

**Hankook Tire Worldwide Co., Ltd.
and Subsidiaries**
Consolidated Financial Statements
December 31, 2016

Hankook Tire Worldwide Co., Ltd. and Subsidiaries

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December 31, 2016 and 2015

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

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

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

Opinion

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

Other Matters

The consolidated financial statements of Hankook Tire Worldwide Co., Ltd. and its subsidiaries for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on March 17, 2016.

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

Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hankook Tire Worldwide Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2016 and 2015

<i>(in thousands of Korean won)</i>	Notes	2016	2015
Assets			
Current assets			
Cash and cash equivalents		₩ 225,653,912	₩ 124,995,571
Short-term financial assets		247,500,000	269,000,000
Available-for-sale financial assets	4,6	2,104,938	-
Trade receivables	4,5	148,091,298	27,696,954
Other receivables	4,5	58,826,475	41,092,584
Derivative financial assets	4,8	2,309,748	-
Other current assets	9	6,121,630	18,312
Inventories	31	44,489,406	-
		<u>735,097,407</u>	<u>462,803,421</u>
Non-current assets			
Long-term financial assets		4,000	-
Financial assets designated at fair value through profit and loss	4,7	20,072,360	-
Other non-current receivables	4,5	740,074	57,053,800
Property, plant and equipment	11	150,772,224	29,118,292
Investment properties	12	26,699,838	25,534,180
Intangible assets	13	34,265,093	8,976,656
Investments in associates	10	2,094,243,538	2,058,766,952
Available-for-sale financial assets	4,6	30,889,109	22,561,651
Net defined benefit assets	16	4,057,715	1,468,031
Other non-current assets	9	650,018	650,018
		<u>2,362,393,969</u>	<u>2,204,129,580</u>
Total assets		<u>₩ 3,097,491,376</u>	<u>₩ 2,666,933,001</u>
Liabilities			
Current liabilities			
Trade payables	4	₩ 39,761,046	₩ -
Other payables	4,14	31,839,829	14,379,623
Current tax liabilities		17,468,226	3,102,262
Derivative financial liabilities	4,8	-	2,677,567
Other current liabilities	15	7,608,758	1,329,732
Borrowings	4,32	29,537,824	-
		<u>126,215,683</u>	<u>21,489,184</u>
Non-current liabilities			
Other non-current payables	4,14	6,888,342	-
Net defined benefit liabilities	16	76,930	-
Deferred tax liabilities	26	91,598,029	78,577,114
Other non-current liabilities	15	1,998,606	222,739
Provisions	17	1,334,016	-
		<u>101,895,923</u>	<u>78,799,853</u>
Total liabilities		<u>228,111,606</u>	<u>100,289,037</u>
Equity			
Share capital	1,18	46,510,087	46,510,087
Other paid-in capital	19	1,285,765,464	1,286,905,972
Retained earnings	20	1,489,859,004	1,255,925,338
Other components of equity	21	(18,699,940)	(22,697,433)
Equity attributable to owners of the Parent Company		<u>2,803,434,615</u>	<u>2,566,643,964</u>
Non-controlling interest		<u>65,945,155</u>	<u>-</u>
Total equity		<u>2,869,379,770</u>	<u>2,566,643,964</u>
Total liabilities and equity		<u>₩ 3,097,491,376</u>	<u>₩ 2,666,933,001</u>

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

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

<i>(in thousands of Korean won)</i>	Notes	2016	2015
Sales and share of profit or loss of associates accounted for using the equity method	30	₩ 690,029,633	₩ 223,646,645
Costs of sales	23	346,086,829	-
Gross profit		343,942,804	223,646,645
Selling and administrative expenses	22,23	82,365,849	42,086,347
Operating profit		261,576,955	181,560,298
Finance income	24	17,689,258	11,340,659
Finance costs	24	5,808,457	1,660,601
Other non-operating income	25	45,195,921	5,535,930
Other non-operating expense	25	16,745,231	8,700,681
Profit before income tax		301,908,446	188,075,605
Income tax expense	26	32,451,507	15,372,458
Profit for the period		₩ 269,456,939	₩ 172,703,147
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit assets		177,770	212,437
Remeasurements of net defined benefit assets of associates		(76,588)	(3,969,978)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	4,21	8,891	2,563,480
Share of other comprehensive income of associates	21	3,989,739	7,528,723
Other comprehensive income for the period, net of tax		4,099,812	6,334,662
Total comprehensive income for the period		₩ 273,556,751	₩ 179,037,809
Profit is attributable to:			
Owners of the Parent Company		261,535,602	172,703,147
Non-controlling interest		7,921,337	-
Total comprehensive income for the period is attributable to:			
Owners of the Parent Company		265,439,684	179,037,809
Non-controlling interest		8,117,067	-
Earnings per share			
Basic and diluted earnings per share	33	₩ 2,852	₩ 1,883

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

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

(in thousands of Korean won)	Notes	Attributable to owners of the Parent Company						Total
		Share capital	Share premium	Retained earnings	Other components of equity		Non-controlling interests	
					Changes in the fair value of available-for-sale financial assets	Share of other comprehensive income of associates		
Balance at January 1, 2015		₩ 46,510,087	₩ 1,286,905,972	₩ 1,114,488,258	₩ (1,051,129)	₩ (31,738,507)	₩ -	₩ 2,415,114,681
Transactions with owners								
Annual dividends	20	-	-	(27,508,526)	-	-	-	(27,508,526)
Total transactions with owners		-	-	(27,508,526)	-	-	-	(27,508,526)
Total comprehensive income for the period								
Profit for the period		-	-	172,703,147	-	-	-	172,703,147
Remeasurements of net defined benefit assets of associates		-	-	(3,969,978)	-	-	-	(3,969,978)
Changes in the fair value of available-for-sale financial assets	10	-	-	-	2,563,480	-	-	2,563,480
Share of other comprehensive income of associates		-	-	-	-	7,528,723	-	7,528,723
Remeasurements of net defined benefit assets		-	-	212,437	-	-	-	212,437
		-	-	168,945,606	2,563,480	7,528,723	-	179,037,809
Balance at December 31, 2015		₩ 46,510,087	₩ 1,286,905,972	₩ 1,255,925,338	₩ 1,512,351	₩ (24,209,784)	₩ -	₩ 2,566,643,964
Balance at January 1, 2016		₩ 46,510,087	₩ 1,286,905,972	₩ 1,255,925,338	₩ 1,512,351	₩ (24,209,784)	₩ -	₩ 2,566,643,964
Transactions with owners								
Annual dividends	20	-	-	(27,508,525)	-	-	-	(27,508,525)
Business combination		-	-	-	-	-	65,294,631	65,294,631
Equity transactions within consolidated group		-	(1,140,508)	-	-	-	(7,466,543)	(8,607,051)
Total transactions with owners		-	(1,140,508)	(27,508,525)	-	-	57,828,088	29,179,055
Total comprehensive income for the period								
Profit for the period		-	-	261,535,602	-	-	7,921,337	269,456,939
Remeasurements of net defined benefit assets of associates		-	-	(76,588)	-	-	-	(76,588)
Changes in the fair value of available-for-sale financial assets		-	-	-	7,754	-	1,137	8,891
Share of other comprehensive income of associates	10	-	-	-	-	3,989,739	-	3,989,739
Remeasurements of net defined benefit assets		-	-	(16,823)	-	-	194,593	177,770
		-	-	261,442,191	7,754	3,989,739	8,117,067	273,556,751
Balance at December 31, 2016		₩ 46,510,087	₩ 1,285,765,464	₩ 1,489,859,004	₩ 1,520,105	₩ (20,220,045)	₩ 65,945,155	₩ 2,869,379,770

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

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

<i>(in thousands of Korean won)</i>	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations			
Profit for the period		₩ 269,456,939	₩ 172,703,147
Adjustments	27	(168,646,444)	(138,448,200)
Changes in operating assets and liabilities	27	<u>(13,508,766)</u>	<u>(9,618,404)</u>
		87,301,729	24,636,543
Interest received		8,610,380	12,784,050
Interest paid		(356,656)	-
Dividend received		12,476,793	14,379,238
Income taxes paid		<u>(22,196,650)</u>	<u>(9,903,558)</u>
Net cash inflow from operating activities		<u>85,835,596</u>	<u>41,896,273</u>
Cash flows from investing activities			
Proceeds from sale of short-term financial assets		426,107,259	-
Proceeds from sale of long-term financial assets		4,000	-
Repayments of short-term loans		92,220,274	-
Proceeds from sale of available-for-sale financial assets	6	2,467,094	1,892
Proceeds from sale of property, plant and equipment	11	-	2,195
Proceeds from sale of intangible assets	13	115,909	13,853
Increase in cash due to change in the scope of consolidation	35	12,909,630	-
Payments for short-term financial assets		(354,500,000)	(89,000,000)
Increase in short-term loans		(56,996,920)	-
Payments for financial assets at fair value through profit and loss	7	(20,000,000)	-
Payments for available-for-sale financial assets	6	(10,180,000)	-
Payments for property, plant and equipment	11	(10,968,488)	(204,134)
Payments for intangible assets	13	(1,160,591)	(923,033)
Payments for investments in associates	10	-	(10,645,873)
Cash outflow from derivative transactions		<u>(5,145,883)</u>	<u>(434,000)</u>
Net cash inflow (outflow) from investing activities		<u>74,872,284</u>	<u>(101,189,100)</u>
Cash flows from financing activities			
Repayments of short-term borrowings	32	(19,935,275)	-
Dividends paid	20	(27,508,525)	(27,508,167)
Payments for non-controlling interests	35	(8,607,050)	-
Dividends paid to non-controlling interests		<u>(4,410,921)</u>	<u>-</u>
Net cash outflow from financing activities		<u>(60,461,771)</u>	<u>(27,508,167)</u>
Net increase (decrease) in cash and cash equivalents		<u>100,246,109</u>	<u>(86,800,994)</u>
Cash and cash equivalents at the beginning of the financial year		124,995,571	211,798,689
Effects of exchange rate changes on cash and cash equivalents		412,232	(2,122)
Cash and cash equivalents at the end of the year		<u>₩ 225,653,912</u>	<u>₩ 124,995,573</u>

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

Hankook Tire Worldwide Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2016 and 2015

1. General Information

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

The Parent Company was incorporated in May 1941 to manufacture and sell tires, tubes and alloy wheels. In December, 1968, the Parent Company was listed on 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 Group changed its name from Hankook Tire Co., Ltd. to Hankook Tire Worldwide Co., Ltd.

