

**Hankook Tire Worldwide Co., Ltd.**  
**Separate Financial Statements**  
**December 31, 2018 and 2017**

# Hankook Tire Worldwide Co., Ltd. and Subsidiaries

Index

December 31, 2018 and 2017

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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.

### Opinion

We have audited the accompanying separate financial statements of Hankook Tire Worldwide Co., Ltd. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

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

### Key Audit Matters

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

### Impairment assessment of investment in associates

#### Key Audit Matter

The book value of investment in associates of Hankook Tire Worldwide Co., Ltd is ₩ 1,964,392,002 thousand as at December 31, 2018. As explained in note 10, the Company has significant influence to Hankook Tire Co., Ltd and is measuring at cost.

We considered as a key audit matter because of the i) existence of indication of impairment loss on investment in associates due to long-term steady decrease of Hankook Tire Co., Ltd share price, ii) significance of unpredictability of estimation that the management used in determining recoverable amount of Hankook Tire Co., Ltd, and iii) the above causes may significantly influence the company's financial information.

#### **How our audit addressed the Key Audit Matter**

We have performed the following audit procedures for the valuation model, key assumptions and decisions related to the value-in-use valuation. We used an expert for valuation assessment when we performed audit procedures.

- Review capability and related experience (independence and suitability) of the expert that the management used in value-in-use valuation
- Inquire and review valuation model that the management applied
- Obtain understanding of the future cash flow of Hankook Tire Co., Ltd, and test if the future cash flow estimation is based on the business plan approved by the management
- Assess the adequacy of the estimation of the past business plan by comparing it with the performance for Hankook Tire Co., Ltd
- Assess the rationality of key assumptions used in valuation model, such as discount rate, growth rate and others by comparing the external benchmark in the same industry and the past financial information of Hankook Tire Co., Ltd.

#### **Other Matters**

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.

#### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

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

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

economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Seung-Kwon, Ryoo, Certified Public Accountant.

Seoul, Korea  
March 20, 2019

This report is effective as of March 20, 2019, 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Hankook Tire Worldwide Co., Ltd.**  
**Separate Statements of Financial Position**  
**December 31, 2018 and 2017**

<i>(in thousands of Korean won)</i>	Notes	2018		2017	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	₩	60,612,932	₩	4,958,875
Short-term financial assets	6		70,000,000		137,690,301
Financial assets designated at fair value through profit or loss	5,6,7		-		20,460,417
Financial assets at fair value through profit or loss	5,6,7		60,037,512		-
Trade receivables	6,8		19,027,301		26,648,034
Other receivables	6,8		2,368,301		11,452,387
Other current assets	9		294,649		16,905
			<u>212,340,695</u>		<u>201,226,919</u>
<b>Non-current assets</b>					
Long-term financial assets	6		10,000,000		-
Financial assets at fair value through profit or loss	5,6,7		-		19,925,401
Available-for-sale financial assets	5,6,7		-		29,399,821
Financial assets at fair value through profit or loss	5,6,7		15,180,870		-
Financial assets at fair value through other comprehensive income	5,6,7		11,044,689		-
Other non-current receivables	6,8		4,000,000		-
Property, plant and equipment	11		22,875,366		27,978,786
Investment property	12		27,889,141		24,037,651
Intangible assets	13		9,389,077		8,708,033
Investments in subsidiaries	10		30,229,979		22,229,979
Investments in associates	10		1,964,392,002		1,954,546,303
Other non-current assets	9		650,018		650,018
			<u>2,095,651,142</u>		<u>2,087,475,992</u>
<b>Total assets</b>		₩	<u>2,307,991,837</u>	₩	<u>2,288,702,911</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Other payables	6,14	₩	14,155,114	₩	13,599,709
Current tax liabilities			6,825,383		6,421,050
Other current liabilities	15		264,958		2,969,718
			<u>21,245,455</u>		<u>22,990,477</u>
<b>Non-current liabilities</b>					
Net defined benefit liabilities	16		2,702,535		457,335
Other non-current payables	6,14		20,000		-
Deferred tax liabilities	26		57,400,449		58,742,054
Other non-current liabilities	15		41,973		257,657
			<u>60,164,957</u>		<u>59,457,046</u>
<b>Total liabilities</b>			<u>81,410,412</u>		<u>82,447,523</u>
<b>Equity</b>					
Share capital	1,17		46,510,087		46,510,087
Other paid-in capital	18		1,291,535,691		1,291,535,691
Retained earnings	19		888,309,592		867,838,106
Other components of equity	20		226,055		371,504
<b>Total equity</b>			<u>2,226,581,425</u>		<u>2,206,255,388</u>
<b>Total liabilities and equity</b>		₩	<u>2,307,991,837</u>	₩	<u>2,288,702,911</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, 2018 and 2017**

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

	Notes	2018		2017	
<b>Operating income</b>	21,27,29	₩	74,873,650	₩	87,426,603
<b>Operating expense</b>	22		<u>20,590,615</u>		<u>45,001,327</u>
<b>Operating profit</b>			54,283,035		42,425,276
Finance income	23		5,721,599		15,017,432
Finance costs	23		354,330		768,488
Other non-operating income	24		2,912,733		4,317,395
Other non-operating expense	24		<u>2,195,166</u>		<u>5,178,155</u>
<b>Profit before income tax</b>			60,367,871		55,813,460
Income tax expense	26		<u>11,180,223</u>		<u>10,213,583</u>
<b>Profit for the year</b>		₩	<u>49,187,648</u>	₩	<u>45,599,877</u>
<b>Other comprehensive income</b>					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities (assets)	16		(1,207,638)		1,747,666
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	20		600,031		-
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets	20		-		(1,145,211)
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income	20		<u>(745,480)</u>		<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>			(1,353,087)		602,455
<b>Total comprehensive income for the year</b>		₩	<u>47,834,561</u>	₩	<u>46,202,332</u>
<b>Earnings per share</b>					
Basic and diluted earnings per share	30	₩	536	₩	497

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, 2018 and 2017**

(in thousands of Korean won)	Notes	Other paid-in capital			Retained earnings	Accumulated other comprehensive income	Total equity
		Share capital	Paid-in capital in excess of par value	Treasury shares			
<b>Balance as of January 1, 2017</b>		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 847,999,087	₩ 1,516,715	₩ 2,187,561,579
<b>Total comprehensive income for the year</b>							
Profit for the year		-	-	-	45,599,877	-	45,599,877
Remeasurements of net defined benefit liabilities (assets)	16	-	-	-	1,747,666	-	1,747,666
Changes in the fair value of available-for-sale financial assets	20	-	-	-	-	(1,145,211)	(1,145,211)
<b>Transactions with owners :</b>							
Annual dividends	19	-	-	-	(27,508,525)	-	(27,508,525)
<b>Balance at December 31, 2017</b>		<u>₩ 46,510,087</u>	<u>₩ 1,302,628,300</u>	<u>₩ (11,092,609)</u>	<u>₩ 867,838,105</u>	<u>₩ 371,504</u>	<u>₩ 2,206,255,386</u>
<b>Balance as of January 1, 2018</b>		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 867,838,105	₩ 371,504	₩ 2,206,255,386
Changes in accounting policy		-	-	-	-	-	-
<b>Balance as of January 1, 2018 (Adjusted)</b>		₩ 46,510,087	₩ 1,302,628,300	₩ (11,092,609)	₩ 867,838,105	₩ 371,504	₩ 2,206,255,386
<b>Total comprehensive income for the year</b>							
Profit for the year		-	-	-	49,187,649	-	49,187,649
Remeasurements of net defined benefit liabilities (assets)	16	-	-	-	(1,207,638)	-	(1,207,638)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	20	-	-	-	-	600,031	600,031
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income	20	-	-	-	-	(745,480)	(745,480)
<b>Transactions with owners :</b>							
Annual dividends	19	-	-	-	(27,508,525)	-	(27,508,525)
<b>Balance at December 31, 2018</b>		<u>₩ 46,510,087</u>	<u>₩ 1,302,628,300</u>	<u>₩ (11,092,609)</u>	<u>₩ 888,309,591</u>	<u>₩ 226,055</u>	<u>₩ 2,226,581,423</u>

