed and approved annually by Financial Risk Management Committee.

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

<i>(in thousands of Korean won)</i>	2016		2015		2014	
Financial guarantee contracts ¹	₩	64,794,480	₩	217,154,480	₩	508,583,507

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¹The maximum exposure of financial guarantee contracts is the largest amount to the extent of payment guarantee limit that the Company should make payment when the guarantee is claimed.

4) Liquidity risk management

The Company has established an appropriate liquidity risk management framework for the management of the Company'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 Company 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.

The table below discloses remaining contractual maturity of non-derivative financial liabilities and net settled derivative financial instrument in detail. The table below is prepared based on undiscounted cash flow of financial liabilities. Contractual maturity is based on the earliest day when the payment can be claimed to the Company

<i>(in thousands Korean won)</i>	2016					
	Within a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Book value
Non-trade payables	₩ 7,365,452	₩ -	₩ -	₩ -	₩ 7,365,452	₩ 7,365,452
Other non-current payables	-	6,668,342	-	-	6,668,342	6,668,342
Financial guarantee contracts	64,794,480	-	-	-	64,794,480	-
	<u>₩ 72,159,932</u>	<u>₩ 6,668,342</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 78,828,274</u>	<u>₩ 14,033,794</u>

<i>(in thousands Korean won)</i>	2015					
	Within a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Book value
Non-trade payables	₩ 14,379,623	₩ -	₩ -	₩ -	₩ 14,379,623	₩ 14,379,623
Net settled derivative financial instrument	2,677,568	-	-	-	2,677,568	2,677,568
Financial guarantee contracts	217,154,480	-	-	-	217,154,480	-
	<u>₩ 234,211,671</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 234,211,671</u>	<u>₩ 17,057,191</u>

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(in thousands Korean won)	2014						Total	Book value
	Within a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years				
Non-trade payables	₩ 13,511,367	₩ -	₩ -	₩ -	₩ -	₩ 13,511,367	₩ 13,511,367	
Net settled derivative financial instrument	429,313	-	-	-	-	429,313	429,313	
Financial guarantee contracts	508,583,507	-	-	-	-	508,583,507	-	
	<u>₩ 522,524,187</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 522,524,187</u>	<u>₩ 13,940,680</u>	

Amounts relating to floating interest rate instrument, included in the above table, (non-derivative financial assets and liabilities) may change their value if their interest rates are different from the interest rates finalized at the end of the reporting period. The Company expects to compensate the obligations with cash that will be collected from the operating cash flow and maturity of financial assets.

(e) Fair value of financial instruments

1) Financial assets and liabilities measured at amortized cost whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

2) Financial assets or liabilities that should have been subsequently measured at fair value did not disclose their fair value information as the fair value cannot be estimated reliably. The related financial assets and liabilities' nature and carry amount are as follows:

(in thousands of Korean won)		2016	2015	2014
AFS financial assets	Unlisted stock ¹	₩ 220,080	₩ 220,081	₩ 220,081

¹ The unlisted securities stated in the table are measured at historical cost because they are issued by small and medium enterprises so that the required information for valuation techniques is not available or cannot be reliably estimated.

The financial assets and liabilities stated above have not been derecognized or sold for the current period.

3) Valuation methods and assumptions applied in fair value measurement

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).

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- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at the end of the reporting period, are as follows:

(in thousands of Korean won)

	2016			
	Level 1	Level 2	Level 3	Total
AFS financial assets				
Marketable equity instruments	₩ 706,399	₩ -	₩ -	₩ 706,399
Nonmarketable debt instruments	-	31,820,927	-	31,820,927
Financial assets at fair value through profit or loss				
Derivative-linked securities	-	20,072,360	-	20,072,360
Derivative instruments				
Currency forward assets	-	2,309,748	-	2,309,748
	<u>₩ 706,399</u>	<u>₩ 54,203,035</u>	<u>₩ -</u>	<u>₩ 54,909,434</u>

(in thousands of Korean won)

	2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Marketable equity instruments	₩ 313,715	₩ -	₩ -	₩ 313,715
Nonmarketable debt instruments	-	22,027,855	-	22,027,855
Derivative instruments				
Currency forward liabilities	-	(2,677,568)	-	(2,677,568)
	<u>₩ 313,715</u>	<u>₩ 19,350,287</u>	<u>₩ -</u>	<u>₩ 19,664,002</u>

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	2014			
	Level 1	Level 2	Level 3	Total
AFS financial assets				
Marketable equity instruments	₩ 338,595	₩ -	₩ -	₩ 338,595
Nonmarketable debt instruments	-	20,175,163	-	20,175,163
Derivative instruments				
Currency forward assets	-	2,390,374	-	2,390,374
Currency forward liabilities	-	(429,313)	-	(429,313)
	<u>₩ 338,595</u>	<u>₩ 22,136,224</u>	<u>₩ -</u>	<u>₩ 22,474,819</u>

There were no transfers between levels 1 and 2 during 2016 and 2015.

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5. Trade and Other Receivables

Details of trade and other receivables as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016					
	Gross amount		Less: Provision for impairment		Net amount	
Current						
Trade receivables	₩	29,060,718	₩	-	₩	29,060,718
Other receivables						
Non-trade receivables		96,365		-		96,365
Accrued income		3,378,952		-		3,378,952
Short-term loans		54,750,160		-		54,750,160
	₩	<u>58,225,477</u>	₩	<u>-</u>	₩	<u>58,225,477</u>
Non-current						
Long-term loans	₩	-	₩	-	₩	-

(in thousands of Korean won)

	2015					
	Gross amount		Less: Provision for impairment		Net amount	
Current						
Trade receivables	₩	27,696,954	₩	-	₩	27,696,954
Other receivables						
Non-trade receivables		4,473,805		-		4,473,805
Accrued income		1,458,779		-		1,458,779
Short-term loans		35,160,000		-		35,160,000
	₩	<u>41,092,584</u>	₩	<u>-</u>	₩	<u>41,092,584</u>
Non-current						
Long-term loans	₩	57,053,800	₩	-	₩	57,053,800

(in thousands of Korean won)

	2014					
	Gross amount		Less: Provision for impairment		Net amount	
Current						
Trade receivables	₩	25,494,709	₩	-	₩	25,494,709
Other receivables						
Non-trade receivables		180,681		-		180,681
Accrued income		3,064,414		-		3,064,414
Short-term loans		32,976,000		-		32,976,000
	₩	<u>36,221,095</u>	₩	<u>-</u>	₩	<u>36,221,095</u>
Non-current						
Long-term loans	₩	56,004,680	₩	-	₩	56,004,680

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Trade receivables and other receivables above are classified as loan and receivables, and measured at amortized cost. There were no changes in provision for trade receivables and other receivables during the reporting period. The Company considers a change of credit grade about trade receivables from starting date for granting credit to the statements of financial position date to judge recoverability of trade receivables and others.