Through the multiple capital increases, transfers of convertible notes and the spin-off, the authorized number of the Group's ordinary shares are 250 million with a par value of ₩500 per share as at December, 31 2016. The share capital of the Group is ₩46,510,087 thousand (ordinary shares: 93,020,173 thousand) and the Group's shareholders as at December 31, 2016 and 2015, are as follows:

	2016		2015	
	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	1,325,089	1.4	1,325,089	1.4
Others	33,818,343	36.4	33,818,343	36.4
	<u>93,020,173</u>	<u>100.0</u>	<u>93,020,173</u>	<u>100.0</u>

1.1 Consolidated Subsidiaries and Change in the Scope in Consolidation

Details of the consolidated subsidiaries as at December 31, 2016 and 2015, are as follows:

Name of entity	Ownership interest held by Group (%)		Closing month	Main business
	2016	2015		
Atlas BX Co., Ltd.	74.9	31.1	December	Manufacturing and sales of storage batteries and dry cells
Atlas BX Motorsports Co., Ltd. ¹	74.9	31.1	December	Management of racing team and agency of advertisement

¹ Atlas BX Co., Ltd. holds 100% of equity interests of the entity as at December 31, 2016 and 2015.

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In 2016, Atlas BX Co., Ltd., which was classified as an associate as at December 31, 2015, acquired its treasury shares by tender offer. Consequently, the Group acquired control over Atlas BX Co., Ltd. and its subsidiaries as at March 31, 2016, and classified them as the Group's subsidiaries.

Summarized financial information for consolidated subsidiaries as at the end of the reporting periods, is as follows:

(in thousands of Korean won)

	2016					
	Assets	Liabilities	Equity	Sales	Profit for the period	Total comprehensive income (loss)
Atlas BX Co., Ltd	₩ 333,714,140	₩ 113,761,652	₩ 219,952,488	₩ 554,361,989	₩ 50,687,988	₩ 51,432,952
Atlas BX Motorsports Co., Ltd.	422,157	145,548	276,609	1,202,795	20,716	20,716

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

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2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

- Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify

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the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. This amendment will be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the consolidated financial statements.

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

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

- Korean IFRS 1109 *Financial Instruments*

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

- Korean IFRS 1115 *Revenue from Contracts with Customers*

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

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

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

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

2.3 Consolidation

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

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

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

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment

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loss.

(c) Joint Arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent 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 available-for-sale financial assets are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification and measurement

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

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

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At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

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

(b) Impairment

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

Impairment of loans and receivables is presented as a deduction in an allowance account, and that of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

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

(c) Derecognition

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

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and

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must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivative Instruments

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

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method.

2.8 Property, Plant and Equipment

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

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

	Useful lives
Buildings	20 - 40 years
Structures	10 - 40
Machinery	10
Vehicles	4 - 5
Equipment	4 - 5
Tools, furniture and fixtures	5

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

2.9 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 Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

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	Useful lives
Industrial property rights	5 - 10 years
Other intangible assets	4 - 10

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

2.11 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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial Liabilities

(a) Classification and measurement

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

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

(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.

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

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

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.

2.14 Employee Benefits

(a) Post-employment benefits

The Group has both defined contribution and defined benefit plans.

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.

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Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Other long-term employee benefits

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

2.15 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, returns, rebates and discounts and after elimination of inter-company transactions.

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

(a) Sale of goods

The Group manufactures and sells storage batteries and dry cells. Sales related to storage batteries business are recognized when control of the products has transferred, being when the products are delivered to the wholesaler.

(b) Rendering of services

Revenue from rendering of services is recognized based on percentage of completion. The percentage of completion is measured on the basis of direct costs incurred to date relative to the estimated total costs.

(c) Royalty income

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

(d) Interest income

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

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(e) Dividend income

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

(f) Rental income

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

2.16 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

2.17 Operating Segments

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

2.18 Approval of Issuance of the Financial Statements

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

2.19 Reclassification of Prior Year Financial Statement

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

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3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group 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 Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain(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 Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group'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 Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period(Note 4).

(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).

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4. Financial Risk Management

(a) Capital Management

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

The debt ratio as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Total liabilities	₩ 228,111,607	₩ 100,289,037
Total equity	<u>2,869,379,770</u>	<u>2,566,643,964</u>
Debt ratio	<u>7.9%</u>	<u>3.9%</u>

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

(c) Categorizations of financial assets and liabilities as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>		2016	2015
		Book amount	Book amount
Financial assets:			
Derivatives designated as a hedging instrument	Derivative financial assets	₩ 2,309,748	₩ -
AFS financial assets	AFS financial assets	32,994,047	22,561,651
Financial assets at FVTPL	Financial assets at FVTPL	20,072,360	-
Loans and receivables	Cash and cash equivalents	225,653,912	124,995,571
	Short-term financial assets	247,500,000	269,000,000
	Trade receivables	148,091,298	27,696,954
	Other receivables	58,826,475	41,092,585
	Other non-current receivables	740,074	57,053,800
		<u>₩ 736,187,914</u>	<u>₩ 542,400,561</u>

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		2016		2015	
		Book amount		Book amount	
Financial liabilities:					
Derivatives designated as a hedging instrument	Derivative financial liabilities	₩	-	₩	2,677,568
Financial liabilities at amortized cost	Trade payables		39,761,046		-
	Other payables		31,839,829		14,379,622
	Borrowings		29,537,824		-
	Other non-current payables		6,888,342		-
		₩	108,027,041	₩	17,057,190

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

(in thousands of Korean won)

	2016	2015
Derivatives designated as a hedging instrument		
Gains or losses on foreign exchange forward contracts valuation	₩ 2,309,748	₩ (5,067,941)
Gains or losses on foreign exchange forward contracts transaction	(2,468,315)	(4,688)
AFS financial assets		
Gains or losses on valuation (other comprehensive income)	8,891	2,563,480
Gains or losses on disposal	2,467,093	1,892
Impairment(reversal)	364	(1,554,088)
Dividend income	6,983	1,863
Financial assets at FVTPL		
Gains or losses on valuation/disposal	137,619	-
Loans and receivables		
Interest income	9,551,496	11,178,415
Gains or losses on foreign currency transaction	(3,749,208)	55,962
Gains on foreign currency translation	2,305,553	3,230,998
Loss on disposal of trade receivables	(44)	-
Impairment loss	501	-
Financial liabilities measured at amortized cost		
Gains or losses on foreign currency transaction	4,697,826	(2,628)
Loss on foreign currency translation	(1,999,414)	(661)
Total	13,269,093	10,402,604

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(d) Financial risk management

1) Purpose of financial risk management

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

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

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

2) Market risk

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

a) Foreign currency risk management

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

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

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

<i>(in thousands of Korean won)</i>	2016		2015	
USD	₩	3,299,378	₩	109,697
CNY		429,217		61,530
EUR		1,031,843		(2,084)
Others		988,976		(759)

Details of unsettled currency forward contracts as at December 31, 2016 and 2015, are as follows:

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

<i>(in thousands of Korean won, and thousands of USD and CNY)</i>	2015						
	Contract date	Maturity date	Contract amount in foreign currency	Contract rate	Strike amount	Fair value	Loss on valuation
Deutsche Bank AG	2013.05.27	2016.05.26	CNY 136,000	176.82	₩ 24,047,520	₩ 25,424,670	₩ (1,377,150)
	2013.05.28	2016.05.29	CNY 180,000	176.63	31,793,400	33,620,321	(1,826,921)
Standard Chartered	2015.03.03	2016.03.02	USD 30,000	1,111.50	33,345,000	35,208,871	(1,863,871)
					₩ 89,185,920	₩ 94,253,862	₩ (5,067,942)

b) Interest rate risk

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

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c) Other price risks

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

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

<i>(in thousands of Korean won)</i>	December 31, 2016		December 31, 2015	
AFS financial assets	₩	47,077	₩	15,686

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

3) Credit risk management

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

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

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

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

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4) Liquidity risk management

The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board of Directors has a full responsibility of the liquidity risk management. The Group manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

a) Details of liquidity and interest rate risk

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

(in thousands of
Korean won)

	2016					
	Within a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Book value
Trade payables	₩ 39,761,046	₩ -	₩ -	₩ -	₩ 39,761,046	₩ 39,761,046
Other payables	31,839,829	-	-	-	31,839,829	31,839,829
Borrowings	29,537,824	-	-	-	29,537,824	29,537,824
Other non-current payables	-	6,888,342	-	-	6,888,342	6,888,342
Financial guarantee contracts	64,794,480	-	-	-	64,794,480	-
	<u>₩ 165,933,179</u>	<u>₩ 6,888,342</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 172,821,521</u>	<u>₩ 108,027,041</u>

