

All Ways into the Era of Future Mobility

All-Ways into the Era of Future Mobility

Kumho Tire Annual Report 2022

Kumho Tire Annual Report 2022 (ENGLISH)

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KUMHO TIRE

All-Ways, Go With you

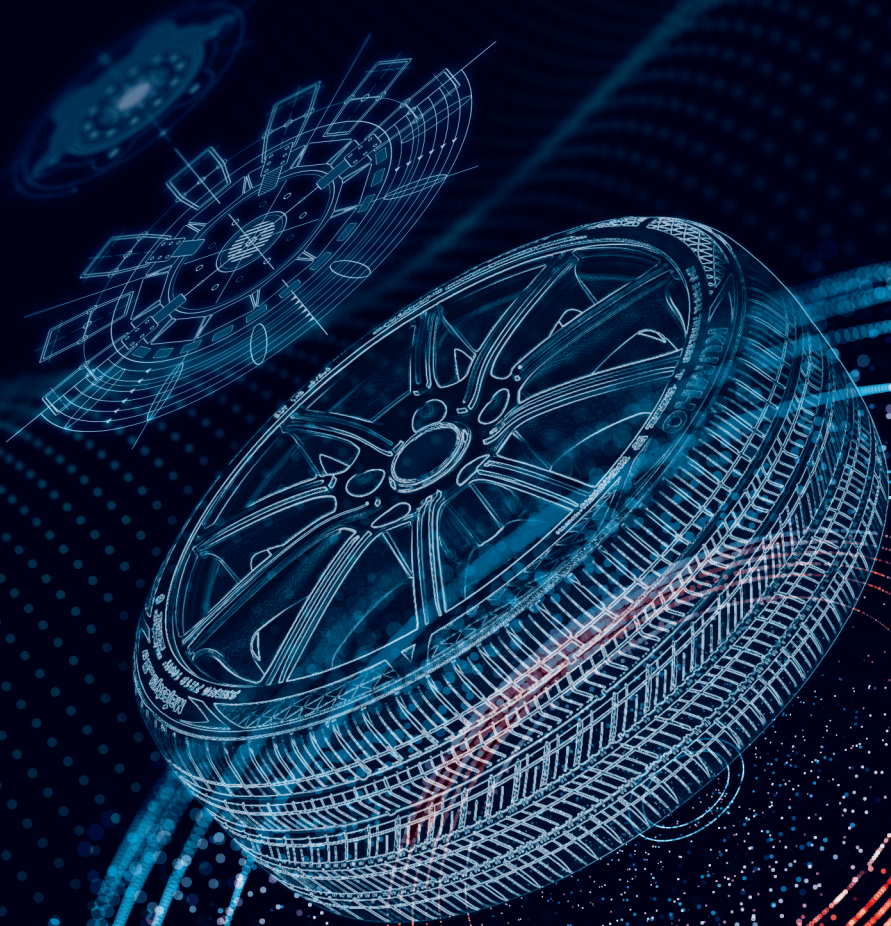
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KUMHO TIRE

All-Ways, Go With you

All-Ways into the Era of Future Mobility

Kumho Tire Annual Report 2022



KUMHO TIRE
All-Ways. Go With you

As of 2022, the world automotive industry was in the midst of transitioning to future mobility—and Kumho Tire is a part of that movement. Our consistent efforts to become a smart mobility partner have brought about significant changes in our entire business process, from tire development to production, sales, and solutions. Leading the future mobility market through relentless technology innovation, we are taking an extraordinary approach to introduce unprecedented services. This one-of-a-kind thinking keeps Kumho one step ahead of the competition in the upcoming era of future mobility.

CONTENTS

	BUSINESS OVERVIEW	ESG MANAGEMENT	BUSINESS REPORT
12	CEO Message	38	Our Tire's ESG Cycle
14	News Highlights	39	Environmental
16	Financial Highlights	40	Social
18	Business Review	42	Governance
24	Vision 2025		
26	Technology Leadership		
28	Research & Development		
30	Sports Marketing		
32	Brand Portfolio - Tire Pro		
34	Brand Portfolio - Product		
44			Consolidated Financial Statements
56			Separate Financial Statements
68			Global Network

All-Ways into the Era of Future Mobility

Transition to an eco-friendly company through advanced technology

Innovative Products to Lead the EV Tire Market

Kumho Tire has been developing EV tires targeting the fast-growing EV market in step with the paradigm shift going on in the automobile market. After the launch of Kumho's first EV tire in 2013, the Wattrun, we successfully developed a new technology to reduce the cavity resonance noise called K-Silent the following year. In 2022, we began marketing our ambitious new products, the Majesty9 Solus TA31 EV and Crugen HP71 EV, both of which are from our two steady seller lines that integrate Kumho's state-of-the-art EV technologies, including EV-optimized compounds with highly dispersed precision silica and noise reduction technology. They are highly expected to lead the EV tire market.

EV Tire Development Milestones

- 2013 • WATTRUN VA31
- 2014 • K-Silent system_Tire cavity resonance noise reduction technology
- 2016 • WATTRUN VS31
- 2018 • ECOWING ES31
- 2022 • MAJESTY 9 SOLUS TA91 EV / CRUGEN HP71 EV



Low noise

Low rotational resistance

High grip

High abrasion resistance

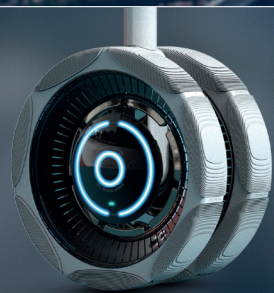


Transition to a future mobility company ahead of its time



Global Design Awards List

Germany's Red Dot
Design Awards



Airborne Tire

Winner of the Red Dot Design Award
2022 design concept category

Japan's Good Design Award



Road Venture AT52

Winner of a Good Design Award 2022

Germany's iF Design Awards



Fin-Sread/ECSTA HS52

Winner of the iF Design Award
transportation category

Kumho's World-Recognized Future Mobility Technology

The paradigm shift happening in the mobility industry is dismantling the boundaries between industries, demanding constant innovation and change from businesses. Kumho Tire is also preparing for the upcoming era of urban air mobility (UAM), which resulted in the launch of our Airborne Tire in 2022. The Kumho Airborne Tire is designed for urban vertical takeoff and landing (VTOL) aircraft to provide passengers with a safe and comfortable ride. In fact, its self-spinning wheel is designed to actually propel the vehicle. Its advanced technology was quickly endorsed in an official way when it received a Red Dot Design Award, one of the most prestigious design awards in the world.

Transition to a mobility partner that delights everyone

Sales | up 36.8% from 2021

KRW **3,559.2** billion

Net profit | returned to profit

KRW **23.1** billion

Operating profit margin

0.65%

New OE Supply Agreements in 2022

HYUNDAI The all-new GRANDEUR

MAJESTY9 SOLUS TA91
ECSTA PS71



VOLKSWAGEN JETTA

SOLUS TA31



Emerging from the Red through Aggressive and Localized Marketing Strategies

Despite a series of unfavorable business environments at home and abroad that stemmed from rising commodity prices and transportation costs exacerbated by supply chain disruptions toward the end of 2022, Kumho Tire succeeded in turning a profit for the first time in three years. Amid falling demand due to the global economic recession, we strategically expanded the sale of high-end products and employed flexible sales strategies according to different local market conditions, resulting in higher profitability. Furthermore, this sales growth is projected to continue in 2023, as we have signed an original equipment (OE) supply agreement with Hyundai Motor Company to supply our K-Silent tire for the carmaker's steady seller Grandeur model. Earlier that July, we began supplying Volkswagen's Jetta with the Solus TA31. The Jetta is produced at a Volkswagen factory in Mexico, while the Solus TA31 is produced at Kumho Tire's Georgia Plant.

Sales proportion of
large-diameter tires

36.7%

Transition to a sustainable business through active ESG management

Commitment to ESG Management at a Global Standard

In May 2022, Kumho Tire declared its firm commitment to ESG management practices and pledged to comply with the UN Global Compact 10 principles in the four areas of human rights, labor, the environment, and anti-corruption. We are also participating in several more initiatives, pursuing different ESG issues so as to meet the most stringent global standards for ESG management. As a result, Kumho Tire obtained the highest grade (AA) in the MSCI ESG evaluation, which evaluates over 2,900 companies worldwide, and received a Silver Medal, indicating it is in the top 25 percentile, from EcoVadis, a global ESG evaluation agency.

ESG Assessment Results

MSCI **AA**





KCGS **B+**

CDP Climate Change **B**

EcoVadis **Silver**

SUSTINVEST **A**

Global Initiative Memberships

2022. 05	2022. 05	2022. 07	2023. 03
UN Global Compact	UNGC Climate Ambition Accelerator	Science-Based Targets initiative (SBTi)	Task Force on Climate-related Financial Disclosures (TCFD)
			

CEO Message



I would like to begin this letter by expressing my sincere gratitude to all our shareholders and customers for your unwavering support of Kumho Tire.

President & CEO
Kumho Tire Co., Ltd.
Jeong Il-taek

Both management and labor worked passionately as one team to normalize our business and return us to making a profit even amid the economic slowdown at the height of instability internationally and in the aftermath of the prolonged pandemic. Our concerted efforts generated tangible results, as sales for 2022 reached KRW 3,560 billion, up 37% from the previous year, and we turned a profit once again with an operating profit of KRW 23.1 billion. Encouraged by this success, we set a lofty sales target for 2023. As this is a goal that must be achieved for our sustainable growth, as well as investing in the future, we have set the following strategic direction for the coming year. First, riding high on the paradigm shift to EVs in the auto industry, Kumho Tire is taking the bold measure to raise its sales of high-end, high-quality products. We are determined to become a company that represents an optimistic future investment and generates profits from its competitive products. We aim to achieve the highest possible tire quality that our shareholders and employees can confidently have their own families use.

Second, Kumho Tire's sales have been nearly doubling each year over the past three years, something that has demanded process innovation across our company-wide system to back up this sales growth. Our current plans include company-wide process innovation to enhance work efficiency and actively adopt advanced Fourth Industrial Revolution technologies, such as AI, big data, and robotics, to our operating system. Reviewing and innovating the present process, we will develop established manuals for every step of the work process to eliminate efficiency losses.

Lastly, we will incorporate ESG practices into our sustainable management practices. As such, the company will establish a system that assists employees in internalizing ESG management practices. At the same time, we will continue to develop our win-win labor-management partnership to realize sustainable growth in a safe workplace.

According to the lunar calendar, 2023 marks the Year of the Rabbit. There is a saying that a wise rabbit digs three holes. Admittedly, the market outlook for 2023 is anything but optimistic, with the peak of uncertainties in the market featuring a possible economic recession, inflation, and high interest rates. In response, Kumho Tire is adopting a scenario-based management system that swiftly implements contingency plans under various scenarios, and which also puts into place a series of backup plans under a variety of situations. Everyone at Kumho Tire will faithfully perform their respective duties assigned to them and overcome all the forthcoming difficulties by remaining united under Kumho's One-Team Spirit.

In closing, I humbly ask for your continued encouragement and support of Kumho Tire as we move forward, and wish you and yours good health and happiness.

News Highlights

In 2022, Kumho Tire continued its all-out efforts to further its corporate value and grow into an innovative mobility company in a business environment currently progressing at a mindboggling speed.

01

Cutting-edge technologies to realize a better mobility experience for customers

Kumho's ultra-high-performance tire, the Majesty X SOLUS, and its SUV tire, the Crugen HP51, rolled out in 2022. Both of these are premium tires that offer excellent driving performance and ride comfort, making the most of Kumho's advanced technology. In step with the transition to the EV era, we have timely marketed EV tires that include the Majesty 9 SOLUS TA91 EV and Crugen HP71 EV. As the names imply, these are EV editions of Kumho steady selling tires, both of which incorporate our cutting-edge EV technologies. As such, they are highly expected to be leading the way in the future mobility era.