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, 2018 and 2017**

<i>(in thousands of Korean won)</i>	Notes	2018	2017
<b>Cash flows from operating activities</b>			
Cash generated from operating activities			
Profit for the year		₩ 49,187,649	₩ 45,599,877
Adjustments	25	(7,507,967)	(11,326,323)
Changes in operating assets and liabilities	25	<u>4,434,269</u>	<u>2,320,173</u>
		46,113,951	36,593,727
Interest received		4,622,179	10,086,877
Dividends received		16,269,707	13,065,390
Income tax paid		<u>(11,685,508)</u>	<u>(10,350,061)</u>
<b>Net cash inflow from operating activities</b>		<u>55,320,329</u>	<u>49,395,933</u>
<b>Cash flows from investing activities</b>			
Payments for short-term financial assets		(116,501,015)	(535,698,718)
Proceeds from sale of short-term financial assets		84,191,316	645,508,417
Payments for long-term financial assets		(10,000,000)	-
Payments for financial assets designated at fair value through profit and loss		-	(98,000,000)
Proceeds from sale of financial assets designated at fair value through profit or loss		-	78,387,996
Proceeds from sale of debt instruments at fair value through profit or loss		180,526,227	-
Repayments of short-term loans		-	52,405,440
Payment for long-term loan		(4,000,000)	-
Payment for equity instruments at fair value through profit or loss	7	(4,993,539)	-
Payment for debt instruments at fair value through profit or loss	7	(110,000,000)	-
Proceeds from sale of debt instruments at fair value through other comprehensive income		18,363,164	-
Payments for available-for-sale financial assets		-	(4,884,180)
Proceeds from sale of available-for-sale financial assets		9,712,548	2,129,703
Payments for property, plant and equipment	11	(358,785)	(269,654)
Proceeds from property, plant and equipment	11	90,909	5,570
Payments for intangible assets	13	(1,545,733)	(493,891)
Proceeds from intangible assets	13	203,000	-
Payments for investments in subsidiaries	10	(8,000,000)	(10,000,000)
Payments for investments in associates	10	(9,845,698)	(324,112,451)
Cash inflow from derivative transactions		-	4,237,560
<b>Net cash inflow (outflow) from investing activities</b>		<u>27,842,394</u>	<u>(190,784,208)</u>
<b>Cash flows from financing activities</b>			
Dividends payment	19	<u>(27,508,525)</u>	<u>(27,508,525)</u>
<b>Net cash outflow from financing activities</b>		<u>(27,508,525)</u>	<u>(27,508,525)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>55,654,198</u>	<u>(168,896,800)</u>
Cash and cash equivalents at the beginning of the financial year		4,958,875	173,856,581
Effects of exchange rate changes on cash and cash equivalents		(142)	(906)
<b>Cash and cash equivalents at the end of the year</b>		<u>₩ 60,612,931</u>	<u>₩ 4,958,875</u>

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

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2018 and 2017**

**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 approval of the shareholders' meeting on July 27, 2012, the spin-off has been implemented on September 1, 2012 and the Company changed its corporate 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, 2018. The share capital of the Company is ₩46,510,087 thousand (ordinary shares: 93,020,173) and the Company's shareholders as at the end of the reporting period, are as follows:

	2018		2017	
	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
Hyun Shick Cho	17,974,870	19.3	17,974,870	19.3
Hyun Bum Cho	17,959,178	19.3	17,959,178	19.3
Treasury shares	1,325,090	1.4	1,325,090	1.4
Others	33,818,342	36.4	33,818,342	36.4
	₩ 93,020,173	100.0	₩ 93,020,173	100.0

**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 (Hangeul) 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

# Hankook Tire Worldwide Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2018 and 2017

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fair presentation of the Company's financial position, financial performance or cash flows, is not 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 Policies 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, 2018. The adoption of these amendments did not have any material impact on the financial statements.

- Amendment to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure each investment separately at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements because the Company is not a venture capital organization.

- Amendment to Korean IFRS 1040 *Transfers of Investment Property*

The amendment to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and the list of evidence for a change of use in the standard was re-characterized as a non-exclusive list of example. The amendment does not have a significant impact on the financial statements.

- Amendment 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. Amendments also clarify 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. The amendment does not have a significant impact on the financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

# Hankook Tire Worldwide Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2018 and 2017

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According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

- Korean IFRS 1109 *Financial Instruments*

The Company has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to equity. See Note 32 for further details on the impact of the application of the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company has applied to apply Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Company elected the modified retrospective approach, and recognized the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings as at January 1, 2018, the period of initial application. See Note 32 for further details on the impact of the application of the standard.

*(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 annual reporting period commencing January 1, 2018 and have not been early adopted by the Company are set out below.

- Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*. The Company will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Company is analyzing the effects on the financial statements based on available information as at December 31, 2018 to identify effects on 2019 financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

# Hankook Tire Worldwide Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2018 and 2017

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#### 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 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 the Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries 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 the Company 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 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 equity instrument at fair value through other comprehensive income are recognized in other comprehensive income.

#### 2.5 Financial Assets

##### *(a) Classification*

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

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

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

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

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

#### *(b) Measurement*

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.

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

#### *A. Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

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

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fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income or costs' in the year in which it arises.

#### *B. Equity instruments*

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

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

#### *(c) Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Company applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 31 provides more detail of how the Company determines there has been a significant increase in credit risk.)

## **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.

## **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:



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	<b>Useful life</b>
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:

	<b>Useful life</b>
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.

**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.

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#### 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', 'borrowings', and 'other financial liabilities' in the statement of financial position.

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

##### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified.

#### 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.

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

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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.

#### **2.14 Revenue Recognition**

From January 1, 2018, the Company has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

##### *(a) Rendering of services including Shared Service*

The Company is providing supporting service to affiliates. If the Company has the right to receive the amount for the value provided to the customer for the performance completed, the Company recognizes the amount of right for the service provided. This is because the Company can use practical expedient in recognizing the amount of right to receive.

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#### *(b) Royalty income*

Royalty income is the consideration that provides a license of intellectual property, and is recognized when a later event occurs between fulfillment of the performance obligation to which the consideration is allocated and the subsequent sale or use.

#### *(c) Dividend income*

The company conducts investment activities such as investment in subsidiaries. The company recognizes dividend yield at the time it declares dividends.

#### *(e) Rental income*

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

### **2.15 Segment Reporting**

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

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

The separate financial statements 2017 were approved for issue by the Board of Directors on March 12, 2019 and are subject to change with the approval of shareholders at their Annual General Meeting.

## **3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the 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 26).

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. Accordingly, the

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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 5).

*(c) Net defined benefit liability*

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 16).

*(d) Impairment of financial assets*

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

**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>		<b>2018</b>		<b>2017</b>
Total liabilities	₩	81,410,412	₩	82,447,525
Total equity		2,226,581,424		2,206,255,387
Debt ratio		3.7%		3.7%

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

#### (c) *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 against the risks listed. The use of derivatives is decided in the observance of the Company's policies approved by the board of the 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 speculative purpose.

The finance department of the Company report the details quarterly to Foreign Exchange Risk Management Committee monitoring 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

Operations of the Company are mainly exposed to financial risks of changes in currency and interest rate. The Company makes various contracts of derivatives for management of interest risk and foreign exchange rate.

##### a) Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

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

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<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
USD	₩	(1,315)	₩	1,543
EUR		(326)		(2,001)
Others		(931)		(962)

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

If the price of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss changed by 5% with all other variables held constant, other comprehensive income would be increased/decreased by ₩ 44,191 thousand (2017: ₩ 30,236 thousand) and Profit before income tax would be increased/decreased by ₩ 256,021 thousand (2017: ₩ - thousand) for the year ended December 31, 2018.

There was no significant change in sensitivity of stock price of the Company comparing to that of prior year.

3) 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.

a) Details of liquidity risk

The table below illustrates remaining contractual maturity of non-derivative financial liabilities and Net settled derivative financial instrument in detail. Contractual maturity is based on the earliest day when the payment can be claimed to the Company. Maturity analysis of non-derivative

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financial liabilities according to their remaining maturity at the end of the reporting period, are as follows:

(in thousands of Korean won)

	2018					
	Book amount	Contractual cash flows	Residual amount			
			Within a year	1-2 years	2-5 years	After 5 years
Other payables	₩ 14,155,114	₩ 14,155,114	₩ 14,155,114	₩ -	₩ -	₩ -
Other non-current payables	20,000	20,000	-	20,000	-	-
	<u>₩ 14,175,114</u>	<u>₩ 14,175,114</u>	<u>₩ 14,155,114</u>	<u>₩ 20,000</u>	<u>₩ -</u>	<u>₩ -</u>

(in thousands of Korean won)

	2017					
	Book amount	Contractual cash flows	Residual amount			
			Within a year	1-2 years	2-5 years	After 5 years
Other payables	₩ 13,599,709	₩ 13,599,709	₩ 13,599,709	₩ -	₩ -	₩ -



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**5. Fair value**

*(a) Financial instruments that are measured at fair value*

Details of the financial instruments that are measured at fair value as at the end of the reporting period, are as follows:.

*(in thousands of Korean won)*

	2018		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
AFS financial assets <sup>1</sup>	₩ -	₩ -	₩ 29,179,742	₩ 29,179,742
Financial assets designated at fair value through profit or loss	-	-	40,385,818	40,385,818
Debt instruments at fair value through profit or loss (current)	60,037,512	60,037,512	-	-
Debt instruments at fair value through profit or loss (non-current)	10,060,445	10,060,445	-	-
Equity instruments at fair value through profit or loss (non-current)	5,120,425	5,120,425	-	-
Equity instruments at fair value through other comprehensive income (non-current)	11,044,689	11,044,689	-	-
	86,263,071	86,263,071	69,565,560	69,565,560

<sup>1</sup> Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably, and excluded from the fair value disclosures.

Short-term financial instruments including trade receivables and payables whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

*(b) Fair Value Hierarchy*

Items that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

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

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Financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period, are as follows:

*(in thousands of Korean won)*

	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Equity instruments at fair value through other comprehensive income	₩ 1,103,889	₩ 9,940,800	₩ -	₩ 11,044,689
Debt instruments at fair value through profit or loss	-	70,097,957	-	70,097,957
Equity instruments at fair value through profit or loss	5,120,425	-	-	5,120,425
	₩ 6,224,314	₩ 80,038,757	₩ -	₩ 86,263,071

*(in thousands of Korean won)*

	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Available-for-sale financial assets				
Marketable equity instruments	₩ 604,712	₩ -	₩ -	₩ 604,712
Nonmarketable debt instruments	-	28,575,030	-	28,575,030
Financial assets designated at fair value through profit or loss				
Derivative linked securities	-	40,385,818	-	40,385,818
	₩ 604,712	₩ 68,960,848	₩ -	₩ 69,565,560

*(c) Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements*

The Company's policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer. There are no transfers between levels of each fair value hierarchy of financial instruments.