(in thousands of
Korean won)

	2015					
	Within a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total	Book value
Other payables	₩ 14,379,623	₩ -	₩ -	₩ -	₩ 14,379,623	₩ 14,379,623
Derivative financial liabilities	2,677,568	-	-	-	2,677,568	2,677,568
Financial guarantee contracts	217,154,480	-	-	-	217,154,480	-
	<u>₩ 234,211,671</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 234,211,671</u>	<u>₩ 17,057,191</u>

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

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(d) Fair value of financial instruments

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

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

<i>(in thousands of Korean won)</i>			2016		2015
AFS financial assets	Unlisted stock ¹	₩	231,579	₩	220,081

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

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

3) Valuation methods and assumptions applied in fair value measurement

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

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

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Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016			
	Level 1	Level 2	Level 3	Total
AFS financial assets				
Marketable equity instruments	₩ 941,540	₩ -	₩ -	₩ 941,540
Nonmarketable debt instruments	-	31,820,927	-	31,820,927
Financial assets at FVTPL				
Derivative-linked securities	-	20,072,360	-	20,072,360
Derivative instruments				
Currency forward assets	-	2,309,748	-	2,309,748
	<u>₩ 941,540</u>	<u>₩ 54,203,035</u>	<u>₩ -</u>	<u>₩ 55,144,575</u>

(in thousands of Korean won)

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

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

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5. Trade and Other Receivables

Details of trade and other receivables as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		
	Gross amount	Less: Provision for impairment	Net amount
Current			
Trade receivables	₩ 148,132,562	₩ (41,264)	₩ 148,091,298
Other receivables			
Non-trade receivables	672,485	-	672,485
Accrued income	3,395,341	-	3,395,341
Short-term loans	54,758,649	-	54,758,649
	<u>₩ 58,826,475</u>	<u>₩ -</u>	<u>₩ 58,826,475</u>
Non-current			
Long-term loans	₩ 6,366	₩ -	₩ 6,366
Leasehold deposits provided	733,708	-	733,708
	<u>₩ 740,074</u>	<u>₩ -</u>	<u>₩ 740,074</u>

(in thousands of Korean won)

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

Trade receivables and other receivables above are classified as loan and receivables, and measured at amortized cost. 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.

The aging analysis of trade and other receivables as at December 31, 2016 and 2015, is as follows:

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Korean won)

	2016						Total
	Up to 3 months	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year		
Receivables not past due :							
Trade receivables	₩ 120,988,699	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 120,988,699
Non-trade receivables	59,566,549	-	-	-	-	-	59,566,549
	<u>₩ 180,555,248</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 180,555,248</u>
Past due but not impaired :							
Trade receivables	₩ -	₩ 24,469,046	₩ 704,239	₩ 1,161,614	₩ 767,700	₩ -	₩ 27,102,599
Non-trade receivables	-	-	-	-	-	-	-
	<u>₩ -</u>	<u>₩ 24,469,046</u>	<u>₩ 704,239</u>	<u>₩ 1,161,614</u>	<u>₩ 767,700</u>	<u>₩ -</u>	<u>₩ 27,102,599</u>
Impaired :							
Trade receivables	₩ -	₩ 926	₩ -	₩ 18,777	₩ 21,561	₩ -	₩ 41,264
Non-trade receivables	-	-	-	-	-	-	-
	<u>₩ -</u>	<u>₩ 926</u>	<u>₩ -</u>	<u>₩ 18,777</u>	<u>₩ 21,561</u>	<u>₩ -</u>	<u>₩ 41,264</u>
	<u>₩ 180,555,248</u>	<u>₩ 24,469,972</u>	<u>₩ 704,239</u>	<u>₩ 1,180,391</u>	<u>₩ 789,261</u>	<u>₩ -</u>	<u>₩ 207,699,111</u>

(in thousands of
Korean won)

	2015						Total
	Up to 3 months	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year		
Receivables not past due :							
Trade receivables	₩ 27,696,954	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 27,696,954
Non-trade receivables	98,146,384	-	-	-	-	-	98,146,384
	<u>₩ 125,843,338</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 125,843,338</u>
Past due but not impaired :							
Trade receivables	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	-
Non-trade receivables	-	-	-	-	-	-	-
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>-</u>
Impaired :							
Trade receivables	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	-
Non-trade receivables	-	-	-	-	-	-	-
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>-</u>
	<u>₩ 125,843,338</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 125,843,338</u>

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Movements on the provision for impairment of trade and other receivables for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Beginning balance	₩	-	₩	-
Reversal of impairment loss		(501)		-
Change in the scope of consolidation		41,765		-
Ending balance	₩	41,264	₩	-

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. Since the Group has many customers that are not interconnected with each other, concentration risk in trade receivables is limited.

6. AFS Financial Assets

Details of available-for-sales financial assets as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Equity instruments				
Marketable equity instruments	₩	941,540	₩	313,715
Nonmarketable equity instruments		231,579		220,081
		<u>1,173,119</u>		<u>533,796</u>
Debt instruments				
Government bonds		22,104,427		22,027,855
Hybrid capital securities(Consol bond)		9,716,500		-
	₩	<u>31,820,927</u>	₩	<u>22,561,651</u>
		<u>32,994,046</u>		<u>22,561,651</u>

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

<i>(in thousands of Korean won)</i>	2016					
	Beginning balance	Valuation	Reversal of impairment	Disposals	Change in the scope of consolidation	Ending balance
Marketable equity instruments	₩ 313,715	₩ 398,657	₩ 364	₩ -	₩ 228,804	₩ 941,540
Nonmarketable equity instruments	220,081	-	-	(2)	11,500	231,579
	<u>₩ 533,796</u>	<u>₩ 398,657</u>	<u>₩ 364</u>	<u>₩ (2)</u>	<u>₩ 240,304</u>	<u>₩ 1,173,119</u>

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(in thousands of Korean won)

	2015					
	Beginning balance		Valuation		Ending balance	
Marketable equity instruments	₩	338,595	₩	(24,880)	₩	313,715
Nonmarketable equity instruments		220,081		-		220,081
	₩	558,676	₩	(24,880)	₩	533,796

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

(in thousands of Korean won)

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

(in thousands of Korean won)

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

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7. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Derivative-linked securities	₩	20,072,360	₩	-

Changes in financial assets at fair value through profit or loss for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016				
	Beginning balance	Acquisition	Valuation	Ending balance	
Derivative-linked securities	₩	-	₩ 20,000,000	₩ 72,360	₩ 20,072,360

Changes in the fair value through profit or loss at fair value through profit or loss are presented in the statement of profit or loss under "Financial income and finance costs" (Note 24).

8. Derivative Financial Instruments

Details of derivative financial instruments as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Currency forward	₩ 2,309,748	₩ -	₩ -	₩ 2,677,568

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

<i>(in thousands of Korean won)</i>	2016		2015	
	Gain (loss) on valuation	Gain (loss) on transaction	Gain (loss) on valuation	Gain (loss) on transaction
Fair value hedges				
Currency forward	₩ 2,309,748	₩ (2,468,315)	₩ (5,067,941)	₩ (4,688)

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9. Other Assets

Details of other assets as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		2015	
	Current	Non-current	Current	Non-current
Advance payments	₩ 3,009,319	₩ -	₩ 5,000	₩ -
Prepaid expenses	426,083	-	13,312	-
Prepaid value added tax	2,686,228	-	-	-
Others	-	650,018	-	650,018
	<u>₩ 6,121,630</u>	<u>₩ 650,018</u>	<u>₩ 18,31</u>	<u>₩ 650,018</u>

10. Investments in Subsidiaries and Associates

Details of the Group's investments in associates as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	Location	Closing month	Number of shares	Percentage of ownership (%)	2016		Main business
					Acquisition cost	Book amount	
Hankook Tire Co., Ltd.	Korea	December	31,174,527	25.2	₩ 1,627,655,750	₩ 2,085,009,481	Manufacturing and sales of the tires, tubes and alloy wheels
EmFrontier, Inc.	Korea	December	1,333,334	40.0	2,778,102	9,234,057	Managing e-business and providing service of integrated system
					<u>₩ 1,630,433,852</u>	<u>₩ 2,094,243,538</u>	

(in thousands of Korean won)

	Location	Closing month	Number of shares	Percentage of ownership (%)	2015		Main business
					Acquisition cost	Book amount	
Hankook Tire Co., Ltd.	Korea	December	31,174,527	25.2	₩ 1,627,655,750	₩ 1,913,030,518	Manufacturing and sales of the tires, tubes and alloy wheels
EmFrontier, Inc.	Korea	December	1,333,334	40.0	2,778,102	7,992,153	Managing e-business and providing service of integrated system
Atlas BX Co., Ltd ¹	Korea	December	2,848,685	31.1	12,229,979	137,744,281	Manufacturing and sales of storage batteries and dry cells
					<u>₩ 1,642,663,831</u>	<u>₩ 2,058,766,952</u>	

¹In 2016, Atlas BX Co., Ltd., which was classified as an associate as at December 31, 2015, acquired its treasury shares by tender offer. The Group's effective percentage of ownership on Atlas BX Co., Ltd., increased after such event. Consequently, the Group acquired control over Atlas BX Co., Ltd. and its subsidiaries, and classified them as the Group's subsidiaries.