Our persistent investments in R&D and commitment to technology development have paid off with new OE supply contracts. Kumho Tire has signed an OE supply agreement to equip Hyundai's The All New Grandeur with its Majesty 9 SOLUS TA91 and ECSTA PS71. The classic car model from Korea's top automaker, now featuring Kumho's signature product, has been available on the market since December 2022. On top of that, we are also supplying the SOLUS TA31 to Volkswagen's seventh-gen Jetta (complete with facelift) models under an OE contract. Today, the Jetta is assembled at the German automaker's Mexico plant, while the SOLUS TA31 is produced at Kumho Tire's Georgia Plant in the U.S.



02

Kumho Tire proving its design edge at global design awards

In 2022, Kumho Tire did very well at several global design awards—seen by many as barometers of its current status with R&D capabilities and future business direction. Kumho's Airborne Tire, a system tire for urban air mobility (UAM), was first introduced in 2022 and won the main prize in the design concept category at Germany's Red Dot Award competition. As UAM will be commercialized by 2025, with full service slated for 2030, Kumho Tire timely introduced its UAM system tire, a futuristic mobility technology inspired by magnetic levitation train systems.

Another one of Kumho's futuristic tires, the Fin-Sread, was singled out when it won Germany's iF Design Award 2022 in the automobiles/vehicles category. The Fin-Sread is a futuristic concept tire that can interact with its surroundings. Its airless structure significantly reduces any chance of an accident happening from the tire going flat, while its independently controlled treads do an excellent job of gripping the road surface, delivering a comfortable ride like no other. Additionally, the ECSTA HS52, our high-end model that is suitable for premium sedans and sports utilities, also won a German iF Design Award, while the Road Venture AT52, an all-round tire for both on and off-road use, won a Japanese Good Design Award.



03

Global-standard ESG management practices to enhance corporate value

Kumho Tire ranked among the top 12% of companies in the automotive parts industry to receive a AA rating in ESG evaluation by Morgan Stanley Capital International (MSCI). This represents the highest level in the domestic automotive parts industry. Kumho Tire's ranking in the MSCI evaluation has continued going up each year, from BBB in 2019 and an A in 2021 to finally reaching AA in 2022. Specifically, the company received high scores with its eco-product technology R&D for EVs, environmental impact management through its reduction of air pollutant emissions, and operation of personalized HRD programs.

Kumho Tire responsibly implemented ESG management practices in all aspects of its business throughout 2022. In May, we not only joined the United Nations Global Compact (UNGC) and incorporated the UNGC's 10 principles into our operations but also launched the ESG Management Committee, which consists of 11 C-level executives. Through systematic management of ESG issues, Kumho Tire will become a sustainable management company that meets the highest global standards. As a result of these efforts, Kumho Tire was awarded the Silver Medal from EcoVadis, a global ESG evaluation agency, and an Overall B+ from the Korea Institute of Corporate Governance and Sustainability.



04

Commercializing an advanced smart tire system as a mobility company

Over the past few years, Kumho Tire has been dedicated to the R&D of smart tire systems that provide safety and convenient mobility to customers. A smart tire system monitors tire pressure, surrounding temperature, and real-time road conditions, enabling interactive communication between the tire-embedded sensor module and the in-vehicle wireless communicator. By analyzing the collected data, the system informs drivers of real-time tire conditions, as well as the optimal timing for switching tire positions and replacing the tires, as well as alerts to replenish air pressure. This is a mobility solution that improves fuel economy and tire management costs while also preventing accidents.

Kumho Tire has signed back-to-back MOUs for commercializing its total tire solutions with Van Korea, a rental and sales company specializing in luxury vans, and Suncheon Transportation, a bus operating company in Jeollanam-do. This is only the beginning of our sustained commitment to developing cutting-edge technology and new business models with mobility solutions beyond just manufacturing and selling tires.



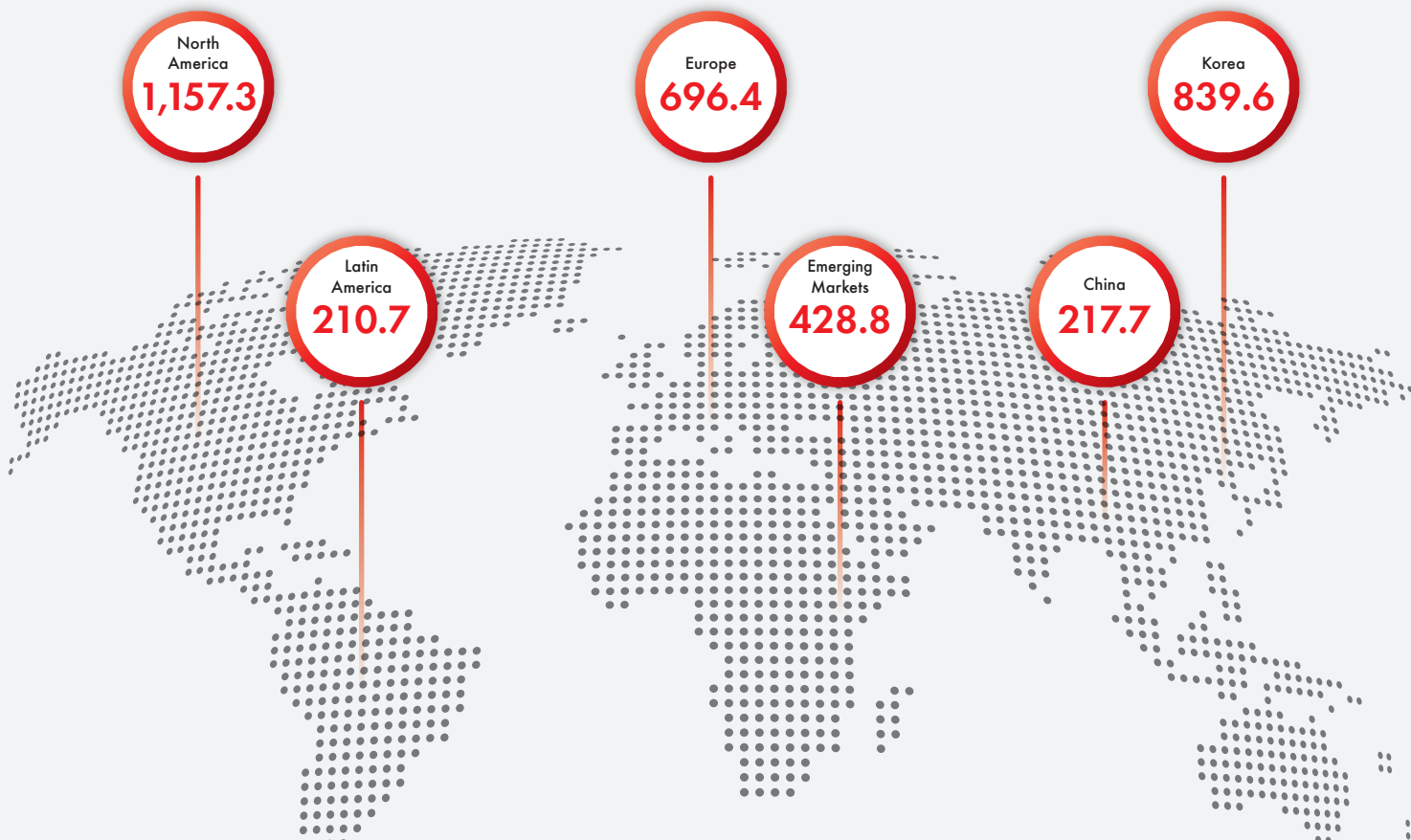
Financial Highlights

In 2022, Kumho Tire's labor and management were united to make a concerted effort towards business normalization in the face of myriad challenges in the unstable international landscape, especially in the midst of an economic downturn and in the aftermath of the prolonged pandemic. As a result, we achieved a ten-year-high sales record of KRW 3.5 trillion for the year.

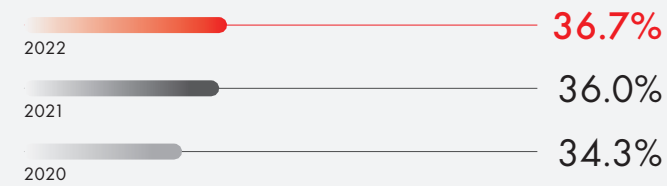
Key Figures Unit: KRW billion

Account	2020	2021	2022
Sales	2,170.7	2,601.2	3,559.2
Operating Profit	-4.5	-41.5	23.1
Operating Margin	-0.21%	-1.60%	0.65%
Net Income	-82.9	-71.9	77.5
Total Assets	3,846.2	4,342.2	4,695.0
Total Liabilities	2,678.6	3,060.6	3,450.4
Total Capital	1,167.6	1,281.6	1,244.6
Debt Ratio	229.41%	238.82%	277.23%

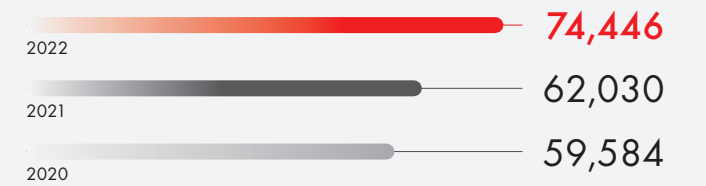
Sales Breakdown by Region Unit: KRW billion



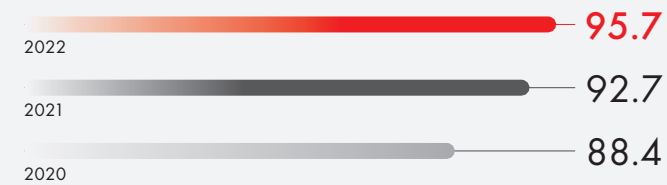
Large-Diameter Tire Sales (over 18 inches)



