

**HANKOOK & COMPANY CO., LTD.**  
**(formerly, Hankook Technology Group Co., Ltd)**  
**and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd) and Subsidiaries**  
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December 31, 2020 and 2019

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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 & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.)

### Opinion

We have audited the accompanying consolidated financial statements of HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.) and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

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

## **Key Audit Matters**

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

### **(1) Impairment assessment of investment in associates**

#### **Key Audit Matter**

The book value of investment in associates of Hankook Tire & Technology Co., Ltd. is ₩ 2,823,050,157 thousand as at December 31, 2020. As explained in Note 10, the Group has significant influence over Hankook Tire & Technology Co., Ltd. and is applying equity method on the investments.

The Group performed impairment assessment in accordance with Korean IFRS 1036 *Impairment of Assets* since the market value of Hankook Tire & Technology Co., Ltd. is significantly lower than the book value as at December 31, 2020.

We considered impairment assessment of investment in associates as a key audit matter because of the i) existence of indication of impairment loss on investment in associates, ii) significance of unpredictability of estimation that the management used in determining recoverable amount of Hankook Tire & Technology Co., Ltd., and iii) the category causes significant influence to the Group.

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

We performed the following audit procedures for the valuation model, key assumptions and decisions related to the value-in-use valuation. We engaged a specialist in value assessment when performing audit procedure.

- We assessed the capability and related experience (independence and competency) of the expert that the management used in value-in-use valuation.
- We made an inquiry about and assessed valuation model that the management applied.
- We obtained an understanding of the future cash flow of Hankook Tire & Technology Co., Ltd., and tested whether future cash flow estimation is based on the business plan approved by management.
- We assessed the adequacy of the estimation of the past business plan by comparing it with the performance for Hankook Tire & Technology Co., Ltd.
- We assessed the rationality of key assumptions used in valuation model, such as discount rate, growth rate and others by comparing the external benchmark in the same industry and past financial information of Hankook Tire & Technology Co., Ltd.

#### **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements of the Group. Note 3 to the consolidated financial statements describes management's plans and action taken to resolve uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Group's productivity and ability to satisfy customer's orders, and to solve these events or circumstances.

## **Other Matter**

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

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

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

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

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

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

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

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

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

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Keun-young, Chung, Certified Public Accountant.

Seoul, Korea  
March 22, 2021

<p>This report is effective as of March 22, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.) and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2020 and 2019**

<i>(in thousands of Korean won)</i>	Notes	2020	2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	₩ 125,681,349	₩ 103,029,504
Short-term financial assets	6	115,000,000	120,000,000
Financial assets at fair value through profit or loss	5,6,7	116,985,289	57,361,189
Derivative financial assets	5,6,7	3,002,849	892,588
Trade receivables	6,8	125,109,439	129,032,085
Other receivables	6,8	3,814,371	7,632,886
Other current assets	9	5,094,878	8,043,755
Inventories	32	103,938,736	98,267,144
Current tax assets	27	223,181	107,844
		<u>598,850,092</u>	<u>524,366,995</u>
<b>Non-current assets</b>			
Long-term financial assets	6	22,023	17,898
Financial assets at fair value through profit or loss	5,6,7	5,881,524	6,405,142
Financial assets at fair value through other comprehensive income	5,6,7	10,470,925	12,294,945
Other non-current receivables	6,8	24,748,315	5,266,773
Property, plant and equipment	11,13	258,412,697	252,469,654
Investment properties	12	38,988,968	28,878,862
Intangible assets	14	14,682,783	18,866,494
Investments in associates	10	2,833,697,790	2,757,262,469
Net defined benefit assets	17	6,045,972	606,988
Other non-current assets	9	650,018	650,018
		<u>3,193,601,015</u>	<u>3,082,719,243</u>
<b>Total assets</b>		<u>₩ 3,792,451,107</u>	<u>₩ 3,607,086,238</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	4,6	₩ 42,351,616	₩ 12,330,056
Other payables	4,6,15	44,563,850	39,522,057
Current tax liabilities	27	11,697,138	13,686,094
Provisions	18	345,006	563,429
Other current liabilities	16	9,442,029	6,120,182
Short-term borrowings	4,6,28,30,33	94,494,224	62,902,927
		<u>202,893,863</u>	<u>135,124,745</u>
<b>Non-current liabilities</b>			
Other non-current payables	4,6,15	55,000	5,000
Net defined benefit liabilities	17	2,277,294	4,944,921
Long-term borrowings	4,6,28,33	25,846,694	12,976,187
Deferred tax liabilities	27	53,442,638	67,429,894
Other non-current liabilities	16	7,353,114	7,070,288
Other provisions	18	83,907	963,062
		<u>89,058,647</u>	<u>93,389,352</u>
<b>Total liabilities</b>		<u>291,952,510</u>	<u>228,514,097</u>
<b>Equity</b>			
Share capital	1,19	46,510,087	46,510,087
Other paid-in capital	20	1,277,951,758	1,281,041,833
Retained earnings	21	2,151,524,958	2,008,629,109
Other components of equity	22	(86,649,215)	(55,431,219)
<b>Equity attributable to owners of the Parent Company</b>		<u>3,389,337,588</u>	<u>3,280,749,810</u>
<b>Non-controlling interest</b>		<u>111,161,009</u>	<u>97,822,331</u>
<b>Total equity</b>		<u>3,500,498,597</u>	<u>3,378,572,141</u>
<b>Total liabilities and equity</b>		<u>₩ 3,792,451,107</u>	<u>₩ 3,607,086,238</u>

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

**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.) and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2020 and 2019**

<i>(in thousands of Korean won)</i>	Notes	2020	2019
<b>Sales and share of profit or loss of associates accounted for using the equity method</b>	31	₩ 820,942,186	₩ 847,609,750
<b>Costs of sales</b>	24	<u>578,284,903</u>	<u>588,370,004</u>
<b>Gross profit</b>		242,657,283	259,239,746
Selling and administrative expenses	23,24	<u>86,132,839</u>	<u>88,363,765</u>
<b>Operating profit</b>		<u>156,524,444</u>	<u>170,875,981</u>
Finance income	25	19,704,560	14,321,852
Finance costs	25	12,052,977	8,821,657
Other non-operating income	26	39,066,508	33,726,141
Other non-operating expense	26	<u>32,618,259</u>	<u>13,396,295</u>
<b>Profit before income tax</b>		170,624,276	196,706,022
Income tax expense (benefit)	27	<u>(8,990,025)</u>	<u>33,414,986</u>
<b>Profit for the year</b>		<u>₩ 179,614,301</u>	<u>₩ 163,291,036</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	17	4,068,856	1,355,217
Remeasurements of net defined benefit liabilities of associates and others	21	(799,996)	(303,082)
Gain on valuation of equity instruments at fair value through other comprehensive income	6,22	109,889	683,080
Share of other comprehensive income of associates	22	1,068,414	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Loss on foreign operation translation	22	(1,827,623)	(411,348)
Share of other comprehensive income of associates	22	<u>(28,819,077)</u>	<u>6,730,402</u>
<b>Total comprehensive income for the year</b>		<u>₩ 153,414,764</u>	<u>₩ 171,345,305</u>
<b>Profit is attributable to:</b>			
Owners of the Parent Company		₩ 169,466,980	₩ 151,337,458
Non-controlling interest		10,147,321	11,953,578
<b>Comprehensive income is attributable to:</b>			
Owners of the Parent Company		₩ 142,784,078	₩ 158,963,431
Non-controlling interest		10,630,686	12,381,873
<b>Earnings per share (in Korean won)</b>			
Basic and diluted earnings per share	34	₩ 1,848	₩ 1,650

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



**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.) and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2020 and 2019**

	Notes	Attributable to owners of the Parent Company							Total
		Share capital	Other paid-in capital	Retained earnings	Other components of equity			Non-controlling interests	
					Gain (loss) on valuation of financial instruments at fair value through other comprehensive income	Gain (loss) on foreign operation translation	Share of other comprehensive income of associates		
<i>(in thousands of Korean won)</i>		₩	₩	₩	₩	₩	₩	₩	₩
<b>Balance at January 1, 2019</b>		46,510,087	1,281,093,682	1,884,292,022	(602,982)	(39,394)	(61,906,662)	86,525,574	3,235,872,327
Annual dividends	21	-	-	(27,508,525)	-	-	-	(382,083)	(27,890,608)
Business combination		-	-	-	-	-	-	(703,033)	(703,033)
Changes in other paid-in capital of associates		-	(51,849)	-	-	-	-	-	(51,849)
<b>Total comprehensive income for the year</b>		-	-	151,845,612	695,471	(308,053)	6,730,401	12,381,873	171,345,304
Profit for the year		-	-	151,337,458	-	-	-	11,953,578	163,291,036
Remeasurements of net defined benefit liabilities	21	-	-	811,236	-	-	-	543,981	1,355,217
Remeasurements of net defined benefit liabilities of associates	21	-	-	(303,082)	-	-	-	-	(303,082)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6,22	-	-	-	695,471	-	-	(12,391)	683,080
Loss on foreign operation translation	22	-	-	-	-	(308,053)	-	(103,295)	(411,348)
Share of other comprehensive income of associates	10	-	-	-	-	-	6,730,401	-	6,730,401
<b>Balance at December 31, 2019</b>		46,510,087	1,281,041,833	2,008,629,109	92,489	(347,447)	(55,176,261)	97,822,331	3,378,572,141
<b>Balance at January 1, 2020</b>		46,510,087	1,281,041,833	2,008,629,109	92,489	(347,447)	(55,176,261)	97,822,331	3,378,572,141
Annual dividends	21	-	-	(32,093,279)	-	-	-	(382,083)	(32,475,362)
Changes in other paid-in capital of associates	21	-	-	987,054	-	-	-	-	987,054
Non-controlling interests transaction		-	(3,090,075)	-	-	-	-	3,090,075	-
<b>Total comprehensive income for the year</b>		-	-	174,002,074	(1,111,903)	(1,368,683)	(28,737,410)	10,630,686	153,414,764
Profit for the year		-	-	169,466,980	-	-	-	10,147,321	179,614,301
Remeasurements of net defined benefit liabilities	21	-	-	3,118,406	-	-	-	950,450	4,068,856
Remeasurements of net defined benefit liabilities of associates	21	-	-	(799,996)	-	-	-	-	(799,996)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	21,22	-	-	1,229,937	(1,111,903)	-	-	(8,145)	109,889
Loss on foreign operation translation	22	-	-	-	-	(1,368,683)	-	(458,940)	(1,827,623)
Share of other comprehensive income of associates	22	-	-	986,747	-	-	(28,737,410)	-	(27,750,663)
<b>Balance at December 31, 2020</b>		46,510,087	1,277,951,758	2,151,524,958	(1,019,414)	(1,716,130)	(83,913,671)	111,161,009	3,500,498,597

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

**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd.) and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

<i>(in thousands of Korean won)</i>	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Cash generated from operations			
Profit for the year		₩ 179,614,301	₩ 163,291,036
Adjustments	28	(75,638,930)	(29,022,260)
Changes in operating assets and liabilities	28	26,278,278	(27,955,421)
		130,253,649	106,313,355
Interest received		5,073,940	6,141,098
Interest paid		(2,798,251)	(3,220,918)
Dividend received		21,941,538	17,259,782
Income taxes paid		(24,536,202)	(31,666,173)
<b>Net cash inflow from operating activities</b>		<u>129,934,674</u>	<u>94,827,144</u>
<b>Cash flows from investing activities</b>			
Payments for short-term financial assets		(115,000,000)	(170,000,000)
Proceeds from sale of short-term financial assets		120,000,000	135,000,000
Payments for long-term financial assets		(4,126)	(4,505)
Proceeds from sale of long-term financial assets		-	10,000,000
Increase in short-term loans		-	(114,830)
Repayments of short-term loans		118,431	(75,210)
Increase in long-term loans		-	(1,300,000)
Payment for debt instruments at fair value through profit or loss	7	(110,000,000)	(35,616,610)
Proceeds from sale of debt instruments at fair value through profit or loss	7	51,723,444	49,914,275
Proceeds from sale of equity instruments at fair value through other comprehensive income	7	1,968,993	-
Proceeds from sale of equity instruments at fair value through profit or loss	7	3,790	-
Increase in leasehold deposits provided		(23,425,336)	-
Decrease in leasehold deposits provided		1,814,967	-
Payments for property, plant and equipment	11	(31,371,213)	(99,375,547)
Proceeds from sale of property, plant and equipment	11	737,828	6,585
Payments for intangible assets	14	(1,655,249)	(2,717,386)
Proceeds from sale of intangible assets	14	178,000	-
Proceeds from sale of investment properties	12	490,000	-
Payments for investments in associates	10	-	(17,838,354)
Cash inflow from derivative transactions		764,500	-
Cash outflow from derivative transactions		(287,000)	-
Increase in cash due to change in the scope of consolidation		-	248,031
Cash outflow from business combination		-	(2,100,768)
<b>Net cash outflow from investing activities</b>		<u>(103,942,971)</u>	<u>(133,974,320)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings	28	58,288,462	44,269,346
Repayments of short-term borrowings	28	(22,938,916)	(70,322,511)
Proceeds from long-term borrowings	28	23,651	-
Repayments of long-term borrowings	28	(2,832)	-
Repayments of finance lease liabilities	28	(2,203,946)	(2,027,820)
Decrease in leasehold deposits received		(3,776,924)	-
Dividends paid	21	(32,093,279)	(27,508,525)
Dividends paid to non-controlling interests		(382,083)	(382,083)
Share issuance cost		-	(1,126)
<b>Net cash outflow from financing activities</b>		<u>(3,085,867)</u>	<u>(55,972,719)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		22,905,836	(95,119,895)
Cash and cash equivalents at the beginning of the financial year		103,029,504	198,335,208
Effects of exchange rate changes on cash and cash equivalents		(253,991)	(185,809)
<b>Cash and cash equivalents at the end of the year</b>		<u>₩ 125,681,349</u>	<u>₩ 103,029,504</u>

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

**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd) and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

**1. General Information**

The consolidated financial statements of HANKOOK & COMPANY CO., LTD. (the Parent Company) and its subsidiaries (collectively referred to as “the Group”) were prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

**1.1 The Group**

The Parent Company was incorporated in May, 1941 to manufacture and sell tires, tubes and alloy wheels. In December 1968, the Group offered its shares for public ownership and all of the Group’s shares were registered with the Korea Exchange. On April 25, 2012, the Board of Directors resolved to spin-off the tire business unit and the investment business unit separately; the former engages in manufacturing, processing and distribution of tires, tubes and parts; the latter engages in the subsidiary management and real estate rental business. Following the approval of the shareholders’ meeting on July 27, 2012, the spin-off has been implemented on September 1, 2012 and the Group changed its corporate name from Hankook Tire Co., Ltd. to Hankook Tire Worldwide Co., Ltd.