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*(d) Valuation Techniques and the Inputs*

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

*(In thousands of Korean won)*

		<b>2018</b>		
	<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Equity instruments at fair value through other comprehensive income</b>				
Hybrid capital securities (consol bond)	₩ 9,940,800	2	Discounted cash flows model	Credit risk adjusted discount rate
<b>Debt instruments at fair value through profit or loss</b>				
	20,037,512			
Derivative linked securities		2	Option pricing model	Underlying assets price, Credit risk adjusted discount rate, Volatility of underlying assets
Beneficiary certificates	50,060,445	2	Discounted cash flows model	Credit risk adjusted discount rate

*(In thousands of Korean won)*

		<b>2017</b>		
	<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
<b>Available-for-sale financial assets</b>				
Government bonds	₩ 19,146,730	2	Discounted cash flows model	Credit risk adjusted discount rate
Hybrid capital securities (consol bond)	9,428,300	2	Discounted cash flows model	Credit risk adjusted discount rate
<b>Financial assets designated at fair value through profit or loss</b>				
Derivative linked securities	40,385,818	2	Option pricing model	Underlying assets price, Credit risk adjusted discount rate, Volatility of underlying assets

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**6. Financial instruments**

*(a) Financial Instruments by Category*

Categories of financial instruments as at the end of the reporting period, are as follows:

<i>(in thousands of Korean won)</i>		<b>2018</b>	<b>2017</b>
<b>Financial assets:</b>			
Financial assets that are measured at fair value	Financial assets at fair value through profit or loss	₩ 75,218,382	₩ -
	Financial assets at fair value through other comprehensive income	11,044,689	-
	Available-for-sale financial assets	-	29,399,821
	Financial assets designated at fair value through profit or loss	-	40,385,818
Financial assets measured at amortized cost	Cash and cash equivalents	60,612,932	4,958,875
	Short-term financial assets	70,000,000	137,690,301
	Long-term financial assets	10,000,000	-
	Trade receivables	19,027,301	26,648,034
	Other receivables	2,368,301	11,452,387
	Other non-current receivables	4,000,000	-
		<u>₩ 252,271,605</u>	<u>₩ 250,535,236</u>

<i>(in thousands of Korean won)</i>		<b>2018</b>	<b>2017</b>
<b>Financial liabilities:</b>			
Financial liabilities at amortized cost	Other payables	₩ 14,155,114	₩ 13,599,709
	Other non-current payables	20,000	-
		<u>₩ 14,175,114</u>	<u>₩ 13,599,709</u>

Net gains or losses on each category of financial instruments for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2017</b>	<b>2016</b>
Derivatives		
Gains (losses) on foreign exchange forward transaction	₩ -	₩ 1,927,812

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Available-for-sale financial assets		
Gains (losses) on valuation (other comprehensive income, net of tax)	-	(1,145,211)
Gains on disposal	-	4,886,840
Dividend income	-	4,820
Financial assets at fair value through profit or loss		
Gains on valuation	-	385,818
Gains on disposal	-	315,636
Financial assets measured at amortized cost		
Interest income	1,800,599	8,353,304
Gains (losses) on foreign currency transaction	5,999	(2,036,278)
Losses on foreign currency translation	(142)	(906)
Financial liabilities measured at amortized cost		
Gains on foreign currency transaction	383	6,436
Gains on foreign currency translation	432	1,215
Debt instruments at fair value through other comprehensive income		
Reclassification to profit or loss (other comprehensive income, net of tax)	(745,480)	-
Gains on disposal	199,918	-
Interest income	433,927	-
Equity instruments at fair value through other comprehensive income		
Gains on valuation (other comprehensive income, net of tax)	600,031	-
Debt instruments at fair value through profit or loss		
Gains on valuation	166,957	-
Gains on disposal	71,409	-
Interest income	2,569,086	-
Equity instruments at fair value through profit or loss		
Gains on valuation	126,886	-
Gains on disposal	-	-
	W	W
	5,230,005	12,699,486

**7. Financial Assets**

7.1 Financial assets at fair value through profit or loss

As explained in Note 2, the Company has applied Korean IFRS 1109 *Financial Instruments* from January 1, 2018. See Note 31 for the impact of the changes in accounting policies on the classification of financial assets and financial statements.

Details of financial assets through profit or loss at the end of the reporting periods are as follows:

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<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017<sup>1</sup></b>	
Current				
Derivative-linked securities	₩	20,037,512	₩	20,460,417
Beneficiary certificates		40,000,000		100,000,000
Non-current				
Derivative-linked securities		-		19,925,401
Beneficiary certificates		10,060,445		-
Listed securities		5,120,425		-
	₩	<u>75,218,382</u>	₩	<u>140,385,818</u>

<sup>1</sup>The beginning balances were reclassified with applying Korean IFRS 1109 (Notes 32).

Amounts recognized in profit or loss for the years ended December 31, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Gain from equity instruments at fair value through profit or loss	₩	126,886	₩	-
Gain from debt instruments at fair value through profit or loss		2,807,452		701,454
	₩	<u>2,934,338</u>	₩	<u>701,454</u>

Changes in financial assets through profit or loss for the years ended December 31, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>				
	<b>Beginning balance<sup>1</sup></b>	<b>Acquisition</b>	<b>Disposals</b>	<b>Valuation</b>	<b>Ending balance</b>
Debt instruments					
Derivative-linked securities	₩ 40,385,818	₩ 20,000,000	₩ (40,454,818)	₩ 106,512	₩ 20,037,512
Beneficiary certificates	100,000,000	90,000,000	(140,000,000)	60,445	50,060,445
Equity instruments					
Listed securities	-	4,993,539	-	126,886	5,120,425
	₩ 140,385,818	₩ 114,993,539	₩ (180,454,818)	₩ 293,843	₩ 75,218,382

<sup>1</sup>The beginning balances were reclassified with applying Korean IFRS 1109 (Notes 32).

**Hankook Tire Worldwide Co., Ltd.**  
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7.2 Financial assets at fair value through other comprehensive income

(a) Details of financial assets at fair value through other comprehensive income at the end of the reporting periods are as follows:

<i>(in thousands of Korean won)</i>	<u>2018</u>		<u>2017<sup>1</sup></u>	
Non-current				
Listed securities and others	₩	1,103,889	₩	824,791
Hybrid capital securities (consol bond)		<u>9,940,800</u>		<u>9,428,300</u>
	₩	<u>11,044,689</u>	₩	<u>10,253,091</u>

<sup>1</sup>The beginning balances were reclassified with applying Korean IFRS 1109 (Notes 32).

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

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

Debt investments at fair value through other comprehensive income comprise the following investments in bonds having solely payments of principal and interest:

<i>(in thousands of Korean won)</i>	<u>2018</u>		<u>2017<sup>1</sup></u>	
Non-current				
Government bonds		-		19,146,730

<sup>1</sup>The beginning balances were reclassified with applying Korean IFRS 1109 (Notes 32).

Upon disposal of these debt investments, any balance within the accumulated other comprehensive income for these debt investments is reclassified to profit or loss.

Changes in Financial assets at fair value through other comprehensive income for the years ended December 31, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<u>2018</u>			
	<u>Beginning balance<sup>1</sup></u>	<u>Disposals</u>	<u>Valuation</u>	<u>Ending balance</u>
Equity instruments				
Listed securities and others	₩ 824,791	₩ -	₩ 279,098	₩ 1,103,889
Hybrid capital securities (consol bond)	9,428,300	-	512,500	9,940,800
Debt instruments				
Government bonds	19,146,730	<u>(18,163,247)</u>	<u>(983,483)</u>	-
	<u>₩ 29,399,821</u>	<u>₩ (18,163,247)</u>	<u>₩ (191,885)</u>	<u>₩ 11,044,689</u>

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<sup>1</sup>The beginning balances were reclassified with applying Korean IFRS 1109 (Notes 32).

**8. 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)*

	<b>2018</b>		
	<b>Gross amount</b>	<b>Less: Provision for impairment</b>	<b>Net amount</b>
<b>Current</b>			
Trade receivables	₩ 19,027,301	₩ -	₩ 19,027,301
Other receivables			
Non-trade receivables	758,369	-	758,369
Accrued income	1,592,332	-	1,592,332
Deposits	17,600	-	17,600
	<u>₩ 2,368,301</u>	<u>₩ -</u>	<u>₩ 2,368,301</u>
<b>Non-current</b>			
Long-term loan	<u>₩ 4,000,000</u>	<u>₩ -</u>	<u>₩ 4,000,000</u>

*(in thousands of Korean won)*

	<b>2017</b>		
	<b>Gross amount</b>	<b>Less: Provision for impairment</b>	<b>Net amount</b>
<b>Current</b>			
Trade receivables	₩ 26,648,034	₩ -	₩ 26,648,034
Other receivables			
Non-trade receivables	10,041,488	-	10,041,488
Accrued income	1,410,899	-	1,410,899
Short-term loans	-	-	-
	<u>₩ 11,452,387</u>	<u>₩ -</u>	<u>₩ 11,452,387</u>

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.