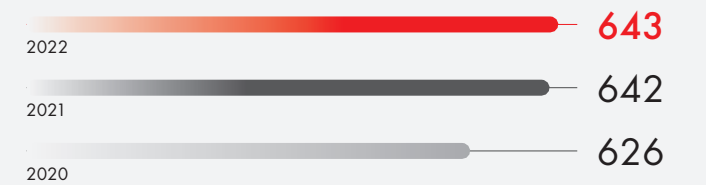
Tire sale price Unit: KRW/tire



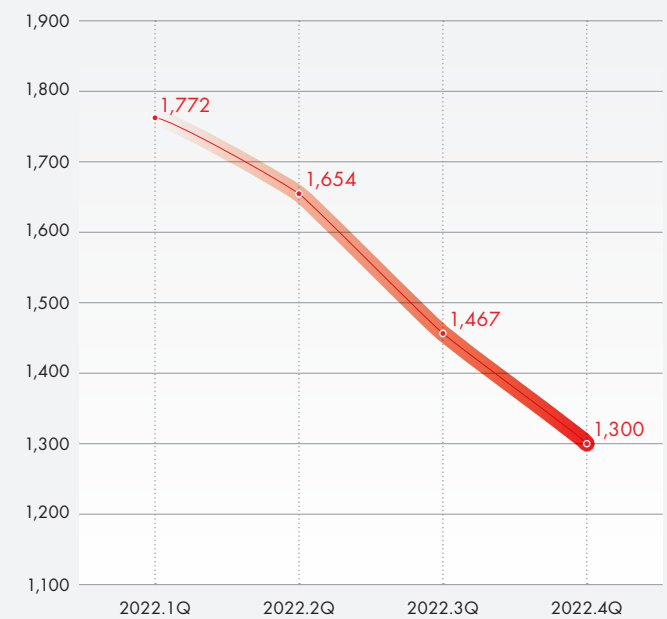
R&D Expenditure Unit: KRW billion



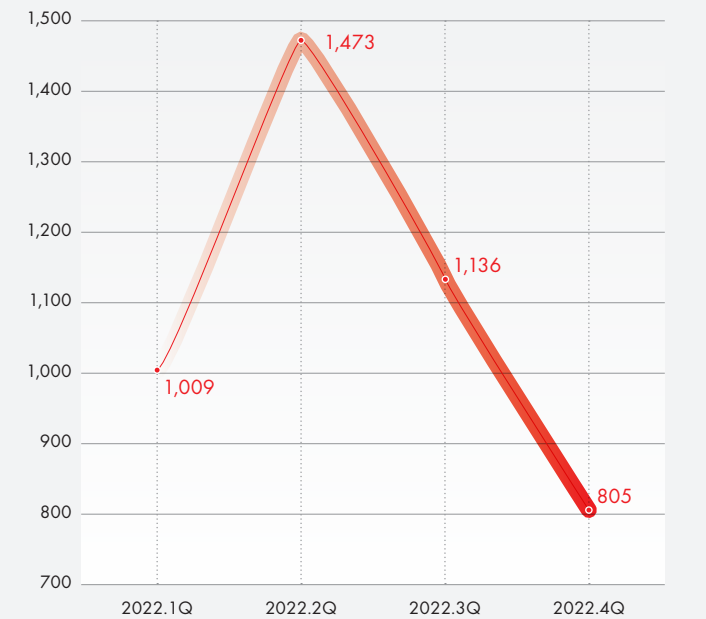
Global R&D Workforce Unit: Persons



Natural Rubber Price Trend Unit: USD/ton



Synthetic Rubber Price Trend Unit: USD/ton



Business Review

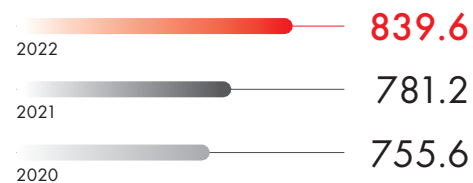
Korea

OE Partners



Sales of Tires in Korea

Unit: KRW billion



Revenue Share

As of 2022



Sales Recover to Pre-Pandemic Levels

Kumho Tire's domestic sales reached KRW 839.6 billion in 2022. Finished car sales growth also brought up the OE supply to Kia's EV6 and Niro EV, as well as to Renault Korea's XM3 models. Furthermore, our strategic marketing focus on premium lines turned out to be very effective, leading to significant profit growth. In 2023, we will sustain this growth trend by raising unit prices and actively reducing costs.

In 2022, the domestic automotive industry produced a total of 3,577,000 vehicles, 8.5% higher than the previous year. Although automotive sales staggered at the beginning of the year not only over supply chain disruption issues but also over automotive semiconductor supply problems due to the Russo-Ukraine war and China's shutdown, they quickly rebounded toward the second half of the year. In particular, the main sales growth driver was exports, which increased by 13.3% year on year to 2,312,000 vehicles. Specifically, exports of green vehicles with a high sales price increased by 36.8% over the previous year. The share of green vehicles in domestic automotive sales grew over the past few years to reach 441,000 vehicles in 2022, up 26.8% year on year. This accounts for 26.2% of total automotive sales in Korea. Accordingly, we see ample growth opportunities in the OE and RE tire market for green vehicles.

* Green vehicles include vehicle types that function fully or partly on alternative energy sources, such as electric, hybrids, plug-in hybrids, and hydrogen.



New EV Tires

In coping with the fast-growing EV tire market, Kumho Tire unveiled the Majesty 9 SOLUS TA91 EV and the Crugen HP71 EV in 2022. As the names imply, both products carry the legacies of conventional classic models, only now they have added EV specifications for higher fuel economy, driving performance, and ride comfort. Kumho Tire is currently supplying the Crugen HP71 to Kia's EV6 and Volkswagen's ID.4 models. In fact, Kumho Tire's EV tires' energy efficiency is authorized by Korea's energy consumption efficiency rating system, which granted us the first grade with our rotational resistance coefficient performance. Kumho Tire will continue its R&D efforts for EV tires. In addition to our plans to expand the number of OE supply clients, we will step up our marketing and develop new EV tire brands in tandem with the growing EV market.

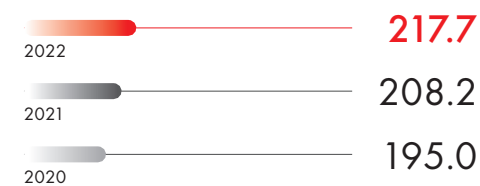
China

OE Partners



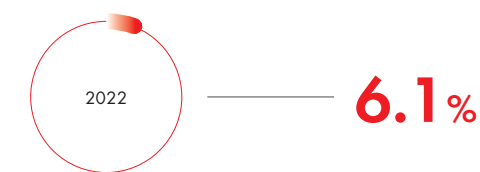
Sales of Tires in China

Unit: KRW billion



Revenue Share

As of 2022



Expanding Sales through Diversified Distribution Channels

Kumho Tire's sales in China were up 4.6% from the previous year to reach KRW 217.7 billion in 2022. Although sales performance faltered in the beginning of the year, we aggressively expanded our sales channels and network to regain growth and survive the Chinese government's shutdown to control the pandemic as well as automotive semiconductor supply disruptions.

China, the world's largest single-country car market, sold 26.8 million vehicles in 2022, up 2% year on year. Of these vehicles, green car sales soared 93.4% year on year to 6.89 million vehicles, accounting for 25.6% of overall car sales in the market. This marked an increase of 12.1% over the previous year and was the result of the Chinese government's subsidies for green vehicles, as well as the significant expansion of charging infrastructure throughout the country. Green vehicle sales are projected to surpass 9 million units in 2023. Prior to the paradigm shift to the EV era, the Chinese market was a battleground for global automakers from the U.S., Japan, and Germany. However, this trend took a turn in 2022. The homegrown Chinese brand BYD has dwarfed Tesla, becoming the predominant market leader in China, followed by competitors such as Geely, GAC Aion, and Chery, all of whom are aggressively expanding their market share. Accordingly, the EV tire market is also expected to see intense competition ramp up.



Winner of a Red Dot Award in China

Kumho Tire has marketed localized models for the Chinese market, and two of them, the SOLUS HS63 for passenger cars and the ECSTA PS71 for SUVs, ended up winning main prizes at the China Red Dot Award ceremony in 2022. The SOLUS HS63, which is an OE supply tire for China's Hongqi Motors' new models, is engraved with the logos of the two partners on the sidewall, a symbol of the strong bilateral partnership. The tire was also the winner of the Best Comfort Tire Award at the 2021 China Golden Wheel Awards. With the ECSTA PS71, it is an OE supplier to famous Chinese brands, including the FAW-Volkswagen, Great Wall Motors, and Hozon Auto. In particular, it is a premium tire that specializes in high-speed driving, maximizing the overall contact area to improve braking performance.

Business Review

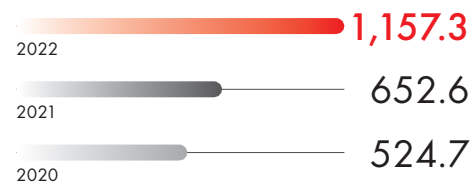
North America

OE Partners



Sales of Tires in North America

Unit: KRW billion



Revenue Share

As of 2022



In 2022, U.S. car sales hit a ten-year low at 13.64 million vehicles, down 8% from the previous year. This was the result of a complex combination of factors, including the Russo-Ukraine war, disruption in the automotive semiconductor supply chain, and rising concerns over an economic slowdown. In 2023, despite a certain level of inflation fears and deteriorating auto financing conditions stemming from rising interest rates, car sales are forecast to gradually recover as the semiconductor supply shortage becomes resolved.

Unlike the other global markets, such as China and Europe, the North American market lags behind in its transition to electric vehicles (EV). In 2022, the EV share was only 5.8% of total car sales, while large-size vehicles, such as pickups and SUVs, remain very popular in the region.



Price Hike Leads to KRW 1 Tril. in Sales

In the North American market, Kumho Tire's sales were KRW 1,157.3 billion in 2022, up 77.4% from the previous year. The overall sales volume remained similar to the previous year due to a general decline in market demand, but price hikes on two occasions significantly boosted our sales growth. On top of that, we strategically focused on expanding our OE supply to popular SUV vehicles, which are a profitable product line in their own right.

OE Supply Agreement for the Volkswagen Jetta

Kumho Tire supplies the SOLUS TA31, which is produced directly at our Georgia Plant, to Volkswagen's bestselling sedan, the seventh-gen Jetta (complete with facelift) model, which was originally launched in 1979. The Volkswagen Jetta sold over 30,000 vehicles in the U.S. in 2022. The Jetta model is manufactured at VW's Puebla Plant in Mexico, and the resultant logistics cost savings are expected to generate greater profits for the German automaker.

In the meantime, Kumho Tire is currently working to expand the annual production capacity from the current 4 million to 4.5 million units. This move is aimed at broadening our influence in the North American market and proactively responding to changes in the automotive industry arising from the enforcement of the Inflation Reduction Act (IRA).

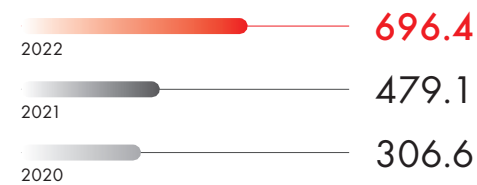
Europe

OE Partners



Sales of Tires in Europe

Unit: KRW billion



Revenue Share

As of 2022



The European automotive market is facing unprecedented changes with the passing of a carbon emissions regulation bill which prohibits the sale of internal combustion engine vehicles from 2035 and reduces the carbon emissions of newly released vehicles by more than 50% by 2030. Given the market's annual car sales volume of 10 million, the new bill is forecast to give birth to a new EV market that will sell 10 million vehicles each year from 2035.

Consequently, the tire and automotive parts and materials industry, which has been traditionally centered on internal combustion engine vehicles, is also facing a forced revamp to capture new market demand. Furthermore, the fuel crisis triggered by the Russo-Ukraine war, coupled with the supply disruption in automotive semiconductors, has ramped up the transition to eco-friendly vehicles, such as electric vehicles, hybrids, and hydrogen vehicles.



Strategically Differentiated Marketing Campaigns

Kumho Tire's European market sales stood at KRW 696.4 billion in 2022, up 45.4% from the previous year. The remarkable sales growth was driven by high-margin product-oriented sales strategies and the receiving of early orders for winter tires. In addition, we preemptively raised the unit prices in advance of the rising market demand while also carrying out a series of aggressive sales activities.

OE Supply Contract for Volkswagen's EV Model ID.4

Volkswagen's EV model ID.4 is hitting the road with Kumho Tire's Crugen EV HP71. The ID.4 is a bestselling model that topped the European brand EV sales chart in 2022 in 10 European countries on the strength of its superior price competitiveness and marketability in the midsize SUV market. Kumho Tire's flagship product, the Crugen, has also been redesigned to fit EV models, and features noise reduction technology for improved quietness.

Business Overview

Since its establishment in 2020, Vision 2025 has set the foundation for all business initiatives carried out at Kumho Tire. In 2021, we maintained steady partnerships with some of the world's biggest carmakers and received awards and accolades from prominent rating agencies at home and abroad.