On February 28, 2019, the Board of Directors resolved to change its corporate name from Hankook Tire Worldwide Co., Ltd. to Hankook Technology Group Co., Ltd. Following the approval of the shareholders’ meeting on March 28, 2019, the Group changed its corporate name on May 8, 2019.

In addition, on November 13, 2020, the Board of Directors resolved to change its corporate name from Hankook Technology Group Co., Ltd. to HANKOOK & COMPANY CO., LTD. Following the approval of the shareholders’ meeting on December 29, 2020, the Group changed its corporate name.

Through the several 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, 2020. The share capital of the Group is ₩ 46,510,087 thousand (ordinary shares: 93,020,173) and the Group’s shareholders as at the end of the reporting periods, are as follows:

	2020		2019	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Yang Rai Cho	-	-	21,942,693	24
Hyun Shick Cho	17,974,870	19.30	17,974,870	19.30
Hyun Bum Cho	39,901,871	42.90	17,959,178	19.30
Treasury shares	1,325,090	1.40	1,325,090	1.40
Others	33,818,342	36.40	33,818,342	36.40
	<u>93,020,173</u>	<u>100.00</u>	<u>93,020,173</u>	<u>100.00</u>

**HANKOOK & COMPANY CO., LTD. (formerly, Hankook Technology Group Co., Ltd) and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2020 and 2019**

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**1.2 Consolidated Subsidiaries and Change in the Scope in Consolidation**

Details of the consolidated subsidiaries as at the end of the reporting periods, are as follows:

Name of entity	Ownership interest held by the group (%)		Location	Main business
	2020	2019		
Hankook AtlasBX Co., Ltd.	74.9	74.9	Korea	Manufacturing and sales of storage batteries and dry cells
AtlasBX Motorsports Co., Ltd. <sup>1</sup>	74.9	74.9	Korea	Management of racing team and agency of advertisement
Hankook AtlasBX America Corporation <sup>1</sup>	74.9	74.9	USA	Sales of storage batteries and dry cells
Hankook Car & Life Co., Ltd.	100.0	100.0	Korea	General repairing automobiles
JAX Motors Co., Ltd. <sup>2</sup>	-	100.0	Korea	Repairing automobiles
HK Motors Co., Ltd. <sup>4</sup>	100.0	100.0	Korea	Repairing automobiles
Han Automobile Co., Ltd. <sup>4</sup>	100.0	100.0	Korea	Sales and repairing imported automobiles
Wavers Co., Ltd. <sup>3,5</sup>	98.2	98.2	Korea	Internet information service

<sup>1</sup> Hankook AtlasBX Co., Ltd. holds 100% of equity interests of the entity as at December 31, 2020 and 2019.

<sup>2</sup> On April 1, 2020, HK Motors Co., Ltd., a subsidiary, merged with JAX Motors Co., Ltd., another subsidiary and the name of existing company after the merge is HK Motors Co., Ltd.

<sup>3</sup> The effective percentage of ownership including preferred shares with voting rights and delegated voting rights under the agreement with shareholders is 98.2% as at December 31, 2020.

<sup>4</sup> Hankook Car & Life Co., Ltd. holds 100% of equity interests of the entity as at December 31, 2020 and 2019.

<sup>5</sup> Hankook Car & Life Co., Ltd. holds 98.2% of equity interests of the entity as at December 31, 2020 and 2019.

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

(in thousands of Korean won)

	2020					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Hankook AtlasBX Co., Ltd.	₩ 596,896,424	₩ 178,622,283	₩ 418,274,141	₩ 636,001,406	₩ 49,085,240	₩ 52,837,751
AtlasBX Motorsports Co., Ltd.	1,198,071	218,716	979,355	2,617,335	(31,017)	(31,017)
Hankook AtlasBX America Corporation	151,792,963	121,831,741	29,961,222	109,171,026	(5,013,018)	(6,840,641)
Hankook Car & Life Co., Ltd.	19,005,004	703,970	18,301,034	2,948,384	(25,322,699)	(25,314,103)
JAX Motors Co., Ltd. <sup>1</sup>	-	-	-	657,112	(500,048)	(500,048)
HK Motors Co., Ltd.	19,367,462	6,418,521	12,948,941	14,940,833	(4,622,031)	(4,670,689)
Han Automobile Co., Ltd.	11,146,109	10,996,377	149,732	27,213,254	(4,314,087)	(4,124,515)
Wavers Co., Ltd.	1,337,092	1,546,541	(209,449)	1,934,705	(1,267,984)	(1,245,376)

<sup>1</sup> It represents sales, profit (loss) for the year and total comprehensive income (loss) of JAX Motors Co., Ltd. before the merger into HK Motors Co., Ltd. on April 1, 2020.

(in thousands of Korean won)

	2019					
	Assets	Liabilities	Equity	Sales	Profit (loss) for the year	Total comprehensive income (loss)
Hankook AtlasBX Co., Ltd.	₩ 476,129,809	₩ 109,171,862	₩ 366,957,947	₩ 640,849,538	₩ 51,273,342	₩ 53,390,275
AtlasBX Motorsports Co., Ltd.	1,495,368	484,996	1,010,372	2,546,988	100,622	100,622
Hankook AtlasBX America Corporation	115,154,251	78,352,388	36,801,863	64,443,236	(529,022)	754,463
Hankook Car & Life Co., Ltd.	44,018,165	403,028	43,615,137	3,462,083	(240,382)	(237,336)
JAX Motors Co., Ltd.	12,935,964	5,582,873	7,353,092	3,432,947	(1,765,461)	(1,777,337)
HK Motors Co., Ltd.	17,893,374	7,126,788	10,766,586	13,065,793	(76,383)	(120,192)
Han Automobile Co., Ltd.	21,541,186	17,266,939	4,274,247	39,901,835	(3,766,289)	(3,804,402)
Wavers Co., Ltd.	2,663,281	1,627,353	1,035,928	719,797	(623,548)	(635,545)

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**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 (Hangu) 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 financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less costs to sell, and
- defined benefit pension plans – plan assets measured at fair value.

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

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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, 2020.

- *Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments do not have a significant impact on the financial statements.

- *Amendments to Korean IFRS 1103 Business Combination – Definition of a Business*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the financial statements.

- *Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement and Korean IFRS 1107 Financial Instruments: Disclosure – Interest Rate Benchmark Reform*

The amendments allow to apply the exceptions in relation the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The exceptions require the Group assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform, when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the financial statements.

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group.

- *Amendments to Korean IFRS 1116 Lease – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension*

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments should be applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- *Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark Reform*

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments should be applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- *Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework*

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.



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- *Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

*Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- *Annual improvements to Korean IFRS 2018-2020*

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not

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expect that these amendments have a significant impact on the financial statements.

### **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 Parent 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 the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If

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there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

*(c) Joint Arrangements*

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

**2.4 Foreign Currency Translation**

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as equity instrument at fair value through other comprehensive income are recognized in other comprehensive income.

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**2.5 Financial Assets**

*(a) Classification*

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

*(b) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

*A. Debt instruments*

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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

*B. Equity instruments*

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

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

*(c) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 35 provides more detail of how the Group determines there has been a significant increase in credit risk.)

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*(d) Recognition and Derecognition*

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

*(e) Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

**2.6 Derivative Instruments**

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:

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	<b>Useful life</b>
Buildings	10 - 40 years
Structures	10 - 40
Machinery and equipment	5 - 10
Vehicles	4 - 5
Supplies	4 - 5
Tools, furniture and fixtures	5 - 10

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 and goodwill 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:

	<b>Useful life</b>
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 20-40 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. 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

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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 designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

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

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

*(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**2.13 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 current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax 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



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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 when the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the assets and settle the liability simultaneously.

#### **2.14 Employee Benefits**

##### *(a) Post-employment benefits*

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

##### *(b) Other long-term employee benefits*

Certain entities within the Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term

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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**

*(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) Providing of transportation Service*

In connection with export transactions agreed on conditions of delivery of the shipment, which the Group is obliged to pay freight, delivery of goods is identified as a separate performance obligation as it is deemed to be satisfied after the control of goods is transferred to customers.

*(c) Rendering of services including Shared Service*

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

*(d) Royalty income*

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

*(e) Rental income*

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

**2.16 Leases**

*(a) Lessor*

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income.

The respective leased assets are included in the statement of financial position based on their nature.

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*(b) Lessee*

The Group leases various offices and cars. Lease contracts are typically made for fixed periods of 3 to 8 years, but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Lease liability measurement also include payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by an entity which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of IT-equipment and office furniture.

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#### **2.17 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.

#### **2.18 Segment Reporting**

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

#### **2.19 Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

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

The consolidated financial statements 2020 were approved for issue by the Board of Directors on March 12, 2021 and are subject to change with the approval of shareholders at their Annual General Meeting.

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

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

During 2020, the spread of Coronavirus disease 2019 ("COVID-19") has a material impact on the global economy. It may have a negative impact; such as, decrease in productivity, decrease or delay in sales, collection of existing receivables and others. Accordingly, it may have a negative impact on the financial position and financial performance of the Group.

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Significant accounting estimates and assumptions applied in the preparation of the consolidated financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Group's business, financial position and financial performance cannot presently be determined.

*(a) Estimated goodwill impairment*

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations.

*(b) Income taxes*

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

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. 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 (Note 27).

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The largest shareholder of the Group has changed during the year ended December 31, 2020, and the Group changed the estimate of deferred tax liabilities considering the disposal and control over liquidation of investments in associates. The resulting effect was recognized in profit or loss.

*(c) Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

*(d) Impairment of financial assets*

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 35).

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*(e) Net defined benefit liability*

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 17).

*(f) Lease*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) (Note 13).

**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 the end of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Total liabilities	₩	291,952,510	₩	228,514,097
Total equity		<u>3,500,498,597</u>		<u>3,378,572,141</u>
Debt ratio		<u>8.34%</u>		<u>6.76%</u>

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

*(c) Financial risk management*

1) Purpose of financial risk management

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

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

The finance department of the Group report the details quarterly to Financial Risk Management Committee monitoring 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

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

a) Foreign currency risk management

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

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

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

<i>(in thousands of Korean won)</i>		<b>2020</b>		<b>2019</b>
USD	₩	(4,378,968)	₩	2,315,702
EUR		54,035		141,393
Others		208,514		260,515

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

If the price of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss changed by 5% with all other variables held constant, other comprehensive income would be increased/decreased by ₩ 12,060 thousand (2019: ₩ 98,578 thousand) and profit before income tax would be increased/decreased by ₩ 293,501 thousand (2019: ₩ 319,682 thousand) for the year ended December 31, 2020.

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

3) 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.

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

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(in thousands of Korean won)	2020					
	Book amount	Contractual cash flows	Residual amount			
			Within a year	1-2 years	2-5 years	After 5 years
Trade payables	₩ 42,351,616	₩ 42,351,616	₩ 42,351,616	₩ -	₩ -	₩ -
Other payables	44,563,850	44,563,850	44,563,850	-	-	-
Other non-current payables	55,000	55,000	-	50,000	5,000	-
Short-term borrowings <sup>1</sup>	92,473,578	92,534,470	92,534,470	-	-	-
Long-term borrowings <sup>1</sup>	20,819	22,589	1,249	21,339	-	-
Current lease liabilities <sup>2</sup>	2,020,646	2,892,003	2,892,003	-	-	-
Non-current lease liabilities <sup>2</sup>	25,825,875	31,725,594	-	2,821,012	8,133,947	20,770,635
	<u>₩ 207,311,384</u>	<u>₩ 214,145,122</u>	<u>₩ 182,343,189</u>	<u>₩ 2,892,351</u>	<u>₩ 8,138,947</u>	<u>₩ 20,770,635</u>

<sup>1</sup> Lease liabilities is presented separately.

<sup>2</sup> Included in short and long-term borrowings in the consolidated financial statements.

(in thousands of Korean won)	2019					
	Book amount	Contractual cash flows	Residual amount			
			Within a year	1-2 years	2-5 years	After 5 years
Trade payables	₩ 12,330,056	₩ 12,330,056	₩ 12,330,056	₩ -	₩ -	₩ -
Other payables	39,522,057	39,522,057	39,522,057	-	-	-
Other non-current payables	5,000	5,000	-	-	-	5,000
Short-term borrowings <sup>1</sup>	60,958,868	61,216,448	61,216,448	-	-	-
Current lease liabilities <sup>2</sup>	1,944,059	2,572,237	2,572,237	-	-	-
Non-current lease liabilities <sup>2</sup>	12,976,187	15,199,814	-	2,342,725	6,437,312	6,419,776
	<u>₩ 127,736,227</u>	<u>₩ 130,845,612</u>	<u>₩ 115,640,798</u>	<u>₩ 2,342,725</u>	<u>₩ 6,437,312</u>	<u>₩ 6,424,776</u>

<sup>1</sup> Lease liabilities is presented separately.

<sup>2</sup> Included in short and long-term borrowings in the consolidated financial statements.

Amounts of instruments with floating interest rate included in the above table may change if the changes in floating interest rate is different from the interest rate estimates determined at the end of the reporting period. The Group determined that the Group can repay the obligations with the cash that will be redeemed when the financial assets mature.