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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)

	2018		2017	
	Current	Non-current	Current	Non-current
Advance payments	₩ 282,950	₩ -	₩ -	₩ -
Prepaid expenses	11,699	-	16,905	-
Others	-	650,018	-	650,018
	₩ 294,649	₩ 650,018	₩ 16,905	₩ 650,018

**10. Investments in Subsidiaries and Associates**

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

Name of entity	Percentage of ownership (%)		Location	Closing month	Main business
	2018	2017			
<b>Subsidiaries</b>					
Atlas BX Co., Ltd	74.9	74.9	Korea	December	Manufacturing and sales of storage batteries and dry cells
HK AUTOMOTIVE Co., Ltd. <sup>3</sup>	100.0	100.0	Korea	December	Repairing automobiles and sales of parts
<b>Associates</b>					
Hankook Tire Co., Ltd <sup>1</sup> .	30.2	30.0	Korea	December	Manufacturing, reproduction processing and sales of the automobile tires, tubes and accessories.
EmFrontier, Inc.	40.0	40.0	Korea	December	E-business and total systems management service

<sup>1</sup> The Company acquired 246,134 shares of Hankook Tire Co., Ltd. for the period ended December 31, 2018. As at the end of the reporting period, the Company has 37,408,655 shares of HANKOOK TIRE CO., LTD and the ownership interest after acquisition is 30.20%.

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Details of the Company's investments in subsidiaries and associates for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Investments in subsidiaries	Investments in associates	Investments in subsidiaries	Investments in associates
Beginning balance	₩ 22,229,979	₩ 1,954,546,303	₩ 12,229,979	₩ 1,630,433,852
Acquisition of subsidiaries	8,000,000	-	10,000,000	-
Acquisition of associates	-	9,845,699	-	324,112,451
Ending balance	₩ 30,229,979	₩ 1,964,392,002	₩ 22,229,979	₩ 1,954,546,303

As at the end of the reporting period, the fair values of marketable investments in associates are as follows:

(in thousands of Korean won)

	2018	2017
Atlas BX Co., Ltd.	₩ 148,131,620	₩ 139,870,434
Hankook Tire Co., Ltd.	1,501,957,498	2,029,073,647

**11. Property, Plant and Equipment**

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

(in thousands of Korean won)

	2018			
	Cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 7,803,471	₩ -	₩ -	₩ 7,803,471
Buildings	25,146,610	(10,609,722)	-	14,536,888
Structures	521,000	(225,303)	-	295,697
Vehicles	200,354	(58,437)	-	141,917
Supplies	859,893	(762,500)	-	97,393
Construction in progress	301,888	-	(301,888)	-
	₩ 34,833,216	₩ (11,655,962)	₩ (301,888)	₩ 22,875,366

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(in thousands of Korean won)

	2017			
	Cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ 10,546,728
Buildings	29,756,563	(12,985,734)	-	16,770,829
Structures	521,000	(209,279)	-	311,721
Vehicles	748,128	(556,121)	-	192,007
Supplies	813,293	(687,011)	-	126,282
Construction in progress	333,107	-	(301,888)	31,219
	<u>₩ 42,718,819</u>	<u>₩ (14,438,145)</u>	<u>₩ (301,888)</u>	<u>₩ 27,978,786</u>

Changes in property, plant and equipment for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018					
	Opening net book amount	Acquisition	Disposal	Depreciation	Transfer	Closing net book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ -	₩ (2,743,257)	₩ 7,803,471
Buildings	16,770,829	280,967	(28,479)	(645,502)	(1,840,927)	14,536,888
Structures	311,721	-	-	(16,024)	-	295,697
Vehicles	192,007	-	(1)	(50,089)	-	141,917
Supplies	126,282	46,600	-	(75,490)	1	97,393
Construction in progress	31,219	-	-	-	(31,219)	-
	<u>₩ 27,978,786</u>	<u>₩ 327,567</u>	<u>₩ (28,480)</u>	<u>₩ (787,105)</u>	<u>₩ (4,615,402)</u>	<u>₩ 22,875,366</u>

(in thousands of Korean won)

	2017					
	Opening net book amount	Acquisition	Disposal	Depreciation	Transfer	Closing net book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ -	₩ -	₩ 10,546,728
Buildings	17,510,432	-	-	(739,603)	-	16,770,829
Structures	327,745	-	-	(16,024)	-	311,721
Vehicles	2	200,354	(2)	(8,347)	-	192,007
Supplies	208,549	17,600	-	(99,867)	-	126,282
Construction in progress	-	31,219	-	-	-	31,219
	<u>₩ 28,593,456</u>	<u>₩ 249,173</u>	<u>₩ (2)</u>	<u>₩ (863,841)</u>	<u>₩ -</u>	<u>₩ 27,978,786</u>

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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)*

	2018		
	Cost	Accumulated depreciation	Book amount
Land	₩ 18,405,908	₩ -	₩ 18,405,908
Buildings	28,279,158	(18,795,925)	9,483,233
	<u>₩ 46,685,066</u>	<u>₩ (18,795,925)</u>	<u>₩ 27,889,141</u>

*(in thousands of Korean won)*

	2017		
	Cost	Accumulated depreciation	Book amount
Land	₩ 15,662,650	₩ -	₩ 15,662,650
Buildings	23,403,620	(15,028,619)	8,375,001
	<u>₩ 39,066,270</u>	<u>₩ (15,028,619)</u>	<u>₩ 24,037,651</u>

Changes in investment properties for the years ended December 31, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	2018			
	Beginning balance	Depreciation	Transfer	Ending balance
Land	₩ 15,662,650	₩ -	₩ 2,743,258	₩ 18,405,908
Buildings	8,375,001	(763,913)	1,872,145	9,483,233
	<u>₩ 24,037,651</u>	<u>₩ (763,913)</u>	<u>₩ 4,615,403</u>	<u>₩ 27,889,141</u>

*(in thousands of Korean won)*

	2017			
	Beginning balance	Depreciation	Transfer	Ending balance
Land	₩ 15,662,650	₩ -	₩ -	₩ 15,662,650
Buildings	9,038,883	(663,882)	-	8,375,001
	<u>₩ 24,701,533</u>	<u>₩ (663,882)</u>	<u>₩ -</u>	<u>₩ 24,037,651</u>

Details of income and expenditure for the years ended December 31, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	2018	2017
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**Hankook Tire Worldwide Co., Ltd.**  
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Rental sales	₩	5,498,973	₩	4,510,465
Rental income		2,687,993		2,223,475
Operating expenses		2,907,512		2,242,896

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

<i>(in thousands of Korean won)</i>		<b>2018</b>		<b>2017</b>
Book amount	₩	27,889,141	₩	24,037,651
Fair value		116,276,648		107,529,143

**13. Intangible Assets**

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

<i>(in thousands of Korean won)</i>		<b>2018</b>		
		<b>Cost</b>	<b>Accumulated amortization</b>	<b>Book amount</b>
Industrial rights	₩	5,313,354	₩ (3,473,062)	₩ 1,840,292
Membership rights		5,337,671	-	5,337,671
Construction in progress		2,211,114	-	2,211,114
	₩	<u>12,862,139</u>	₩ <u>(3,473,062)</u>	₩ <u>9,389,077</u>

<i>(in thousands of Korean won)</i>		<b>2017</b>		
		<b>Cost</b>	<b>Accumulated amortization</b>	<b>Book amount</b>
Industrial rights	₩	5,428,616	₩ (2,852,655)	₩ 2,575,961
Membership rights		5,307,996	-	5,307,996
Construction in progress		824,076	-	824,076
	₩	<u>11,560,688</u>	₩ <u>(2,852,655)</u>	₩ <u>8,708,033</u>

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Changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018					
	Beginning balance	Acquisition	Disposal	Amortization	Transfer	Ending balance
Industrial rights	₩ 2,575,961	₩ 14,850	₩ -	₩ (767,993)	₩ 17,474	₩ 1,840,292
Membership rights	5,307,996	234,510	(204,835)	-	-	5,337,671
Construction in progress	824,076	1,404,512	-	-	(17,474)	2,211,114
	<u>₩ 8,708,033</u>	<u>₩ 1,653,872</u>	<u>₩ (204,835)</u>	<u>₩ (767,993)</u>	<u>₩ -</u>	<u>₩ 9,389,077</u>

(in thousands of Korean won)

	2017				
	Beginning balance	Acquisition	Amortization	Transfer	Ending balance
Industrial rights	₩ 2,174,741	₩ 122,267	₩ (767,671)	₩ 1,046,624	₩ 2,575,961
Membership rights	5,307,996	-	-	-	5,307,996
Construction in progress	1,473,876	396,824	-	(1,046,624)	824,076
	<u>₩ 8,956,613</u>	<u>₩ 519,091</u>	<u>₩ (767,671)</u>	<u>₩ -</u>	<u>₩ 8,708,033</u>

**14. Other Payables**

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

(in thousands of Korean won)

	2018		2017	
	Current	Non-current	Current	Non-current
Non-trade payables	₩ 4,171,195	₩ -	₩ 4,231,633	₩ -
Accrued expenses	219,682	-	400,580	-
Dividend payables	2,622	-	66,585	-
Leasehold deposits received	9,761,615	20,000	8,900,911	-
	<u>₩ 14,155,114</u>	<u>₩ 20,000</u>	<u>₩ 13,599,709</u>	<u>₩ -</u>

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**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>	<b>2018</b>		<b>2017</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Withholdings	₩ 264,958	₩ -	₩ 2,969,718	₩ -
Other long-term employee benefits	-	41,973	-	257,657
	<u>₩ 264,958</u>	<u>₩ 41,973</u>	<u>₩ 2,969,718</u>	<u>₩ 257,657</u>

Changes in other long-term employee benefits for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Other long-term employee benefits	₩ 257,657	₩ (207,919)	₩ (7,765)	₩ 41,973

<i>(in thousands of Korean won)</i>	<b>2017</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Other long-term employee benefits	₩ 269,238	₩ 11,776	₩ (23,357)	₩ 257,657

**16. Net Defined Benefit Liabilities**

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 plan, the Company is exposed to the risk of 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, 2018, by Samsung Securities Co., Ltd. , Present value of the defined benefit obligation, its related current service cost and past service cost have been measured by the projected unit credit method.