24

Vision 2025

26

Technology Leadership

28

Research & Development

30

Sports Marketing

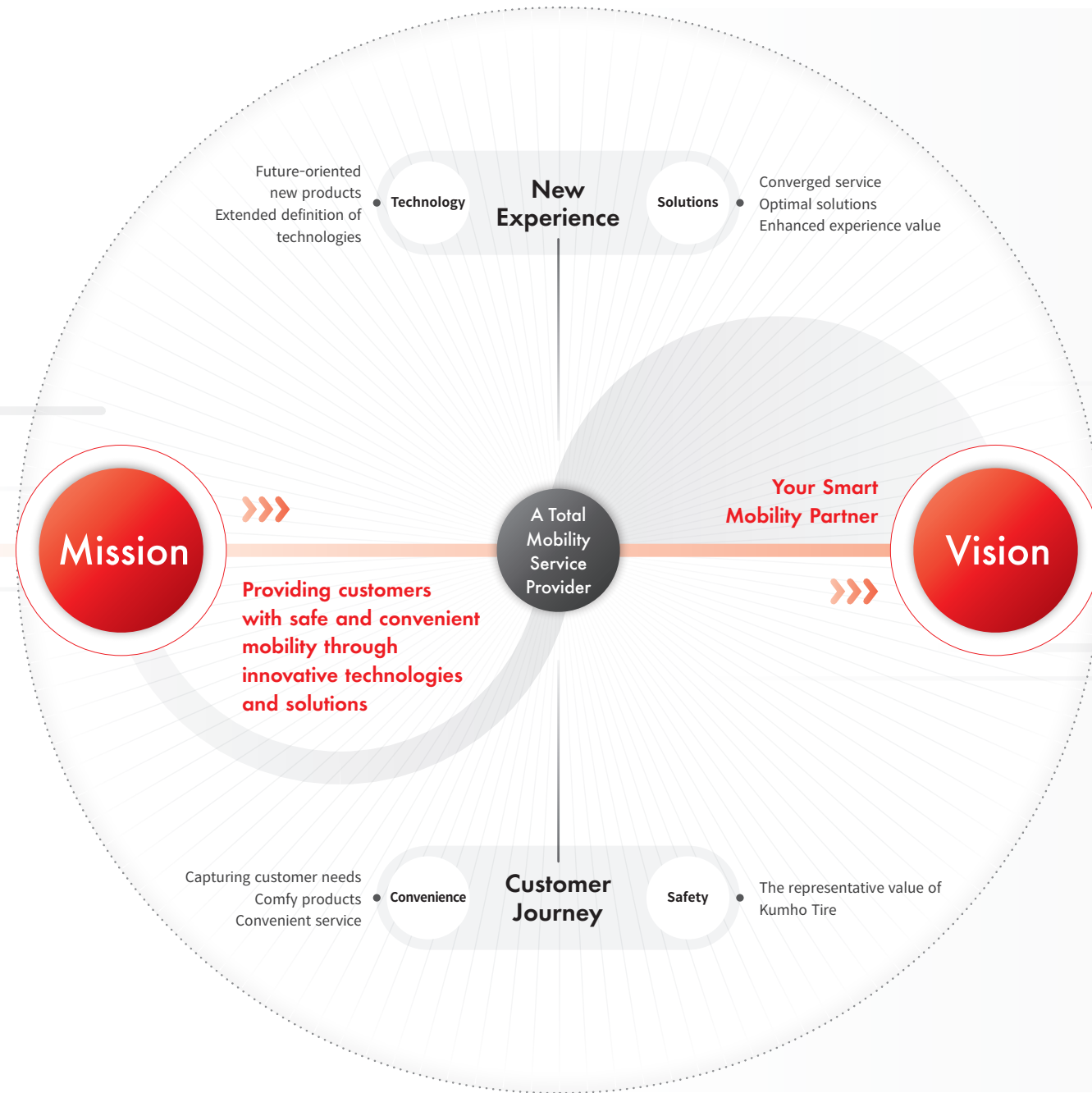
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Brand Portfolio - Tire Pro

34

Brand Portfolio - Product

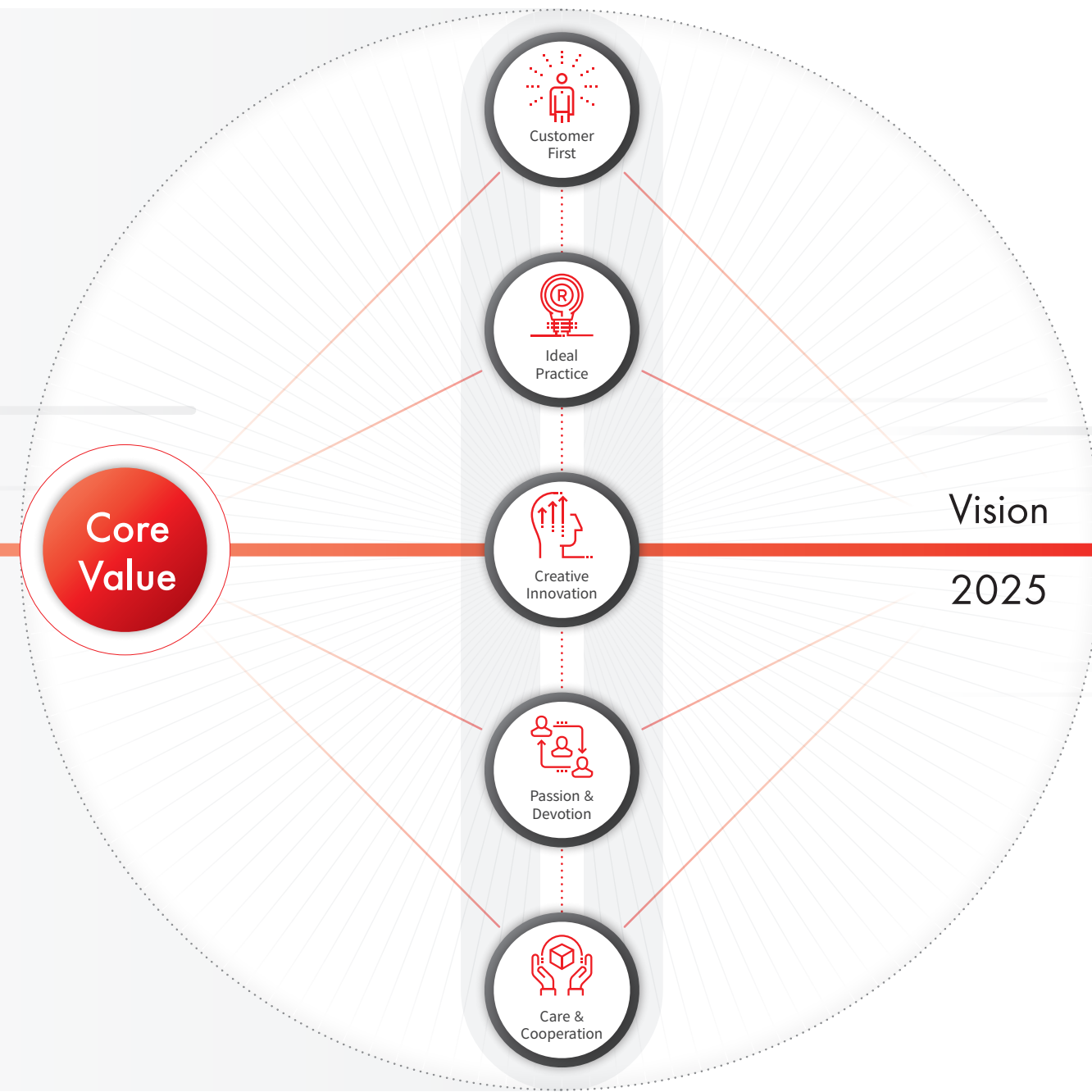
Vision 2025



Vision: Your Smart Mobility Partner

- Your** Kumho employees who create the mobility service + customers who are provided with the service
- Smart** Efficient work mindset + convenient products + automation service
- Mobility** Expanding the business area into all services related to mobility and mobility convenience
New business model R&D / business portfolio diversification
- Partner** Trust-based business + pursuing to become life partners

- Vision 2025: Mobility Business**
- Management Goal: KRW 3.5 trillion in sales & 10% of operating profit
 - Growth Engine: Leaping to become a mobility business



Core Value

- Customer First** Our ideas and actions are centered on customer value to provide the best possible product quality and solutions.
- Ideal Practice** We challenge new opportunities and fulfill our responsibilities to generate outcomes.
- Creative Innovation** We embrace changes with an open mindset and implement innovation to shape the future.
- Passion & Devotion** We enhance expertise with a determined inquiring mindset and balance between life and work through devotion.
- Care & Cooperation** We closely communicate and cooperate with mutual respect in healthy and happy corporate culture.

Technology Leadership

Kumho Tire is deftly navigating its way through the current upheaval of the global automotive industry, armed with its consistent R&D investments and advanced technology, alongside concrete partnerships with leading global automakers. On top of that, our products have proven their outstanding performance by receiving several awards from top international design awards organizations, something that has also enhanced our brand value.

Global OE Partners

Kumho Tire maintains a long and distinguished list of OE partnerships with global finished automakers, including Hyundai Motors Group (Hyundai and Kia), Volkswagen (VW, Audi, and Skoda), Mercedes-Benz Group, Renault-Nissan (Renault, Renault Samsung Motors, and Nissan), GM (GM Korea), SEAT S.A., Ssangyong, and Tata Daewoo. Today, our advanced technologies are gaining ground in the high-performance tire markets of the U.S. and Europe, the world's two largest premium tire markets.



OE Tire Supplier to a Global Premium Sedan Model

In November 2022, Kumho Tire signed an OE supply agreement to equip Hyundai's iconic model, The All-New Grandeur, with the Majesty 9 SOLUS TA91 and ECSTA PS71 tires. Both products represent our flagship lines of high-performance premium tires, boasting advanced performance in ride comfort and quietness, while also featuring an in-house-developed noise attenuation technology. The K-Silence System is a perfect fit for premium sedans like the Grandeur, as the tire-embedded polyurethane-foam noise absorbent eliminates noise generated from the touch of the tire tread on the road surface. Hyundai's The All-New Grandeur is a seventh-gen model that pays homage to the first-gen Grandeur. On sale as of January 1, 2023, the car became a top-selling domestic model within months of its release in 2023. Earlier, in July 2022, we also signed an OE supply agreement to equip Volkswagen's bestselling sedan, the seventh-gen Jetta (complete with facelift) model, with the SOLUS TA31. Featuring a lineup of various specifications that can demonstrate optimal performance results—and cater to the characteristics of each vehicle's size (large, medium, and small cars)—the SOLUS TA31 is designed to enhance noise attenuation, wear resistance, and driving performance compared to its classic model. Indeed, its tire treads are arranged in optimal blocks and patterns to minimize noise, while its reinforced block stiffness can improve handling and braking performance on dry roads. In addition, four wide, straight draining grooves are designed in the center of the tread arrangements, with dimples also being applied to improve drainage performance on wet road surfaces. The SOLUS TA31 is currently produced at our Georgia Plant in the U.S. to supply VW's Mexico Plant.

2022 New OE Supply Agreements

- Majesty 9 SOLUS TA91, ECSTA PS71 | Hyundai The All-New Grandeur model
- SOLUS TA31 | Volkswagen's Seventh-gen Jetta (complete with facelift) model

Customer Value Maximizer

Customer value comes first for everyone at Kumho Tire in our commitment to the highest quality and best solutions. In fact, our efforts to better our products and services for consumers have been singled out in a number of different evaluations.