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As at December 31, 2020 and 2019, gross settlement contracts consist of currency forward contract, which will be settled within 11 months. This contract is not included in above table and non-discounted contractual cash flow from the contract are as follows:

<i>(in thousands of Korean won)</i>		<b>2020</b>		<b>2019</b>
Contractual cash inflow	₩	51,890,668	₩	52,307,497
Contractual cash outflow		48,887,819		51,414,909

## **5. Fair Value**

### 5.1 Financial Instruments Measured at Fair Value

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets				
Debt instruments at fair value through profit or loss (current)	₩ 116,985,289	₩ 116,985,289	₩ 57,361,189	₩ 57,361,189
Debt instruments at fair value through profit or loss (non-current)	11,500	11,500	11,500	11,500
Equity instruments at fair value through profit or loss (non-current)	5,870,024	5,870,024	6,393,642	6,393,642
Equity instruments at fair value through other comprehensive income (non-current)	10,470,925	10,470,925	12,294,945	12,294,945
Derivative financial assets (current)	3,002,849	3,002,849	892,588	892,588

Trade receivables, non-trade receivables, other receivables and payables measured at amortized cost whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

### 5.2 Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

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

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

(in thousands of Korean won)

	<b>2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Equity instruments at fair value through other comprehensive income	₩ 241,206	₩ 10,015,200	₩ 214,519	₩ 10,470,925
Debt instruments at fair value through profit or loss	-	116,985,289	11,500	116,996,789
Equity instruments at fair value through profit or loss	5,870,024	-	-	5,870,024
Derivative financial assets	-	3,002,849	-	3,002,849
	<u>₩ 6,111,230</u>	<u>₩ 130,003,338</u>	<u>₩ 226,019</u>	<u>₩ 136,340,587</u>

(in thousands of Korean won)

	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Recurring fair value measurements				
Equity instruments at fair value through other comprehensive income	₩ 1,971,566	₩ 10,103,300	₩ 220,079	₩ 12,294,945
Debt instruments at fair value through profit or loss	-	57,361,189	11,500	57,372,689
Equity instruments at fair value through profit or loss	6,393,642	-	-	6,393,642
Derivative financial assets	-	892,588	-	892,588
	<u>₩ 8,365,208</u>	<u>₩ 68,357,077</u>	<u>₩ 231,579</u>	<u>₩ 76,953,864</u>

**5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements**

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

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5.4 Valuation Techniques and the Inputs

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

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Derivative financial assets				
Foreign exchange forward	₩ 3,002,849	2	Discounted cash flows model	Exchange rate, interest rate
Equity instruments at fair value through other comprehensive income				
Hybrid capital securities (consol bond)	10,015,200	2	Discounted cash flows model	Credit risk adjusted discount rate
Non-listed shares	214,519	3	Transaction cost	-
Debt instruments at fair value through profit or loss				
Beneficiary certificates	116,985,289	2	Discounted cash flows model	Credit risk adjusted discount rate
Equity instruments	11,500	3	Transaction cost	-
<i>(in thousands of Korean won)</i>	<b>2019</b>			
	<b>Fair value</b>	<b>Level</b>	<b>Valuation techniques</b>	<b>Inputs</b>
Derivative financial assets				
Foreign exchange forward	₩ 892,588	2	Discounted cash flows model	Exchange rate, interest rate
Equity instruments at fair value through other comprehensive income				
Hybrid capital securities (consol bond)	10,103,300	2	Discounted cash flows model	Credit risk adjusted discount rate
Non-listed shares	220,079	3	Transaction cost	-
Debt instruments at fair value through profit or loss				
Derivative linked securities	6,595,414	2	Option pricing model	Underlying assets price, Credit risk adjusted discount rate, Volatility of underlying assets
Beneficiary certificates	50,765,775	2	Discounted cash flows model	Credit risk adjusted discount rate
Equity instruments	11,500	3	Transaction cost	-

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**6. Financial Instruments**

Carrying amounts of financial assets and liabilities by category as at December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

		<u>2020</u>		<u>2019</u>	
		Book amount		Book amount	
<b>Financial assets:</b>					
Financial assets at fair value	Financial assets at fair value through profit or loss	₩	122,866,813	₩	63,766,331
	Financial assets at fair value through other comprehensive income		10,470,925		12,294,945
	Derivative financial assets		3,002,849		892,588
Financial assets at amortized cost	Cash and cash equivalents		125,681,349		103,029,504
	Short-term financial assets		115,000,000		120,000,000
	Trade receivables		125,109,439		129,032,085
	Other receivables		3,814,371		7,632,886
	Long-term financial assets		22,023		17,898
	Other non-current receivables		24,748,315		5,266,773
		₩	<u>530,716,084</u>	₩	<u>441,933,010</u>

*(in thousands of Korean won)*

		<u>2020</u>		<u>2019</u>	
		Book amount		Book amount	
<b>Financial liabilities:</b>					
Financial liabilities at amortized cost	Trade payables	₩	42,351,616	₩	12,330,056
	Other payables		44,563,850		39,522,057
	Other non-current payables		55,000		5,000
	Short-term borrowings		92,473,578		60,958,868
	Long-term borrowings		20,819		-
Other financial liabilities	Lease liabilities (current)		2,020,646		1,944,059
	Lease liabilities (non-current)		25,825,875		12,976,187
		₩	<u>207,311,384</u>	₩	<u>127,736,227</u>

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Net gains or losses on each category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Derivatives		
Gain on valuation	₩ 3,002,849	₩ 892,588
Loss on transaction	(415,088)	-
Financial assets measured at amortized cost		
Interest income	3,142,076	3,970,346
Gain (loss) on foreign currency transaction	(7,370,076)	3,022,532
Loss on foreign currency translation	(7,869,892)	(962,854)
Impairment loss	(860,016)	(30,629)
Equity instruments at fair value through other comprehensive income		
Gain on valuation (other comprehensive income, net of tax)	109,889	683,080
Dividend income	7,894	7,894
Interest income	327,004	327,000
Debt instruments at fair value through profit or loss		
Gain on valuation	1,219,515	800,743
Gain on disposal	128,030	295,187
Interest income	1,736,604	2,392,249
Equity instruments at fair value through profit or loss		
Gain (loss) on valuation	(517,952)	1,273,217
Loss on disposal	(1,876)	-
Financial liabilities measured at amortized cost		
Interest expense	(1,653,832)	(2,555,815)
Gain (loss) on foreign currency transaction	4,038,671	(1,455,222)
Gain on foreign currency translation	4,091,522	907,449
Other financial liabilities		
Interest expense	(975,792)	(655,037)
	<u>₩ (1,860,470)</u>	<u>₩ 8,912,728</u>

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**7. Financial Assets**

7.1 Financial Assets at Fair Value through Profit or Loss

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

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current		
Derivative-linked securities	₩ -	₩ 6,595,414
Beneficiary certificates	116,985,289	50,765,775
Non-current		
Beneficiary certificates	11,500	11,500
Equity securities	5,870,024	6,393,642
	<u>₩ 122,866,813</u>	<u>₩ 63,766,331</u>

Amounts recognized in profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Gain (loss) from equity instruments at fair value through profit or loss	₩ (519,828)	₩ 1,273,217
Gain from debt instruments at fair value through profit or loss	3,084,149	3,488,180
	<u>₩ 2,564,321</u>	<u>₩ 4,761,397</u>



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Changes in financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020					
	Beginning balance	Acquisition	Disposals	Valuation		Ending balance
Debt instruments						
Derivative-linked securities	₩ 6,595,414	₩ 5,000,000	₩ (11,595,414)	₩ -	₩ -	-
Beneficiary certificates	50,777,275	105,000,000	(40,000,000)	1,219,514		116,996,789
Equity instruments						
Equity securities	6,393,642	-	(5,665)	(517,953)		5,870,024
	<u>₩ 63,766,331</u>	<u>₩ 110,000,000</u>	<u>₩ (51,601,079)</u>	<u>₩ 701,561</u>	<u>₩ -</u>	<u>₩ 122,866,813</u>

(in thousands of Korean won)

	2019					
	Beginning balance	Acquisition	Disposals	Valuation	Reclassification	Ending balance
Debt instruments						
Derivative-linked securities	₩ 20,037,512	₩ 21,800,000	₩ (35,337,512)	₩ 95,414	₩ -	₩ 6,595,414
Beneficiary certificates	50,525,411	13,816,610	(14,281,576)	705,330	11,500	50,777,275
Equity instruments						
Equity securities	5,120,425	-	-	1,273,217	-	6,393,642
	<u>₩ 75,683,348</u>	<u>₩ 35,616,610</u>	<u>₩ (49,619,088)</u>	<u>₩ 2,073,961</u>	<u>₩ 11,500</u>	<u>₩ 63,766,331</u>

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7.2 Financial Assets at Fair Value through Other Comprehensive Income

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Non-current				
Equity securities and others	₩	455,725	₩	2,191,645
Hybrid capital securities (consol bond)		10,015,200		10,103,300
	₩	10,470,925	₩	12,294,945

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

Changes in Financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Beginning balance</b>	<b>Valuation</b>	<b>Disposal</b>	<b>Ending balance</b>
Equity instruments				
Equity securities and others	₩ 2,191,645	₩ 233,073	₩ (1,968,993)	₩ 455,725
Hybrid capital securities (consol bond)	10,103,300	(88,100)	-	10,015,200
	₩ 12,294,945	₩ 144,973	₩ (1,968,993)	₩ 10,470,925

<i>(in thousands of Korean won)</i>	<b>2019</b>			
	<b>Beginning balance</b>	<b>Valuation</b>	<b>Reclassification</b>	<b>Ending balance</b>
Equity instruments				
Equity securities and others	₩ 1,464,484	₩ 738,661	₩ (11,500)	₩ 2,191,645
Hybrid capital securities (consol bond)	9,940,800	162,500	-	10,103,300
	₩ 11,405,284	₩ 901,161	₩ (11,500)	₩ 12,294,945

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7.3 Derivative Financial Instruments

Details of derivative financial instruments as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019	
		Assets	Liabilities	Assets	Liabilities
Trading purpose	Currency forward	₩ 3,002,849	₩ -	₩ 892,588	₩ -

Gains and losses of derivative instruments for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019	
		Gain on valuation	Loss on transaction	Gain on valuation	Gain (loss) on transaction
Trading purpose	Currency forward	₩ 3,002,849	₩ (415,088)	₩ 892,588	₩ -

**8. Trade and Other Receivables**

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

<i>(in thousands of Korean won)</i>		2020		
		Gross amount	Less: Provision for impairment	Net amount
<b>Current</b>				
Trade receivables	₩	125,300,994	₩ (191,555)	₩ 125,109,439
Other receivables				
Non-trade receivables		1,255,075	-	1,255,075
Accrued income		2,483,905	-	2,483,905
Short-term loans		69,391	-	69,391
Deposits		6,000	-	6,000
		<u>3,814,371</u>	<u>-</u>	<u>3,814,371</u>
	₩	<u>129,115,365</u>	₩ <u>(191,555)</u>	₩ <u>128,923,810</u>
<b>Non-current</b>				
Other receivables				
Long-term loans <sup>1</sup>	₩	5,300,000	₩ (800,000)	₩ 4,500,000
Leasehold deposits provided		20,248,315	-	20,248,315
	₩	<u>25,548,315</u>	₩ <u>(800,000)</u>	₩ <u>24,748,315</u>

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	2019		
	Gross amount	Less: Provision for impairment	Net amount
<b>Current</b>			
Trade receivables	₩ 129,163,625	₩ (131,539)	₩ 129,032,085
Other receivables			
Non-trade receivables	1,156,486	-	1,156,486
Accrued income	2,284,160	-	2,284,160
Short-term loans	4,190,040	-	4,190,040
Deposits	2,200	-	2,200
	<u>7,632,886</u>	<u>-</u>	<u>7,632,886</u>
	<u>₩ 136,796,510</u>	<u>₩ (131,539)</u>	<u>₩ 136,664,971</u>
<b>Non-current</b>			
Other receivables			
Long-term loans <sup>1</sup>	₩ 1,300,000	₩ -	₩ 1,300,000
Leasehold deposits provided	3,966,773	-	3,966,773
	<u>₩ 5,266,773</u>	<u>₩ -</u>	<u>₩ 5,266,773</u>

<sup>1</sup> The Group recognized provision for impairment on long-term loans amounting to ₩ 800,000 thousand for the year ended December 31, 2020.

<sup>1</sup> The Group is provided with 51,111 shares of RBK Holdings Co., Ltd. and 576,895 shares of FRIXA CO.,LTD., a subsidiary of RBK Holdings Co., Ltd., as collateral in relation to long-term loans.

Movements on the provision for impairment of trade and other receivables for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020		2019	
Beginning balance	₩	131,539	₩	1,539
Impairment loss		860,016		30,629
Written-off and others		-		99,372
Ending balance	<u>₩</u>	<u>991,555</u>	<u>₩</u>	<u>131,539</u>

The Group 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.

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**9. Other Assets**

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

<i>(in thousands of Korean won)</i>	2020		2019	
	Current	Non-current	Current	Non-current
Advance payments	₩ 1,099,821	₩ -	₩ 375,214	₩ -
Prepaid expenses	1,003,390	-	803,910	-
Prepaid value added tax	2,991,667	-	6,864,631	-
Others	-	650,018	-	650,018
	<u>₩ 5,094,878</u>	<u>₩ 650,018</u>	<u>₩ 8,043,755</u>	<u>₩ 650,018</u>

**10. Investments in Associates**

Details of the Group's associates as at the end of the reporting periods, are as follows:

Name of entity	Percentage of ownership (%)		Location	Main business
	2020 <sup>1</sup>	2019 <sup>2</sup>		
<b>Associates</b>				
Hankook Tire & Technology Co.,Ltd.	31.15	30.67	Korea	Manufacturing and sales of the tires, tubes and alloy wheels
Hankook Networks Co.,Ltd.	40.00	40.00	Korea	Managing e-business and providing service of integrated system

<sup>1</sup> The Group additionally acquired 1,863,928 shares (acquisition cost: ₩ 43,760,701 thousand) of Hankook Tire & Technology Co.,Ltd., an associate, for the year ended December 31, 2020, and the Group's effective percentage of ownership changed to 31.15%.