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Details of share of profit or loss of associates accounted for using the equity method for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016						
	Beginning balance	Share of profit or loss of associates accounted for using the equity method	Dividend	Retained earnings	Others	Disposal	Ending balance
Hankook Tire Co., Ltd.	₩ 1,913,030,518	₩ 186,531,683	₩ (12,469,811)	₩ (1,709,149)	₩ (373,760)	₩ -	₩ 2,085,009,481
Atlas BX Co., Ltd. ¹	137,744,281	4,793,446	(1,994,080)	(13,327)	2,591	(140,532,911)	-
EmFrontier, Inc.	7,992,153	1,292,378	-	(54,582)	4,108	-	9,234,057
	<u>₩ 2,058,766,952</u>	<u>₩ 192,617,507</u>	<u>₩ (14,461,875)</u>	<u>₩ (1,777,058)</u>	<u>₩ (367,061)</u>	<u>₩ (140,532,911)</u>	<u>₩ 2,094,243,538</u>

¹ Gains on disposal amounting to ₩ 2,769,690 thousand related to reclassification of Atlas BX Co., Ltd. to subsidiaries are recognized in profit or loss.

(in thousands of Korean won)

	2015						
	Beginning balance	Acquisition	Share of profit or loss of associates accounted for using the equity method	Dividend	Retained earnings	Others	Ending balance
Hankook Tire Co., Ltd.	₩ 1,779,535,603	₩ 8,296,341	₩ 133,256,052	₩ (12,385,158)	₩ (3,584,583)	₩ 7,912,263	₩ 1,913,030,518
Atlas BX Co., Ltd.	123,163,976	-	17,013,892	(1,994,080)	(434,295)	(5,212)	137,744,281
EmFrontier, Inc.	4,099,408	2,349,531	1,691,342	-	(152,899)	4,771	7,992,153
	<u>₩ 1,906,798,987</u>	<u>₩ 10,645,872</u>	<u>₩ 151,961,286</u>	<u>₩ (14,379,238)</u>	<u>₩ (4,171,777)</u>	<u>₩ 7,911,822</u>	<u>₩ 2,058,766,952</u>

Summarized financial information for those associates that are material to the Group and received dividends from the associates for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016	
	Hankook Tire Co., Ltd.	EmFrontier, Inc.
Assets	₩ 9,621,973,239	₩ 66,665,155
Liabilities	3,660,493,919	43,579,816
Equity	5,961,479,320	23,085,339
Sales	6,621,762,292	109,432,871
Profit for the period	879,090,216	3,229,313
Total comprehensive income	870,233,474	3,103,851
Dividend received	12,469,811	-

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<i>(in thousands of Korean won)</i>	2015		
	Hankook Tire Co., Ltd.	EmFrontier, Inc.	Atlas BX Co., Ltd
Assets	₩ 9,496,138,131	₩ 49,664,881	₩ 542,875,810
Liabilities	4,355,349,929	29,683,393	100,440,032
Equity	5,140,788,202	19,981,488	442,435,778
Sales	6,428,172,502	119,485,365	542,420,353
Profit for the period	656,504,240	4,337,049	54,648,767
Total comprehensive income	673,856,097	3,964,528	53,029,064
Dividend received	12,385,158	-	1,994,080

As at December 31, 2016 and 2015, the fair values of marketable investments in associates is as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Hankook Tire Co., Ltd.	₩	1,808,122,566	₩	1,466,761,495
Atlas BX Co., Ltd		-		116,653,651

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11. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 42,424,322	₩ -	₩ -	₩ 42,424,322
Buildings	79,684,296	(35,355,030)	-	44,329,266
Structures	5,416,267	(3,798,811)	-	1,617,456
Machinery and equipment	130,076,563	(81,829,551)	-	48,247,012
Vehicles	1,421,909	(1,238,911)	-	182,998
Supplies	7,730,414	(6,105,696)	-	1,624,718
Tools, furniture and fixtures	29,726,005	(20,848,458)	-	8,877,547
Construction in progress	3,770,793	-	(301,888)	3,468,905
	<u>₩ 300,250,569</u>	<u>₩ (149,176,457)</u>	<u>₩ (301,888)</u>	<u>₩ 150,772,224</u>

(in thousands of Korean won)

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

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

(in thousands of Korean won)

	2016						
	Opening net book amount	Acquisition	Disposal	Depreciation	Transfer	Change in the scope of consolidation	Closing net book amount
Land	₩ 10,546,728	₩ -	₩ -	₩ -	₩ (1,913,249)	₩ 33,790,843	₩ 42,424,322
Buildings	18,024,284	1,655,189	-	(2,492,908)	(143,648)	27,286,349	44,329,266
Structures	343,769	25,800	-	(177,180)	-	1,425,067	1,617,456
Machinery and equipment	-	6,308,407	(123,079)	(6,157,210)	-	48,218,894	48,247,012
Vehicles	2	912	(1)	(89,602)	-	271,687	182,998
Supplies	203,509	328,406	(192)	(630,361)	48,589	1,674,767	1,624,718
Tools, furniture and fixtures	-	1,605,736	(42)	(1,883,953)	2,197,354	6,958,452	8,877,547
Construction in progress	-	1,538,727	-	-	(2,225,854)	4,156,032	3,468,905
	₩ 29,118,292	₩ 11,463,177	₩ (123,314)	₩ (11,431,214)	₩ (2,036,808)	₩ 123,782,091	₩ 150,772,224

(in thousands of Korean won)

	2015						
	Opening net book amount	Acquisition	Disposal	Impairment	Depreciation	Transfer	Closing net book amount
Land	₩ 10,548,829	₩ -	₩ (2,101)	₩ -	₩ -	₩ -	₩ 10,546,728
Buildings	18,889,878	-	-	-	(1,004,594)	139,000	18,024,284
Structures	300,408	-	-	-	(16,024)	59,385	343,769
Vehicles	34,237	-	-	-	(34,235)	-	2
Supplies	206,961	23,200	(1)	-	(68,585)	41,934	203,509
Construction in progress	361,273	180,934	-	(301,888)	-	(240,319)	-
	₩ 30,341,586	₩ 204,134	₩ (2,102)	₩ (301,888)	₩ (1,123,438)	₩ -	₩ 29,118,292

Depreciation expenses of property, plant and equipment for the periods ended December 31, 2016 and 2015, are as follows:

(In millions of Korean won)

	2016		2015	
Cost of sales	₩	9,672,362	₩	-
Selling and administrative expenses		1,758,852		1,123,438
	₩	11,431,214	₩	1,123,438

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12. Investment Properties

Details of investment properties as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		
	Acquisition cost	Accumulated depreciation	Book amount
Land	₩ 17,575,899	₩ -	₩ 17,575,899
Buildings	24,238,440	(15,114,501)	9,123,939
	<u>₩ 41,814,339</u>	<u>₩ (15,114,501)</u>	<u>₩ 26,699,838</u>

(in thousands of Korean won)

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

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

(in thousands of Korean won)

	2016			
	Beginning balance	Depreciation	Transfer	Ending balance
Land	₩ 15,662,650	₩ -	₩ 1,913,249	₩ 17,575,899
Buildings	9,871,530	(842,651)	95,060	9,123,939
	<u>₩ 25,534,180</u>	<u>₩ (842,651)</u>	<u>₩ 2,008,309</u>	<u>₩ 26,699,838</u>

(in thousands of Korean won)

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

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

<i>(in thousands of Korean won)</i>		2016		2015
Rental sales	₩	4,520,940	₩	4,530,229
Rental income		2,293,089		2,223,899
Expenditure for operating activities		2,637,583		2,634,052

Fair value of investment properties as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>		2016		2015
Book amount	₩	26,699,838	₩	25,534,180
Fair value		109,444,757		99,952,434

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13. Intangible Assets

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

(in thousands of Korean won)

	2016		
	Acquisition cost	Accumulated amortization	Book amount
Industrial rights	₩ 4,886,869	₩ (2,477,089)	₩ 2,409,780
Membership rights	7,403,784	(444,486)	6,959,298
Other intangible assets	31,396,933	(7,974,794)	23,422,139
Construction in progress	1,473,876	-	1,473,876
	<u>₩ 45,161,462</u>	<u>₩ (10,896,369)</u>	<u>₩ 34,265,093</u>

(in thousands of Korean won)

	2015		
	Acquisition cost	Accumulated amortization	Book amount
Industrial rights	₩ 2,388,031	₩ (1,621,624)	₩ 766,407
Membership rights	5,307,996	-	5,307,996
Other intangible assets	-	-	-
Construction in progress	2,902,253	-	2,902,253
	<u>₩ 10,598,280</u>	<u>₩ (1,621,624)</u>	<u>₩ 8,976,656</u>

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

<i>(in thousands of Korean won)</i>	2016							
	Beginning balance	Acquisition	Disposal	Amortization	Impairment	Transfer	Change in the scope of consolidation	Ending balance
Industrial rights	₩ 766,407	₩ 219,179	₩ -	₩ (516,860)	₩ -	₩ 1,745,164	₩ 195,890	₩ 2,409,780
Membership rights	5,307,996	-	(150,000)	-	(30,667)	-	1,831,969	6,959,298
Other intangible assets	-	593,338	-	(5,523,155)	-	28,500	28,323,456	23,422,139
Construction in progress	2,902,253	316,787	-	-	-	(1,745,164)	-	1,473,876
	<u>₩ 8,976,656</u>	<u>₩ 1,129,304</u>	<u>₩ (150,000)</u>	<u>₩ (6,040,015)</u>	<u>₩ (30,667)</u>	<u>₩ 28,500</u>	<u>₩ 30,351,315</u>	<u>₩ 34,265,093</u>

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

¹The carrying amount of prepaid payments transferred to the intangible assets, amounts to ₩ 2,200,599 million.