2022 Accolades and Recognitions

- Korea Management Association Consulting's Korea Customer Satisfaction Index (KCSI), Korean industry survey
 - No. 1 in the Durable Goods Manufacturing Passenger Car Tires category (18th consecutive year)
- Korea Management Association Consulting's Korean Net Promoter Score (KNPS)
 - No. 1 in the Durable Goods Manufacturing Passenger Car Tires category (15th consecutive year)



Global Design Award Winner

Kumho Tire took its advanced technology and creative designs to the global stage when it was awarded global design awards in 2022. Its Airborne tire, a concept tire for UAM, won a German Red Dot Award, while the Fin-Sread and ECSTA HS52 each won a German iF Design Award. Furthermore, the Road Venture AT52 won the main prize at the Japanese Good Design Awards.

2022 Global Design Awards List

- Winner of the Red Dot Design Award transportation category | Air-Borne
- Winner of the iF Design Award transportation category | Fin-Sread, ECSTA HS52
- Winner of the Japanese Good Design Award product design category | Road Venture AT52



Global Design Awards List for the Last Five Years

Year	Germany's Red Dot Design Awards	Germany's iF Design Award	U.S. IDEA Design Awards	Japan's Good Design Award
2018	© BON	VS31		WP72
2019				TA91 PA51
2020	TA91 Wi51	HA32	© e-NINF © e-TOPs	HA32 CW11
2021	© e-NINF © e-TOPs	V730	© Fin-Sread	HS52
2022	© Fin-Sread HS52	© Air-Borne		AT52

* © Concept tire

Air-Borne Tire

Research & Development

With calls for the global automotive industry to hasten its eco-friendly transition becoming more vociferous, the fossil-fueled internal combustion engine vehicles market is giving way to the emerging electric vehicles (EV) market. For its part, Kumho Tire is remaining agile in its approach to seizing upon market trends with the timely development and release of its EV-only tires. Consequently, we are tirelessly working to create eco-friendly products that feature high efficiency and low pollution specifications, including durability, wear resistance, and reduced rolling resistance.

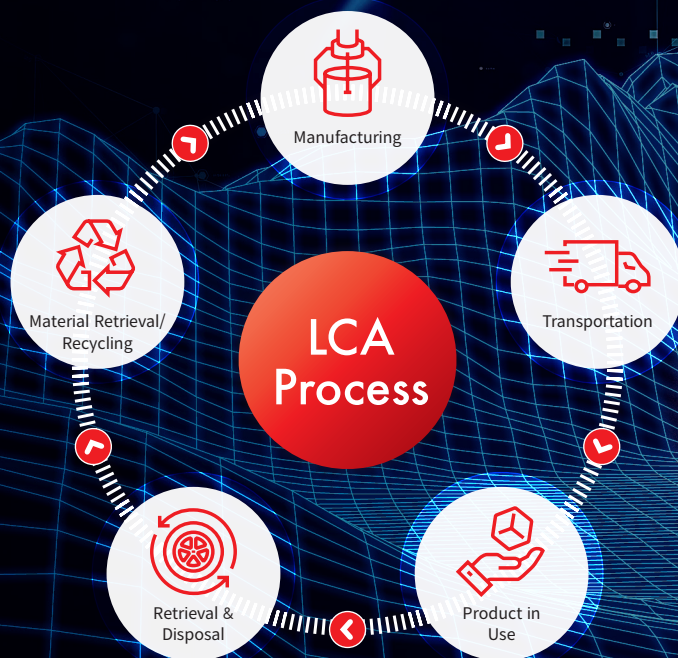
Discovering Eco-friendly Raw Materials

Kumho Tire is making tangible strides in developing compound technologies that utilize regenerable and recyclable materials as well as creative plant extract materials. In 2021, we began preliminary R&D work to come up with eco-friendly and innovative materials which can then be used to make tire materials. Through detailed property studies on carbon black obtained from the pyrolysis of waste tires and the ground powder of waste tires, we succeeded in developing the compounds necessary to expand the application ratio of recycled butyl rubber.

LCA-based Eco-friendly Tire Research

We run our products through an LCA, an environmental impact assessment and analysis on all the processes of tire manufacturing, from the very initial stages of selecting raw materials and manufacturing to transportation and the retrieval and recycling of waste tires. In 2022, we conducted an LCA on our tire models manufactured at our Gwangju Plant to fit Kia's EV6 models. As we have already devised mid- to long-term LCA plans, all of Kumho Tire's business premises around the world will now start going through LCA tests. Based on these research findings, we will implement further greenhouse gas reduction initiatives and develop other eco-friendly tires as well.

*LCA: Life Cycle Assessment



Fuel-Efficient Tire R&D

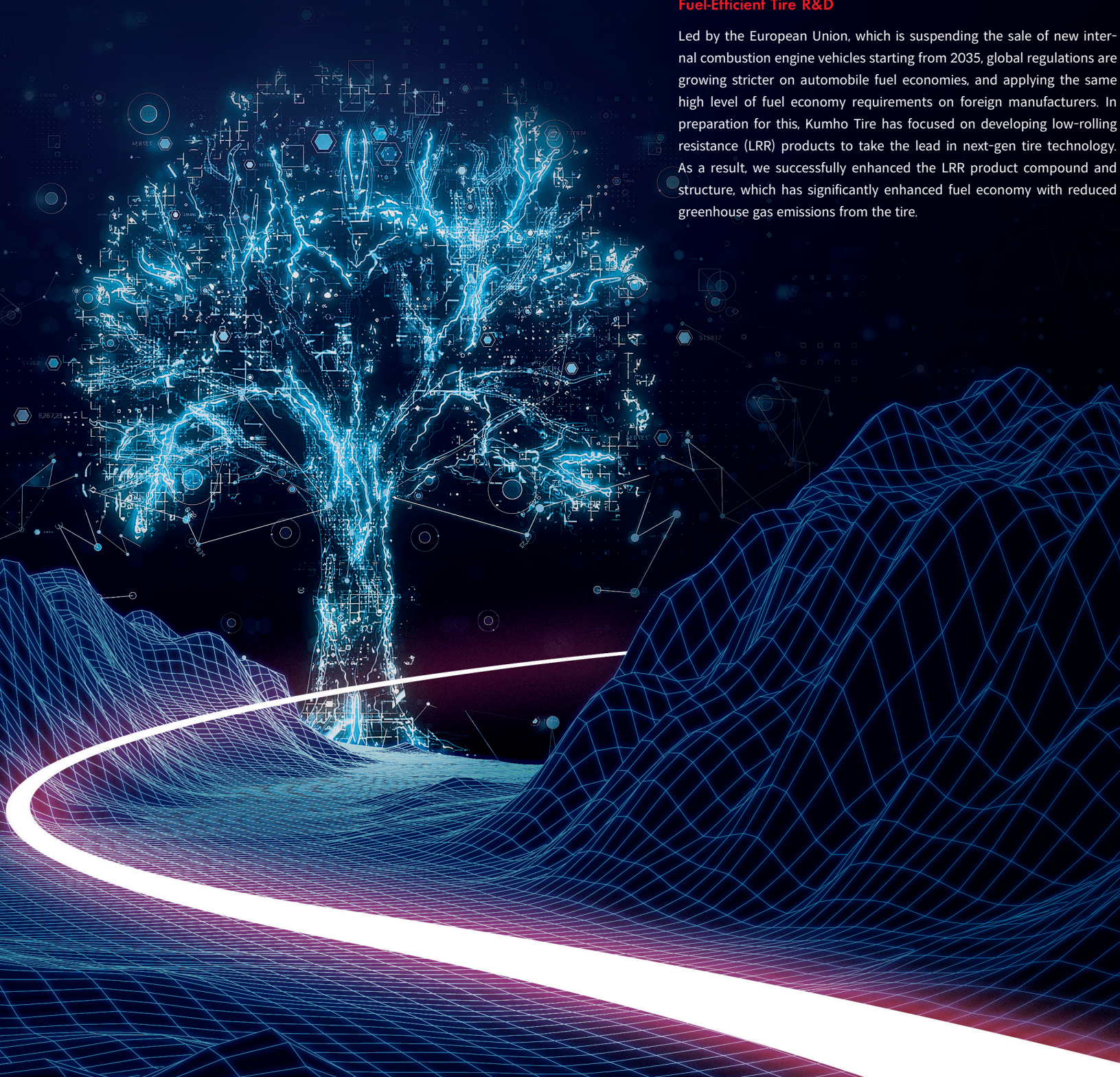
Led by the European Union, which is suspending the sale of new internal combustion engine vehicles starting from 2035, global regulations are growing stricter on automobile fuel economies, and applying the same high level of fuel economy requirements on foreign manufacturers. In preparation for this, Kumho Tire has focused on developing low-rolling resistance (LRR) products to take the lead in next-gen tire technology. As a result, we successfully enhanced the LRR product compound and structure, which has significantly enhanced fuel economy with reduced greenhouse gas emissions from the tire.

EV Tire R&D

In preparation for the ever-expanding demand for EVs, Kumho Tire will secure the source technology for designing EV tires based on its benchmark (BM) of global EVs and upgrade its related design technology. In 2021, we ran an extensive analysis of EV BM tires to ensure advanced EV tire technologies that are viable for EV specifications, including heavy weight, high torque, and low noise properties. In 2022, we also developed an EV platform through a virtual product development (VPD) system and a vehicle-in-the-loop (VIL) test. In 2023, we aim to develop high-performance EV tires for passenger cars and SUVs.

Low-wear, Low-Carbon Tire R&D

Kumho Tire has been involved in myriad studies to develop low-wear, low-carbon tires that can contribute to reducing fine dust and greenhouse gas emissions. Marketed in 2013, the WATTRUN VS31 is an eco-friendly tire that was developed based on support from the Eco-friendly Vehicle Technology Development Project Group under the Ministry of Environment as a low-weight tire for urban electric vehicles. Test results by domestic and global institutes concluded that its fuel efficiency improved by 4.8% over conventional products, while reducing carbon emissions by 5.9%. We are also participating in the Road Technology Research Project with the Ministry of Land, Transport and Maritime Affairs, where we are analyzing the fine dust generated from roads through in-depth analysis, and then utilizing the study results to develop road materials and wear-resistant tires that can generate less fine dust. At the same time, we have recently released ultra-low rolling resistance (ULRR) tires as a way to lower our carbon footprint from the tire manufacturing process. Also, our unwavering commitment to the highest levels of technology R&D and excellent performance have earned us two separate Minister Commendations from the Ministry of Environment for two straight years.



Sports Marketing

Motorsports mobilizes the essence of cutting-edge technologies available in the automobile industry, making it the perfect marketing opportunity for showcasing Kumho Tire's advanced technologies. In addition, we engage in diverse sports marketing campaigns in various markets, appealing to the leanings of local fans in sports.

Increasing our Involvement in Motorsport Events

We have worked hard to heighten our technologies and strengthen brand competitiveness, with the goal of being showcased at the F1 Grand Prix, the biggest high-tech venue in our industry. Today, Kumho Tire sponsors the Super 6000 Class, the top class of the CJ Super Race Championship, Korea's top motorsport event. We are also the title sponsor of the GT Class at the same championship. Furthermore, we inked a title sponsorship with the Touring Car Racing organization as the sole tire sponsor to the fast-growing production car racing event. Starting in 2023, the agreement is adding new series in South America, the Middle East, Australia, Brazil, and Finland to our existing involvement in Denmark, Spain, and the Eastern European series we have been a part of since 2022.