Details of net defined benefit liabilities recognized in the statements of financial position at the end

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of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Present value of defined benefit obligations	₩	6,900,298	₩	20,328,533
Fair value of plan assets		<u>(4,197,763)</u>		<u>(19,871,198)</u>
Net defined benefit liabilities (assets)	₩	<u>2,702,535</u>	₩	<u>457,335</u>

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

<i>(in percentage)</i>	<b>2018</b>		<b>2017</b>	
Discount rate		3.3%		3.8%
Expected rate of salary increase		6.6%		6.6%

Movements in the defined benefit obligations and the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		
	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Total</b>
Beginning balance	₩ 20,328,533	₩ (19,871,198)	₩ 457,335
Current service cost	648,095	-	648,095
Interest expense (income)	191,785	(139,331)	52,454
	<u>839,880</u>	<u>(139,331)</u>	<u>700,549</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	131,436	131,436
Actuarial gain from change in demographic assumptions	-	-	-
Actuarial gain from change in financial assumptions	139,567	-	139,567
Actuarial gain from experience adjustments	1,322,187	-	1,322,187
	<u>1,461,754</u>	<u>131,436</u>	<u>1,593,190</u>
Benefits payments	(425,526)	376,987	(48,539)
Others	(15,304,343)	15,304,343	-
Ending balance	₩ 6,900,298	₩ (4,197,763)	₩ 2,702,535



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	<b>2017</b>		
	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Total</b>
Beginning balance	₩ 20,052,202	₩ (20,053,166)	₩ (964)
Current service cost	2,970,921	-	2,970,921
Interest expense (income)	676,299	(634,493)	41,806
	<u>3,647,220</u>	<u>(634,493)</u>	<u>3,012,727</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	269,110	269,110
Actuarial gain from change in demographic assumptions	(10,821)	-	(10,821)
Actuarial gain from change in financial assumptions	(628,022)	-	(628,022)
Actuarial gain from experience adjustments	(1,935,896)	-	(1,935,896)
	<u>(2,574,739)</u>	<u>269,110</u>	<u>(2,305,629)</u>
Benefits payments	(796,150)	547,351	(248,799)
Others	-	-	-
Ending balance	<u>₩ 20,328,533</u>	<u>₩ (19,871,198)</u>	<u>₩ 457,335</u>

When significant actuarial assumptions vary within a reasonable range with all other assumptions held constant at the end of the reporting periods, the effects on the defined benefit obligations are as follows:

(in thousands of Korean won)

	<b>2018</b>	
	<b>Increase</b>	<b>Decrease</b>
1% change of discount rate	₩ (232,426)	₩ 271,787
1% change of salary growth rate	266,684	(232,773)

(in thousands of Korean won)

	<b>2017</b>	
	<b>Increase</b>	<b>Decrease</b>
1% change of discount rate	₩ (1,190,363)	₩ 1,409,297
1% change of salary growth rate	1,390,960	(1,198,179)

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Amounts recognized in the statements of comprehensive income regarding defined benefit pension plans for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Current service cost	₩	648,095	₩	2,970,921
Interest cost		52,454		41,806
	₩	700,549	₩	3,012,727

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

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
	<b>Total</b>	<b>Composition</b>	<b>Total</b>	<b>Composition</b>
Debt instruments	₩ 4,197,763	100.0%	₩ 17,853,354	89.8%
Deposits	-	-	2,017,836	10.2%
Cash and cash equivalents	-	-	8	0.0%
	₩ 4,197,763	100.0%	₩ 19,871,198	100.0%

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, 2019, are ₩ 3,334,769 thousand (2017: ₩ 2,992,506 thousand).

The expected maturity analysis of undiscounted pension benefits as at the end of the reporting period, is as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>				
	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 99,960	₩ 118,084	₩ 476,598	₩ 8,904,328	₩ 9,598,970

The weighted average duration of the defined benefit obligation is 11.1 years (2017: 12.4 years).

Due to reorganization of its holding company, the Company transferred the control over some organizations to Hankook Tire Co., Ltd., its associate, as at January 1, 2018. As a result, defined benefit obligations and plan assets decreased by ₩ 15,304,343 thousand and ₩ 15,304,343 thousand, as at January 1, 2018.

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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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, except for number of shares)</i>	<b>2018</b>	<b>2017</b>
Authorized (in shares)	250,000,000	250,000,000
Par value	₩ 500	₩ 500
Outstanding (in shares):		
Ordinary share	93,020,173	93,020,173
Share capital: Ordinary share	<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>	<b>2018</b>	<b>2017</b>
Share premium	₩ 1,302,628,300	₩ 1,302,628,300
Treasury shares	<u>(11,092,609)</u>	<u>(11,092,609)</u>
	<u>₩ 1,291,535,691</u>	<u>₩ 1,291,535,691</u>

As at December 31, 2018, the Company holds 1,325,090 ordinary shares in treasury, to stabilize the market price of its shares, and records treasury share as other paid-in capital. Further appropriation of them is not determined.

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**19. Retained Earnings and Dividends**

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

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>
Legal reserve:		
Earned profit reserve <sup>1</sup>	₩ 22,010,864	₩ 19,260,011
	<u>22,010,864</u>	<u>19,260,011</u>
Discretionary reserve:		
Reserve for revaluation <sup>2</sup>	443,289,239	443,289,239
Dividend equalization reserve	60,000,000	60,000,000
Director's retirement bonus reserve	93,918,000	93,918,000
Voluntary reserve	110,000,000	110,000,000
	<u>707,207,239</u>	<u>707,207,239</u>
Unappropriated retained earnings	159,091,489	141,370,856
	<u>₩ 888,309,592</u>	<u>₩ 867,838,106</u>

<sup>1</sup> 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.

<sup>2</sup> 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 years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>
Beginning balance	₩ 867,838,106	₩ 847,999,087
Profit for the year	49,187,649	45,599,877
Dividend payments	(27,508,525)	(27,508,525)
Remeasurements of net defined benefit liabilities (assets)	(1,207,638)	1,747,667
Ending balance	<u>₩ 888,309,592</u>	<u>₩ 867,838,106</u>

**Hankook Tire Worldwide Co., Ltd.**  
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Details of dividend payments as at the end of the reporting period are as follow, and the dividends will be paid after approval of the shareholders at the annual general meeting.

<i>(in thousands of Korean won, except for number of shares)</i>	<b>2018</b>	<b>2017</b>
Outstanding shares issued (in shares)	93,020,173	93,020,173
Treasury shares (in shares)	1,325,090	1,325,090
Dividend shares (in shares)	91,695,083	91,695,083
Dividend per share	₩ 300	₩ 300
Total dividend	<u>₩ 27,508,524,900</u>	<u>₩ 27,508,524,900</u>

Dividend distribution to the Company's shareholders amounted to ₩ 27,508,525 thousand (paid in 2017: ₩ 27,508,525 thousand) for the year ended December 31, 2017, was paid in April, 2018.

Details of separate statements of appropriation of retained earnings for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>
1. Retained earnings before appropriation		
Unappropriated retained earnings carried over from prior year	₩ 111,111,478,125	₩ 94,023,311,829
Remeasurements of net defined benefit liabilities (assets)	(1,207,638,219)	1,747,666,407
Profit for the period	<u>49,187,649,351</u>	<u>45,599,877,309</u>
	<u>159,091,489,257</u>	<u>141,370,855,545</u>
2. Transfers such as discretionary reserves	-	-
3. Appropriation of retained earnings		
Earned profit reserves	2,750,852,520	2,750,852,520
Cash dividends (Dividends per share: 2018: ₩300 (60%) 2017: ₩300 (60%))	<u>27,508,524,900</u>	<u>27,508,524,900</u>
	<u>30,259,377,420</u>	<u>30,259,377,420</u>
4. Unappropriated retained earnings to be carried forward	<u>₩ 128,832,111,837</u>	<u>₩ 111,111,478,125</u>

**Hankook Tire Worldwide Co., Ltd.**  
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**20. Other Components of Equity**

Changes in other components of equity for the years ended December 31, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	<b>2018</b>			
	<b>Beginning balance<sup>1</sup></b>	<b>Increase<sup>2</sup></b>	<b>Reclassification to profit or loss</b>	<b>Ending balance</b>
Changes in the fair value of Financial assets at fair value through other comprehensive income	₩ 371,504	₩ 600,031	₩ (745,480)	₩ 226,055

<sup>1</sup>Beginning balance is same as reported amount as at December 31, 2017.

<sup>2</sup>Amount of tax effect is deducted.

*(in thousands of Korean won)*

	<b>2017</b>			
	<b>Beginning balance</b>	<b>Decrease<sup>1</sup></b>	<b>Reclassification to profit or loss</b>	<b>Ending balance</b>
Changes in the fair value of available-for-sale financial assets	₩ 1,516,715	₩ (941,926)	₩ (203,285)	₩ 371,504

<sup>1</sup> Amount of tax effect is deducted.