Amortization expenses of intangible assets for the periods ended December 31, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	2016		2015	
Cost of sales	₩	246,684	₩	-
Selling and administrative expenses(included research and development costs)		5,793,331		322,335
	<u>₩</u>	<u>6,040,015</u>	<u>₩</u>	<u>322,335</u>

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14. Other Payables

Details of other payables as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016				2015			
	Current		Non-current		Current		Non-current	
Non-trade payables	₩	23,992,391	₩	-	₩	5,214,914	₩	-
Accrued expenses		5,429,703		-		132,776		-
Dividend payables		65,873		-		65,873		-
Leasehold deposit received		2,351,862		6,888,342		8,966,060		-
	₩	31,839,829	₩	6,888,342	₩	14,379,623	₩	-

15. Other Liabilities

Details of current and non-current other liabilities as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016				2015			
	Current		Non-current		Current		Non-current	
Withholdings	₩	3,988,698	₩	-	₩	1,329,732	₩	-
Other long-term employee benefits		-		-		-		222,739
Advance received		3,537,792		-		-		-
Emission obligation		82,268		1,998,606		-		-
	₩	7,608,758	₩	-	₩	1,329,732	₩	222,739

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

(in thousands of Korean won)

	2016				
	Beginning balance	Profit or loss	Payment	Change in the scope of consolidation	Ending balance
Other long-term employee benefits	₩ 222,740	₩ 383,725	₩ (274,896)	₩ 1,667,037	₩ 1,998,606

(in thousands of Korean won)

	2015				
	Beginning balance	Profit or loss	Payment	Ending balance	
Other long-term employee benefits	₩ 169,026	₩ 70,223	₩ (16,509)	₩ 222,740	

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16. Post-employment Benefits

The Group operates a defined benefit pension plans for its employees with eligibility requirements. By applying the three-month average salary in the final work period service that the employee has been provided at the time of retirement, the employee has received a lump-sum payment under the scheme. Under the system, the Company is exposed to the 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, 2016, by Mirae Asset Daewoo Co., Ltd. Present value of the defined benefit obligation, its related current service cost and past service cost have been measured by the projected unit credit method.

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Present value of defined benefit obligations	₩	56,764,154	₩	15,583,429
Fair value of plan assets		(60,744,939)		(17,051,460)
Net defined benefit liabilities		76,930		-
Net defined benefit assets	₩	(4,057,715)	₩	(1,468,031)

The significant actuarial assumptions used in defined benefit obligations assessment as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Discount rate		3.5%		3.4%
Expected salary growth rate		6.2%		7.0%

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

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(in thousands of Korean won)

	2016		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩ 15,583,429	₩ (17,051,460)	₩ (1,468,031)
Current service cost	8,512,145	-	8,512,145
Interest expense (income)	1,505,039	(1,348,850)	156,189
	<u>10,017,184</u>	<u>(1,348,850)</u>	<u>8,668,334</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	295,027	295,027
Actuarial loss (gain) from change in demographic assumptions	(57,285)	-	(57,285)
Actuarial loss (gain) from change in financial assumptions	(278,589)	-	(278,589)
Actuarial loss (gain) from experience adjustments	(193,678)	-	(193,678)
	<u>(529,552)</u>	<u>295,027</u>	<u>(234,525)</u>
Employers' contributions	-	(8,000,000)	(8,000,000)
Benefits payments	(3,515,462)	1,962,443	(1,553,019)
Others	461,854	(4,648,859)	(4,187,005)
Change in the scope of consolidation	34,746,701	(31,953,240)	2,793,461
Ending balance	<u>₩ 56,764,154</u>	<u>₩ (60,744,939)</u>	<u>₩ (3,980,785)</u>

(in thousands of Korean won)

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

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

(in thousands of Korean won)

	2016			
	Increase		Decrease	
1% change of discount rate	₩	(5,044,126)	₩	6,020,291
1% change of salary growth rate		5,852,589		(5,011,590)

(in thousands of Korean won)

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

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

(in thousands of Korean won)

	2016		2015	
Current service cost	₩	8,512,145	₩	2,697,837
Interest cost		156,189		6,720
	₩	<u>8,668,334</u>	₩	<u>2,704,557</u>

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

(in thousands of Korean won)

	2016		2015	
	Amount	Composition	Amount	Composition
Debt instruments	11,323,077	18.6%	17,050,312	100.0%
Deposits	1,960,934	3.2%	-	0.0%
Cash and cash equivalents	47,460,928	78.2%	1,148	0.0%
	<u>60,744,939</u>	<u>100.0%</u>	<u>17,051,460</u>	<u>100.0%</u>

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

The expected maturity analysis of undiscounted pension benefits as at December 31, 2016 and 2015, is as follows:

(in thousands of Korean won)

	Less than 1 year		Between 1-2 years		Between 2- 5 years		Over 5 years		Total	
Pension benefits	₩	1,661,791	₩	2,025,417	₩	7,803,173	₩	226,481,941	₩	237,972,322

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The weighted average duration of the defined benefit obligation is 13.4 years.

Recognized expense related to the defined contribution plan for the year ended December 31, 2016, is ₩ 315,252 million.

17. Provisions

The Group's provisions are provisions for product warranties as at the end of the reporting period. Changes in provisions for the year ended December 31, 2016 are as follows:

<i>(in thousands of Korean won)</i>	2016				
	Beginning balance	Profit or loss	Payment	Change in the scope of consolidation	Ending balance
Provisions for product warranties	₩ -	₩ 1,221,463	₩ (1,009,718)	₩ 1,122,271	₩ 1,334,016

18. Share Capital

Details of share capital as at December 31, 2016 and 2015, are as follows:

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

19. Other Paid-in-Capital

Details of other paid-in-capital as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Share premium	₩	1,302,628,300	₩	1,302,628,300
Treasury shares		(11,092,609)		(11,092,609)
Other capital surplus		(5,770,227)		(4,629,719)
	₩	1,285,765,464	₩	1,286,905,972

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

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20. Retained Earnings and Dividends

Retained earnings as at December 31, 2016 and 2015, consist of:

<i>(in thousands of Korean won)</i>	2016	2015
Legal reserve:		
Surplus reserve ¹	₩ 16,509,158	₩ 13,758,306
	<u>16,509,158</u>	<u>13,758,306</u>
Discretionary reserve:		
Reserve for revaluation ²	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	766,142,607	534,959,793
	<u>₩ 1,489,859,004</u>	<u>₩ 1,255,925,338</u>

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

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

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

<i>(in thousands of Korean won)</i>	2016	2015
Beginning balance	₩ 1,255,925,338	₩ 1,114,488,258
Profit for the period	261,535,602	172,703,147
Dividend payments	(27,508,525)	(27,508,526)
Remeasurements of net defined benefit assets	(16,823)	212,437
Remeasurements of net defined benefit assets of associates	(76,588)	(3,969,978)
Ending balance	<u>₩ 1,489,859,004</u>	<u>₩ 1,255,925,338</u>

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

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

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

21. Other Components of Equity

Changes in the fair value of AFS financial assets for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016			
	Beginning balance	Increase (Decrease) ¹	Reclassified to profit or loss	Ending balance
Changes in the fair value of available- for-sale financial assets	₩ 1,512,351	₩ 7,754	₩ -	₩ 1,520,105
Share of other comprehensive income of associates	(24,209,784)	4,645,984	(656,246)	(20,220,046)
	<u>₩ (22,697,433)</u>	<u>₩ 4,653,738</u>	<u>₩ (656,246)</u>	<u>₩ (18,699,941)</u>

¹Amount of tax effect and allocated to non-controlling interests are deducted.

(in thousands of Korean won)

	2015			
	Beginning balance	Increase (Decrease) ¹	Reclassified to profit or loss	Ending balance
Changes in the fair value of available- for-sale financial assets	₩ (1,051,129)	₩ 2,563,480	₩ -	₩ 1,512,351
Share of other comprehensive income of associates	(31,738,507)	7,528,723	-	(24,209,784)
	<u>₩ (32,789,636)</u>	<u>₩ 10,092,203</u>	<u>₩ -</u>	<u>₩ (22,697,433)</u>

¹Amount of tax effect is deducted.