2022 Motorsport Race Tire Sponsorships

Event	Official tire
CJ Super Race Super 6000 Class	ECSTA S700 / ECSTA W701
CJ Super Race Kumho GT	ECSTA S700 / ECSTA W700
Touring Car Racing	ECSTA S700 / ECSTA W701



2022 Motorsport Race Tire Sponsorships

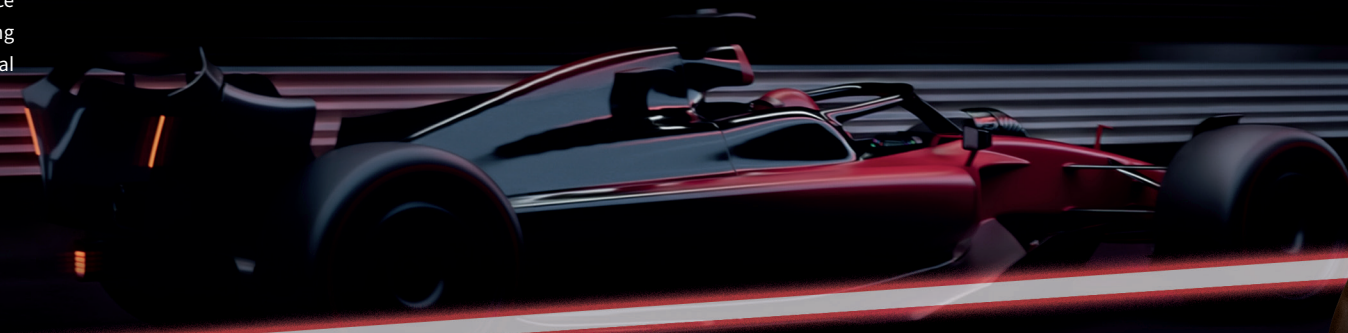
Founded in 2014, the ECSTA Racing Team has demonstrated exceptional skills and technological prowess by winning prizes at Korea's largest super race. The team underwent a generational shift in 2022, with two new highly competent racers joining the team. Lee Chan-joon is one such rising star who became the youngest grand prix winner in the Super 6000 Class race in his debut race, while Lee Chang-wook vaulted into prominence after finishing second overall in the 2021 Kumho GT Class. Joining existing member Lee Jung-woo, the trio easily ranked in the top 10 of the individual rankings, leading the team to finish third overall.



Localized Sports Marketing Campaigns

The lively atmosphere of sports events makes them the perfect customer touch-point for Kumho Tire. Indeed, Kumho Tire has been in partnership with Tottenham Hotspur, where Korean soccer star Son Heung-min plays, since 2016. Tottenham is a popular Premier League football club with a huge fan base spanning the globe. Kumho Tire exposes its brand logo via the globally renowned club's extensive marketing outlets, from program booklets, stadium billboards and LED boards to special productions done in collaboration with broadcasting stations and YouTube channel content. Other partnerships include being a Premium Partner to Leverkusen in Germany, an Official Partner to Mlada Boleslav in Czechia, and a Silver Partner to BSC Young Boys in Switzerland.

While we focus on football clubs for marketing campaigns in Europe, where that sport is immensely popular, we have been consistently expanding our basketball marketing efforts in North America since 2014. In addition to sponsoring individual clubs and players, we have become an official sponsor of the NBA, making our brand more familiar to U.S. consumers over that time. In Korea, Kumho is in a uniform sponsorship deal with the Kia Tigers, which has the largest fan base in the Korea Baseball Organization (KBO). Our aggressive marketing campaign engages various channels, such as the club's official website, its YouTube channel, admission tickets, and fan books.

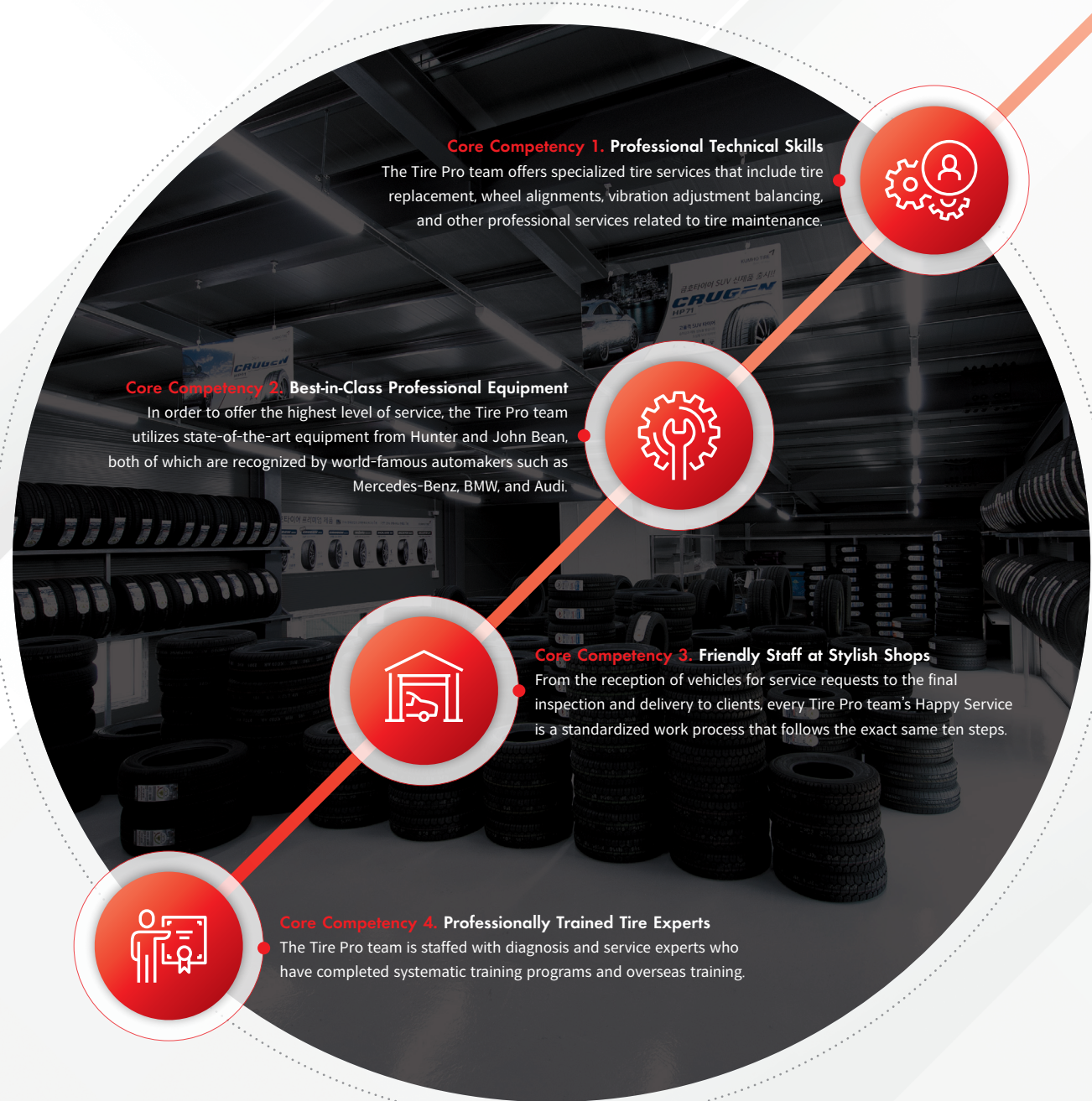


Brand Portfolio - Tire Pro

Tire Pro, Korea's first tire-specialized distribution brand, provides customized consulting and standardized customer service with specialized equipment. Today, it is actively expanding its service ranges through its mobile tire-fitting service and Torororo tire rental service to position itself as a smart mobility platform.

Tire Pro's Core Competencies

As of 2022, Tire Pro was serving customers through its 549 sales outlets nationwide. Well-trained and experienced experts with a professional skillset and top-notch equipment offer customers a differentiated mobility experience that realizes a safer, more comfortable driving experience.



Professional Training to Enhance Service Quality

Tire Pro's high-end customer service originates from the hands of skilled experts. That is why Kumho Tire has always supported professional training programs for Tire Pro franchise owners and staff. The Daejeon Sales Training Center, established in 2013 as the first specialized training center in the industry, provides courses on tire inspection, basic maintenance, and specialized training for imported cars. Equipped with ultra-high-performance tire maintenance equipment, Tire Pro shops instill confidence in every customer who visits.

Tire Pro Competency-Building Programs

Course	No. of Trainees (persons)	
Sales Force 1	Introduction to Tires	13
	KTS On-site Customized Course	15
Sales Force 2	Service & Sales	24
Sales Force 3	Imported Car Expert Course	14
	Business Consulting	58
Special Course	Industry-University Collaboration	7
	On-site Customized Course	1,849
Total		1,980

An HR Development System Specialized in the Mobility Industry

Kumho Tire has signed several industry-university cooperation MOUs with universities that have automotive departments for training specialized personnel and customized recruitment in the tire industry. They support the training of talents through 12 universities nationwide, which also leads to future job opportunities. In addition, we signed an MOU with Woosong Information College for the purpose of training global talents. Under the program, we recruited Vietnamese exchange students through job fairs. Once they complete our intensive training courses, they will start working at Kumho Tire Pro shops across Korea.



Brand Portfolio - Product

Kumho Tire releases various products made for diverse vehicles and needs to ensure a safe and comfortable driving experience in all conditions. Our extensive product lineup ranges from ultra-performance tires whose technologies have been proven in motorsports to eco-friendly tires for sustainable development. This has won us the trust from a more significant number of customers in our products.

1 SOLUS
Premium comfort tires that offer a quieter and more comfortable ride than ordinary tires
Majesty X, TA91(EV), TA51, TA31(EV), TA21, TA11, HA32, HS61

2 ROAD VENTURE
Classic SUV-specialized tires that can run on all terrains both on and off-road
AT52, MT51, MT71

3 ecOWING
Fuel-efficient tires made of new compound materials utilizing highly advanced, eco-friendly technologies
KH27, ES31

4 WATTRUN
EV-specialized tires optimized for energy efficiency and the characteristics of EVs
VA31, VS31

8 WINTERCRAFT
Premium winter tires that offer safe driving on snowy and icy roads
WP72, WP71, WP52, WS71, Wi32, Wi51, WS51, Wi61, WS61

9 SuperMile
Tires optimized for taxis that offer high mileage and durability performance
KR25, TX31(EV)

5 ECSTA
Ultra-high performance sports tires demonstrating stable handling performance during high-speed driving based on formula racing technology
PS91, PS71(EV), V730, HS52, HA81, PS31, PA51

6 CRUGEN
Tires made for premium SUVs offering the best ride and stability & control on paved roads
HP91, HP71(EV), HP51, KL33, HT51

7 PorTran
Tires for light commercial vehicles (LCVs) with excellent durability for any road conditions
KC53, KC55, CX11, CW11

ESG Management

As a responsible global corporate citizen, Kumho Tire has established ESG management strategies and systems across all business areas. We attune our business activities to the UN SDGs, contribute to building a sustainable society, and strive to meet the needs of our diverse stakeholders.

38

Our Tire's ESG Cycle

39

Environmental

40

Social

42

Governance

Our Tire's ESG Cycle

Kumho Tire is creating economic, environmental, and social value throughout the entire lifecycle of our products, from research and development to procurement and all the way to production, sale, and disposal. We are happy to share the value created from our value chain with stakeholders in pursuit of sustainable growth.