6. AFS Financial Assets

Details of available-for-sales financial assets as at the end of the reporting period, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015		2014	
Equity instruments						
Marketable equity instruments	₩	706,399	₩	313,715	₩	338,595
Nonmarketable equity instruments		220,080		220,081		220,081
		<u>926,479</u>		<u>533,796</u>		<u>558,676</u>
Debt instruments						
Government bonds		22,104,427		22,027,855		20,175,163
Hybrid capital securities (Consol bond)		9,716,500		-		-
		<u>31,820,927</u>		<u>22,027,855</u>		<u>20,175,163</u>
	₩	<u>32,747,406</u>	₩	<u>22,561,651</u>	₩	<u>20,733,839</u>

Changes in equity instruments for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016							
	Beginning balance		Valuation		Disposals		Ending balance	
Marketable equity instruments	₩	313,715	₩	392,684	₩	-	₩	706,399
Nonmarketable equity instruments		220,081		-		(2)		220,079
	₩	<u>533,796</u>	₩	<u>392,684</u>	₩	<u>(2)</u>	₩	<u>926,478</u>
<i>(in thousands of Korean won)</i>	2015							
	Beginning balance		Valuation		Ending balance			
Marketable equity instruments	₩	338,595	₩	(24,880)	₩	313,715		
Nonmarketable equity instruments		220,081		-		220,081		
	₩	<u>558,676</u>	₩	<u>(24,880)</u>	₩	<u>533,796</u>		

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Changes in debt securities included in available-for-sale financial assets for the periods ended December 31, 2016 and 2015, are as follows.

(in thousands of Korean won)

	2016			
	Beginning balance	Acquisition	Valuation	Ending balance
Government bonds	₩ 22,027,855	₩ -	₩ 76,572	₩ 22,104,427
Hybrid capital securities (Consol bond)	-	10,180,000	(463,500)	9,716,500
	<u>₩ 22,027,855</u>	<u>₩ 10,180,000</u>	<u>₩ (386,928)</u>	<u>₩ 31,820,927</u>

(in thousands of Korean won)

	2015			
	Beginning balance	Impairment	Valuation	Ending balance
Government bonds	₩ 20,175,163	₩ (1,554,088)	₩ 3,406,780	₩ 22,027,855

7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016	2015	2014
Derivative-linked securities	₩ 20,072,360	₩ -	₩ -

Changes in financial assets at fair value through profit or loss for the period ended December 31, 2016 are as follows:

(in thousands of Korean won)

	2016			
	Beginning balance	Acquisition	Valuation	Ending balance
Derivative-linked securities	₩ -	₩ 20,000,000	₩ 72,360	₩ 20,072,360

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Finance income and finance costs" in the statement of income (Note 23).

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8. Derivative Financial Instruments

Details of derivative financial instruments as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016			
	Assets		Liabilities	
Fair value hedges				
Currency forward	₩	2,309,748	₩	-

(in thousands of Korean won)

	2015			
	Assets		Liabilities	
Fair value hedges				
Currency forward	₩	-	₩	2,677,568

(in thousands of Korean won)

	2014			
	Assets		Liabilities	
Fair value hedges				
Currency forward	₩	2,390,374	₩	429,313

Gains(losses) from derivative financial instruments for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		2015	
	Gains(losses) on valuation	Gains (losses) on transaction	Gains(losses) on valuation	Gains (losses) on transaction
Fair value hedges				
Currency forward	₩ 2,309,748	₩ (2,468,315)	₩ (5,067,941)	₩ (4,688)

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9. Other Assets

Details of other assets as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016			
	Current		Non-current	
Advance payments	₩	-	₩	-
Prepaid expenses		17,157		-
Others		-		650,018
	₩	17,157	₩	650,018

(in thousands of Korean won)

	2015			
	Current		Non-current	
Advance payments	₩	5,000	₩	-
Prepaid expenses		13,312		-
Others		-		650,018
	₩	18,312	₩	650,018

(in thousands of Korean won)

	2014			
	Current		Non-current	
Advance payments	₩	2,200,599	₩	-
Prepaid expenses		11,594		-
Others		-		650,018
	₩	2,212,193	₩	650,018

10. Investments in Subsidiaries and Associates

Set out below are the associates of the Company as at the end of the reporting period.

Name of entity	Total ownership (%)			Location	Main business
	2016	2015	2014		
Subsidiaries					
Atlas BX Co., Ltd.	74.9	31.1	31.1	Korea	Manufacturing and sales of storage batteries and dry cells
Atlas BX Motorsports Co., Ltd.	74.9	31.1	31.1	Korea	Management of racing team and agency of advertisement
Associates					
Hankook Tire Co., Ltd.	25.2	25.2	25.0	Korea	Manufacturing and sales of the tires, tubes and alloy wheels
EmFrontier, Inc.	40.0	40.0	30.0	Korea	Managing e-business and providing service of integrated system

In 2016, Atlas BX Co., Ltd., which was classified as an associate as at December 31, 2015,

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acquired its treasury shares by tender offer. The Company's effective percentage of ownership on Atlas BX Co., Ltd., increased after such event. Consequently, the Company acquired control over Atlas BX Co., Ltd. and its subsidiaries, and classified them as the Company's subsidiaries.

Details of the Company's investments in subsidiaries and associates as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
	Subsidiaries	Associates	Associates	
Beginning balance	₩	-	₩ 1,642,663,831	₩ 1,632,017,958
Acquisition of associates		-		10,645,873
Transferred to subsidiaries		12,229,979	(12,229,978)	-
Ending balance	₩	12,229,979	₩ 1,630,433,853	₩ 1,642,663,831

11. Property, Plant and Equipment

Details of property, plant and equipment as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Acquisition Cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ 10,546,728
Buildings	29,756,563	(12,246,131)	-	17,510,432
Structures	521,000	(193,255)	-	327,745
Vehicles	683,026	(683,024)	-	2
Supplies	795,693	(587,144)	-	208,549
Construction in progress	301,888	-	(301,888)	-
	₩ 42,604,898	₩ (13,709,554)	₩ (301,888)	₩ 28,593,456

<i>(in thousands of Korean won)</i>	2015			
	Acquisition Cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ 10,546,728
Buildings	29,442,483	(11,418,199)	-	18,024,284
Structures	521,000	(177,231)	-	343,769
Vehicles	683,026	(683,024)	-	2
Supplies	725,227	(521,718)	-	203,509
Construction in progress	301,888	-	(301,888)	-
	₩ 42,220,352	₩ (12,800,172)	₩ (301,888)	₩ 29,118,292

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(in thousands of Korean won)

	2014			
	Acquisition Cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 10,548,829	₩ -	₩ -	₩ 10,548,829
Buildings	29,303,483	(10,413,605)	-	18,889,878
Structures	461,615	(161,207)	-	300,408
Vehicles	683,026	(648,789)	-	34,237
Supplies	661,440	(454,479)	-	206,961
Construction in progress	361,273	-	-	361,273
	₩ 42,019,666	₩ (11,678,080)	₩ -	₩ 30,341,586

Changes in property, plant and equipment for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016				
	Opening net book amount	Acquisition	Disposal	Depreciation	Closing net book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ -	₩ 10,546,728
Buildings	18,024,284	314,080	-	(827,932)	17,510,432
Structures	343,769	-	-	(16,024)	327,745
Vehicles	2	-	-	-	2
Supplies	203,509	86,650	(2)	(81,608)	208,549
	₩ 29,118,292	₩ 400,730	₩ (2)	₩ (925,564)	₩ 28,593,456

(in thousands of Korean won)