<sup>2</sup> The Group additionally acquired 587,304 shares (acquisition cost: ₩ 17,838,354 thousand) of Hankook Tire & Technology Co.,Ltd. for the year ended December 31, 2019, and the finalized amount of the acquisition was recognized in 2020.

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Details of the Group's investments in associates as at the end of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		
	<b>Number of shares</b>	<b>Acquisition cost</b>	<b>Book amount</b>
Hankook Tire & Technology Co.,Ltd.	37,995,959	₩ 1,979,452,253	₩ 2,823,050,157
Hankook Networks Co.,Ltd.	1,333,334	2,778,102	10,647,633
		₩ 1,982,230,355	₩ 2,833,697,790

<i>(in thousands of Korean won)</i>	<b>2019</b>		
	<b>Number of shares</b>	<b>Acquisition cost</b>	<b>Book amount</b>
Hankook Tire & Technology Co.,Ltd.	37,995,959	₩ 1,979,452,253	₩ 2,747,154,884
Hankook Networks Co.,Ltd.	1,333,334	2,778,102	10,107,585
		₩ 1,982,230,355	₩ 2,757,262,469

Details of share of profit or loss of associates accounted for using the equity method for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>						
	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Share of profit or loss of associates accounted for using the equity method</b>	<b>Dividend</b>	<b>Retained earnings</b>	<b>Others<sup>1</sup></b>	<b>Ending balance</b>
Hankook Tire & Technology Co.,Ltd.	₩ 2,747,154,884	₩ -	₩ 83,246,688	₩ (20,897,777)	₩ 1,860,803	₩ 11,685,559	₩ 2,823,050,157
Hankook Networks Co.,Ltd.	10,107,585	-	653,420	-	(101,502)	(11,870)	10,647,633
	₩ 2,757,262,469	₩ -	₩ 83,900,108	₩ (20,897,777)	₩ 1,759,301	₩ 11,673,689	₩ 2,833,697,790

<sup>1</sup> Others include gain from a bargain purchase regarding acquisition of shares of Hankook Tire & Technology Co.,Ltd. in 2020 amounting to ₩ 24,851,368 thousand.

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	2019						
	Beginning balance	Acquisition	Share of profit or loss of associates accounted for using the equity method	Dividend	Retained earnings	Others <sup>1</sup>	Ending balance
Hankook Tire & Technology Co.,Ltd.	₩ 2,640,509,520	₩ 17,838,354	₩ 77,037,375	₩ (16,833,895)	₩ (447,730)	₩ 29,051,261	₩ 2,747,154,884
Hankook Networks Co.,Ltd.	9,256,758	-	805,258	-	36,297	9,271	10,107,584
	<u>₩ 2,649,766,278</u>	<u>₩ 17,838,354</u>	<u>₩ 77,842,633</u>	<u>₩ (16,833,895)</u>	<u>₩ (411,433)</u>	<u>₩ 29,060,532</u>	<u>₩ 2,757,262,468</u>

<sup>1</sup> Others include gain from a bargain purchase regarding acquisition of shares of Hankook Tire & Technology Co.,Ltd. in 2019 amounting to ₩ 20,184,334 thousand.

The tables below provide summarized financial information and received dividends for those associates that are material to the Group.

	2020	
	Hankook Tire & Technology Co.,Ltd.	Hankook Networks Co.,Ltd.
Assets	₩ 10,658,547,889	₩ 41,954,658
Liabilities	3,246,400,367	15,417,256
Equity	7,412,147,522	26,537,402
Sales	6,453,071,785	51,343,137
Profit for the year	385,205,382	1,429,037
Total comprehensive income	341,764,272	1,269,235
Dividend received	20,897,777	-

	2019	
	Hankook Tire & Technology Co.,Ltd.	Hankook Networks Co.,Ltd.
Assets	₩ 10,164,607,903	₩ 35,889,952
Liabilities	2,977,390,790	10,620,998
Equity	7,187,217,114	25,268,953
Sales	6,883,268,577	44,925,450
Profit for the year	429,614,534	2,013,144
Total comprehensive income	457,235,275	2,127,064
Dividend received	16,833,895	-

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As at the end of the reporting periods, adjustments of the amount of financial information of an important associates to the carrying amount of equity interest in an associate are as follows:

*(in thousands of Korean won)*

	2020						
	Ownership interest of parent company	Percentage of ownership (%)	Amount of ownership	Increase in fair value	Goodwill	Others	Ending balance
Hankook Tire & Technology Co.,Ltd.	₩ 7,377,494,904	31.15	₩ 2,298,089,663	₩ 261,608,299	₩ 262,313,525	₩ 1,038,670	₩ 2,823,050,157

*(in thousands of Korean won)*

	2019						
	Ownership interest of parent company	Percentage of ownership (%)	Amount of ownership	Increase in fair value	Goodwill	Others	Ending balance
Hankook Tire & Technology Co.,Ltd.	₩ 7,156,765,954	30.67	₩ 2,197,127,148	₩ 291,021,204	₩ 262,313,525	₩ (3,306,992)	₩ 2,747,154,884

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

*(in thousands of Korean won)*

	2020	2019
Hankook Tire & Technology Co.,Ltd.	₩ 1,497,040,785	₩ 1,274,764,424



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**11. Property, Plant and Equipment**

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

(in thousands of Korean won)

	<b>2020</b>			
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment loss</b>	<b>Book amount</b>
Land	₩ 37,812,435	₩ -	₩ -	₩ 37,812,435
Buildings	110,430,390	(39,709,927)	-	70,720,463
Structures	6,375,197	(4,924,004)	-	1,451,193
Machinery and equipment	222,220,844	(117,637,857)	(683,216)	103,899,771
Vehicles	1,544,323	(970,610)	(2,480)	571,233
Supplies	12,293,167	(8,731,677)	(76,449)	3,485,041
Tools, furniture and fixtures	41,193,973	(30,191,430)	(334,293)	10,668,250
Construction in progress	1,192,259	-	(301,888)	890,371
Right-to-use assets	37,400,213	(3,816,743)	(4,669,530)	28,913,940
	<u>₩ 470,462,801</u>	<u>₩ (205,982,248)</u>	<u>₩ (6,067,856)</u>	<u>₩ 258,412,697</u>

(in thousands of Korean won)

	<b>2019</b>			
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Accumulated impairment loss</b>	<b>Book amount</b>
Land	₩ 41,106,964	₩ -	₩ -	₩ 41,106,964
Buildings	80,067,616	(40,844,343)	-	39,223,272
Structures	6,111,815	(4,671,041)	-	1,440,774
Machinery and equipment	173,536,565	(108,416,337)	-	65,120,229
Vehicles	1,319,974	(837,977)	-	481,998
Supplies	10,138,125	(8,294,289)	-	1,843,836
Tools, furniture and fixtures	36,084,226	(26,785,618)	-	9,298,608
Construction in progress	78,641,670	-	(301,888)	78,339,781
Right-to-use assets	18,143,815	(2,529,623)	-	15,614,191
	<u>₩ 445,150,770</u>	<u>₩ (192,379,228)</u>	<u>₩ (301,888)</u>	<u>₩ 252,469,654</u>

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Changes in property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020			
	Opening net book amount	Acquisition	Disposal	Depreciation
Land	₩ 41,106,964	₩ -	₩ -	-
Buildings	39,223,272	846,019	-	(2,864,521)
Structures	1,440,775	24,500	(3)	(259,396)
Machinery and equipment	65,120,229	7,452,639	(1,138,887)	(12,541,482)
Vehicles	481,998	28,174	(259,281)	(266,634)
Supplies	1,843,836	620,244	(70,514)	(852,210)
Tools, furniture and fixtures	9,298,608	1,988,721	(59,843)	(3,854,528)
Construction in progress	78,339,781	16,793,386	-	-
Right-to-use assets	15,614,191	17,401,267	(5,528,915)	(2,951,254)
	₩ 252,469,654	₩ 45,154,950	₩ (7,057,443)	₩ (23,590,025)

(in thousands of Korean won)

	2020			
	Transfer <sup>1</sup>	Other changes	Impairment loss	Closing net book amount
Land	₩ (3,311,778)	₩ 17,249	₩ -	₩ 37,812,435
Buildings	36,758,191	(3,242,498)	-	70,720,463
Structures	265,511	(20,194)	-	1,451,193
Machinery and equipment	49,473,638	(3,783,150)	(683,216)	103,899,771
Vehicles	618,409	(28,953)	(2,480)	571,233
Supplies	2,181,108	(160,973)	(76,450)	3,485,041
Tools, furniture and fixtures	3,890,227	(260,642)	(334,293)	10,668,250
Construction in progress	(95,623,021)	1,380,225	-	890,371
Right-to-use assets	-	9,048,181	(4,669,530)	28,913,940
	₩ (5,747,715)	₩ 2,949,245	₩ (5,765,969)	₩ 258,412,697

<sup>1</sup> It consists of transfer from property, plant and equipment to investment properties amounting to ₩ 6,647,860 thousand and transfer from investment properties to property, plant and equipment amounting to ₩ 900,144 thousand.

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	2019				
	Opening net book amount	Changes in accounting policy	Opening net book amount after change	Acquisition	Disposal
Land	₩ 40,946,754	₩ -	₩ 40,946,754	₩ -	₩ -
Buildings	41,459,684	-	41,459,684	410,910	(11,620)
Structures	1,573,452	-	1,573,452	125,800	-
Machinery and equipment	54,161,423	-	54,161,423	16,383,845	(96,608)
Vehicles	368,425	-	368,425	370,753	-
Supplies	1,646,338	-	1,646,338	885,728	(940)
Tools, furniture and fixtures	10,138,509	-	10,138,509	3,333,391	(106,111)
Construction in progress	8,065,398	-	8,065,398	76,313,924	-
Right-to-use assets	-	17,223,360	17,223,360	304,382	-
	<u>₩ 158,359,983</u>	<u>₩ 17,223,360</u>	<u>₩ 175,583,343</u>	<u>₩ 98,128,733</u>	<u>₩ (215,278)</u>

(in thousands of Korean won)

	2019				
	Depreciation	Transfer	Other changes	The change in the scope of consolidation	Closing net book amount
Land	₩ -	₩ 115,270	₩ 44,940	₩ -	₩ 41,106,964
Buildings	(2,700,638)	64,936	-	-	39,223,272
Structures	(258,478)	-	-	-	1,440,774
Machinery and equipment	(10,879,507)	5,551,009	67	-	65,120,229
Vehicles	(257,980)	-	800	-	481,998
Supplies	(712,492)	-	1,630	23,571	1,843,836
Tools, furniture and fixtures	(4,129,877)	62,674	21	-	9,298,608
Construction in progress	-	(5,613,683)	(425,858)	-	78,339,781
Right-to-use assets	(2,499,179)	-	24,980	560,648	15,614,191
	<u>₩ (21,438,151)</u>	<u>₩ 180,206</u>	<u>₩ (353,420)</u>	<u>₩ 584,219</u>	<u>₩ 252,469,654</u>

Line items including depreciation of property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020	2019
Cost of sales	₩ 18,450,572	₩ 16,613,482
Selling and administrative expenses (included research and development costs)	5,139,453	4,824,669
	<u>₩ 23,590,025</u>	<u>₩ 21,438,151</u>

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Separate cash-generating units under the subsidiaries such as Hankook Car & Life Co., Ltd and others were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected, therefore, impairment loss of ₩ 7,582 million was recognized for the year ended December 31, 2020. The impairment loss amounting to ₩ 5,766 million, excluding allocation to goodwill of Wavers Co., Ltd amounting to ₩ 1,816 million, was allocated to property, plant and equipment that is mostly presented in right-of use assets and machinery and equipment of each entity. The recoverable amount of the cash-generating unit is calculated on a basis of the value in use and impairment loss is recognized as 'other non-operating expenses'. The discount rate for calculation of value in use is 10.0~18.5%.

**12. Investment Properties**

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

*(in thousands of Korean won)*

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>
Land	₩ 23,419,402	₩ -	₩ 23,419,402
Buildings	35,243,067	(25,051,702)	10,191,366
Construction in progress	5,378,200	-	5,378,200
	<u>₩ 64,040,669</u>	<u>₩ (25,051,702)</u>	<u>₩ 38,988,968</u>

*(in thousands of Korean won)*

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>
Land	₩ 20,203,886	₩ -	₩ 20,203,886
Buildings	28,926,456	(20,251,480)	8,674,976
Construction in progress	-	-	-
	<u>₩ 49,130,342</u>	<u>₩ (20,251,480)</u>	<u>₩ 28,878,862</u>

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Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020						Ending balance
	Beginning balance	Acquisition	Depreciation	Disposal	Transfer <sup>1</sup>		
Land	₩ 20,203,886	₩ -	₩ -	₩ (96,263)	₩ 3,311,778	₩ 23,419,401	
Buildings	8,674,976	-	(882,444)	(37,102)	2,435,937	10,191,367	
Construction in progress	-	5,378,200	-	-	-	5,378,200	
	<u>₩ 28,878,862</u>	<u>₩ 5,378,200</u>	<u>₩ (882,444)</u>	<u>₩ (133,365)</u>	<u>₩ 5,747,715</u>	<u>₩ 38,988,968</u>	

<sup>1</sup> It consists of transfer from property, plant and equipment to investment properties amounting to ₩ 6,647,860 thousand and transfer from investment properties to property, plant and equipment amounting to ₩ 900,144 thousand.

<i>(in thousands of Korean won)</i>	2019			
	Beginning balance	Depreciation	Transfer	Ending balance
Land	₩ 20,319,157	₩ -	₩ (115,270)	₩ 20,203,887
Buildings	9,523,500	(783,589)	(64,936)	8,674,975
	<u>₩ 29,842,657</u>	<u>₩ (783,589)</u>	<u>₩ (180,206)</u>	<u>₩ 28,878,862</u>

Details of income and expenditure for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020	2019
Rental sales	₩ 1,997,156	₩ 5,479,944
Rental income	2,221,458	2,732,731
Operating expenses	1,822,245	2,601,509

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

<i>(in thousands of Korean won)</i>	2020	2019
Book amount	₩ 38,988,968	₩ 28,878,862
Fair value	170,916,522	136,508,520

As at December 31, 2020, contractual obligation for future repairs and maintenance amount is ₩ 22,062,000 thousand, and contractual obligation to be paid after the reporting period is ₩ 16,683,800 thousand.