MSCI **AA** | CDP **B** | ecovadis **Silver** | 한국ESG기준원 **B+**
 (Environment: B, Social: A, Governance: B)

Environmental

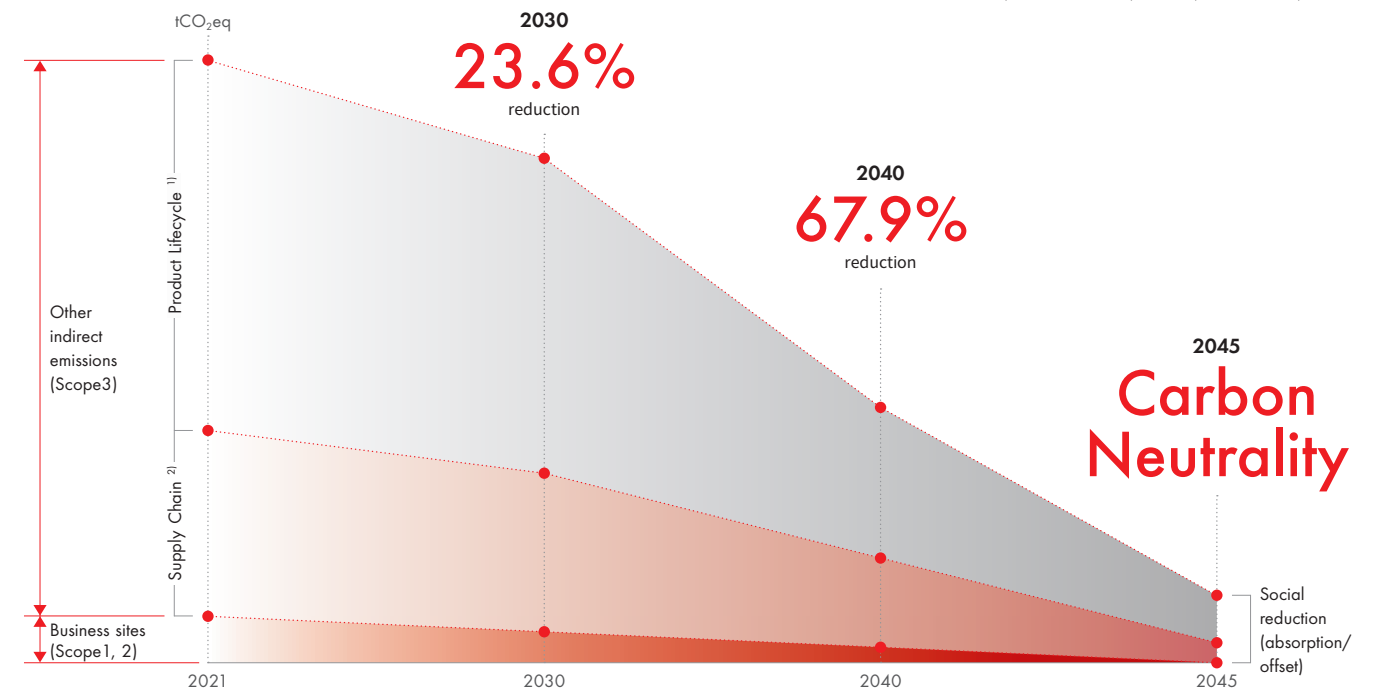
Mitigating Climate Change

By actively participating in the transition to a zero-carbon era, Kumho Tire has clearly declared its goal of achieving carbon neutrality by 2045 based on a consensus from our management team and the fact that we joined the SBTi (Science-Based Targets initiative) in 2022. Carbon neutrality has become imperative not only for compliance with laws and regulations, such as the introduction of the EU carbon border tax and the enforcement of the Korean government's enforcement of the Framework Act on Low Carbon, Green Growth, but also for enhancing competitiveness in our continued partnerships with automobile manufacturers. For a more effective response to the zero-carbon transition, Kumho Tire is establishing a carbon neutrality strategy and the systematic calculation and control of its Scope 3 emissions, as well as its Scope 1 and 2 emissions.

Expanding Our Eco-friendly Tire Product Lineup

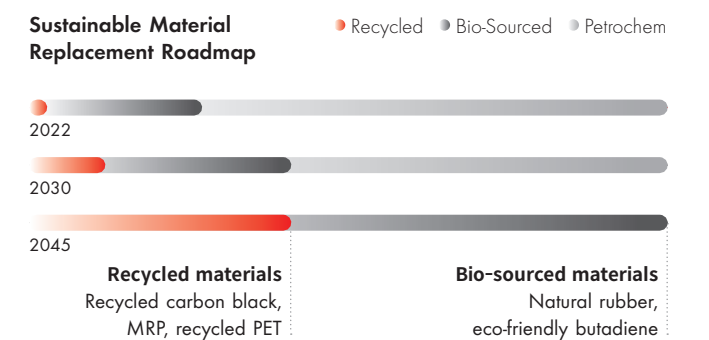
The worldwide transition to carbon neutrality is spurring the global automotive industry to follow suit. Indeed, markets for hydrogen and electric vehicles are outgrowing the internal combustion engine vehicle market, which in turn demands high fuel efficiency conditions from the tire industry. In response, Kumho Tire is upgrading its EV tire design technology through an in-depth analysis of global benchmarks. Our products have successfully improved fuel economy by creating a low-rolling resistance compound and bringing about a tire structure revamp. We are also striving to reduce our environmental footprint through R&D efforts for ultra-high fuel-efficient tires.

2045 Carbon Neutrality Roadmap



Developing Sustainable Materials

In tandem with the rising social demand for the eco-friendly transition of the global automobile industry, Kumho Tire is engaged in several R&D efforts towards sustainable tire materials. Continuously pursuing the R&D of bio-sourced materials, such as sunflower oil and rice husk silica as well as recycled materials like recycled rubber and carbon black, we have begun producing prototypes of eco-friendly-certified synthetic rubber and chemical research materials which had previously been limited in use only inside laboratories up until 2022. Also underway are tire evaluations with experimental plant-based materials that can replace conventional petrochemical materials, including oils and fiber codes, as well as silica. Based on these fundamental studies, we aim to replace 40% of all raw materials with sustainable materials by 2030 and eventually 100% by 2045.



Social

Supply Chain Management

With the implementation of the German Supply Chain Due Diligence Act and the approaching enforcement of the EU Supply Chain Due Diligence Guidelines, Korean companies active in the European market are also obliged to manage human rights and environmental risks throughout their entire supply chain. Kumho Tire runs a K-POS procurement and supplier portal system called the KUMHO TIRE Portal of Supplier Management to realize a sustainable supply chain through active communication and shared growth with its partners. We also aim to strengthen ESG management and support joint growth measures to enhance our global competitiveness along with these same partners.

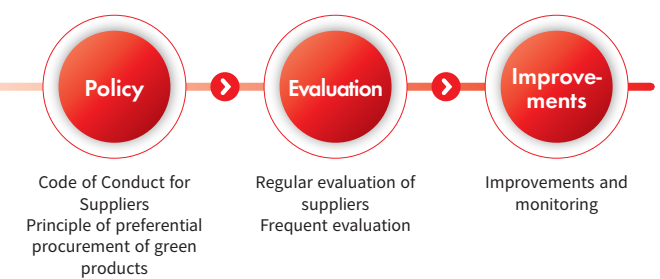
Code of Conduct for Suppliers

As part of its supply chain ESG risk management efforts, Kumho Tire has instituted a code of conduct for suppliers regarding labor and human rights, health and safety, environmental protection, and ethical management. In 2022, we collected written pledges from 98% of our primary vendors as part of our ESG risk management on our supply chain.

Supply Chain Management Activities

KUMHO TIRE Portal of Supplier Management supports suppliers in comprehensively managing a whole series of processes that starts from signing a contract with Kumho Tire and placing/taking orders to invoice settlements. In the future, Kumho Tire aims to strengthen its supplier ESG management and shared growth support measures so that our partners can build a sustainable partnership system and grow together with our suppliers.

Supply Chain Management Process



Written Pledge to Uphold the Code of Conduct for Suppliers (primary vendors)



Health and Safety System

Kumho Tire operates an established health and safety system to timely identify and appropriately address potential risk factors concerning health and safety issues in all work environments. After setting health and safety goals and policies—and then forming and operating a dedicated organization and council—we evaluate all the risk factors at worksites to find and address any area for improvement. In fact, health and safety indicators are incorporated into the key performance indicators at all Kumho Tire business operations, thereby allowing us to track the accomplishment rates against the targets.

Revisions to the Health and Safety Policy

The health and safety of everyone involved in our business activities is the overarching value at Kumho Tire. Accordingly, we have realigned our health and safety guidelines to the related domestic and international laws and regulations, as well as international standards. In addition, our health and safety management policies are based on our commitment to a healthier and happier life for all stakeholders, including our employees, partners, and their employees, which we ensure by creating a safe workplace for everyone.

Broadening the Health and Safety Communication Channels

To fulfill our obligation in maintaining the highest health and safety standards and safe workplaces for everybody, Kumho Tire set up the SHE Planning Team, an organization dedicated to safety management that reports directly to the CEO. The SHE Planning Team oversees company-wide safety issues as the control tower of safety incidents. Separately, we operate an R&D SHE Team under the R&D Division to make sure we keep laboratory environments safe and healthy for all stakeholders. Furthermore, we have an established reporting system in which working staff can report directly to the CEO via regular council meetings, thus facilitating round-the-clock communication of safety issues. Through all these efforts, our ultimate goal is to maintain zero severe industrial accidents at our premises.

Health and Safety Communication Channel



Talent Management

Work-Life Balance

Kumho Tire promotes a happy corporate culture where employees can balance their life and work in a healthy way. Indeed, the company stepped up its allowances for taking annual leaves in 2022 in order to encourage employees to take days off whenever they wanted to so that they could achieve a sustainable and healthy life as well as maintain their efficient engagement with work. Additionally, we have in place various systems to facilitate employees in their taking of leaves without any concerns on their part. For instance, the Refresh Leave allows employees to take annual leaves in conjunction with their regular vacation days so that they can extend the length of their vacation; Leader's Day encourages teammates to voluntarily take on the responsibilities of their supervisors; and Self-Approval Leave does not require a supervisor's approval for an employee to take their annual leave. At our domestic premises, a flexible workhour system has also been adopted, giving employees the chance to freely adjust their commuting and working hours as long as they keep to the same number of overall working hours.

Helping Employees with Competency-Building

Kumho Tire has established a competency-building roadmap that provides customized training courses for each job class and duty to develop the core competencies and human resources for both individual employees and the company as a whole. In 2022, the corporate atmosphere became reinvigorated when we resumed team-based tailored workshops as well as new employee training and

mentoring programs, all of which had been suspended during the pandemic. Moreover, to promote a more considerate and inclusive corporate culture, we provided group leaders and interviewers with separate courses on gender equality and other issues concerning diversity, equality, and inclusiveness.

Human Rights Management

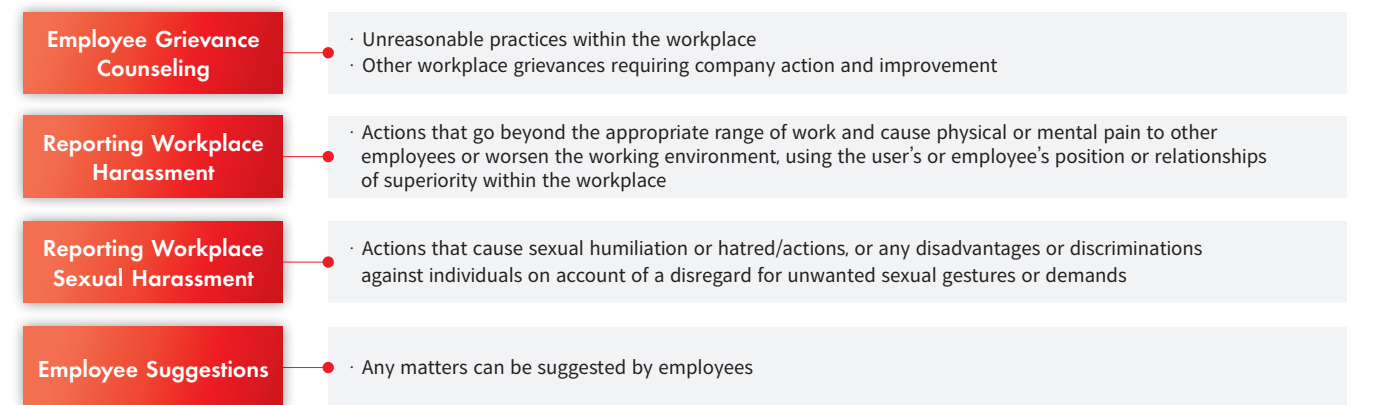
Establishing a Human Rights Policy

In order to protect the human rights of employees at the headquarters and global business premises, as well as all of our stakeholders, Kumho Tire established a human rights policy in 2022 based on the principles of human rights protection and labor standards of international organizations such as the UN and ILO, including the prohibition of child labor, forced labor, discrimination, and freedom of association.