**21. Operating income**

Details of operating income for the years ended December 31, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	<b>2018</b>		<b>2017</b>	
Rental sales	₩	5,498,973	₩	4,510,465
Training center sales		1,863		219
Service sales		4,145,421		20,851,546
Trademark right revenue		49,221,532		48,735,137
Dividend income		16,005,861		13,329,236
	₩	<u>74,873,650</u>	₩	<u>87,426,603</u>

**Hankook Tire Worldwide Co., Ltd.**  
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**22. Operating Expenses**

Operating expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Payroll	₩	4,724,554	₩	22,623,869
Post-employment benefits		648,590		2,970,889
Employee benefits		450,982		2,392,167
Training expenses		75,498		1,108,265
Travel expenses		221,934		781,106
Vehicles maintenance expenses		51,250		80,289
Insurance		54,573		187,341
Taxes and dues		1,036,257		922,656
Entertainment expenses		166,333		430,740
Supplies expenses		41,460		102,461
Publication expenses		87,396		496,333
Communication expenses		79,077		99,692
Utility expenses		875,723		826,754
Repairs expenses		292,497		361,530
Conference expenses		223		20,319
Service fees		3,733,791		5,399,916
Depreciation of investment property		763,913		663,882
Depreciation of property, plant and equipment		787,105		863,841
Amortization of intangible assets		767,993		767,671
Service expenses		367,593		677,901
Shared service expenses		1,540,117		-
Advertisement		3,693,501		2,937,389
Miscellaneous expenses		130,255		286,316
	₩	<u>20,590,615</u>	₩	<u>45,001,327</u>

**Hankook Tire Worldwide Co., Ltd.**  
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**23. Finance Income and Finance Costs**

Details of financial income and finance costs for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
<b>Finance income</b>				
Interest income	₩	4,803,612	₩	8,353,304
Gains on foreign currency transaction		5,142		713,111
Gains on foreign currency translation		31		-
Gains on disposal of AFS financial assets		-		4,886,840
Gains on valuation and disposal of financial assets designated at fair value through profit or loss		-		1,064,177
Gains on valuation of debt instruments at fair value through profit or loss		166,957		-
Gains on disposal of debt instruments at fair value through profit or loss		419,053		-
Gains on valuation of equity instruments at fair value through profit or loss		126,886		-
Gains on disposal of financial instruments at fair value through other comprehensive income		199,918		-
	₩	<u>5,721,599</u>	₩	<u>15,017,432</u>
<b>Finance costs</b>				
Losses on foreign currency transaction	₩	6,513	₩	404,859
Losses on foreign currency translation		173		906
Losses on valuation and disposal of financial assets designated at fair value through profit or loss		-		362,723
Losses on disposal of debt instruments at fair value through profit or loss		347,644		-
	₩	<u>354,330</u>	₩	<u>768,488</u>



**Hankook Tire Worldwide Co., Ltd.**  
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**24. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
<b>Other non-operating income</b>				
Gains on foreign currency transaction	₩	15,543	₩	15,721
Gains on foreign currency translation		432		1,267
Gain on foreign exchange forward contracts transaction		-		1,927,812
Rental income		2,687,993		2,223,475
Gains on disposal of property, plant and equipment		90,908		5,569
Miscellaneous gain		117,857		143,551
	₩	2,912,733	₩	4,317,395
<b>Other non-operating expenses</b>				
Losses on foreign currency transaction	₩	7,790	₩	2,353,815
Losses on foreign currency translation		-		52
Losses on disposal of property, plant and equipment		28,479		-
Losses on disposal of intangible assets		1,835		-
Donation		2,133,480		2,801,400
Miscellaneous loss		23,582		22,888
	₩	2,195,166	₩	5,178,155

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**25. Cash Generated from Operations**

Details of cash generated from operations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>
Adjustments for:		
Income tax expense	₩ 11,180,223	₩ 10,213,583
Losses on foreign currency translation	173	958
Losses on disposal of property, plant and equipment	28,479	-
Losses on disposal of intangible assets	1,835	-
Depreciation of investment property	763,913	663,882
Depreciation of property, plant and equipment	787,105	863,841
Amortization of intangible assets	767,993	767,671
Other long-term employee benefits	(207,919)	11,776
Post-employment benefit obligations	700,549	3,012,727
Losses on foreign currency transaction	-	2,344,720
Losses on valuation and disposal of financial assets designated at fair value through profit or loss	-	362,723
Losses on disposal of debt instruments at fair value through profit or loss	347,644	-
Interest income	(4,803,612)	(8,353,304)
Dividend received	(16,005,861)	(13,329,236)
Gains on foreign currency translation	(463)	(1,266)
Gains on disposal of property, plant and equipment	(90,908)	(5,569)
Gains on foreign exchange forward transaction	-	(1,927,812)
Gains on disposal of AFS financial assets	-	(4,886,840)
Gains on valuation and disposal of financial assets designated at fair value through profit or loss	-	(1,064,177)
Gains on valuation of debt instruments at fair value through profit or loss	(166,957)	-
Gains on valuation of equity instruments at fair value through profit or loss	(126,886)	-
Gains on disposal of debt instruments at fair value through profit or loss	(419,053)	-
Gains on disposal of financial instruments at fair value through other comprehensive income	(199,918)	-
Miscellaneous gains	(64,304)	-
	<u>₩ (7,507,967)</u>	<u>₩ (11,326,323)</u>

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<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Changes in operating assets and liabilities:				
Decrease in trade receivables	₩	7,620,733	₩	2,412,684
Decrease (increase) in non-trade receivables		(693,275)		31,271
Increase in advance payments		(282,950)		-
Decrease (increase) in prepaid expenses		5,205		253
Increase in deposits		(17,600)		-
Increase (decrease) in leasehold deposits received		880,704		(69,293)
Decrease in non-trade payables		(136,586)		(359,849)
Decrease in accrued expenses		(180,898)		(8,446)
Increase (decrease) in withholdings		(2,704,760)		585,709
Decrease in post-employment benefit obligation		(425,526)		(796,149)
Increase in pension plan assets		376,987		547,350
Decrease in other long-term employee benefits		(7,765)		(23,357)
	₩	<u>4,434,269</u>	₩	<u>2,320,173</u>

The principal non-cash transaction for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Transfer of construction in progress to intangible assets	₩	17,474	₩	1,046,624
Transfer of property, plant and equipment to investment properties		4,615,402		-
Increase in non-trade payables in relation to acquisition of property, plant and equipment		-		31,219
Increase in non-trade payables in relation to acquisition of intangible assets		185,815		77,676
Decrease in non-trade payables in relation to acquisition of property, plant and equipment		31,219		51,700
Decrease in non-trade payables in relation to acquisition of intangible assets		77,677		52,477
Increase in non-trade receivables in relation to disposal of AFS financial assets		-		9,712,548
Decrease in non-trade receivables in relation to disposal of AFS financial assets		9,712,548		-

As there are no cash flows from financing activities, except for dividends paid, changes in liabilities arising from financing activities are identical to the cash flows from financing activities in the statement of cash flows for the year ended December 31, 2018.

**Hankook Tire Worldwide Co., Ltd.**  
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**26. Tax Expense**

Income tax expense for the years ended December 31, 2018 and 2017, consists of:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Current tax:				
Current tax on profits for the year	₩	11,878,007	₩	11,202,017
Adjustments in respect of prior years		211,833		(350,241)
Deferred tax:				
Origination and reversal of temporary differences		(1,341,605)		(445,852)
Charged or credited directly to equity		431,988		(192,341)
Income tax expense	₩	<u>11,180,223</u>	₩	<u>10,213,583</u>

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>	<b>2018</b>		<b>2017</b>	
Profit before income tax expense	₩	60,367,872	₩	55,813,460
Tax at domestic tax rates applicable to profits in the respective countries		14,147,025		13,044,857
Tax effects of:				
Income not subject to tax		(3,000,578)		(2,491,710)
Expenses not deductible for tax purposes		36,763		95,540
Others		(2,987)		(435,104)
		<u>(2,966,802)</u>		<u>(2,831,274)</u>
Income tax expense	₩	<u>11,180,223</u>	₩	<u>10,213,583</u>

The tax effect relating to components of other comprehensive income for the years ended December 31, 2018 and 2017, is as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>			<b>2017</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurements of net defined benefit liabilities (assets)	₩ (1,593,190)	₩ 385,552	₩ (1,207,638)	₩ 2,305,629	₩ (557,962)	₩ 1,747,667
Changes in the fair value of AFS financial assets	-	-	-	(1,510,832)	365,621	(1,145,211)
Loss on valuation of financial assets at fair value through other comprehensive income	(191,885)	46,436	(145,449)	-	-	-
	<u>₩ (1,785,075)</u>	<u>₩ 431,988</u>	<u>₩ (1,353,087)</u>	<u>₩ 794,797</u>	<u>₩ (192,341)</u>	<u>₩ 602,456</u>

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The analysis of deferred tax assets and liabilities as at December 31, 2018 and 2017, is as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
<b>Deferred tax assets</b>				
Deferred tax asset to be recovered after more than 12 months	₩	6,418,302	₩	5,658,837
Deferred tax asset to be recovered within 12 months		89,052		79,139
		<u>6,507,354</u>		<u>5,737,976</u>
<b>Deferred tax liabilities</b>				
Deferred tax liability to be recovered after more than 12 months		63,517,328		64,138,592
Deferred tax liability to be recovered within 12 months		390,475		341,438
		<u>63,907,803</u>		<u>64,480,030</u>
Deferred tax liabilities, net	₩	<u>(57,400,449)</u>	₩	<u>(58,742,054)</u>