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The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realize any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The future minimum lease payments expected to be received in relation to the above operating lease agreement for investment property as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Within one year	₩ 4,733,809	₩ 4,486,317
Between 1 and 2 years	7,068,960	-
Between 2 and 3 years	7,032,960	-
Between 3 and 4 years	7,014,960	-
Between 4 and 5 years	5,588,256	-
Later than five years	2,031,210	-
	₩ 33,470,155	₩ 4,486,317

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**13. Leases**

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Right-of-use assets <sup>1</sup>				
Buildings	₩	28,634,414	₩	15,228,954
Vehicles		279,528		385,237
	₩	<u>28,913,942</u>	₩	<u>15,614,191</u>

<sup>1</sup> Included in 'property, plant and equipment' in the consolidated statement of financial position (Note 11).

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Lease liabilities <sup>1</sup>				
Current	₩	2,020,646	₩	1,944,059
Non-current		25,825,875		12,976,187
	₩	<u>27,846,521</u>	₩	<u>14,920,246</u>

<sup>1</sup> Included in 'borrowings' in the consolidated statement of financial position (Note 33).

Additions to the right-of-use assets and lease liabilities during the 2020 financial year were ₩ 26,449,450 thousand and ₩ 19,656,896 thousand, respectively.

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Depreciation of right-of-use assets				
Buildings	₩	2,746,249	₩	2,357,723
Vehicles		205,004		141,456
	₩	<u>2,951,253</u>	₩	<u>2,499,179</u>
Impairment loss on right-of-use assets		4,669,530		-
Interest expense relating to lease liabilities (included in finance cost)	₩	975,792	₩	655,037
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		694,174		761,663
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)		30,953		40,880
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		-		-

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The total cash outflow for leases in 2020 was ₩ 3,904,865 thousand (2019: ₩ 3,485,399 thousand).

Changes in right-of-use assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020						Ending balance
	Beginning balance	Newly acquired	Disposal	Depreciation	Impairment loss <sup>1</sup>	Others	
Buildings	₩ 15,228,954	₩ 17,186,599	₩ (5,488,104)	₩ (2,746,248)	₩ (4,616,371)	₩ 9,069,584	₩ 28,634,414
Vehicles	385,237	214,668	(40,813)	(205,004)	(53,159)	(21,400)	279,528
	<u>₩ 15,614,191</u>	<u>₩ 17,401,266</u>	<u>₩ (5,528,917)</u>	<u>₩ (2,951,253)</u>	<u>₩ (4,669,530)</u>	<u>₩ 9,048,184</u>	<u>₩ 28,913,942</u>

<sup>1</sup> Impairment loss on right-of-use assets of subsidiaries such as Hankook Car & Life Co., Ltd and others amounting to ₩ 4,669,530 thousand was recognized for the year ended December 31, 2020.

<i>(in thousands of Korean won)</i>	2019						Ending balance
	Beginning balance	Changes in accounting policy	Newly acquired	Depreciation	Others	The change in the scope of consolidation	
Buildings	₩ -	₩ 16,893,268	₩ 139,163	₩ (2,357,723)	₩ 24,980	₩ 529,267	₩ 15,228,954
Vehicles	-	330,092	165,219	(141,456)	-	31,382	385,237
	<u>₩ -</u>	<u>₩ 17,223,360</u>	<u>₩ 304,382</u>	<u>₩ (2,499,179)</u>	<u>₩ 24,980</u>	<u>₩ 560,648</u>	<u>₩ 15,614,191</u>

Separate cash-generating units under the subsidiaries such as Hankook Car & Life Co., Ltd and others were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected, therefore, impairment loss of ₩ 7,582 million was recognized for the year ended December 31, 2020. The impairment loss amounting to ₩ 4,670 million was allocated to right-of use assets of each entity. The recoverable amount of the cash-generating unit is calculated on a basis of the value in use and impairment loss is recognized as 'other non-operating expenses'. The discount rate for calculation of value in use is 10.0~18.5%.



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**14. Intangible Assets**

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

(in thousands of Korean won)

	2020		
	Cost	Accumulated amortization <sup>1</sup>	Book amount
Industrial rights	₩ 8,424,282	₩ (6,017,322)	₩ 2,406,960
Membership rights	8,120,607	(615,259)	7,505,348
Other intangible assets	8,621,606	(7,525,431)	1,096,175
Construction in progress	2,764,038	-	2,764,038
Goodwill	4,641,424	(3,731,162)	910,262
	₩ 32,571,956	₩ (17,889,174)	₩ 14,682,783

(in thousands of Korean won)

	2019		
	Cost	Accumulated amortization <sup>1</sup>	Book amount
Industrial rights	₩ 6,616,252	₩ (4,987,785)	₩ 1,628,467
Membership rights	8,381,661	(998,917)	7,382,744
Other intangible assets	33,424,222	(30,281,783)	3,142,439
Construction in progress	3,986,582	-	3,986,582
Goodwill	4,741,424	(2,015,162)	2,726,262
	₩ 57,150,141	₩ (38,283,647)	₩ 18,866,494

<sup>1</sup> Accumulated amortization and accumulated impairment loss are included.

Changes in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020							Ending balance
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (reversal) <sup>1</sup>	Transfer	Others	
Industrial rights	₩ 1,628,467	₩ 259,418	₩ -	₩ (1,029,537)	₩ -	₩ 1,548,612	₩ -	₩ 2,406,960
Membership rights	7,382,744	-	(27,166)	-	149,770	-	-	7,505,348
Other intangible assets	3,142,439	138,524	-	(2,184,287)	-	-	(501)	1,096,175
Construction in progress	3,986,582	1,320,923	(994,855)	-	-	(1,548,612)	-	2,764,038
Goodwill	2,726,262	-	-	-	(1,816,000)	-	-	910,262
	₩ 18,866,494	₩ 1,718,865	₩ (1,022,021)	₩ (3,213,824)	₩ (1,666,230)	₩ -	₩ (501)	₩ 14,682,783

<sup>1</sup> Impairment loss on goodwill of Wavers Co., Ltd amounting to ₩ 1,816,000 thousand was recognized for the year ended December 31, 2020.

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	2019							
	Beginning balance	Acquisition	Disposal	Amortization	Impairment (reversal)	Transfer	The change in the scope of consolidation	Ending balance
Industrial rights	₩ 2,184,318	₩ 139,293	₩ (170)	₩ (851,718)	₩ -	₩ 156,744	₩ -	₩ 1,628,467
Membership rights	7,249,833	-	-	-	132,911	-	-	7,382,744
Other intangible assets	10,183,623	261,646	-	(7,357,308)	-	(21)	54,499	3,142,439
Construction in progress	2,211,114	1,932,212	-	-	-	(156,744)	-	3,986,582
Goodwill	2,627,963	200,000	-	-	(2,827,964)	-	2,726,263	2,726,262
	<u>₩ 24,456,851</u>	<u>₩ 2,533,151</u>	<u>₩ (170)</u>	<u>₩ (8,209,026)</u>	<u>₩ (2,695,053)</u>	<u>₩ (21)</u>	<u>₩ 2,780,762</u>	<u>₩ 18,866,494</u>

Line items including amortization of intangible assets for the years ended December 31, 2020 and 2019, are as follows:

(in thousands of Korean won)

	2020	2019
Cost of sales	₩ 209,516	₩ 388,490
Selling and administrative expenses (included research and development costs)	3,004,307	7,820,536
	<u>₩ 3,213,823</u>	<u>₩ 8,209,026</u>

Separate cash-generating units under the subsidiaries such as Hankook Car & Life Co., Ltd and others were tested for impairment as accumulation of operating losses has been experienced and a future downturn in sales is expected, therefore, impairment loss of ₩ 7,582 million was recognized for the year ended December 31, 2020. The impairment loss amounting to ₩ 1,816 million was allocated to goodwill of Wavers Co., Ltd. The recoverable amount of the cash-generating unit is calculated on a basis of the value in use and impairment loss is recognized as 'other non-operating expenses'. The discount rate for calculation of value in use is 10.0~18.5%.

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**15. Other Payables**

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Non-trade payables	₩ 21,724,668	₩ -	₩ 21,896,724	₩ -
Accrued expenses	16,663,603	-	7,623,222	-
Dividend payables	3,409	-	3,017	-
Leasehold deposits received	6,172,170	55,000	9,999,094	5,000
	<u>₩ 44,563,850</u>	<u>₩ 55,000</u>	<u>₩ 39,522,057</u>	<u>₩ 5,000</u>

**16. Other Liabilities**

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
Withholdings	₩ 3,797,493	₩ -	₩ 2,829,538	₩ -
Value added tax withheld	-	-	142,915	-
Other long-term employee benefits	-	3,827,640	-	3,596,888
Advance received	5,407,538	-	3,009,008	-
Deferred revenue	-	3,525,474	-	3,473,400
Emission obligation	236,999	-	138,721	-
	<u>₩ 9,442,029</u>	<u>₩ 7,353,114</u>	<u>₩ 6,120,182</u>	<u>₩ 7,070,288</u>

Changes in other long-term employee benefits for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Other long-term employee benefits	₩ 3,596,888	₩ 638,591	₩ (407,839)	₩ 3,827,640

<i>(in thousands of Korean won)</i>	<b>2019</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Other long-term employee benefits	₩ 3,082,752	₩ 716,685	₩ (202,549)	₩ 3,596,888

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**17. Net Defined Benefit Liabilities**

The Group operates both defined contribution and defined benefit pension plans.

*(a) Defined Benefit plan*

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 plan, the Group 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, 2020, by SAMSUNG SECURITIES CO., LTD. and others. 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 (assets) recognized in the statements of financial position at the end of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligations	₩ 52,145,712	₩ 51,368,827
Fair value of plan assets	<u>(55,914,389)</u>	<u>(47,030,895)</u>
Net defined benefit liabilities	₩ 2,277,294	₩ 4,944,921
Net defined benefit assets	<u>(6,045,972)</u>	<u>(606,989)</u>

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

	<b>2020</b>	<b>2019</b>
Discount rate	3.02%	2.91%
Expected rate of salary increase	3.75%	4.52%

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Movements in the defined benefit obligations and the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

	<b>2020</b>		
	<b>Present value of defined benefit obligations</b>	<b>Fair value of plan assets</b>	<b>Total</b>
<i>(in thousands of Korean won)</i>			
Beginning balance	₩ 51,368,827	₩ (47,030,895)	₩ 4,337,932
Current service cost	7,452,052	-	7,452,052
Interest expense (income)	1,462,550	(1,351,115)	111,435
	<u>8,914,602</u>	<u>(1,351,115)</u>	<u>7,563,487</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	160,474	160,474
Actuarial gain from change in demographic assumptions	(171,229)	-	(171,229)
Actuarial gain from change in financial assumptions	(5,132,775)	-	(5,132,775)
Actuarial gain from experience adjustments	(169,402)	-	(169,402)
	<u>(5,473,406)</u>	<u>160,474</u>	<u>(5,312,932)</u>
Employers contributions	-	(11,000,000)	(11,000,000)
Benefits payments	(2,491,468)	3,218,565	727,097
Others	(172,843)	88,582	(84,261)
Ending balance	₩ <u>52,145,712</u>	₩ <u>(55,914,389)</u>	₩ <u>(3,768,677)</u>

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<i>(in thousands of Korean won)</i>	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Total
Beginning balance	₩ 46,182,470	₩ (43,672,136)	₩ 2,510,334
Current service cost	6,945,514	-	6,945,514
Interest expense (income)	1,365,155	(1,424,129)	(58,974)
	<u>8,310,670</u>	<u>(1,424,129)</u>	<u>6,886,541</u>
Remeasurements:			
Return on plan assets (excluding amounts included in net interest)	-	394,308	394,308
Actuarial loss from change in demographic assumptions	534	-	534
Actuarial gain from change in financial assumptions	(1,333,146)	-	(1,333,146)
Actuarial gain from experience adjustments	(882,383)	-	(882,383)
	<u>(2,214,995)</u>	<u>394,308</u>	<u>(1,820,687)</u>
Employers contributions	-	(2,892,174)	(2,892,174)
Benefits payments	(3,120,567)	3,093,064	(27,503)
Others	2,050,026	(2,529,828)	(479,802)
The change in the scope of consolidation	161,223	-	161,223
Ending balance	₩ <u>51,368,827</u>	₩ <u>(47,030,895)</u>	₩ <u>4,337,932</u>

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

<i>(in thousands of Korean won)</i>	2020	
	Increase	Decrease
1% change of discount rate	₩ (4,955,121)	₩ 5,813,688
1% change of salary growth rate	5,727,747	(4,980,908)

<i>(in thousands of Korean won)</i>	2019	
	Increase	Decrease
1% change of discount rate	₩ (5,270,864)	₩ 6,207,349
1% change of salary growth rate	6,078,232	(5,269,715)

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Amounts recognized in the statements of comprehensive income regarding defined benefit pension plans for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Current service cost	₩	7,452,052	₩	6,945,514
Interest cost (income), net		111,435		(58,974)
	₩	<u>7,563,487</u>	₩	<u>6,886,541</u>

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

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>Composition</b>	<b>Amount</b>	<b>Composition</b>
Debt instruments	₩ 54,883,107	98.2%	₩ 40,180,340	85.4%
Deposits	1,000,326	1.8%	6,816,963	14.5%
National Pension Fund	30,956	0.1%	33,592	0.1%
	<u>₩ 55,914,389</u>	<u>100.0%</u>	<u>₩ 47,030,895</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, 2021, are ₩ 2,162,566 thousand (2019: ₩ 11,000,000 thousand).

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

<i>(in thousands of Korean won)</i>	<b>2020</b>				
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 1,970,377	₩ 3,057,546	₩ 11,669,979	₩ 214,391,223	₩ 231,089,125

<i>(in thousands of Korean won)</i>	<b>2019</b>				
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 1,579,280	₩ 1,947,219	₩ 10,349,400	₩ 233,250,860	₩ 247,126,759

The weighted average duration of the defined benefit obligation is 10.6 years (2019: 11.6 years).