	2015						
	Opening net book amount	Acquisition	Disposal	Impairment	Depreciation	Transfer	Closing net book amount
Land	₩ 10,548,829	₩ -	₩ (2,101)	₩ -	₩ -	₩ -	₩ 10,546,728
Buildings	18,889,879	-	-	-	(1,004,595)	139,000	18,024,284
Structures	300,408	-	-	-	(16,024)	59,385	343,769
Vehicles	34,237	-	-	-	(34,235)	-	2
Supplies	206,960	23,200	(1)	-	(68,584)	41,934	203,509
Construction in progress	361,273	180,934	-	(301,888)	-	(240,319)	-
	₩ 30,341,586	₩ 204,134	₩ (2,102)	₩ (301,888)	₩ (1,123,438)	₩ -	₩ 29,118,292

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12. Investment Properties

Details of investment properties as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016		
	Acquisition Cost	Accumulated depreciation	Book amount
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	23,403,620	(14,364,737)	9,038,883
	<u>₩ 39,066,270</u>	<u>₩ (14,364,737)</u>	<u>₩ 24,701,533</u>

(in thousands of Korean won)

	2015		
	Acquisition Cost	Accumulated depreciation	Book amount
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	23,403,620	(13,532,090)	9,871,530
	<u>₩ 39,066,270</u>	<u>₩ (13,532,090)</u>	<u>₩ 25,534,180</u>

(in thousands of Korean won)

	2014		
	Acquisition Cost	Accumulated depreciation	Book amount
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	23,403,620	(12,361,909)	11,041,711
	<u>₩ 39,066,270</u>	<u>₩ (12,361,909)</u>	<u>₩ 26,704,361</u>

Changes in investment properties for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		
	Beginning balance	Depreciation	Ending balance
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	9,871,530	(832,647)	9,038,883
	<u>₩ 25,534,180</u>	<u>₩ (832,647)</u>	<u>₩ 24,701,533</u>

(in thousands of Korean won)

	2015		
	Beginning balance	Depreciation	Ending balance
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	11,041,711	(1,170,181)	9,871,530
	<u>₩ 26,704,361</u>	<u>₩ (1,170,181)</u>	<u>₩ 25,534,180</u>

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Details of income and expenditure recognized from investment properties for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Rental sales	₩	4,520,940	₩	4,530,229
Rental income		2,216,589		2,223,899
Expenditure for operating activities		2,627,579		2,634,052

Fair value of investment properties as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016		2015		2014	
Book amount	₩	24,701,533	₩	25,534,180	₩	26,704,361
Fair value		103,929,948		99,952,434		95,093,326

13. Intangible Assets

Intangible assets as at the end of the reporting period, consist of:

<i>(in thousands of Korean won)</i>	2016					
	Acquisition Cost		Accumulated amortization		Book amount	
Industrial rights	₩	4,259,725	₩	(2,084,984)	₩	2,174,741
Membership rights		5,307,996		-		5,307,996
Construction in progress		1,473,876		-		1,473,876
	₩	11,041,597	₩	(2,084,984)	₩	8,956,613

<i>(in thousands of Korean won)</i>	2015					
	Acquisition Cost		Accumulated amortization		Book amount	
Industrial rights	₩	2,388,031	₩	(1,621,624)	₩	766,407
Membership rights		5,307,996		-		5,307,996
Construction in progress		2,902,253		-		2,902,253
	₩	10,598,280	₩	(1,621,624)	₩	8,976,656

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	2014					
	Acquisition Cost		Accumulated amortization		Book amount	
Industrial rights	₩	2,180,505	₩	(1,299,289)	₩	881,216
Membership rights		5,541,884		-		5,541,884
Construction in progress		-		-		-
	₩	<u>7,722,389</u>	₩	<u>(1,299,289)</u>	₩	<u>6,423,100</u>

Changes in intangible assets for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016					
	Beginning balance	Acquisition	Amortization	Transfer	Ending balance	
Industrial rights	₩ 766,407	₩ 126,530	₩ (463,360)	₩ 1,745,164	₩	2,174,741
Membership rights	5,307,996	-	-	-		5,307,996
Construction in progress	2,902,253	316,787	-	(1,745,164)		1,473,876
	₩ 8,976,656	₩ 443,317	₩ (463,360)	₩ -	₩	8,956,613

(in thousands of Korean won)

	2015						
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Ending balance
Industrial rights	₩ 881,216	₩ -	₩ -	₩ (322,335)	₩ -	₩ 207,526	₩ 766,407
Membership rights	5,541,884	-	-	-	(233,888)	-	5,307,996
Construction in progress	-	923,033	(13,853)	-	-	1,993,073	2,902,253
	₩ 6,423,100	₩ 923,033	₩ (13,853)	₩ (322,335)	₩ (233,888)	₩ 2,200,599	₩ 8,976,656

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14. Other Payables

Details of other payables as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016		2015		2014	
Non-trade payables	₩	4,588,691	₩	5,214,914	₩	2,714,193
Accrued expenses		409,027		132,776		1,837,735
Dividend payables		65,873		65,873		65,514
Leasehold deposits received (current)		2,301,861		8,966,060		8,893,925
Leasehold deposits received (non-current)		6,668,342		-		-
	₩	<u>14,033,794</u>	₩	<u>14,379,623</u>	₩	<u>13,511,367</u>

15. Other Liabilities

Details of current and non-current other liabilities as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Current		Non-current	
Withholdings	₩	2,384,008	₩	-
Long-term employee liabilities		-		269,238
	₩	<u>2,384,008</u>	₩	<u>269,238</u>

<i>(in thousands of Korean won)</i>	2015			
	Current		Non-current	
Withholdings	₩	1,329,732	₩	-
Long-term employee liabilities		-		222,739
	₩	<u>1,329,732</u>	₩	<u>222,739</u>

<i>(in thousands of Korean won)</i>	2014			
	Current		Non-current	
Withholdings	₩	2,051,440	₩	-
Long-term employee liabilities		-		169,024
	₩	<u>2,051,440</u>	₩	<u>169,024</u>

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Changes in other long-term employee benefits for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016			
	Beginning balance	Profit or loss	Payment	Ending balance
Long-term employee liabilities	₩ 222,739	₩ 63,532	₩ (17,033)	₩ 269,238

(in thousands of Korean won)

	2015			
	Beginning balance	Profit or loss	Payment	Ending balance
Long-term employee liabilities	₩ 169,024	₩ 70,223	₩ (16,508)	₩ 222,739

16. Post-employment Benefits

The Company operates a defined benefit pension plans for its employees with eligibility requirements. By applying the three-month average salary in the final work period service that the employee has been provided at the time of retirement, the employee has received a lump-sum payment under the scheme. Under the system, the Company is exposed to the investment risk, interest rate risk and wage risk.

The most recent actuarial assessment of plan assets and defined benefit obligation was performed on December 31, 2016, by Mirae Asset Daewoo Co., Ltd. Present value of the defined benefit obligation, its related current service cost and past service cost have been measured by using the projected unit credit method.