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

<i>(in thousands of Korean won)</i>	<b>2018</b>			
	<b>Beginning balance</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
<b>Deferred tax assets (liabilities)</b>				
Unearned revenue	₩ (341,438)	₩ (49,037)	₩ -	₩ (390,475)
Other long-term employee benefits	62,353	(52,195)	-	10,158
Accrued expenses	79,139	(54,342)	-	24,797
Non-trade receivables	-	64,254	-	64,254
Property, plant and equipment	2,335,374	26,921	-	2,362,295
Net defined benefit liabilities	(666,597)	935,059	385,552	654,014
Financial assets at fair value through profit or loss	(93,368)	(45,334)	-	(138,702)
Intangible assets	201,521	-	-	201,521
Construction in progress	232,760	-	-	232,760
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	2,826,828	84,291	46,436	2,957,555
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Investments in subsidiaries and associates	(60,822,602)	-	-	(60,822,602)
	<u>₩ (58,742,054)</u>	<u>909,617</u>	<u>431,988</u>	<u>(57,400,449)</u>

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<i>(in thousands of Korean won)</i>	<b>2017</b>			
	<b>Beginning balance</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
Deferred tax assets (liabilities)				
Unearned revenue	₩ (817,706)	₩ 476,268	₩ -	₩ (341,438)
Other long-term employee benefits	65,156	(2,803)	-	62,353
Accrued expenses	83,467	(4,328)	-	79,139
Property, plant and equipment	2,315,513	19,861	-	2,335,374
Net defined benefit liabilities	(319,857)	211,222	(557,962)	(666,597)
Derivative financial instruments	(15,243)	15,243	-	-
Gains and losses on foreign currency translation	-	-	-	-
Financial assets designated at fair value through profit or loss	(17,511)	(75,857)	-	(93,368)
Intangible assets	202,934	(1,413)	-	201,521
Construction in progress	232,760	-	-	232,760
AFS financial assets	2,461,207	-	365,621	2,826,828
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Investments in subsidiaries and associates	(60,822,602)	-	-	(60,822,602)
	<u>₩ (59,187,906)</u>	<u>638,193</u>	<u>(192,341)</u>	<u>(58,742,054)</u>

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>	<b>Remarks</b>
Interests in subsidiaries and associates	₩ 1,165,191,376	₩ 1,165,191,376	No plan for disposal

**Hankook Tire Worldwide Co., Ltd.**  
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**27. Related Party Transactions**

Details of related parties as at December 31, 2018, 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., Atlasbx America Corporation, HK AUTOMOTIVE CO., LTD., HK Motors Co., Ltd., Han Automobile Co., Ltd., JAX Motors Co., Ltd.(formerly, Flying Motors) <sup>1</sup>
Associates	Hankook Tire Co., Ltd., EmFrontier, Inc.
Domestic subsidiaries of associates	Daehwa Engineering & Machinery Co., Ltd., MK Technology Corp., Hankook Donggeurami Partners Co., Ltd., KCG 1 Private Equity Fund Limited Partnership, Model Solution Co., Ltd
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., Hankook Tyre Australia Retail Pty.,Ltd., JAX Quickfit Franchising Systems Unit Trust., JAX Quickfit Franchising Systems Pty Ltd., JAX Quickfit Properties Pty Ltd., Hankook Tires India Itp., Hankook Tire Latam, S.A. Hankook Tire Latin America Distribution Center, S.A. Hankook Tire Ukraine LLC, ModelSolution Inc., Reifen-Muller KG, Reifen-Muller Runderneuerung BV
Domestic associate of associates	Hanon Systems Co., Ltd.
Other related parties <sup>2</sup>	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., YKT Co., Ltd.

<sup>1</sup>Flying Motors, the subsidiary of HK Automotive Co., Ltd, has merged with NEXZEN INC. and has changed its name to **JAX Motors Co., Ltd.** during the year ended December 31, 2018.

<sup>2</sup>Although the entity is not the related party of the Company in accordance with Korean IFRS 1024,

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2018 and 2017**

the entity belongs to the Large Enterprise Group to which the Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

Transactions between the Company and related parties for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

		2018			
	Name of entity	Operating income <sup>1</sup>	Operating expenses	Other income	
Subsidiaries	Atlas BX Co., Ltd.	₩ 1,140,044	₩ -	₩ -	
	HK AUTOMOTIVE CO., LTD.	28,044	11,440	7,272	
Associates	Hankook Tire Co., Ltd.	71,074,040	1,658,375	1,294,848	
	EmFrontier, Inc.	-	46,360	-	
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd. and others	6,368	111,059	2,580	
Overseas subsidiaries of associates	Hankook Tire Canada Corp. and others	-	91,586	-	
Other related parties	Shin-Yang Tourist Development and others	-	1,298,180	5,814	
		<u>₩ 72,248,496</u>	<u>₩ 3,217,000</u>	<u>₩ 1,310,514</u>	

<sup>1</sup> Dividends received from the subsidiaries and associates are included.

(in thousands of Korean won)

		2017			
	Name of entity	Operating income <sup>1</sup>	Operating expenses	Other income	Other expenses
Subsidiaries	Atlas BX Co., Ltd.	₩ 854,605	₩ -	₩ -	₩ -
	HK AUTOMOTIVE CO., LTD.	-	-	6,060	-
	HK Motors Co., Ltd.	-	14,850	-	-
Associates	Hankook Tire Co., Ltd.	84,267,340	111,892	1,015,352	-
	EmFrontier, Inc.	-	180,500	-	-
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd.	5,700	231,672	2,580	-
	Daehwa Engineering & Machinery Co., Ltd.	-	-	-	2,035
Overseas subsidiaries of associates	Hankook Tire Netherlands B.V. and others	-	102,139	787,399	-
Other related parties	Shin-Yang Tourist Development and others	-	2,148,397	5,814	-
		<u>₩ 85,127,645</u>	<u>₩ 2,789,450</u>	<u>₩ 1,817,205</u>	<u>₩ 2,035</u>



**Hankook Tire Worldwide Co., Ltd.**  
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<sup>1</sup> Dividends received from the subsidiaries and associates are included.

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

*(in thousands of Korean won)*

		<b>2018</b>			
	<b>Name of entity</b>	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Non-trade payables</b>	<b>Other payables</b>
Subsidiary	HK AUTOMOTIVE CO., LTD.	₩ -	₩ -	₩ -	₩ 13,321
Associates	Hankook Tire Co., Ltd.	19,027,301	376,599	622,344	2,370,090
	EmFrontier, Inc.	-	-	4,236	-
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd. and others	-	-	66	4,650
Overseas subsidiaries of associates	Hankook Tire Canada Corp. and others	-	-	7,447	-
Other related parties	Shin-Yang Tourist Development and others	-	-	-	105,503
		<u>₩ 19,027,301</u>	<u>₩ 376,599</u>	<u>₩ 634,093</u>	<u>₩ 2,493,564</u>

*(in thousands of Korean won)*

		<b>2017</b>			
	<b>Name of entity</b>	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Non-trade payables</b>	<b>Other payables</b>
Subsidiary	HK AUTOMOTIVE CO., LTD.	₩ -	₩ 667	₩ -	₩ 13,321
Associates	Hankook Tire Co., Ltd.	26,648,034	-	104,191	1,859,096
	EmFrontier, Inc.	-	-	33,139	-
Domestic subsidiaries of associates	Hankook Donggeurami Partners Co., Ltd.	-	-	1,903	4,650
	Daehwa Engineering & Machinery Co., Ltd.	-	-	2,238	-
Overseas subsidiaries of associates	Hankook Tire Netherlands B.V. and others	-	263,846	7,623	-
Other related parties	Shin-Yang Tourist Development and others	-	-	224,658	105,503
		<u>₩ 26,648,034</u>	<u>₩ 264,513</u>	<u>₩ 373,752</u>	<u>₩ 1,982,570</u>

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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Loans to related parties for the years ended December 31, 2017, are as follows:

(in thousands of Korean won)

		2017				
Name of entity		Beginning balance	Increase	Repayments	Exchange differences	Ending balance
Hankook Tire Netherlands B.V.	Short-term loans	₩ 54,750,160	₩ -	₩ (52,405,440)	(2,344,720)	₩ -

Dividend income and contributions in cash from/to related parties for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

		2018		2017	
Name of entity		Dividend income	Contributions in cash	Dividend income	Contributions in cash
Subsidiaries	Atlas BX Co., Ltd.	₩ 1,139,474	₩ -	₩ 854,605	₩ -
	HK AUTOMOTIVE CO., LTD.	-	8,000,000	-	10,000,000
Associate	Hankook Tire Co., Ltd.	14,865,008	-	12,469,811	-
		₩ 16,004,482	₩ 8,000,000	₩ 13,324,416	₩ 10,000,000

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 and thousands of USD)

		2018		2017	
		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
USD		-	₩ -	70,000	₩ 74,998,000

Compensations for key management for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
Short-term benefits	₩	1,915,252	₩	8,834,308
Post-employment benefits		207,247		889,358
	₩	2,122,499	₩	9,723,666

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.