*(b) Defined Contribution Plan*

The expense recognized in the current period in relation to defined contribution plan was ₩ 523,503 thousand (2019: ₩ 520,601 thousand).

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**18. Provisions**

The Group's provisions are provisions for product warranties as at the end of the reporting period. Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	<b>2020</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Provisions for product warranties	₩ 756,241	₩ (18,012)	₩ (309,316)	₩ 428,913
Provisions for litigations	770,251	72,344	(842,595)	-
	<u>₩ 1,526,492</u>	<u>₩ 54,332</u>	<u>₩ (1,151,911)</u>	<u>₩ 428,913</u>

*(in thousands of Korean won)*

	<b>2019</b>			
	<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Payment</b>	<b>Ending balance</b>
Provisions for product warranties	₩ 725,943	₩ 733,374	₩ (703,076)	₩ 756,241
Provisions for litigations	-	770,251	-	770,251
	<u>₩ 725,943</u>	<u>₩ 1,503,625</u>	<u>₩ (703,076)</u>	<u>₩ 1,526,492</u>

**19. Share Capital**

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

*(in Korean won, except for number of shares)*

	<b>2020</b>	<b>2019</b>
Authorized (in shares)	250,000,000	250,000,000
Par value	₩ 500	₩ 500
Outstanding (in shares):		
Ordinary share	93,020,173	93,020,173
Share capital: Ordinary share	<u>₩ 46,510,086,500</u>	<u>₩ 46,510,086,500</u>



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**20. Other Paid-in-Capital**

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

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Share premium	₩ 1,302,628,300	₩ 1,302,628,299
Treasury shares	(11,092,609)	(11,092,609)
Other capital surplus	(13,583,932)	(10,493,857)
	<u>₩ 1,277,951,759</u>	<u>₩ 1,281,041,833</u>

As at December 31, 2020, the Group holds 1,325,090 ordinary shares in treasury, to stabilize the market price of its shares, and records treasury share as other paid-in capital. Further appropriation of them is not determined.

**21. Retained Earnings and Dividends**

Retained earnings as at the end of the reporting periods, consist of:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Legal reserve:		
Earned profit reserve <sup>1</sup>	₩ 24,761,716	₩ 24,761,716
	<u>24,761,716</u>	<u>24,761,716</u>
Discretionary reserve:		
Reserve for revaluation <sup>2</sup>	443,289,239	443,289,239
Dividend equalization reserve	60,000,000	60,000,000
Director's retirement bonus reserve	93,918,000	93,918,000
Voluntary reserve	308,000,000	256,000,000
	<u>905,207,239</u>	<u>853,207,239</u>
Unappropriated retained earnings	1,221,556,003	1,130,660,154
	<u>₩ 2,151,524,958</u>	<u>₩ 2,008,629,109</u>

<sup>1</sup> 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.

<sup>2</sup> 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.

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Changes in retained earnings for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Beginning balance	₩ 2,008,629,109	₩ 1,884,292,022
Profit for the year	169,466,981	151,337,458
Dividend payments	(32,093,279)	(27,508,525)
Other changes in equity of associates	987,054	-
Gain on valuation of equity instruments at fair value through other comprehensive income	1,229,937	-
Remeasurements of net defined benefit liabilities	3,118,405	811,236
Remeasurements of net defined benefit liabilities of associates	(799,996)	(303,082)
Share of other comprehensive income of associates	986,747	-
Ending balance	<u>₩ 2,151,524,958</u>	<u>₩ 2,008,629,109</u>

Dividend distribution to the Group's shareholders amounted to ₩ 32,093,279 thousand (paid in 2019: ₩ 27,508,525 thousand) for the year ended December 31, 2019, was paid in April, 2020.

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**22. Other Components of Equity**

Changes in other component of equity for the years ended December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	<b>2020</b>				
	<b>Beginning balance</b>	<b>Valuation<sup>1</sup></b>	<b>Retained earnings</b>	<b>Non-controlling interests</b>	<b>Ending balance</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ 92,489	₩ 109,889	₩ (1,229,937)	₩ 8,145	₩ (1,019,414)
Exchange differences on translating foreign operations	(347,447)	(1,827,623)	-	458,940	(1,716,130)
Share of other comprehensive income of associates	(55,176,261)	(27,750,662)	(986,747)	-	(83,913,670)
	<u>₩ (55,431,219)</u>	<u>₩ (29,468,396)</u>	<u>₩ (2,216,684)</u>	<u>₩ 467,085</u>	<u>₩ (86,649,214)</u>

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

*(in thousands of Korean won)*

	<b>2019</b>			
	<b>Beginning balance</b>	<b>Valuation<sup>1</sup></b>	<b>Non-controlling interests</b>	<b>Ending balance</b>
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	₩ (602,982)	₩ 683,080	₩ 12,391	₩ 92,489
Exchange differences on translating foreign operations	(39,394)	(411,348)	103,295	(347,447)
Share of other comprehensive income of associates	(61,906,662)	6,730,401	-	(55,176,261)
	<u>₩ (62,549,038)</u>	<u>₩ 7,002,133</u>	<u>₩ 115,686</u>	<u>₩ (55,431,219)</u>

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

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**23. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Payroll	₩ 27,167,590	₩ 24,880,330
Post-employment benefits	2,964,298	2,241,257
Employee benefits	3,628,124	3,115,099
Training expenses	78,579	302,004
Travel expenses	351,053	1,393,274
Vehicles maintenance expenses	250,265	311,799
Insurance	779,344	676,988
Taxes and dues	1,412,976	1,742,684
Entertainment expenses	359,066	459,957
Supplies expenses	2,081,504	1,802,867
Publication expenses	131,786	130,287
Communication expenses	174,541	203,190
Impairment loss on receivables	860,016	30,629
Utility expenses	708,495	1,014,535
Repairs expenses	105,091	246,765
Conference expenses	414	4,870
Service fees	10,553,792	8,758,313
Rental expenses	815,382	816,726
Depreciation of investment property	882,444	783,589
Depreciation of property, plant and equipment	4,700,824	4,329,807
Amortization of intangible assets	2,948,853	7,768,652
Travel and transportation expenses	6,030,796	2,874,144
Service expenses	69,492	62,531
Shared service expenses	553,949	1,384,516
Export expenses	8,287,727	8,466,776
Advertisement	4,959,229	7,799,908
Foreign market development expenses	5,577	65,158
Sales damage expenses	(18,011)	733,374
Test expenses	132,417	69,692
Sample expenses	26,753	38,384
Research and development expenses	4,960,236	5,517,841
Miscellaneous expenses	170,237	337,821
	₩ 86,132,839	₩ 88,363,767

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**24. Breakdown of Expenses by Nature**

Expenses by nature for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Changes in inventories	₩ (5,671,593)	₩ (13,424,535)
Purchase of raw materials	417,470,220	410,085,329
Purchase of merchandises	32,034,920	66,774,275
Payroll	87,912,737	85,415,043
Post-employment benefits	8,158,502	7,393,832
Employee benefits	13,381,864	12,223,975
Power expenses	14,336,918	14,450,286
Fuel expenses	2,261,854	2,464,229
Depreciation of property, plant and equipment	23,590,025	21,438,151
Depreciation of investment property	882,444	783,589
Amortization of intangible assets	3,213,824	8,209,026
Supplies expenses	6,546,712	5,940,193
Repairs expenses	4,402,172	4,046,615
Service fees	17,298,498	15,415,768
Export expenses	21,132,537	20,201,383
Foreign market development expenses	5,577	65,158
Others	17,460,531	15,251,451
Total cost of sales, and selling and administrative expenses	₩ 664,417,742	₩ 676,733,768

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**25. Finance Income and Finance Costs**

Details of financial income and finance costs for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
<b>Finance income</b>				
Interest income	₩	5,205,684	₩	6,689,595
Gains on foreign currency transaction		5,734,948		4,384,146
Gains on foreign currency translation		3,908,082		878,003
Gains on valuation of derivative instruments		3,002,849		-
Gains on transaction of derivative instruments		505,452		-
Gains on valuation of debt instruments at fair value through profit or loss		1,219,514		800,743
Gains on valuation of equity instruments at fair value through profit or loss		-		1,273,217
Gains on disposal of debt instruments at fair value through profit or loss		128,030		296,148
	₩	19,704,559	₩	14,321,852
<b>Finance costs</b>				
Interest expense	₩	2,629,624	₩	3,210,852
Losses on foreign currency transaction		7,726,122		5,576,434
Losses on foreign currency translation		256,864		33,411
Losses on transaction of derivative instruments		920,540		-
Losses on valuation of equity instruments at fair value through profit or loss		517,951		-
Losses on disposal of debt instruments at fair value through profit or loss		-		960
Losses on disposal of equity instruments at fair value through profit or loss		1,876		-
	₩	12,052,977	₩	8,821,657

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**26. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Other non-operating income				
Dividend income	₩	7,894	₩	7,894
Gains on foreign currency transaction		9,111,579		8,427,390
Gains on foreign currency translation		369,955		113,061
Gains on valuation of derivatives		-		892,588
Commission income		110,010		-
Rental income		2,221,458		2,732,731
Gains on disposal of property, plant and equipment		202,192		1,175
Gains on disposal of investment properties		356,635		-
Gains from a bargain purchase <sup>1</sup>		24,851,368		20,184,334
Gains on disposal of intangible assets		150,833		-
Reversal of impairment loss on intangible assets		149,770		132,911
Miscellaneous gain		1,534,814		1,234,055
	₩	<u>39,066,508</u>	₩	<u>33,726,139</u>
Other non-operating expenses				
Losses on foreign currency transaction	₩	10,451,811	₩	5,667,792
Losses on foreign currency translation		7,799,543		1,013,059
Losses on disposal of property, plant and equipment		834,073		209,869
Impairment loss on property, plant and equipment		5,765,968		-
Losses on disposal of intangible assets		994,855		170
Impairment loss on intangible assets		1,816,000		2,827,964
Donation		3,113,562		3,187,799
Losses on disposal of trade receivables		330,650		121,717
Miscellaneous loss		1,511,797		367,927
	₩	<u>32,618,259</u>	₩	<u>13,396,297</u>

<sup>1</sup> In 2020, the Group recognized ₩ 24,851,368 thousand of gain from a bargain purchase as profit on shares of Hankook Tire & Technology Co., Ltd.

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**27. Tax Expense and Deferred Tax**

Income tax expense (benefit) for the years ended December 31, 2020 and 2019, consists of:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current tax:		
Current tax on profits for the year	₩ 22,283,227	₩ 26,990,665
Adjustments in respect of prior years	269,738	253,390
Deferred tax:		
Origination and reversal of temporary differences	(13,987,256)	8,891,929
Charged or credited directly to equity	(17,555,734)	(2,720,999)
Income tax expense (benefit)	₩ (8,990,025)	₩ 33,414,985

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>	<b>2020</b>	<b>2019</b>
Profit before income tax expense	₩ 170,624,276	₩ 196,706,022
Tax at domestic tax rates applicable to profits in the respective countries	40,873,075	45,842,842
Tax effects of:		
Income not subject to tax	(545)	(420,830)
Expenses not deductible for tax purposes	68,304	118,752
Tax credit and tax cut	(431,521)	(729,430)
Additional tax payment	-	253,390
Unrecognized changes in net assets of investments in subsidiaries and associates	(51,191,858)	(15,154,973)
Tax for recirculation of corporate income	1,725,106	220,530
Others	(32,586)	3,284,704
	(49,863,100)	(12,427,857)
Income tax expense (benefit)	₩ (8,990,025)	₩ 33,414,985



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The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>			<b>2019</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurements of net defined benefit liabilities	₩ 5,312,933	₩ (1,244,077)	₩ 4,068,856	₩ 1,820,689	₩ (465,472)	₩ 1,355,217
Remeasurements of net defined benefit liabilities of associates	(214,500)	(585,496)	(799,996)	(411,433)	108,351	(303,082)
Exchange differences on translating foreign operations	(1,827,623)	-	(1,827,623)	(411,348)	-	(411,348)
Share of other comprehensive income of associates	(12,059,586)	(15,691,077)	(27,750,663)	8,876,197	(2,145,796)	6,730,401
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	144,973	(35,084)	109,889	901,161	(218,081)	683,080
	<u>₩ (8,643,803)</u>	<u>₩ (17,555,734)</u>	<u>₩ (26,199,537)</u>	<u>₩ 10,775,266</u>	<u>₩ (2,720,998)</u>	<u>₩ 8,054,268</u>

The analysis of deferred tax assets and liabilities as at December 31, 2020 and 2019, is as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered after more than 12 months	₩ 7,602,154	₩ 20,983,349
Deferred tax asset to be recovered within 12 months	2,101,905	1,759,662
	<u>9,704,059</u>	<u>22,743,011</u>
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months	62,548,217	89,272,768
Deferred tax liability to be recovered within 12 months	598,480	900,137
	<u>63,146,697</u>	<u>90,172,905</u>
Deferred tax liabilities, net	<u>₩ (53,442,638)</u>	<u>₩ (67,429,894)</u>

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

	<b>2020</b>			
	<b>Beginning balance</b>	<b>Statement of profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
<i>(in thousands of Korean won)</i>				
Deferred tax assets (liabilities)				
Unearned revenue	₩ (684,131)	₩ 85,651	₩ -	₩ (598,480)
Other receivables	57,335	51,211	-	108,546
Other long-term employee benefits	609,682	254,599	-	864,281
Accrued expenses	121,128	3,760	-	124,888
Property, plant and equipment	2,746,782	616,271	-	3,363,053
Net defined benefit liabilities	874,525	388,342	(1,244,077)	18,790
Financial assets at fair value through profit or loss	(547,232)	(145,317)	-	(692,549)
Intangible assets	(5,745,971)	370,015	-	(5,375,956)
Construction in progress	232,760	-	-	232,760
Financial instruments at fair value through other comprehensive income	2,897,885	229,012	(35,084)	3,091,813
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Valuation of inventories	81,304	50,061	-	131,365
Impairment loss	281,686	142,909	-	424,595
Annual leave provisions	688,636	56,901	-	745,537
Stock dividend	307	-	-	307
Provisions for product warranties	183,010	(79,213)	-	103,797
Emission obligation	33,570	23,783	-	57,353
Provision for litigations	186,401	(186,401)	-	-
Lease	1,325	29,825	-	31,150
Gains on valuation of foreign exchange forward contracts	(216,006)	621,830	-	405,824
Investment in subsidiaries and associates	(66,676,866)	29,029,751	(16,276,573)	(53,923,688)
	<u>(67,429,894)</u>	<u>31,542,990</u>	<u>(17,555,734)</u>	<u>(53,442,638)</u>
Tax loss carryforwards	-	-	-	-
	<u>₩ (67,429,894)</u>	<u>₩ 31,542,990</u>	<u>₩ (17,555,734)</u>	<u>₩ (53,442,638)</u>