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22. Selling and Administrative Expenses

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

<i>(in thousands of Korean won)</i>	2016		2015	
Salaries	₩	29,149,318	₩	17,397,097
Post-employment benefits		5,235,192		2,704,557
Employee benefits		2,775,100		2,402,130
Training expenses		1,609,590		1,350,167
Travel expenses		1,629,934		711,068
Vehicles maintenance expenses		136,987		55,162
Insurance		239,209		202,375
Taxes and dues		1,037,489		1,034,155
Entertainment expenses		637,604		424,625
Supplies expenses		1,016,443		183,648
Publication expenses		418,793		384,162
Communication expenses		169,000		132,637
Impairment loss(reversal of allowance for doubtful accounts)		(501)		-
Repairs expenses		402,522		400,256
Conference expenses		41,844		30,357
Service fees		6,817,345		6,564,614
Rental expenses		600,525		-
Depreciation of investment properties		842,651		1,170,181
Depreciation of property, plant and equipment		1,407,335		1,123,438
Amortization of intangible assets		5,769,429		322,335
Travel and transportation expenses		710,201		-
Service expenses		627,542		492,877
Export expenses		10,742,987		-
Advertisement		4,392,147		3,614,145
Foreign market development expenses		149,436		-
Sales damage expenses		1,221,463		-
Test expenses		111,487		-
Sample expenses		37,970		-
Research and development expenses		2,956,579		-
Other expenses		631,259		537,253
	₩	<u>82,365,849</u>	₩	<u>42,086,347</u>

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23. Breakdown of Expenses by Nature

Expenses by nature for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
Changes in inventories	₩	6,603,246	₩	-
Raw materials used		265,403,196		-
Salaries		60,543,547		17,397,097
Post-employment benefits		8,983,586		2,704,557
Employee benefits		8,388,810		2,402,130
Power expenses		9,003,390		-
Fuel expenses		1,213,827		-
Depreciation of investment property		842,651		1,170,181
Depreciation of property, plant and equipment		11,431,214		1,123,438
Amortization of intangible assets		6,040,015		322,335
Supplies expenses		3,923,625		183,648
Repairs expenses		2,431,203		400,256
Service fees		16,337,579		6,564,614
Export expenses		10,742,987		-
Foreign market development expenses		149,436		-
Research and development expenses		118,247		-
Others		16,296,119		9,818,091
Total cost of sales, and selling and administrative expenses	₩	428,452,678	₩	42,086,347

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24. Finance Income and Finance Costs

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

<i>(in thousands of Korean won)</i>	2016		2015	
Finance income				
Interest income	₩	9,884,689	₩	11,178,415
Gains on foreign currency transaction		4,787,626		160,351
Gains on foreign currency translation		412,231		1
Gains on disposal of AFS financial assets		2,467,093		1,892
Gains on valuation and disposal of financial assets at FVTPL		137,619		-
	₩	<u>17,689,258</u>	₩	<u>11,340,659</u>
Finance costs				
Interest expense	₩	333,193	₩	-
Losses on foreign currency transaction		3,669,501		104,390
Losses on foreign currency translation		1,806,083		2,123
Impairment loss(reversal) on AFS financial assets		(364)		1,554,088
Gains on disposal of trade receivables		44		-
	₩	<u>5,808,457</u>	₩	<u>1,660,601</u>

25. Other Non-operating Income and Expenses

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

<i>(in thousands of Korean won)</i>	2016		2015	
Other non-operating income				
Dividend income	₩	5,223	₩	-
Gains on foreign currency transaction		7,995,283		4,371
Gains on foreign currency translation		4,140,169		3,233,120
Gains on valuation of foreign exchange forward contracts		2,309,748		-
Rental income		2,293,089		2,223,899
Gains on disposal of property, plant and equipment		-		93
Gains on disposal of associates		2,769,690		-
Gains as a bargain purchase		22,557,990		-
Miscellaneous income		3,124,728		74,447
	₩	<u>45,195,920</u>	₩	<u>5,535,930</u>

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Other non-operating expenses				
Losses on foreign currency transaction	₩	8,164,790	₩	6,998
Losses on foreign currency translation		2,440,178		661
Losses on foreign exchange forward transaction		2,468,315		4,688
Losses on valuation of foreign exchange forward contracts		-		5,067,941
Losses on disposal of property, plant and equipment		123,311		1
Losses on disposal of property, plant and equipment		34,091		-
Impairment loss of property, plant and equipment		-		301,888
Impairment loss of intangible assets		30,667		233,888
Donation		3,143,784		3,011,400
Miscellaneous loss		340,095		73,216
	₩	<u>16,745,231</u>	₩	<u>8,700,681</u>

26. Tax Expense and Deferred Tax

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

<i>(in thousands of Korean won)</i>		2016		2015
Current tax:				
Current tax on profits for the year	₩	22,672,703	₩	6,069,759
Adjustments in respect of prior years		<u>1,760,355</u>		<u>-</u>
Deferred tax:				
Origination and reversal of temporary differences		1,193,808		10,370,239
Charged or credited directly to equity		<u>6,824,641</u>		<u>(1,067,540)</u>
Income tax expense	₩	<u>32,451,507</u>	₩	<u>15,372,458</u>

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

<i>(in thousands of Korean won)</i>		2016		2015
Profit before income tax expense	₩	301,908,446	₩	188,075,606
Tax at domestic tax rates applicable to profits in the respective countries		70,810,672		45,052,296
Tax effects of:				
Income not subject to tax		(250)		-
Expenses not deductible for tax purposes		199,488		109,428
Tax credit and tax cut		(320,798)		(343,713)
Additional tax payment		1,760,355		-

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Unrecognized changes in net assets of investments in subsidiaries and associates	(32,137,760)	(29,866,191)
Profit as a bargain purchase	(5,290,830)	-
Non-recycled corporate tax	1,530,232	-
Others	(4,099,602)	420,638
Adjustment in respect of prior years	(38,359,165)	(29,679,838)
Income tax expense	<u>₩ 32,451,507</u>	<u>₩ 15,372,458</u>

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

(in thousands of Korean won)

	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurements of net defined benefit plan	₩ 234,525	₩ (56,755)	₩ 177,770	₩ 280,258	₩ (67,822)	₩ 212,436
Remeasurements of net defined benefit plan of associates	(1,777,058)	1,700,470	(76,588)	(4,171,777)	201,798	(3,969,979)
Change in the fair value of AFS securities	11,730	(2,839)	8,891	3,381,900	(818,420)	2,563,480
Share of other comprehensive income of associates	(1,194,026)	5,183,765	3,989,739	7,911,819	(383,096)	7,528,723
	(2,724,829)	6,824,641	4,099,812	7,402,200	(1,067,540)	6,334,660

The aggregate current and deferred tax relating to items that are charged or credited directly to equity for the periods ended December 31, 2016 and 2015, is as follows:

(in thousands of Korean won)

	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Change in the fair value of AFS securities	₩ 2,005,416	₩ (485,311)	₩ 1,520,105	₩ 1,995,186	₩ (482,835)	₩ 1,512,351
Share of other comprehensive income of associates	(26,677,713)	6,457,668	(20,220,045)	(25,441,135)	1,231,351	(24,209,784)

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The analysis of deferred tax assets and liabilities as at December 31, 2016 and 2015, is as follows:

(in thousands of Korean won)

	2016		2015	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	6,162,845	₩	6,117,335
Deferred tax asset to be recovered within 12 months		13,768,784		664,586
		<u>19,931,629</u>		<u>6,781,921</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		63,719,960		63,860,800
Deferred tax liability to be recovered within 12 months		47,809,698		21,498,235
		<u>111,529,658</u>		<u>85,359,035</u>
Deferred tax assets (liabilities), net	₩	<u>(91,598,029)</u>	₩	<u>(78,577,114)</u>

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

(in thousands of Korean won)

	Beginning balance		Statement of profit or loss		2016 Other comprehensive income		Change in the scope of consolidation		Ending balance	
Deferred tax assets(liabilities)										
Unearned revenue	₩	(353,025)	₩	(54,064)	₩	-	₩	(414,583)	₩	(821,672)
Other long-term employee benefits		53,903		39,076		-		114,144		207,123
Accrued expenses		16,615		70,132		-		27,338		114,085
Property, plant and equipment		2,235,530		895,150		-		(1,221,716)		1,908,964
Post-employment benefits		(482,174)		727,233		(56,755)		327,428		515,732
Derivative financial instruments		647,971		(663,214)		-		-		(15,243)
Gains(loss) on foreign currency translation		(781,741)		781,741		-		-		-
Financial assets at FVTPL		-		2,817		-		(20,328)		(17,511)
Intangible assets		203,888		1,209,200		-		(11,859,202)		(10,446,114)
Construction in progress		232,760		-		-		-		232,760
AFS financial assets		3,391,255		(928,654)		(2,839)		271,723		2,731,485
Advanced depreciation provision		(2,556,024)		-		-		-		(2,556,024)
Valuation of foreign exchange forward contracts		-		11,647		-		21,263		32,910
Impairment loss		-		-		-		281,686		281,686
Annual leave provisions		-		97,769		-		388,405		486,174
Stock dividend		-		-		-		307		307
Provisions for product warranties		-		66,404		-		256,428		322,832
Emission obligations		-		12,742		-		-		12,742
Investment in subsidiaries and associates		(81,186,072)		(10,286,428)		6,884,235		-		(84,588,265)
	₩	<u>(78,577,114)</u>	₩	<u>(8,018,449)</u>	₩	<u>6,824,641</u>	₩	<u>(11,827,107)</u>	₩	<u>(91,598,029)</u>

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	2015			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
Deferred tax assets(liabilities)				
Unearned revenue	₩ (741,588)	₩ 388,563	₩ -	₩ (353,025)
Other long-term employee benefits	40,904	12,999	-	53,903
Accrued expenses	34,570	(17,955)	-	16,615
Property, plant and equipment	2,008,847	226,683	-	2,235,530
Post-employment benefits	(221,316)	(193,035)	(67,823)	(482,174)
Derivative financial instruments	654,691	(6,720)	-	647,971
Gains(loss) on foreign currency translation	(477,359)	(304,382)	-	(781,741)
Intangible assets	147,517	56,371	-	203,888
Construction in progress	159,703	73,057	-	232,760
AFS financial assets	7,799,936	(3,590,262)	(818,419)	3,391,255
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Investment in subsidiaries and associates	(75,056,756)	(5,948,018)	(181,298)	(81,186,072)
	₩ (68,206,875)	₩ (9,302,699)	₩ (1,067,540)	₩ (78,577,114)