**Hankook Tire Worldwide Co., Ltd.**  
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**28. Contingencies and Commitments**

Details of outstanding credit facility agreements of the Company at the end of the reporting period, are as follows:

		2018		2017	
		Commitment amount	Korean won	Commitment amount	Korean won
Purchase card agreements	Shinhan Bank	KRW 10,000,000	₩ 10,000,000	KRW 10,000,000	₩ 10,000,000
General loans agreements	Woori Bank	KRW 5,000,000	5,000,000	KRW 5,000,000	5,000,000
		<u>KRW 15,000,000</u>	<u>₩ 15,000,000</u>	<u>KRW 15,000,000</u>	<u>₩ 15,000,000</u>

As at December 31, 2018, 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)	2018	2017
Service sales	₩ 9,646,257	₩ 25,362,230
Trademark right revenue	49,221,532	48,735,137
Dividend income	16,005,861	13,329,236
	<u>₩ 74,873,650</u>	<u>₩ 87,426,603</u>

Revenue from external customers broken down by location of the Company for the years ended December 31, 2018 and 2017, are shown as follows:

(in thousands of Korean won)	2018	2017
Korea (headquarter)	₩ 74,873,650	₩ 87,426,603

Details of external customers, who contribute more than 10% of the Company's revenue for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)	2018	2017
A Company	₩ 71,074,040	₩ 84,267,340

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
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**30. Earnings Per Share**

The Company's basic earnings per share attributable to equity holders of Parent Company for the years ended December 31, 2018 and 2017, are computed as follows:

<i>(in Korean won, except for number of shares)</i>	<b>2018</b>	<b>2017</b>
Profit attributable to the ordinary equity holders <sup>1</sup>	₩ 49,187,649,351	₩ 45,599,877,309
Weighted-average number of ordinary shares outstanding (in share) <sup>2</sup>	91,695,083	91,695,084
Basic earnings per share	₩ 536	₩ 497

<sup>1</sup> As there are no adjustments during the reporting period, profit attributable to the ordinary equity holders of Parent Company is identical to profit attributable to owners of the Parent Company in the statements of comprehensive income.

<sup>2</sup> The Company's outstanding ordinary shares excluding 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.

**31. Credit risk**

The Company is exposed to credit risk if the counterparty does not make payment by the due date.

- Payment of trade receivables by payment term for the customer
- Contractual cash flow of debt instruments at amortized costs
- Contractual cash flow of debt instruments at fair value through other comprehensive income

**A. Trade receivables**

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Loss allowance was not recognized at the end of the reporting period and no related loss was recognized as 'operating expenses' in profit or loss for the years ended December 31, 2018 and 2017.

Gross book amount of trade receivables, the maximum exposure amount, is ₩19,027,301 thousand at the reporting period (2017: ₩26,648,034 thousand).

# Hankook Tire Worldwide Co., Ltd.

## Notes to the Separate Financial Statements

### December 31, 2018 and 2017

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#### *B. Other financial assets at amortized cost*

Other financial assets at amortized cost include government bonds, loans to related parties, and other receivables. Loss allowance for Other financial assets amortized cost was not recognized at the end of the reporting period and no related loss was recognized as 'operating expenses' in profit or loss for the years ended December 31, 2018 and 2017.

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

#### *C. Debt investments at fair value through other comprehensive income*

Debt investments at fair value through other comprehensive income include government bonds, corporate bonds and trade receivables subject to be sold. The loss allowance for debt investments at fair value through other comprehensive income is recognized in profit or loss and reduces the fair value loss otherwise recognized in other comprehensive income. Loss allowance for Debt investments at fair value through other comprehensive income was not recognized at the end of the reporting period and no related loss was recognized as 'finance costs' in profit or loss for the years ended December 31, 2018 and 2017.

All of the debt investments at fair value through other comprehensive income are considered to have low credit risk, and the loss allowance recognized during the period was, therefore, limited to 12 months expected losses. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

## **32. Changes in Accounting Policies**

### **32.1 Adoption of Korean IFRS 1109 *Financial Instruments***

As explained in Note 2, the Company has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures for prior reporting period have not been restated with the exception of certain aspects of hedge accounting. The effect of retrospective application of the amendments that were not restated are immaterial and reflected in the beginning balance of retained earnings and other components of equity as at January 1, 2018.

#### *(a) Classification and Measurement of Financial Instruments*

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Company's management has assessed which business models apply to the financial assets held by the

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2018 and 2017**

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Company and has classified its financial instruments into the appropriate Korean IFRS 1109 categories.

As at January 1, 2018, financial assets available-for-sale amounting to ₩29,399,821 thousand were reclassified to financial assets designated at fair value through other comprehensive income and financial assets at fair value through profit or loss amounting to ₩40,385,818 thousand were reclassified to financial assets at fair value through profit or loss.

As at January 1, 2018, loan and other receivables amounting to ₩180,749,597 thousand were reclassified to financial assets at amortized costs for ₩80,749,597 thousand and to financial assets at fair value through profit or loss for ₩100,000,000 thousand.

As at January 1, 2018, financial liabilities at amortized costs amounting to ₩13,599,709 thousand were reclassified to financial liabilities at amortized costs.

The Company elected to present changes in the fair value of some of its equity instruments and debt instruments previously classified as available-for-sale, because these investments are not held for trading, in other comprehensive income. As a result, equity instruments at fair value through other comprehensive income amounting to ₩10,253,090 thousand and debt instruments at fair value through other comprehensive income amounting to ₩ 19,146,730 thousand were reclassified.

As at January 1, 2018, related accumulated gain on valuation of equity instruments available-for-sale of other components amounting to ₩ 1,116,985 thousand were not reclassified to profit or loss even though these assets are disposed of.

**Hankook Tire Worldwide Co., Ltd.**  
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On the date of initial application, January 1, 2018, the financial instruments of the Company with any reclassifications noted, were as follows:

(in thousands of Korean won)	Measurement category		Carrying amount		
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Difference <sup>1</sup>
<b>Current financial assets</b>					
Cash and cash equivalents	Amortized costs	Amortized costs	₩ 4,958,875	₩ 4,958,875	₩ -
Short-term financial assets	Amortized costs	Amortized costs	37,690,301	37,690,301	-
	Amortized costs	Fair value through profit or loss	100,000,000	100,000,000	-
Trade receivables	Amortized costs	Amortized costs	26,648,034	26,648,034	-
Other receivables	Amortized costs	Amortized costs	11,452,387	11,452,387	-
Derivative linked securities	Financial assets designated at fair value through profit or loss	Fair value through profit or loss	20,460,417	20,460,417	-
<b>Non-current financial assets</b>					
Listed securities and others	Available-for-sale financial assets	Fair value through other comprehensive income	824,791	824,791	-
Hybrid capital securities (consol bond)	Available-for-sale financial assets	Fair value through other comprehensive income	9,428,300	9,428,300	-
Government bonds	Available-for-sale financial assets	Fair value through other comprehensive income	19,146,730	19,146,730	-
Derivative linked securities	Financial assets designated at fair value through profit or loss	Fair value through profit or loss	19,925,401	19,925,401	-

(b) *Impairment of Financial Assets*

The Company has two types of financial assets subject to Korean IFRS 1109's new expected credit loss model:

- debt investments at fair value through other comprehensive income, and
- debt investments at amortized cost

Upon adoption of Korean IFRS 1109, accounting policies for recognition of impairment have changed. The impact of the change in impairment methodology on the Company's beginning balance of retained earnings is immaterial.

(i) Trade receivables

The Company applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

(ii) Debt instruments

**Hankook Tire Worldwide Co., Ltd.**  
**Notes to the Separate Financial Statements**  
**December 31, 2018 and 2017**

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Debt investments at amortized cost and those at fair value through other comprehensive income are considered to be low risk, and thus the provision for impairment is determined as 12 months expected credit losses.

**32.2 Adoption of Korean IFRS 1115 *Revenue from Contracts with Customers***

As explained in Note 2, the Company has applied Korean IFRS 1115 *Revenue from contracts with customers* from January 1, 2018. In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The impacts of the changes on the financial statements are immaterial.



## **Report on Independent Auditor's Review of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

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

We have reviewed the accompanying management's report on the effectiveness of the Internal Control over Financial Reporting ("ICFR") of Hankook tire Worldwide Co., Ltd (the "Company") as of December 31, 2018. The Company's management is responsible for designing and operating ICFR and for its assessment of the effectiveness of ICFR. Our responsibility is to review the management's report on the effectiveness of the ICFR and issue a report based on our review. The management's report on the effectiveness of the ICFR of the Company states that "Based on the assessment results, Chief Executive Officer and ICFR Officer believe that the Company's ICFR, as at December 31, 2018, is designed and operating effectively, in all material respects, in conformity with the Best Practice Guideline"

Our review was conducted in accordance with the ICFR 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 effectiveness of the ICFR to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's ICFR 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 ICFR 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 International Financial Reporting Standards as adopted by the Republic of Korea. Because of its inherent limitations, ICFR 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 effectiveness of the ICFR, referred to above, is not presented fairly, in all material respects, in accordance with the Best Practice Guideline.

Our review is based on the Company's ICFR as of December 31, 2018, and we did not review management's assessment of its ICFR subsequent to December 31, 2018. This

report has been prepared pursuant to the Acts on External Audit for Stock Companies, etc. in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers  
March 20, 2019

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

English Translation of a Report Originally Issued in Korean

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

We, as the Chief Executive Officer and the Internal Accounting Manager of Hankook Tire Worldwide Co., Ltd. (“the Company”), assessed operating status of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2018.

Design and operation of ICFR is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Accounting Manager (collectively, “We”, “Our” or “Us”).

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

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

Based on our assessment, we concluded that the Company’s ICFR is designed and operated effectively as of December 31, 2018, in all material respects, in accordance with the ‘Conceptual Framework for Designing and Operating Internal Control over Financial Reporting’.

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

January 30, 2019

  
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Cho, Hyun Shick  
Chief Executive Officer

  
\_\_\_\_\_

Hong, Joo Woong  
Internal Accounting Manager