Details of net defined benefit liabilities recognized in the statements of financial position as at the end of the reporting period are as follows:

(in thousands of Korean won)

	2016		2015		2014	
Present value of defined benefit obligations	₩	20,052,202	₩	15,583,429	₩	9,722,134
Fair value of plan assets		(20,053,166)		(17,051,460)		(10,367,263)
Net defined benefit assets	₩	(964)	₩	(1,468,031)	₩	(645,129)

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The significant actuarial assumptions used in defined benefit obligations assessment as at the end of the reporting period are as follows:

	2016	2015	2014
Discount rate	3.4%	3.4%	3.7%
Expected salary growth rate	6.9%	7.0%	6.9%

Movements in the defined benefit obligations and the fair value of plan assets for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩ 15,583,429	₩ (17,051,460)	₩ (1,468,031)
Amounts recognized in profit or loss			
Current service cost	4,275,062	-	4,275,062
Interest expense (income)	523,641	(543,627)	(19,986)
	<u>4,798,703</u>	<u>(543,627)</u>	<u>4,255,076</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	212,943	212,943
Actuarial loss (gain) from change in demographic assumptions	(57,285)	-	(57,285)
Actuarial loss (gain) from change in financial assumptions	(45,949)	-	(45,949)
Actuarial loss (gain) from experience adjustments	678,087	-	678,087
	<u>574,853</u>	<u>212,943</u>	<u>787,796</u>
Benefits payments	(769,683)	1,570,313	800,630
Others	(135,100)	(4,241,335)	(4,376,435)
Ending balance	<u>₩ 20,052,202</u>	<u>₩ (20,053,166)</u>	<u>₩ (964)</u>

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	2015		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩ 9,722,134	₩ (10,367,263)	₩ (645,129)
Amounts recognized in profit or loss			
Current service cost	2,697,837	-	2,697,837
Interest expense (income)	350,864	(344,144)	6,720
	<u>3,048,701</u>	<u>(344,144)</u>	<u>2,704,557</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	125,568	125,568
Actuarial loss from change in demographic assumptions	155,498	-	155,498
Actuarial loss from change in financial assumptions	426,272	-	426,272
Actuarial gain from experience adjustments	(987,596)	-	(987,596)
	<u>(405,826)</u>	<u>125,568</u>	<u>(280,258)</u>
Employers' contributions	-	(6,800,000)	(6,800,000)
Benefits payments	(1,240,239)	416,601	(823,638)
Others	4,458,659	(82,222)	4,376,437
Ending balance	<u>₩ 15,583,429</u>	<u>₩ (17,051,460)</u>	<u>₩ (1,468,031)</u>

When all other assumptions held constant, in the case that significant actuarial assumptions vary within a reasonable range, the effects on the defined benefit obligations are as follows:

(in thousands of Korean won)

	2016	
	Increase	Decrease
1% change of discount rate	₩ (1,404,969)	₩ 1,684,467
1% change of salary growth rate	1,658,539	(1,411,418)

(in thousands of Korean won)

	2015	
	Increase	Decrease
1% change of discount rate	₩ (1,237,793)	₩ 1,486,951
1% change of salary growth rate	1,468,348	(1,246,595)

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(in thousands of Korean won)

	2014	
	Increase	Decrease
1% change of discount rate	₩ (794,787)	₩ 948,020
1% change of salary growth rate	939,148	(802,584)

Amounts recognized in the statements of comprehensive income regarding defined benefit pension plans for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016	2015
Current service cost	₩ 4,275,062	₩ 2,697,837
Interest cost	(19,986)	6,720
	<u>₩ 4,255,076</u>	<u>₩ 2,704,557</u>

Plan assets as at December 31, 2016 and 2015, consist of:

(in thousands of Korean won)

	2016		2015	
	Amount	Composition	Amount	Composition
Debt instruments	₩ 11,323,077	56.5%	₩ 17,050,312	100.0%
Deposits	1,960,934	9.8%	-	-
Cash and cash equivalents	6,769,155	33.7%	1,148	0.0%
	<u>₩ 20,053,166</u>	<u>100.0%</u>	<u>₩ 17,051,460</u>	<u>100.0%</u>

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2017, are ₩ 2,969,924 thousand.

The expected maturity analysis of undiscounted pension benefits as at December 31, 2016, is as follows:

(in thousands of Korean won)	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	₩ 442,503	₩ 537,552	₩ 2,214,749	₩ 34,138,053	₩ 37,332,857

The weighted average duration of the defined benefit obligation is 12 years.

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17. Share Capital

Details of share capital as at the end of the reporting period are as follows:

<i>(in Korean won)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authorized (in shares)	250,000,000	250,000,000	250,000,000
Par value	₩ 500	₩ 500	₩ 500
Outstanding (in shares):			
Ordinary share	<u>93,020,173</u>	<u>93,020,173</u>	<u>93,020,173</u>
Share capital:			
Ordinary share	<u>₩ 46,510,086,500</u>	<u>₩ 46,510,086,500</u>	<u>₩ 46,510,086,500</u>

18. Other Paid-in-Capital

Details of other paid-in-capital as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Share premium	₩ 1,302,628,300	₩ 1,302,628,300	₩ 1,302,628,300
Treasury shares	<u>(11,092,609)</u>	<u>(11,092,609)</u>	<u>(11,092,609)</u>
	<u>₩ 1,291,535,691</u>	<u>₩ 1,291,535,691</u>	<u>₩ 1,291,535,691</u>

As at December 31, 2016, the Company holds 1,325,089 ordinary shares as treasury shares, to stabilize the market price of its shares, and records treasury share as other paid-in capital. Further appropriation of them is not determined.

19. Retained Earnings and Dividends

Retained earnings as at the end of the reporting period consist of:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Legal reserve:			
Surplus reserve ¹	₩ 16,509,158	₩ 13,758,306	₩ 10,958,306
	<u>16,509,158</u>	<u>13,758,306</u>	<u>10,958,306</u>
Discretionary reserve:			
Reserve for revaluation ²	443,289,239	443,289,239	443,289,239
Dividend equalization reserve	60,000,000	60,000,000	60,000,000
Director's retirement bonus reserve	93,918,000	93,918,000	93,918,000
Voluntary reserve	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>
	<u>707,207,239</u>	<u>707,207,239</u>	<u>707,207,239</u>
Unappropriated retained earnings	<u>124,282,690</u>	<u>110,380,638</u>	<u>99,407,613</u>
	<u>₩ 847,999,087</u>	<u>₩ 831,346,183</u>	<u>₩ 817,573,158</u>

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¹ The Commercial Law of the Republic of Korea requires the Company to appropriate a portion of retained earnings as a legal reserve in an amount equal to a minimum of 10% of its cash dividends, until such reserve equals 50% of its share capital. The reserve is not available for the payment of cash dividends but may be transferred to ordinary share or used to offset accumulated deficit, if any, through a resolution of shareholders.

² According to the past assets revaluation law, the Company conducted assets revaluation and appropriated revaluation gains for revaluation reserve. This revaluation surplus is not allowed to use as financial resources of dividends, but it is allowed to use only for capitalization or preservation of losses.