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)	2016		2015		Remarks
Interests in subsidiary	₩	1,165,191,376	₩	1,165,191,376	No plan for disposal

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27. Cash Flow from Operating Activities

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

<i>(in thousands of Korean won)</i>	2016	2015
Adjustments for:	₩	₩
Income tax expense	32,451,507	15,372,458
Losses on foreign currency translation	4,246,261	2,784
Impairment loss on AFS financial assets	(364)	1,554,088
Losses on foreign exchange forward transaction	2,468,315	4,688
Losses on valuation of foreign exchange forward contracts	-	5,067,941
Losses on disposal of property, plant and equipment	123,311	1
Losses on disposal of intangible assets	34,091	-
Impairment loss of property, plant and equipment	-	301,888
Impairment loss of intangible assets	30,667	233,888
Depreciation of investment properties	842,651	1,170,181
Depreciation of property, plant and equipment	11,431,214	1,123,438
Amortization of intangible assets	6,040,015	322,335
Other long-term employee benefits	383,725	70,223
Post-employment benefit	8,668,334	2,704,557
Interest expense	333,193	-
Sales damage expenses	1,221,463	-
Miscellaneous losses	40,739	-
Losses on valuation and disposal of inventory	342,610	-
Losses on disposal of trade receivables	44	-
Impairment loss(reversal of allowance for doubtful accounts)	(501)	-
Interest income	(9,884,689)	(11,178,415)
Dividend received	(6,983)	(1,863)
Gains on foreign currency translation	(4,552,400)	(3,233,121)
Gains on valuation of foreign exchange forward contracts	-	(93)
Gains on disposal of AFS financial assets	(2,309,748)	-
Gains on disposal of financial assets at fair value through profit or loss	(2,467,093)	(1,892)
Gains on disposal of associates	(137,619)	-
Gain on using equity method of accounting	(2,769,690)	-
Profit as a bargain purchase.	(192,617,507)	(151,961,286)
	₩	₩
	(168,646,444)	(138,448,200)

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<i>(in thousands of Korean won)</i>	2016		2015	
Changes in operating assets and liabilities:	₩		₩	
Increase in trade receivables		(21,053,585)		(2,202,245)
Decrease in non-trade receivables		274,665		167,398
Increase in advance payments		(2,333,766)		(5,000)
Increase(decrease) in prepaid expenses		372,915		(1,715)
Increase in prepaid V.A.T		(109,841)		-
Decrease in inventories		10,649,383		-
Increase in leasehold deposits provided		(569,670)		-
Increase in trade payables		6,671,960		-
Increase in non-trade payables		3,584,374		2,500,061
Decrease in advance received		(245,487)		-
Decrease in accrued expenses		(1,694,896)		(1,704,959)
Increase(decrease) in withholdings		1,496,648		(721,708)
Increase in rental deposits received		224,144		72,134
Decrease in provisions for product warranties		(1,009,718)		-
Increase in emission obligation		62,023		-
Decrease in defined benefit obligation		(3,515,462)		(1,240,239)
Increase in pension plan assets		(6,037,557)		(6,465,622)
Decrease in other long-term employee benefits liabilities		(274,896)		(16,509)
	₩	(13,508,766)	₩	(9,618,404)

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

<i>(in thousands of Korean won)</i>	2016		2015	
Transfer of construction in progress to intangible assets	₩	1,745,164	₩	207,526
Transfer of construction in progress to property, plant and equipment		2,225,854		240,319
Transfer of advance payments to intangible assets		-		2,200,599
Increase in non-trade payables in relation to acquisition of plant, property and equipment.		494,688		-
Increase in non-trade payables in relation to acquisition of intangible assets		52,477		83,764
Decrease in non-trade payables in relation to acquisition of intangible assets		83,764		-

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28. Related Party Transactions

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

Type	Name of related parties
Individuals	Yang-Rai Cho, Hyun-Shick Cho, Hyun-Bum Cho
Subsidiaries	Atlas BX Co., Ltd., Atlas BX Motorsports Co., Ltd.
Associates	Hankook Tire Co., Ltd., EmFrontier, Inc.
Domestic subsidiaries of associates	Daehwa Engineering & Machinery Co., Ltd., MK Technology Corp., Hankook Donggeurami Partners Co., Ltd., HK Motors Co., Ltd. ¹ 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.,
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd., Hankook Tire Rus LLC, PT. Hankooktire Indonesia, MK Mold (Jiaxing) Co., LTD, Hankook Tire Singapore PTE., Ltd., Hankook Tire Malaysia SDN.BHD., Hankook Tire Sweden AB, Beijing Jielun Trading Company Co.,Ltd., Hankook Tire Thailand Co.,Ltd., Hankook Lastikleri A.S., Hankook Tire Polska Sp. z o.o., Hankook Tire de Colombia Ltda., Hankook Tire America Holdings I, LLC, Hankook Tire America Holdings II, LLC, Hankook Tire Manufacturing Tennessee LP, Hankook Tire Ceska Republika s.r.o. MK Technology (CHONGQING) Mould Co., Ltd., PT. EMFRONTIER ENS Indonesia, Emfrontier America Inc.
Domestic associate of associates	Hanon Systems Co., Ltd.
Other related parties ²	Shin-Yang Tourist Development, Shin-Yang World Leisure, FWS Investment Advisory, Daehwa Eng' & Machinery Jiaxing Co., Ltd., Another WTE Co., Ltd., H-2 WTE Co., Ltd., Another Geumsan Co., Ltd.

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

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

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

<i>(in thousands of Korean won)</i>		2016			
		Name of entity	Sales ¹	Selling and administrative expenses	Purchase and others
Associates	Hankook Tire Co., Ltd.	₩ 102,335,102	₩ 477,129	₩ -	₩ 1,015,892
	EmFrontier, Inc.	488	752,555	1,066,359	-
Domestic subsidiary of associates	HK Motors Co., Ltd.	-	187,769	23,500	-
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. and others	-	204,913	-	2,230,108
Other related parties	Shin-Yang Tourist Development and others	-	2,084,369	-	5,814
		<u>₩ 102,335,590</u>	<u>₩ 3,706,735</u>	<u>₩ 1,089,859</u>	<u>₩ 3,251,814</u>

¹ Share of profit or loss of associates accounted for using the equity method is not included in sales.

<i>(in thousands of Korean won)</i>		2015			
		Name of entity	Sales ¹	Selling and administrative expenses	Other income
Associates	Hankook Tire Co., Ltd.	₩ 69,305,707	₩ 88,827	₩ 1,016,162	
	EmFrontier, Inc.	750	132,967	-	
	Atlas BX Co., Ltd.	6,600	-	-	
Domestic subsidiary of associates	MK Technology Corp.	250	23,705	-	
Overseas subsidiaries of associates	Chongqing Hankooktire Co., Ltd. and others	-	146,301	3,382,574	
Other related parties	Shin-Yang Tourist Development and others	-	1,916,535	5,814	
		<u>₩ 69,313,307</u>	<u>₩ 2,308,335</u>	<u>₩ 4,404,550</u>	

¹ Share of profit or loss of associates accounted for using the equity method is not included in sales.

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Outstanding balances of receivables and payables as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

		2016					
	Name of entity	Trade receivables	Loans	Other receivables	Non-trade payables	Other payables	
Associates	Hankook Tire Co., Ltd.	₩ 46,512,414	₩ -	₩ -	₩ 6,165	₩ 1,859,096	
	EmFrontier, Inc.	-	-	-	935,854	-	
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd.	-	-	-	44,392	-	
Overseas subsidiaries of associates	Hankook Tire Netherlands B.V. and others	-	54,750,160	1,166,330	56,835	-	
Other related parties	Shin-Yang Tourist Development and others	-	-	-	191,355	105,503	
		<u>₩ 46,512,414</u>	<u>₩ 54,750,160</u>	<u>₩ 1,166,330</u>	<u>₩ 1,234,601</u>	<u>₩ 1,964,599</u>	

(in thousands of Korean won)

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

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

(in thousands of Korean won)

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

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

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

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

	2016		2015	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
USD	-	₩ -	130,000	₩ 152,360,000
HUF ¹	15,881,000	64,794,480	15,881,000	64,794,480
		₩ 64,794,480		₩ 217,154,480

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

Description

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

Also, outstanding credit facility agreements providing Hankook Tire Co., Ltd. jointly and severally as at December 31, 2016 and 2015, are as follows:

(in thousands of Korean won and thousands of USD)

	2016		2015	
	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent
USD	70,000	₩ 84,595,000	70,000	₩ 82,040,000

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

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

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 Group's business activities.