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	2019			
	Beginning balance	Statement of profit or loss	Other comprehensive income	Ending balance
<i>(in thousands of Korean won)</i>				
Deferred tax assets (liabilities)				
Unearned revenue	₩ (445,004)	₩ (239,127)	₩ -	₩ (684,131)
Other receivables	64,254	(6,919)	-	57,335
Other long-term employee benefits	469,486	140,196	-	609,682
Accrued expenses	100,728	20,400	-	121,128
Property, plant and equipment	2,328,010	418,772	-	2,746,782
Net defined benefit liabilities	659,504	680,493	(465,472)	874,525
Financial assets at fair value through profit or loss	(138,702)	(408,530)	-	(547,232)
Intangible assets	(7,300,876)	1,554,905	-	(5,745,971)
Construction in progress	232,760	-	-	232,760
Financial instruments at fair value through other comprehensive income	3,200,256	(84,290)	(218,081)	2,897,885
Advanced depreciation provision	(2,556,024)	-	-	(2,556,024)
Valuation of inventories	61,610	19,694	-	81,304
Impairment loss	281,686	-	-	281,686
Annual leave provisions	546,056	142,580	-	688,636
Stock dividend	307	-	-	307
Provisions for product warranties	175,678	7,332	-	183,010
Emission obligation	8,208	25,362	-	33,570
Lease	-	1,325	-	1,325
Provision for litigations	-	186,401	-	186,401
Gains on valuation of foreign exchange forward contracts	-	(216,006)	-	(216,006)
Investment in subsidiaries and associates	(56,225,903)	(8,413,517)	(2,037,446)	(66,676,866)
	<u>(58,537,966)</u>	<u>(6,170,929)</u>	<u>(2,720,999)</u>	<u>(67,429,894)</u>
Tax loss carryforwards	-	-	-	-
	<u>₩ (58,537,966)</u>	<u>₩ (6,170,929)</u>	<u>₩ (2,720,999)</u>	<u>₩ (67,429,894)</u>

To determine the realizability of deferred tax assets, all available positive and negative evidences are considered, including the Group's performance, the market environment in which the Group operates, forecasts of future profitability, the utilization period of past tax credits, and other factors. Management periodically considers these factors in reaching its conclusion and deferred tax assets are not recognized if the realizability is uncertain.

Details of unrecognized deductible (taxable) temporary differences as deferred tax assets (liabilities) as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020	2019	Remarks
Interests in subsidiary and associate	₩ 6,618,735	₩ 1,169,692,454	No plan for disposal

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**28. Cash Generated from Operations**

Details of cash generated from operations for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Adjustments for:		
Income tax expense (benefit)	₩ (8,990,025)	₩ 33,414,985
Losses on foreign currency translation	8,056,408	1,046,470
Losses on valuation of debt instruments at fair value through profit or loss	-	54,141
Losses on valuation of equity instruments at fair value through profit or loss	517,951	-
Losses on disposal of debt instruments at fair value through profit or loss	1,876	960
Loss on transaction of foreign exchange forward contracts	920,540	-
Losses on disposal of property, plant and equipment	834,073	209,869
Losses on disposal of intangible assets	994,855	170
Impairment loss on property, plant and equipment	5,765,968	-
Impairment loss on intangible assets	1,816,000	2,827,964
Reversal of impairment loss on intangible assets	(149,770)	(132,911)
Depreciation of investment property	882,444	783,589
Depreciation of property, plant and equipment <sup>1</sup>	23,590,025	21,438,151
Amortization of intangible assets	3,213,823	8,209,026
Other long-term employee benefits	638,592	716,685
Post-employment benefit obligations	7,563,487	6,886,539
Interest expense	2,629,624	3,210,852
Sales damage expenses (income)	(18,011)	733,374
Addition to provision for litigation	72,344	770,251
Miscellaneous losses (gains)	(1,722)	1,126
Losses on disposal of trade receivables	-	121,717
Losses on valuation of inventory	34,425	161,795
Impairment loss	860,016	30,629
Interest income	(5,205,684)	(6,689,595)
Dividend received	(1,043,761)	(430,153)
Gains on foreign currency translation	(4,278,037)	(991,065)
Gains on valuation of foreign exchange forward contracts	(3,002,849)	(892,588)
Gains on transaction of foreign exchange forward contracts	(505,452)	-
Gains on valuation of debt instrument at fair value through profit or loss	(1,219,515)	(854,884)
Gains on valuation of equity instruments at fair value through profit or loss	-	(1,273,217)

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<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Gains on disposal of financial assets at fair value through profit or loss	(128,030)	(296,148)
Gains on disposal of property, plant and equipment	(202,192)	(1,175)
Gains on disposal of investment properties	(356,635)	-
Gains on disposal of intangible assets	(150,833)	-
Share of profit of associates	(83,900,108)	(77,842,633)
Gain from a bargain purchase	(24,851,368)	(20,184,334)
Miscellaneous gains	(27,389)	(51,849)
	<b>₩ (75,638,930)</b>	<b>₩ (29,022,260)</b>

<sup>1</sup> Depreciation of right-of-use assets is included.

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	₩ (3,150,200)	₩ 22,070,683
Decrease in non-trade receivables	156,662	1,161,072
Decrease (increase) in accrued revenues	(131,605)	133,086
Decrease (increase) in advance payments	(774,926)	1,252,978
Increase in prepaid expenses	(45,257)	(89,734)
Decrease (increase) in prepaid value added tax	3,872,964	(3,417,029)
Increase in inventory	(7,663,052)	(13,155,030)
Decrease (increase) in deposits	102,337	(1,078,997)
Increase (decrease) in trade payables	34,843,119	(33,416,621)
Increase (decrease) in non-trade payables	(1,892,440)	629,975
Decrease in value added tax withheld	-	(4,551)
Increase in advance received	2,408,763	957,408
Increase (decrease) in accrued expenses	9,133,821	(2,322,974)
Increases (decrease) in withholdings	971,280	(317,217)
Increase in deferred revenue	283,596	3,473,400
Decrease in leasehold deposits received	-	(89,200)
Decrease in provisions for product warranties	(308,750)	(703,076)
Decrease in provisions for litigation	(842,595)	-
Increase in emission obligation	-	104,803
Decrease in post-employment benefit obligation	(2,543,578)	(3,120,567)
Decrease (increase) in pension plan assets	(7,736,658)	178,718
Decrease in other long-term employee benefits	(407,839)	(202,549)
Decrease in National Pension Fund	2,636	-
	<b>₩ 26,278,278</b>	<b>₩ (27,955,422)</b>

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The principal non-cash transaction for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Transfer of construction in progress to intangible assets	₩ 1,548,612	₩ 156,744
Transfer of construction in progress to property, plant and equipment	95,623,021	5,613,683
Transfer of property, plant and equipment to investment property	6,647,859	-
Transfer of investment property to property, plant and equipment	900,144	180,206
Increase in non-trade payables in relation to acquisition of property, plant and equipment	1,108,650	4,726,180
Increase in non-trade payables in relation to acquisition of intangible assets	65,194	1,578
Increase in non-trade payables in relation to acquisition of investment properties	5,378,200	-
Decrease in non-trade payables in relation to acquisition of property, plant and equipment	4,726,180	6,277,377
Decrease in non-trade payables in relation to acquisition of intangible assets	1,578	185,815
Increase in right-of-use assets due to recognition of lease liabilities and others	26,449,450	18,088,390
Reclassification of current portion of loans to non-current	4,000,000	-
Reclassification of current portion of financial assets at fair value through profit or loss	-	10,765,774
Reclassification of current portion of other receivables	-	4,000,000

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Changes in liabilities arising from financial activities for the years ended December 31, 2020 and 2019, are as follows:

*(in thousands of Korean won)*

	<b>2020</b>			
	<b>Short-term borrowings</b>	<b>Long-term borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
Beginning balance	₩ 60,958,868	₩ -	₩ 14,920,246	₩ 75,879,114
Exchange differences and others	(3,834,836)	-	-	(3,834,836)
Cash flows (principal)	35,349,546	20,819	(2,203,946)	33,166,419
Cash flows (interest expenses)	-	-	(975,792)	(975,792)
Increase in lease liabilities	-	-	16,106,013	16,106,013
Ending balance	₩ 92,473,578	₩ 20,819	₩ 27,846,521	₩ 120,340,918

*(in thousands of Korean won)*

	<b>2019</b>		
	<b>Short-term borrowings</b>	<b>Lease liabilities</b>	<b>Total</b>
Beginning balance	₩ 86,356,661	₩ -	₩ 86,356,661
Changes in accounting policy	-	16,094,834	16,094,834
Exchange differences and others	(544,629)	-	(544,629)
Cash flows (principal)	(26,053,164)	(2,027,820)	(28,080,984)
Cash flows (interest expenses)	-	(655,037)	(655,037)
Increase in lease liabilities	-	964,892	964,892
The change in the scope of consolidation	1,200,000	543,377	1,743,377
Ending balance	₩ 60,958,868	₩ 14,920,246	₩ 75,879,114

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**29. Related Party Transactions**

Details of related parties as at December 31, 2020, are as follows:

Type	Name of related parties
Individuals	Yang-Rai Cho, Hyun-Shick Cho, Hyun-Bum Cho
Associates	Hankook Tire & Technology Co.,Ltd., Hankook Networks Co.,Ltd.
Domestic subsidiaries of associates	Hankook Engineering Works Co.,Ltd., Hankook Precision Works Co., Ltd., Hankook Donggeurami Partners Co., Ltd., KCG 1 Private Equity Fund Limited Partnership, Model Solution Co., Ltd., TNA CO., LTD.
Overseas subsidiaries of associates	Hankook Tire America Corp., Hankook Tyre U.K. Ltd., Jiangsu Hankook Tire Co., Ltd., Hankook Tire China Co., Ltd., Shanghai Hankook Tire Sales Co., Ltd., Hankook Tire Netherlands B.V., Hankook Tire Japan Corp., Hankook Tire Canada Corp., Hankook Reifen Deutschland GmbH, Hankook Tire France SARL, Hankook Tire Italia S.R.L., Hankook Espana S.A., Hankook Tyre Australia Pty., Ltd., Hankook Tire Hungary Ltd., Hankook Tire Europe Holdings B.V, Hankook Tire Europe GmbH, Hankook Tire Budapest Kereskedelmi Kft, Hankook Tire DE Mexico, S.A. DE C.V., Chongqing Hankooktire Co., Ltd., Hankook Tire Rus LLC, PT. Hankooktire Indonesia, MK Mold (Jiaxing) Co., LTD, Hankook Tire Singapore PTE., Ltd., Hankook Tire Malaysia SDN.BHD., Hankook Tire Sweden AB, Beijing Jielun Trading Company Co.,Ltd., Hankook Tire Thailand Co., Ltd., Hankook Lastikleri A.S., Hankook Tire Polska Sp. z o.o., Hankook Tire de Colombia Ltda., Hankook Tire America Holdings I, LLC, Hankook Tire America Holdings II, LLC, Hankook Tire Manufacturing Tennessee LP, Hankook Tire Ceska Republika s.r.o. MK Technology (CHONGQING) Mould Co., Ltd., PT. EMFRONTIER ENS Indonesia, Emfrontier America Inc., Hankook Tyre Australia Retail Pty.,Ltd., JAX Quickfit Franchising Systems Unit Trust., JAX Quickfit Franchising Systems Pty Ltd., JAX Quickfit Properties Pty Ltd., Hankook Tires India LLP, Hankook Tire Latam, S.A., Hankook Tire Latin America Distribution Center, S.A., Hankook Tire Ukraine LLC, ModelSolution Inc., Reifen-Muller KG, Reifen-Muller Runderneuerung BV, RM Verwaltungs GmbH, RU Verwaltungs GmbH, Hankook Tire D.O.O. Beograd, HANKOOK TIRE MIDDLE EAST AND AFRICA FZE, Hankook Tire Vietnam Co. LTD, PT. HankookTire Sales Indonesia, Hankook Tire Austria GmbH
Other related parties	Shin-Yang Tourist Development, Shin-Yang World Leisure, FWS Investment Advisory, Daehwa Eng' & Machinery Jiaxing Co., Ltd., ARUM Electronics Co.,Ltd. (formerly, YKT Co., Ltd.), Seil Hwangyeong Co.,Ltd., Doowon Holdings Co.,Ltd., Arum Dentistry Co., Ltd., Janji.CO.,LTD



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Transactions between the Group and related parties for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		<b>2020</b>			
		<b>Name of entity</b>	<b>Sales<sup>1</sup></b>	<b>Selling and administrative expenses<sup>2</sup></b>	<b>Purchase and others</b>
Associates	Hankook Tire & Technology Co.,Ltd.	₩ 44,763,342	₩ 2,727,992	₩ 543,975	₩ 505,621
	Hankook Networks Co.,Ltd.	-	1,277,790	1,699,840	45,204
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd. and others	2,145	75,711	138,652	65,798
Overseas subsidiary of associates	Hankook Tire Canada Corp. and others	-	166,655	-	-
Other related parties	Shin-Yang World Leisure	-	-	-	5,674
		<u>₩ 44,765,487</u>	<u>₩ 4,248,148</u>	<u>₩ 2,382,467</u>	<u>₩ 622,297</u>

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

<sup>2</sup> Interest expense of lease liabilities is included.