Changes in retained earnings for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning balance	₩ 831,346,183	₩ 817,573,158
Profit for the period	44,758,579	41,069,115
Dividend payments	(27,508,525)	(27,508,526)
Remeasurements of net defined benefit assets	(597,150)	212,436
Ending balance	<u>₩ 847,999,087</u>	<u>₩ 831,346,183</u>

Details of dividend payments as at December 31, 2016 and 2015, are as follows:

<i>(in Korean won)</i>	2016	2015
Outstanding shares issued (in shares)	93,020,173	93,020,173
Treasury shares	1,325,089	1,325,088
Dividend shares	91,695,084	91,695,085
Dividend per share	<u>₩ 300</u>	<u>₩ 300</u>
Total dividend	<u>₩ 27,508,525,200</u>	<u>₩ 27,508,525,500</u>

Dividend distribution to the Company's ordinary shareholders amounted to ₩ 27,508,525 thousand (2015: ₩ 27,508,526 thousand) for the year ended December 31, 2015, was paid in April, 2016.

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Statements of appropriation of retained earnings for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
1. Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 80,121,260	₩ 366,014,188
Conversion effect of K-IFRS	-	(296,915,101)
Remeasurements of net defined benefit assets	(597,150)	212,436
Profit for the period	<u>44,758,579</u>	<u>41,069,115</u>
	<u>124,282,689</u>	<u>110,380,638</u>
2. Transfers such as discretionary reserves	<u>-</u>	<u>-</u>
3. Appropriation of retained earnings		
Earned profit reserves	2,750,852	2,750,852
Cash dividends (Dividends per share: 2016: ₩300 (60%) 2015: ₩300 (60%))	<u>27,508,526</u>	<u>27,508,526</u>
	<u>30,259,378</u>	<u>30,259,378</u>
4. Unappropriated retained earnings to be carried forward	<u>₩ 94,023,311</u>	<u>₩ 80,121,260</u>

The appropriation of retained earnings for the year ended December 31, 2016, is expected to be appropriated at the shareholders' meeting on March 24, 2017. The appropriation date for the year ended December 31, 2015, was March 25, 2016.

20. Other Components of Equity

Changes in share of other comprehensive income of associates for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning balance	₩ 1,512,351	₩ (1,051,129)
Changes ¹	4,364	2,563,480
Reclassified to profit or loss	-	-
Ending balance	<u>₩ 1,516,715</u>	<u>₩ 1,512,351</u>

¹ The changes above is the amount after deduction of income tax effect.

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21. Operating income

Details of operating income for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Rental sales	₩	4,520,940	₩	4,530,229
Training center sales		41,107		49,502
Service sales		23,385,230		20,183,024
Trademark right revenue		47,887,401		46,920,741
Dividend income		14,465,650		14,381,101
	₩	<u>90,300,328</u>	₩	<u>86,064,597</u>

22. Operating expenses

Operating expenses for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Salaries	₩	22,250,043	₩	17,397,097
Post-employment benefits		4,255,076		2,704,557
Employee benefits		2,154,869		2,402,130
Training expenses		1,497,721		1,350,167
Travel expenses		895,447		711,068
Vehicles maintenance expenses		60,757		55,162
Insurance		172,761		202,375
Taxes and dues		937,438		1,034,155
Entertainment expenses		419,646		424,625
Supplies expenses		121,011		183,648
Publication expenses		398,712		384,162
Communication expenses		104,851		132,637
Utility expenses		846,971		849,108
Repairs expenses		405,758		400,256
Conference expenses		41,844		30,357
Commission fees		4,779,851		6,564,614
Depreciation of investment properties		832,647		1,170,181
Depreciation of property, plant and equipment		925,564		1,123,438
Amortization of intangible assets		463,360		322,335
Service expenses		627,542		492,877
Advertising		3,454,831		3,614,145
Other expenses		609,524		537,253
	₩	<u>46,256,224</u>	₩	<u>42,086,347</u>

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23. Finance Income and Finance Costs

Details of financial income and finance costs for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Finance income		
Interest income	₩ 9,614,387	₩ 11,178,415
Gains on foreign currency transaction	313,870	160,351
Gains on foreign currency translation	102	1
Gains on disposal of AFS financial assets	2,467,093	1,892
Gains on valuation of financial assets at fair value through profit or loss	72,360	-
	<u>₩ 12,467,812</u>	<u>₩ 11,340,659</u>
Finance costs		
Losses on foreign currency transaction	₩ 512,127	₩ 104,390
Losses on foreign currency translation	-	2,123
Impairment loss on AFS financial assets	-	1,554,088
	<u>₩ 512,127</u>	<u>₩ 1,660,601</u>

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24. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Other non-operating income				
Gains on foreign currency transaction	₩	2,156,783	₩	4,371
Gains on foreign currency translation		3		3,233,120
Gains on valuation of foreign exchange forward contracts		2,309,748		-
Rental income		2,216,589		2,223,899
Gains on disposal of property, plant and equipment		-		93
Miscellaneous income		152,564		74,447
	₩	<u>6,835,687</u>	₩	<u>5,535,930</u>
Other non-operating expenses				
Losses on foreign currency transaction	₩	99,688	₩	6,998
Losses on foreign currency translation		2,253,201		661
Losses on foreign exchange forward transaction		2,468,315		4,688
Losses on valuation of foreign exchange forward contracts		-		5,067,941
Losses on disposal of property, plant and equipment		1		1
Impairment loss of property, plant and equipment		-		301,888
Impairment loss of intangible assets		-		233,888
Donation		3,100,110		3,011,400
Miscellaneous loss		42,302		73,216
	₩	<u>7,963,617</u>	₩	<u>8,700,681</u>

25. Tax Expense and Deferred Tax

Income tax expense for the periods ended December 31, 2016 and 2015, consists of:

<i>(in thousands of Korean won)</i>	2016		2015	
Current tax:				
Current tax on profits for the year	₩	<u>8,949,764</u>	₩	<u>6,069,761</u>
Deferred tax:				
Origination and reversal of temporary differences		974,262		4,240,923
Charged or credited directly to equity		189,254		(886,242)
Income tax expense	₩	<u>10,113,280</u>	₩	<u>9,424,442</u>

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The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Profit before income tax expense	₩	54,871,859	₩	50,493,557
Tax at domestic tax rates applicable to profits in the respective countries		12,816,990		11,757,441
Tax effects of:				
Income not subject to tax		(2,702,908)		(2,783,956)
Expenses not deductible for tax purposes		92,597		106,370
Others		(93,399)		344,587
	₩	<u>(2,703,710)</u>	₩	<u>(2,332,999)</u>
Income tax expense	₩	<u>10,113,280</u>	₩	<u>9,424,442</u>

The tax effect relating to components of other comprehensive income (expenses) for the periods ended December 31, 2016 and 2015, is as follows:

<i>(in thousands of Korean won)</i>	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurements of net defined benefit plan	₩ (787,796)	₩ 190,647	₩ (597,149)	₩ 280,259	₩ (67,823)	₩ 212,436
Change in the fair value of Available-for-sale securities	5,757	(1,393)	4,364	3,381,899	(818,419)	2,563,480
	<u>₩ (782,039)</u>	<u>₩ 189,254</u>	<u>₩ (592,785)</u>	<u>₩ 3,662,158</u>	<u>₩ (886,242)</u>	<u>₩ 2,775,916</u>

The tax effect reflected directly in equity for the periods ended December 31, 2016 and 2015, is as follows:

<i>(in thousands of Korean won)</i>	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Change in the fair value of AFS securities	₩ 2,000,943	₩ (484,228)	₩ 1,516,715	₩ 1,995,186	₩ (482,835)	₩ 1,512,351

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The analysis of deferred tax assets and liabilities as at the end of the reporting period is as follows:

<i>(in thousands of Korean won)</i>	2016	2015	2014
Deferred tax assets			
Deferred tax asset to be recovered after more than 12 months	₩ 5,277,570	₩ 6,117,335	₩ 6,577,577
Deferred tax asset to be recovered within 12 months	83,467	664,586	4,309,097
	<u>5,361,037</u>	<u>6,781,921</u>	<u>10,886,674</u>
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12 months	63,715,994	63,860,880	63,599,943
Deferred tax liability to be recovered within 12 months	832,949	1,134,765	1,259,452
	<u>64,548,943</u>	<u>64,995,565</u>	<u>64,859,395</u>
Deferred tax liabilities, net	<u>₩ (59,187,906)</u>	<u>₩ (58,213,644)</u>	<u>₩ (53,972,721)</u>

The movement in deferred tax assets and liabilities for the periods ended December 31, 2016 and 2015, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

<i>(in thousands of Korean won)</i>	2016			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Deferred tax assets(liabilities)				
Unearned revenue	₩ (353,025)	₩ (464,681)	₩ -	₩ (817,706)
Other long-term employee benefits	53,903	11,253	-	65,156
Accrued expenses	16,615	66,852	-	83,467
Property, plant and equipment	2,235,530	79,983	-	2,315,513
Post-employment benefits	(482,174)	(28,330)	190,647	(319,857)
Derivative financial instruments	647,971	(663,214)	-	(15,243)
Gain(loss) on foreign currency translation	(781,741)	781,741	-	-
Financial assets at fair value through profit or loss	-	(17,511)	-	(17,511)
Intangible assets	203,888	(954)	-	202,934
Construction in progress	232,760	-	-	232,760
AFS financial assets	3,391,255	(928,655)	(1,393)	2,461,207
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Investment in subsidiaries and associates	(60,822,602)	-	-	(60,822,602)
	<u>₩ (58,213,644)</u>	<u>₩ (1,163,516)</u>	<u>₩ 189,254</u>	<u>₩ (59,187,906)</u>

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<i>(in thousands of Korean won)</i>	2015			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Deferred tax assets(liabilities)				
Unearned revenue	₩ (741,588)	₩ 388,563	₩ -	₩ (353,025)
Other long-term employee benefits	40,904	12,999	-	53,903
Accrued expenses	34,570	(17,955)	-	16,615
Property, plant and equipment	2,008,847	226,683	-	2,235,530
Post-employment benefits	(221,316)	(193,035)	(67,823)	(482,174)
Derivative financial instruments	654,691	(6,720)	-	647,971
Gain(loss) on foreign currency translation	(477,359)	(304,382)	-	(781,741)
Intangible assets	147,517	56,371	-	203,888
Construction in progress	159,703	73,057	-	232,760
AFS financial assets	7,799,936	(3,590,262)	(818,419)	3,391,255
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Investment in subsidiaries and associates	(60,822,602)	-	-	(60,822,602)
	<u>₩ (53,972,721)</u>	<u>₩ (3,354,681)</u>	<u>₩ (886,242)</u>	<u>₩ (58,213,644)</u>

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>	2016	2015	2014	Remarks
Investment in subsidiaries and associates	₩ 1,165,191,376	₩ 1,165,191,376	₩ 1,165,191,376	No plan for disposal

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26. Cash Flow from Operating Activities

Details of cash generated from operations for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Adjustments for:		
Income tax expense	₩ 10,113,280	₩ 9,424,442
Losses on foreign currency translation	2,253,201	2,784
Impairment loss on AFS financial assets	-	1,554,088
Losses on foreign exchange forward transaction	2,468,315	4,688
Losses on valuation of foreign exchange forward contracts	-	5,067,941
Losses on disposal of property, plant and equipment	1	1
Impairment loss of property, plant and equipment	-	301,888
Impairment loss of intangible assets	-	233,888
Depreciation of investment properties	832,647	1,170,181
Depreciation of property, plant and equipment	925,564	1,123,438
Amortization of intangible assets	463,360	322,335
Long-term employee benefits	63,532	70,223
Post-employment benefit	4,255,076	2,704,557
Miscellaneous losses	3	-
Interest income	(9,614,387)	(11,178,415)
Dividend received	(14,465,650)	(14,381,101)
Gains on foreign currency translation	(105)	(3,233,121)
Gains on disposal of property, plant and equipment	-	(93)
Gains on valuation of foreign exchange forward contracts	(2,309,748)	-
Gains on disposal of AFS financial assets	(2,467,093)	(1,892)
Gains on valuation of financial assets at FVTPL	(72,360)	-
	<u>₩ (7,554,364)</u>	<u>₩ (6,814,168)</u>

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<i>(in thousands of Korean won)</i>	2016	2015
Changes in operating assets and liabilities:		
Increase in trade receivables	₩ (1,363,764)	₩ (2,202,245)
Decrease in non-trade receivables	1,004	167,398
Decrease (increase) in advance payments	5,000	(5,000)
Increase in prepaid expenses	(3,847)	(1,715)
Decrease in leasehold deposits received	4,144	72,134
Increase (decrease) non-trade payables	(653,074)	2,500,061
Increase (decrease) in accrued expenses	276,251	(1,704,959)
Increase (decrease) in withholdings	1,054,277	(721,708)
Decrease in defined benefit obligation	(769,683)	(1,240,239)
Decrease (increase) in pension plan assets	1,570,313	(6,465,622)
Decrease in other long-term employee benefits liabilities	(17,034)	(16,509)
	<u>₩ 103,587</u>	<u>₩ (9,618,404)</u>

The principal non-cash transaction for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Transfer of construction in progress to intangible assets	₩ 1,745,164	₩ 207,526
Transfer of construction in progress to property, plant and equipment	-	240,319
Transfer of advance payments to intangible assets	-	2,200,599
Increase in non-trade payables in relation to acquisition of plant, property and equipment	51,700	-
Increase in non-trade payables in relation to acquisition of intangible assets	52,477	83,764
Decrease in non-trade payables in relation to acquisition of intangible assets, prior year	83,764	-

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27. Related Party Transactions

Details of related parties as at December 31, 2016, are as follows:

Type	Name of related parties
Individuals	Yang-Rai Cho, Hyun-Shick Cho, Hyun-Bum Cho
Subsidiaries	Atlas BX Co., Ltd., Atlas BX Motorsports Co., Ltd.
Associates	Hankook Tire Co., Ltd., EmFrontier, Inc.
Domestic subsidiaries of associates	Daehwa Engineering & Machinery Co., Ltd., MK Technology Corp., Hankook Donggeurami Partners Co., Ltd., HK Motors Co., Ltd. ¹
Overseas subsidiaries of associates	Hankook Tire America Corp., Hankook Tyre U.K. Ltd., Jiangsu Hankook Tire Co., Ltd., Hankook Tire China Co., Ltd., Shanghai Hankook Tire Sales Co., Ltd., Hankook Tire Netherlands B.V., Hankook Tire Japan Corp., Hankook Tire Canada Corp., Hankook Reifen Deutschland GmbH, Hankook Tire France SARL, Hankook Tire Italia S.R.L., Hankook Espana S.A., Hankook Tyre Australia Pty., Ltd., Hankook Tire Hungary Ltd., Hankook Tire Europe Holdings B.V, Hankook Tire Europe GmbH, Hankook Tire Budapest Kereskedelmi Kft, Hankook Tire DE Mexico, S.A. DE C.V., Chongqing Hankooktire Co., Ltd., Hankook Tire Rus LLC, PT. Hankooktire Indonesia, MK Mold (Jiaxing) Co., LTD, Hankook Tire Singapore PTE., Ltd., Hankook Tire Malaysia SDN.BHD., Hankook Tire Sweden AB, Beijing Jielun Trading Company Co.,Ltd., Hankook Tire Thailand Co.,Ltd., Hankook Lastikleri A.S., Hankook Tire Polska Sp. z o.o., Hankook Tire de Colombia Ltda., Hankook Tire America Holdings I, LLC, Hankook Tire America Holdings II, LLC, Hankook Tire Manufacturing Tennessee LP, Hankook Tire Ceska Republika s.r.o. MK Technology (CHONGQING) Mould Co., Ltd., PT. EMFRONTIER ENS Indonesia, Emfrontier America Inc.
Domestic associate of associates	Hanon Systems Co., Ltd.
Other related parties ²	Shin-Yang Tourist Development, Shin-Yang World Leisure, FWS Investment Advisory, Daehwa Eng' & Machinery Jiaxing Co., Ltd., Another WTE Co., Ltd., H-2 WTE Co., Ltd., Another Geumsan Co., Ltd.

¹ Newly established by Hankook Tire Co., Ltd., an associate, and reclassified to the Company's related party for the year ended December 31, 2016.

² Although the entity is not the related party of the Company in accordance with Korean IFRS 1024, the entity belongs to a large enterprise Company in accordance with the Monopoly Regulation and Fair Trade Act.

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Transactions between the Company and related parties for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>		2016			
		Name of entity	Sales	Operating expenses	Other income
Subsidiaries	Atlas BX Co., Ltd.	₩ 1,996,555	₩ -	₩ -	-
Associates	Hankook Tire Co., Ltd.	85,934,733	114,808		1,015,892
	EmFrontier, Inc.	488	120,496		-
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd.	-	187,769		-
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. and others	-	204,913		2,230,108
Other related parties	Shin-Yang Tourist Development and others	-	2,084,369		5,814
		<u>₩ 87,931,776</u>	<u>₩ 2,712,355</u>	<u>₩</u>	<u>3,251,814</u>

<i>(in thousands of Korean won)</i>		2015			
		Name of entity	Sales	Operating expenses	Other income
Associates	Hankook Tire Co., Ltd.	₩ 81,690,865	₩ 88,827	₩	1,016,162
	EmFrontier, Inc.	750	132,967		-
	Atlas BX Co., Ltd.	2,000,680	-		-
Domestic subsidiaries of associates	MK Technology Corp.	250	23,705		-
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. and others	-	146,301		3,382,574
Other related parties	Shin-Yang Tourist Development and others	-	1,916,535		5,814
		<u>₩ 83,692,545</u>	<u>₩ 2,308,335</u>	<u>₩</u>	<u>4,404,550</u>

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Outstanding balances of receivables and payables as at the end of the reporting period are as follows:

<i>(in thousands of Korean won)</i>		2016				
		Name of entity	Trade receivables	Loans	Other receivables	Non-trade payables
Associates	Hankook Tire Co., Ltd.	₩ 29,060,712	₩ -	₩ -	₩ 6,165	₩ 1,859,096
	EmFrontier, Inc.	-	-	-	31,691	-
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd.	-	-	-	18,542	-
Overseas subsidiaries of associates	Hankook Tire Netherlands B.V. and others	-	54,750,160	1,166,330	56,835	-
Other related parties	Shin-Yang Tourist Development and others	-	-	-	191,355	105,503
		<u>₩ 29,060,712</u>	<u>₩ 54,750,160</u>	<u>₩ 1,166,330</u>	<u>₩ 304,588</u>	<u>₩ 1,964,599</u>

<i>(in thousands of Korean won)</i>		2015				
		Name of entity	Trade receivables	Loans	Other receivables	Non-trade payables
Associates	Hankook Tire Co., Ltd.	₩ 27,696,191	₩ -	₩ 4,376,436	₩ 28,611	₩ 1,834,952
	EmFrontier, Inc.	-	-	-	79,996	-
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. and others	-	92,213,800	269,652	8,408	-
Other related parties	Shin-Yang Tourist Development and others	-	-	-	225,907	105,503
		<u>₩ 27,696,191</u>	<u>₩ 92,213,800</u>	<u>₩ 4,646,088</u>	<u>₩ 342,922</u>	<u>₩ 1,940,455</u>

<i>(in thousands of Korean won)</i>		2014				
		Name of entity	Trade receivables	Loans	Other receivables	Non-trade payables
Associates	Hankook Tire Co., Ltd.	₩ 25,491,994	₩ -	₩ 173	₩ 77,167	₩ 1,834,952
	EmFrontier, Inc.	1,320	-	-	13,010	-
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. And others	-	88,980,680	326,628	8,507	-
Other related parties	Shin-Yang Tourist Development and others	-	-	-	171,113	96,792
		<u>₩ 25,493,314</u>	<u>₩ 88,980,680</u>	<u>₩ 326,801</u>	<u>₩ 269,797</u>	<u>₩ 1,931,744</u>

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Loans to related parties for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

		2016					
		Beginning balance	Increase	Collection	Exchange differences	Transfer	Ending balance
Chongqing Hankooktire Co., Ltd.	Short-term loans	₩ 35,160,000	₩ -	₩ (92,213,800)	₩ -	₩ 57,053,800	₩ -
	Long-term loans	57,053,800	-	-	-	(57,053,800)	-
Hankook Tire Netherlands B.V.	Short-term loans	-	56,996,920	-	(2,246,760)	-	54,750,160
		₩ 92,213,800	₩ 56,996,920	₩ (92,213,800)	₩ (2,246,760)	₩ -	₩ 54,750,160

(in thousands of Korean won)

		2015		
		Beginning balance	Exchange differences	Ending balance
Chongqing Hankooktire Co., Ltd.	Short-term loans	₩ 32,976,000	₩ 2,184,000	₩ 35,160,000
	Long-term loans	56,004,680	1,049,120	57,053,800
		₩ 88,980,680	₩ 3,233,120	₩ 92,213,800

The Company provides joint surety with Hankook Tire Co., Ltd. For the liabilities incurred before the spin-off. The remaining guarantees provided by the Company jointly and severally at the end of reporting periods are as follows:

(in thousands of Korean won,
thousands of USD, EUR
and HUF)

	2016		2015		2014	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
USD	-	₩ -	130,000	₩ 152,360,000	200,000	₩ 219,840,000
EUR	-	-	-	-	164,854	220,331,257
HUF ¹	15,881,000	64,794,480	15,881,000	64,794,480	16,097,000	68,412,250
		₩ 64,794,480		₩ 217,154,480		₩ 508,583,507