29. Contingencies and Commitments

Details of commitments that the Group entered with financial institutions as at December 31, 2016 and 2015, are as follows:

		<i>(in thousands on Korean won thousands of USD, thousands of CNY and thousands of EUR)</i>			
		2016		2015	
		Commitment amount	Korean won equivalent	Commitment amount	Korean won equivalent
Purchase card agreements	Shinhan Bank	KRW 20,000,000	₩ 20,000,000	KRW 10,000,000	₩ 10,000,000
Bank overdraft agreements	Woori Bank and others	KRW 7,000,000	7,000,000	KRW 5,000,000	5,000,000
Agreements to forward exchange contracts	Standard Chartered Bank Korea and others	USD 6,000	7,251,000	USD 30,000	35,160,000
		CNY 316,000	54,750,160	CNY 316,000	57,053,800
		EUR 2,000	2,535,200	-	-
Trade financing	Woori Bank and others	KRW 32,000,000	32,000,000	KRW -	-
Letter of credit	KEB Hana Bank and others	USD 32,000	38,672,000	USD -	-
Loans for working capital	Woori Bank and others	KRW 7,000,000	7,000,000	KRW -	-
Export bill discounting	Woori Bank and others	USD 41,000	49,548,500	USD -	-
		KRW 66,000,000	₩	KRW 15,000,000	₩
		USD 79,000	218,756,860	USD 30,000	107,213,800
		CNY 316,000		CNY 316,000	
		EUR 2,000		EUR -	

As at December 31, 2016, the Group is named as a defendant in two legal actions amounting to ₩500,000 thousand arising from labor matters, and one legal action amounting to ₩180,000 thousand under appeal trial for the imposed fine. As at December 31, 2016, the Group cannot reasonably estimate the outcome of these cases and their impacts on the financial statements.

As at December 31, 2016, the Group 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 Group's information system with EmFrontier, Inc., an associate.

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30. Operating Segment Information

Atlas BX Co., Ltd. was reclassified to subsidiaries during 2016. The Group had a single operating segment before the storage batteries business was added from business combination. Management has determined the operating segments based on the information reported to and reviewed by the Board of Directors that performs resource allocation and performance assessment. From a product perspective, management classifies the investment and storage batteries.

Profit or loss by each segment for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016		
	Investment business	Storage batteries business	Total
Total segment revenue	₩ 268,453,944	₩ 421,578,164	₩ 690,032,108
Inter-segment revenue	(2,475)	-	(2,475)
Revenue from external customers	268,451,469	421,578,164	690,029,633
Operating profit (loss)	₩ 217,227,747	₩ 44,349,208	₩ 261,576,955

The Group derives the following types of revenue:

(in thousands of Korean won)

	2016	2015
Sales of finished goods	₩ 417,376,242	₩ -
Sales of merchandise	3,833,851	-
Service revenue	23,385,230	20,183,023
Rental revenue	4,520,940	4,530,229
Trademark right revenue	47,887,401	46,920,741
Share of profit or loss of associates accounted for using the equity method	192,617,507	151,961,286
Others	408,462	51,366
	₩ 690,029,633	₩ 223,646,645

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

(in thousands of Korean won)

	2016	2015
Korea (headquarter)	₩ 690,029,633	₩ 223,646,645

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

<i>(in thousands of Korean won)</i>	2016		2015	
A Company	₩	288,866,785	₩	202,561,759

31. Inventories

Details of inventories as at December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	2016	
Finished goods	₩	7,332,630
Merchandise		1,699,868
Raw materials		19,259,628
Work in process		11,106,710
Supplies		1,404,508
Materials in transit		3,686,062
	₩	<u>44,489,406</u>

Inventories recognized as an expense during the year ended December 31, 2016 amounted to ₩ 272,006,442 thousand. These were included in 'cost of sales'.

32. Borrowings

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

<i>(in thousands of Korean won)</i>	Creditor	Latest maturity date	Annual interest rate(%) December 31, 2016	2016	2015	
Short-term borrowings	Export bill discount (Nego borrowings)	Kookmin Bank	2017.03.23	3.8	₩ 4,779,267	₩ -
		NH Bank	2017.03.25	3.0	820,528	-
		Deutsche Bank AG	2017.01.06	1.7	426,402	-
		Shinhan Bank	2017.07.09	1.5	680,290	-
		Woori Bank	2017.06.23	2.4	9,896,567	-
		KEB Hana Bank	2017.09.25	1.9	4,533,874	-
		Citi Bank	2017.03.28	1.9	8,400,896	-
					<u>₩ 29,537,824</u>	<u>₩ -</u>

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

<i>(in thousands of Korean won)</i>		2016
Beginning balance	₩	-
Net increase(decrease)		(19,935,275)
Change in the scope of consolidation		47,667,016
Translation differences		1,806,083
Ending balance	₩	<u>29,537,824</u>

33. Earnings Per Share

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

<i>(in Korean won)</i>	2016		2015	
Profit attributable to the ordinary equity holders of Parent Company ¹	₩	261,535,601,727	₩	172,703,147,138
Weighted-average number of ordinary shares outstanding (share) ²		<u>91,695,084</u>		<u>91,695,085</u>
Basic earnings per share	₩	<u>2,852</u>	₩	<u>1,883</u>

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

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

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

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34. Transition to Korean IFRS

34.1 First-time Adoption of Korean IFRS

The Company's transition date to Korean IFRS is January 1, 2010, and adoption date is January 1, 2011.

In 2016, the subsidiary was included and the separate financial statements are prepared. The Company first adopted International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") from January 1, 2015 for the separate financial statements. The separate financial statements of the Company for the annual period beginning on January 1, 2016, have been prepared. In accordance with Korean IFRS 1101 *First-time Adoption of Korean International Financial Reporting Standards*, the timing of first-time adoption in the separate financial statements and the consolidated financial statements are different. Therefore, assets and liabilities are recognized at the same amounts in the statements excluding consolidated adjustments.

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

34.2 Exemption Options under Korean IFRS 1101

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

(a) *Business combinations*

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

(b) *Investments in subsidiaries and associates as deemed cost*

The Company used the amounts for investments in subsidiaries and associates revaluated under the previous K-GAAP as deemed cost as of revaluation date. The Company used the fair value at the transition date for investments in subsidiaries and associates as deemed cost. Total amount of investments that used the fair value at the transition date as deemed cost, is W 1,632,017,958 thousand.

34.3 Mandatory Exceptions to Retroactive Application of Other Korean IFRS

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

(a) *Derecognition of financial assets*

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

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(b) Exception for estimates

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

34.4 Adjustments due to the transition from previous K-GAAP to Korean IFRS

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

35. Business Combination and Transactions with Non-controlling Interests

In March 2016, Atlas BX Co., Ltd., an associate of the Group, acquired its treasury shares. As a result, the Group's ownership to the Atlas BX Co., Ltd. was increased from 31.1% to 71.7% (after additional acquiring its treasury shares, the Group's ownership is 74.7%) and the entity was reclassified to the Group's subsidiaries.

The fair value of the shares held by Atlas BX Co., Ltd., which was held prior to the business combination, was less than the net asset value at the acquisition date, which resulted in a gain on the purchase of discounts, which was included in other non-operating income in the statement of comprehensive income. Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

<i>(in thousands of Korean won)</i>	Amount
Fair value of equity interest in Atlas BX Co., Ltd. held before the business combination	₩ 142,434,250
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	12,909,630
Trade receivables	95,200,492
Other receivables	1,329,480
Short-term financial assets	50,042,000
Other current assets	4,012,140
Inventories	55,481,398
Long-term financial assets	8,000
Property, plant and equipment	123,782,091
Intangible assets	30,351,315
AFS financial assets	178,218
Other non-current receivables	240,304
Trade payables	178,218
Other payables	(33,089,086)
Other current liabilities	(27,936,171)
Other non-current payables	(50,000)

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Other non-current liabilities	(1,667,036)
Deferred tax liabilities	(11,827,107)
Current tax liabilities	(12,130,206)
Borrowings	(47,667,016)
Post-employment obligation	(34,746,701)
Pension plan assets	31,953,240
Other provisions	(1,122,271)
Net identifiable assets acquired	230,286,871
Non-controlling interest	(65,294,631)
Profit as a bargain purchase	(22,557,990)
	₩ 142,434,250

The gross contractual amount for trade and other receivables due is ₩ 96,749,954 thousand, of which ₩ 41,765 thousand is expected to be uncollectible.

Non-controlling interests in Atlas BX Co., Ltd., a listed company, were estimated using consideration paid to acquire 71.7% interest in the group. The said consideration is adjusted by considering a complete lack of control that the market participants might consider.

The Group recognized a gain of ₩ 2,769,690 thousand as a result of measuring at fair value its 31.1% equity interest in Atlas BX Co., Ltd. held before the business combination. The gain is included in other non-operating income in the Group's statement of comprehensive income for the year ended December 31, 2016.

Had Atlas BX Co., Ltd. been consolidated from January 1, 2016, the consolidated statement of comprehensive income would have shown a revenue of ₩ 808,661,265 thousand and profit attributable to owners of Parent Company of ₩ 291,824,930 thousand.

Effects of transactions with non-controlling interests on the equity attributable to owners of the Group for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

2016

Acquisition of additional interests in a subsidiary ¹	₩	(1,140,507)
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¹ On May 26, 2016, Atlas BX Co., Ltd. additionally acquired its treasury shares. The Group now holds 74.9% equity interest in Atlas BX Co., Ltd. The carrying amount of the non-controlling interests in Atlas BX Co., Ltd. on the date of acquisition was ₩ 6,247,696 thousand, and the Group derecognized non-controlling interests of ₩ 7,466,543 thousand and recorded a decrease in equity attributable to owners of the Group of ₩ 1,140,507 thousand. The effects of changes in the ownership interest of Atlas BX Co., Ltd. on the equity attributable to owners of the Group during 2016 and 2015 are summarized as follows:

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(in thousands of Korean won)

2016

Book amount of non-controlling interests acquired	₩	7,466,543
Consideration paid to non-controlling interests		<u>(8,607,050)</u>
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	₩	<u>(1,140,507)</u>