<i>(in thousands of Korean won)</i>		<b>2019</b>			
		<b>Name of entity</b>	<b>Sales<sup>1</sup></b>	<b>Selling and administrative expenses</b>	<b>Purchase and others</b>
Associates	Hankook Tire & Technology Co.,Ltd.	₩ 70,965,229	₩ 2,592,933	₩ 104,427	₩ 1,261,194
	Hankook Networks Co.,Ltd.	-	1,330,058	5,333,762	-
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd. and others	5,780	85,934	-	2,580
Overseas subsidiary of associates	Hankook Tire America Corp. and others	-	169,074	-	-
Other related parties	Shin-Yang Tourist Development and others	450	-	-	5,814
		<u>₩ 70,971,459</u>	<u>₩ 4,177,999</u>	<u>₩ 5,438,189</u>	<u>₩ 1,269,588</u>

<sup>1</sup> 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 at the end of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>		2020			
		Receivables		Payables	
		Trade receivables	Other receivables	Non-trade payables	Other payables
	Name of entity				
Associates	Hankook Tire & Technology Co.,Ltd.	₩ 18,761,936	₩ 22,834,166	₩ 708,957	₩ 18,308,541
	Hankook Networks Co.,Ltd.	24,862	-	317,601	-
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd. and others	35,643	-	117,636	-
Overseas subsidiary of associates	Hankook Tire Canada Corp. and others	-	-	7,728	-
Other related parties	Shin-Yang World Leisure	-	533	-	105,503
		₩ 18,822,441	₩ 22,834,699	₩ 1,151,922	₩ 18,414,044
		-			
<i>(in thousands of Korean won)</i>		2019			
		Receivables		Payables	
		Trade receivables	Other receivables	Non-trade payables	Other payables
	Name of entity				
Associates	Hankook Tire & Technology Co.,Ltd.	₩ 19,498,808	₩ 180,382	₩ 717,883	₩ 2,335,890
	Hankook Networks Co.,Ltd.	-	-	466,576	-
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd. and others	-	748	1,093	4,650
Overseas subsidiary of associates	Hankook Tire Canada Corp. and others	-	2,911	7,954	-
Other related parties	Shin-Yang World Leisure	-	-	-	105,503
		₩ 19,498,808	₩ 184,041	₩ 1,193,506	₩ 2,446,043

There is no loans to related parties for the year ended December 31, 2020.

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Payment of leasehold deposits provided to related parties for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020		2019	
		Paid	Received	Paid	Received
Associate	Hankook Tire & Technology Co.,Ltd.	₩ 25,625,890	₩ -	₩ 34,200	₩ -
Domestic subsidiary of associates	Hankook Donggeurami Partners Co., Ltd. and others	4,650	-	-	-
		<u>₩ 25,630,540</u>	<u>₩ -</u>	<u>₩ 34,200</u>	<u>₩ -</u>

Dividend income and contributions in cash from/to related parties for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>		2020			2019	
		Dividend income	Repayments of lease liabilities	Contributions in cash and others	Dividend income	Contributions in cash and others
Associate	Hankook Tire & Technology Co.,Ltd.	₩ 20,897,777	₩ 898,390	₩ -	₩ 16,833,895	₩ 17,838,353

<sup>1</sup> The Group entered into a lease contract for buildings, and the balance of right-of-use assets and lease liabilities is ₩ 23,752,157 thousand and ₩ 18,248,541 thousand, respectively, as at December 31, 2020. Interest expense of lease liabilities amount to ₩ 336,866 thousand for the year ended December 31, 2020.

Compensations for key management for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	2020		2019	
Short-term benefits	₩	3,932,792	₩	2,266,066
Post-employment benefits		502,271		308,921
	<u>₩</u>	<u>4,435,063</u>	<u>₩</u>	<u>2,574,987</u>

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

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**30. Contingencies and Commitments**

Details of outstanding credit facility agreements of the Group as at the end of the reporting periods, are as follows:

*(in thousands on Korean won and thousands of USD)*

		2020		2019	
		Commitment amount	Korean won	Commitment amount	Korean won
Purchase card agreements	Woori Bank and others	KRW 14,000,000	₩ 14,000,000	KRW 15,000,000	₩ 15,000,000
General loans agreements	Woori Bank and others	KRW 4,100,000	4,100,000	KRW 5,100,000	5,100,000
Agreements to forward exchange contracts	Citi Bank and others	USD 14,500	15,776,000	USD 12,000	13,893,600
Trade financing	Woori Bank and others	KRW 5,300,000	5,300,000	KRW 5,300,000	5,300,000
Letter of credit	Woori Bank and others	USD 124,910	135,902,080	USD 104,300	120,758,540
Loans for working capital	KEB Hana Bank and others	KRW 5,000,000	5,000,000	KRW 7,000,000	7,000,000
	Bank of America	USD -	-	USD 19,000	21,998,200
Overdraft	Woori Bank and others	KRW 1,000,000	1,000,000	KRW 2,000,000	2,000,000
Inventory financing	Shinhan card	KRW 11,900,000	11,900,000	KRW 11,600,000	11,600,000
		KRW 41,300,000	₩ 192,978,080	KRW 46,000,000	₩ 202,650,340
		USD 139,410		USD 135,300	

As at December 31, 2020, the Group entered into supply and demand contracts with Hankook Tire & Technology Co., Ltd., a related party, and a lease contract with Hankook Tire & Technology Co., Ltd. and Shin-Yang World Leisure. Additionally, the Group entered into supply and demand contracts with Hankook Tire & Technology Co., Ltd., to provide trademark license and supporting work regarding planning and investment and to be provided with several finance, accounting and legal support. In addition, the Group entered into a demand contract to be provided with maintenance service for the Group's information system with Hankook Networks Co.,Ltd., an associate.

As at December 31, 2020, the Group entered into a dealer contract for retail sales of vehicles and parts of Peugeot and Citroën in Gangnam-gu, Seoul which Hanbul Motors supplies domestically under the contract with PSA Group.

The Group recognized deferred revenue on the government grants received under the investment contract with the State of Tennessee, U.S.A. Government grants may be returned according to the achievement rate if the target number of employees is not met during the 5-year contract period.

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When transferred trade receivables with resource are not yet matured, the Group recognizes the amount as short-term borrowings. Details of trade receivables transferred to financial institutions which are not yet matured as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Borrowings with collateralized trade receivables	₩ 88,930,389	₩ 52,787,103

The Group is provided with payment guarantees for performance of contract amounting to ₩ 540,225 thousand from Korea Credit Guarantee Fund and others.

As at December 31, 2020, the first trial of the Group is named as a defendant in one legal action amounting to ₩ 150 million arising from salaries and damage compensation and other two legal action including a claim on indirect compulsory in relation to partial injunction in prohibition of mutual use amounting to ₩ 300 million. As at December 31, 2020, the Group cannot reasonably estimate the results of the legal action and management expects the results will not have material impact on the consolidated financial statements. The Group carries deposit guarantee insurance amounting to ₩ 300 million with Seoul guarantee insurance company.

The Group is provided with 51,111 shares of RBK Holdings Co., Ltd. and 576,895 shares of FRIXA CO.,LTD., a subsidiary of RBK Holdings Co., Ltd., as collateral in relation to long-term loans.

Certain inventories are pledged as collateral for credit limit and others, details are as follows:

<i>(in thousands of Korean won)</i>	<b>Secured assets</b>	<b>Maximum</b>
Shinhan card	Inventories	₩ 13,780,000

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**31. Operating Segment Information**

Operating segments of the Group are classified into investment business and storage batteries business. 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 years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		
	<b>Investment business</b>	<b>Storage batteries business</b>	<b>Total</b>
Total segment revenue	₩ 171,076,467	₩ 651,005,193	₩ 822,081,660
Inter-segment revenue	(1,139,474)	-	(1,139,474)
Revenue from external customers	169,936,993	651,005,193	820,942,186
Operating profit	94,240,095	62,284,349	156,524,444

  

<i>(in thousands of Korean won)</i>	<b>2019</b>		
	<b>Investment business</b>	<b>Storage batteries business</b>	<b>Total</b>
Total segment revenue	₩ 200,709,649	₩ 648,039,575	₩ 848,749,224
Inter-segment revenue	(1,139,474)	-	(1,139,474)
Revenue from external customers	199,570,175	648,039,575	847,609,750
Operating profit	106,340,129	64,535,853	170,875,982

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The Group derives the following types of revenue:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Sales of finished goods	₩ 605,947,975	₩ 616,267,371
Sales of merchandise	41,321,165	61,708,510
Shared service sales	6,050,032	6,916,986
Rental sales	1,997,156	5,479,944
Trademark right revenue	31,400,890	50,800,053
Share of profit or loss of associates accounted for using the equity method	83,900,108	77,842,633
Others	50,324,860	28,594,254
	<u>₩ 820,942,186</u>	<u>₩ 847,609,750</u>

Revenue from external customers broken down by location of the Group for the years ended December 31, 2020 and 2019, are shown as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Korea (headquarter)	₩ 711,771,160	₩ 783,166,514
America	109,171,026	64,443,236
	<u>₩ 820,942,186</u>	<u>₩ 847,609,750</u>

Details of external customers, who contribute more than 10% of the Group's revenue for the years ended December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
A Company	₩ 128,010,030	₩ 148,002,604

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**32. Inventories**

Details of inventories as at December 31, 2020 and 2019, are as follows:

<i>(in thousands of Korean won)</i>	<b>2020</b>		<b>2019</b>	
Finished goods <sup>1</sup>	₩	34,508,139	₩	26,908,856
Merchandise		3,903,040		11,946,547
Raw materials		43,045,273		35,603,322
Work in process		15,153,254		19,478,795
Supplies		3,718,870		2,634,164
Materials in transit		3,610,159		1,695,460
	₩	103,938,735	₩	98,267,144

<sup>1</sup> Loss on valuation of inventories to net realizable value amounted to ₩ 34 million (2019: ₩ 79 million). These were recognized as an expense during the year ended December 31, 2020, and included in 'cost of sales' in profit or loss.

Inventories recognized as expenses during the year ended December 31, 2020 amounted to ₩ 411,457,389 thousand (2019: ₩ 463,435,070 thousand).

Certain inventories are pledged as collateral for credit limit and others as at December 31, 2020 (Note 30).



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**33. Borrowings**

Borrowings of the Group as at December 31, 2020 and 2019, consist of:

<i>(in thousands of Korean won)</i>	2020		2019	
	Current	Non-current	Current	Non-current
Borrowings	₩ 92,473,578	₩ 20,819	₩ 60,958,868	₩ -
Lease liabilities	2,020,646	25,825,875	1,944,059	12,976,187
	<u>₩ 94,494,224</u>	<u>₩ 25,846,694</u>	<u>₩ 62,902,927</u>	<u>₩ 12,976,187</u>

Details of short-term borrowings as at the end of the reporting periods, are as follows:

<i>(in thousands of Korean won)</i>	Creditor	Latest maturity date	Annual interest rate as at December 31, 2020		
				2020	2019
Nego borrowings	Kookmin Bank	2021.03.24	0.6% ~ 5.2%	₩ 564,303	₩ 6,359,028
	NH Bank	2021.07.26	1.3% ~ 1.6%	21,359,308	8,487,823
	Shinhan Bank	2021.03.23	0.7% ~ 0.8%	12,483,107	9,202,155
	Woori Bank	2021.07.19	0.0% ~ 1.8%	27,722,200	10,897,164
	KEB Hana Bank	2021.05.27	0.5% ~ 1.7%	26,386,341	13,294,632
	Citi Bank	2021.04.22	0.9% ~ 0.9%	415,130	4,546,301
Inventory financing	Shinhan card	2021.09.28	3.40% ~4.50%	3,543,189	7,471,765
Loans for operating funds	Industrial Bank of Korea	-	-	-	700,000
				<u>₩ 92,473,578</u>	<u>₩ 60,958,868</u>

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**34. Earnings Per Share**

The Group's basic earnings per share attributable to equity holders of Parent Company for the years ended December 31, 2020 and 2019, are computed as follows:

<i>(in Korean won, except for number of shares)</i>	<b>2020</b>	<b>2019</b>
Profit attributable to the ordinary equity holders of Parent Company <sup>1</sup>	₩ 169,466,980,570	₩ 151,337,458,154
Weighted-average number of ordinary shares outstanding (in share) <sup>2</sup>	91,695,083	91,695,083
Basic earnings per share	<u>₩ 1,848</u>	<u>₩ 1,650</u>

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

<sup>2</sup> The Group's outstanding ordinary shares excluding 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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**35. Credit risk**

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

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

*A. Trade receivables*

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Loss allowance amounting to ₩ 60,021 thousand was recognized at the end of the reporting period and related loss amounting to ₩ 60,016 thousand was recognized as 'operating expenses' in profit or loss for the year ended December 31, 2020.

Gross book amount of trade receivables, the maximum exposure amount, is ₩ 125,300,994 thousand at the reporting period (2019: ₩ 129,163,625 thousand).

*B. Other financial assets at amortized cost*

Other financial assets at amortized cost include government bonds, loans to related parties, and other receivables. Loss allowance for Other financial assets at amortized cost amounting to ₩ 800,000 thousand was recognized at the end of the reporting period and related loss amounting to ₩ 800,000 thousand was recognized as 'operating expenses' in profit or loss for the year ended December 31, 2020.

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

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

Debt investments at fair value through other comprehensive income include government bonds, corporate bonds and trade receivables subject to be sold. The loss allowance for debt investments at fair value through other comprehensive income is recognized in profit or loss and reduces the fair value loss otherwise recognized in other comprehensive income. Loss allowance for Debt investments at fair value through other comprehensive income was not recognized at the end of the reporting period and no related loss was recognized as 'finance costs' in profit or loss for the years ended December 31, 2020 and 2019.

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

**36. Events After the Reporting Period**

In order to diversify the business portfolio and discover areas where future sustainable growth is available through transformation into a business holding company, the Group resolved and approved to merge with HANKOOK ATLASBX CO.,LTD., a subsidiary of the Group, on April 1, 2021 at the Board of Directors meeting held on February 15, 2021.