¹ The above guarantee amount includes direct suretyship provided to the Hungarian Government as follows:

	Description
Summary of agreements	To certify that the Company should sincerely carry out the investment plan according to the investment contract; otherwise, the Company should return some or whole amount of the subsidy provided by the Hungarian Government.
Guarantee provided	HUF 15,881,000,000 + interest incurred
The term of guarantee	From October 31, 2005 to December 31, 2017

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Also, outstanding credit facility agreements providing Hankook Tire Co., Ltd. Jointly and severally as at the end of the reporting period are as follows:

<i>(in thousands of Korean won, thousands of USD and EUR)</i>	2016		2015		2014	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
USD	70,000	₩ 84,595,000	70,000	₩ 82,040,000	70,000	₩ 76,944,000
EUR	-	-	-	-	25,000	33,413,000
		<u>₩ 84,595,000</u>		<u>₩ 82,040,000</u>		<u>₩ 110,357,000</u>

Compensations for key management personnel for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Salaries	₩	6,925,561	₩	3,501,077
Post-employment benefits		<u>2,536,408</u>		<u>347,506</u>
	₩	<u>9,461,969</u>	₩	<u>3,848,583</u>

Key management refers to the directors (registered and non-registered) and audit committee members who have significant authority and responsibility in respect to planning, operating and controlling of the Company's business activities.

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28. Contingencies and Commitments

Details of commitments that the Company entered with financial institutions as at the end of the reporting period, are as follows:

*(in thousands on Korean won,
thousands of USD,
thousands of CNY)*

		2016		2015		2014		
		Commitment amount	Korean won equivalent	Commitment amount	Korean won equivalent	Commitment amount	Korean won equivalent	
Purchase card agreements	Shinhan Bank	KRW	10,000,000 ₩	10,000,000KRW	10,000,000₩	10,000,000 KRW	10,000,000 ₩	10,000,000
Bank overdraft agreements	Woori Bank and others	KRW	5,000,000	5,000,000KRW	5,000,000	5,000,000 KRW	5,000,000	5,000,000
Agreements to forward exchange contracts	Citi Bank and others	USD	-	-USD	30,000	35,160,000 USD	30,000	32,976,000
		CNY	316,000	54,750,160CNY	316,000	57,053,800 CNY	316,000	56,004,680
		KRW	15,000,000	KRW	15,000,000	KRW	15,000,000	
		USD	-₩	69,750,160USD	30,000₩	107,213,800 USD	30,000 ₩	103,980,680
		CNY	316,000	CNY	316,000	CNY	316,000	

As at December 31, 2016, the Company entered into supply contracts to provide trademark license and supporting work with Hankook Tire Co., Ltd., a related party, and to be provided maintenance service for the Company's information system with EmFrontier, Inc., an associate.

29. Operating Segment Information

The Company had a single operating segment and does not disclose information by business segment.

The Company derives the following types of revenue:

(in thousands of Korean won)

	2016	2015
Service revenue	27,947,277	24,762,755
Trademark right revenue	47,887,401	46,920,741
Dividend income	14,465,650	14,381,101
	<u>₩ 90,300,328</u>	<u>₩ 86,064,597</u>

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Revenue from external customers broken down by location of the Company for the periods ended December 31, 2016 and 2015, are shown as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Korea (headquarter)	₩	90,300,328	₩	86,064,597

Details of external customers, who contribute more than 10% of the Company's revenue for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
A Company	₩	85,934,733	₩	81,690,865

30. Earnings Per Share

The Company's basic earnings per share attributable to equity holders of Parent Company for the periods ended December 31, 2016 and 2015, are computed as follows:

<i>(in Korean won)</i>	2016		2015	
Profit attributable to the ordinary equity holders of Parent Company ¹	₩	44,758,578,779	₩	41,069,114,976
Weighted-average number of ordinary shares outstanding (in share) ²		91,695,084		91,695,085
Basic earnings per share	₩	488	₩	448

¹ As there are no adjustments during the reporting period, profit attributable to the ordinary equity holders of Parent Company is calculated as same with the profit in the statements of comprehensive income.

² The Company's outstanding ordinary shares minus the number of treasury share acquired are weighted averaged.

The Company did not issue any potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

Hankook Tire Worldwide Co., Ltd.
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31. Transition to Korean IFRS

31.1 First-time Adoption of Korean IFRS

The Company's transition date to Korean IFRS is January 1, 2010, and adoption date is January 1, 2011. In 2016, the subsidiary has been included in the separate financial statements. The transition date to Korean IFRS for preparing separate financial statements is January 1, 2015 and the adoption date for preparing separate financial statements is January 1, 2016. Except the cases becoming the first adopter of separate and consolidated financial statements in accordance with Korean IFRS 1101 *First-time Adoption of Korean IFRS* are different, assets and liabilities are measured at the same amounts in the statements.

In preparing the separate financial statements in accordance with Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards*, the Company has applied the mandatory exceptions and certain optional exemptions allowed by Korean IFRS.

31.2 Exemption Options under Korean IFRS 1101

The company elected to apply the following optional exemptions from full retrospective application.

(a) Business combinations

The Company elected to apply the exemption for business combinations allowed under Korean IFRS 1101 and has not retrospectively applied Korean IFRS 1103 to past business combinations that occurred before the transition date (January 1, 2015).

(b) Fair value as deemed cost

The company used the historical cost as of the date of transition to Korean IFRS for the investments in subsidiaries and associates. As of the date of transition, the total amount of investment assets is ₩ 1,632,017,958 thousand.

31.3 Mandatory Exceptions to Retroactive Application of Other Korean IFRS

Exceptions to other Korean IFRS applied by the Company are as follows:

(a) *Derecognition of financial assets*

The Company applied the derecognition requirements in Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, prospectively for transfers of financial assets occurring on or after the transition date. Where the Company had derecognized financial assets before the transition date in accordance with the previous K-GAAP, the Company did not recognize these assets even when the transfers did not meet the derecognition criteria under Korean IFRS.

(b) *Exception for estimates*

The Company's Korean IFRS estimates at the transition date are consistent with the estimates as at the same date made in accordance with the previous K-GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in

Hankook Tire Worldwide Co., Ltd.
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error.

31.4 Reconciliations between the previous K-GAAP to Korean IFRS

As the Company has not presented its separate financial statements in the previous period, it does not disclose the capital and profit and loss.

Report on Independent Accountants' Review of Internal Accounting Control System

To the President of Hankook tire Worldwide Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hankook tire Worldwide Co., Ltd.(the "Company") as of December 31, 2016. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2016, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2016, in all material respects, in accordance with the IACS Framework."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation 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.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2016, and we did not review management's assessment of its IACS subsequent to December 31, 2016. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 16, 2017

Report on the Operations of the Internal Accounting Control System

Report on the Assessment of Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean

To the Board of Directors and Audit Committee of
Hankook Tire Worldwide Co., Ltd.

I, as the Internal Accounting Control Officer ("IACO") of Hankook Tire Worldwide Co., Ltd. ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended December 31, 2016.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2016, in all material respects, in accordance with the IACS Framework.

March 7, 2017



Chae, Su Cheol
Internal Accounting Control Officer



Cho, Hyun Shick
Chief Executive Officer