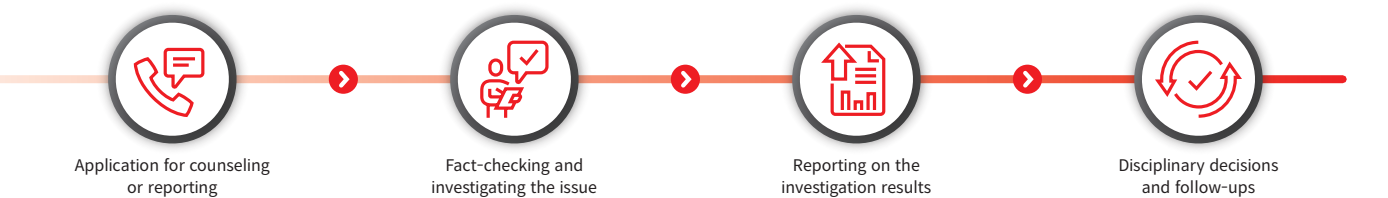
Process of Handling Grievances

Kumho Tire operates a grievance reporting system to promote a workplace where everyone respects each other and comes together to form a sound corporate culture. Employees can report any actions that are considered illegal or unfair under social norms—whether workplace grievances, difficulties, unfair instructions, sexual harassment, or bullying—through groupware or the Cyber Reporting Office on our website. Reported grievances are promptly addressed, and reporters are notified of the results at once. We take every required measure, including anonymity and confidentiality, to protect reporters from any potential disadvantages or discrimination.

Groupware Report Center Grievance Issues



Counseling & Reporting Procedures



Governance

Governance

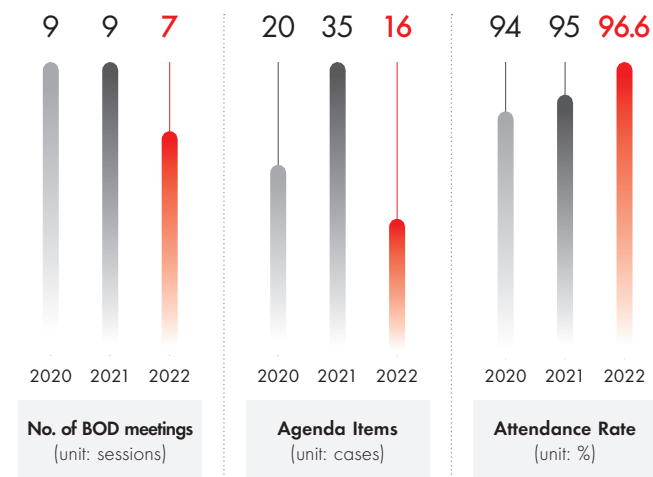
Enhancing Shareholder Rights

Kumho Tire strives to ensure that its corporate decisions are made in line with the interests of all shareholders and investors. General shareholders' meetings are publicized at least 14 days before they are held, providing sufficient information of the date, time, location, and agenda. Recently, we have revamped the IR postings and IR websites to reinforce communication with stakeholders and share corporate information in the quickest way possible.

Board of Directors

Kumho Tire has established a transparent decision-making system by forming a board of directors equipped with diversity and expertise founded on our principle of not discriminating based on gender, ethnicity, race, or nationality. We work tirelessly to maintain transparent governance by taking measures such as executive liability insurance, separating the CEO and the chair of the board, appointing female directors, and enhancing oversight of management by the board of directors. Additionally, subcommittees fall under the board of directors to support and monitor their functions by contributing their expertise, efficiency, and independence to the board of directors' decision-making process.

BOD Operations



Governance Key Facts

- Disclosure of directors' remuneration
- Separation of CEO and the Chair of the BOD
- At least one female member on the BOD
- Executive liability insurance

Directors' Remuneration

(as of 2022)

	No. of Directors (persons)	Total (KRW mil.)	Avg. Remuneration per Director (KRW mil.)
All directors and auditors	10	821	82
Registered directors (excluding outside directors and Audit Committee members)	4	573	143
Outside directors (excluding Audit Committee members)	2	100	50
Audit Committee members	4	149	37

BOD Committee Activities



Committee	Jeong Iltaek	Chae Yanggi	Chai YongSeon	Jang Jwinhwa	Kim Jonggil	Choe Hongyeop	Gu Hanseo	Kim Jinyoung	Song Moonsoo
Outside Director Nomination Committee				●	●				
Compensation Evaluation Committee	●			●			●		
Audit Committee					●		●		●
Strategic Steering Committee	●	●	●	●			●		
ESG Management Committee	●							●	●

● Chair ● Member (as of March 14, 2023)

Information Security Control System



Information Security Policy

- Information Security Management Process
- Document information security management process
- Facility information security management process
- Personnel security management process
- Computerized information security management process



Information Security Activities

- Document information security
- Facility information security
- Personnel information security
- Computerized information security



Information Security Diagnosis

- Ensure that facilities, documents, personnel, and information systems comply with information security guidelines
- Look over the results of information security training
- Review the adequacy of information security control activities and processes
- Verify compliance with the Information Security Act
- Check outsourcing manpower, supplier management

Ethical Management

Compliance with Kumho Tire's Code of Ethics

Kumho Tire recognizes that an ethical corporate culture is essential to any sustainable company. In the first half of 2022, we revised our code of ethics by updating it on the latest ethical requirements and issues demanded by the times, including those related to human rights, intellectual property rights, and compliance at overseas premises. We are committed to promoting an ethical corporate culture by educating our employees on the revised code of ethics and having them sign a pledge to perform their daily duties based on this code of ethics.

Compliance Management

At Kumho Tire, ESG management practices are based on compliance with laws and regulations related to its domestic and overseas businesses. We strive to achieve sustainable legal compliance management through internal diagnostic systems, self-inspections of legal compliance control, and support activities for legal compliance. Furthermore, in 2022, we are gradually resuming our in-person education sessions on the Fair Trade Act, which were temporarily suspended during the height of the pandemic, to promote internal and external awareness of fair trade practices.

Information Security System

Information Security Control System

Employees at Kumho Tire are responsible for information security by complying with all relevant information security system processes to do with documentation, facilities, personnel, and computers, while also safely managing the company's information assets to protect its corporate value. All our business premises undergo regular information security diagnosis at least once a year and special diagnosis whenever the necessity arises. The diagnosis findings determine any and all follow-ups, such as improvements or preventive measures, for the continued stable management of the information security system. In particular, as information security control has become more critical to the automotive industry, we are working harder than ever to meet the most stringent requirements by acquiring TISAX certification, which guarantees the information security system safely protects all in-house technology and potential information leakage, as well as ensuring the protection of intellectual property rights and personal information protection management.

Consolidated Financial Statements

- 45 Independent auditor's report
- 49 Consolidated Statements of Financial Position
- 51 Consolidated Statements of Comprehensive Income (Loss)
- 52 Consolidated Statements of Changes in Equity

01

Independent auditor's report

The Shareholders and Board of Directors Kumho Tire Co., Inc.

Opinion

We have audited the accompanying consolidated financial statements of Kumho Tire Co., Inc. and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, 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 ("KIFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Assessment of recognition of deferred tax assets

As described in Note 3 to the consolidated financial statements, the carrying amount of a deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of deferred tax assets to be utilized. The realization of deferred tax assets should be reviewed whether a temporary difference can be used by estimating future taxable income. Assessment of recognition of deferred tax assets is complicated because it requires management's judgment in estimating future taxable income and probability of realization of the retained amount. We identified the assessment of recognition of deferred tax assets as a key audit matter by considering that significant degree of judgment and uncertainty are involved in determining the key assumptions.

The primary procedures we performed to address this key audit matter included the following:

- Utilized tax professionals to review the completeness and accuracy of tax adjustments.
- Evaluated key input variables, such as the sales and operating profit ratio used to determine future taxable income by comparing the most recent business plans approved by management.
- Analyzed the nature of the relevant accounts and retained amounts for assessing whether the timing of realization of the deductible temporary difference to be deducted is estimated properly.
- Compared the forecasted taxable income from prior period and the timing of usage of the deficit carried over from prior period to the actual results in order to assess the accuracy of the Group's estimation.
- Assessed future estimated tax rates based on the business plan approved by management.
- Assessed the realizability of the deferred tax assets of the subsidiaries, which recognized the deferred tax assets.

2. Assessment of impairment for cash generating unit

As described in Note 3 to the consolidated financial statements, the Group reviews cash generating units at the end of reporting period whether there is an indication of impairment and when the indication of impairment is identified, the Group performs an impairment test on cash generating units. The Group identified the assessment of impairment for cash generating units in which any indication of impairment exists as a key audit matter by considering the risk of potential bias in management estimates and uncertainties exist on the key assumptions used in estimating cash generating units' value in use, such as revenue growth rates, discount rates, permanent growth rates.

The primary procedures we performed to address this key audit matter included the following:

- Evaluated the adequacy of CGUs identified by management.
- Evaluated the competence and independence of external experts used by management.
- Assessed whether future cash flows are based on the business plan reported to the management.
- Evaluated the reasonability of key input variables, such as revenue growth, discount rate, and permanent growth rate used to calculate the value in use.
- Utilized experts from the auditor to review the input variables applied to the calculation method of the estimated recoverable amount, business plan, and estimation model used in the external valuation report.
- Compared estimated cash flow forecasts from the previous year and actual cash flow for the current year in order to assess the accuracy of estimates by the management of the Group.
- Performed independent recalculation of the recoverable amount proposed by the Group.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going-concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS 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 KGAAS, 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 Group'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's 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 Jin Yong Kim.

 March 22, 2023

This report is effective as of March 22, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to this report.

02

Consolidated Statements of Financial Position

(In Korean won)

As of December 31, 2022 and 2021	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	173,210,443,269	300,956,520,520
Short-term financial instruments	42,025,952,961	45,701,943,768
Financial assets at FVTPL	2,044,918,650	47,805,514
Trade receivables	638,095,861,937	543,408,128,412
Short-term loans and other receivables	31,508,740,645	18,921,182,149
Inventories	814,675,897,932	588,030,581,304
Other current assets	63,086,172,064	55,676,282,033
Current finance lease receivables	292,175,865	286,201,950
Total current assets	1,764,940,163,323	1,553,028,645,650
Non-current assets held for sale	13,474,286,529	13,866,308,345
Non-current assets:		
Long-term financial instruments	505,273,030	502,494,463
Financial assets at FVTPL	3,446,731,808	1,996,203,671
Long-term loans and other receivables	38,882,545,974	40,760,147,439
Property, plant and equipment	2,531,313,074,119	2,391,911,149,579
Right-of-use assets	76,318,443,495	86,699,567,235
Non-current finance lease receivables	222,975,866	147,046,030
Intangible assets	4,973,953,256	4,609,618,386
Investment properties	6,157,906,998	6,183,143,848
Deferred tax assets	254,029,357,753	241,165,955,744
Other assets	720,691,333	1,335,705,114
Total non-current assets	2,916,570,953,632	2,775,311,031,509
Total assets	4,694,985,403,484	4,342,205,985,504

(In Korean won)		
As of December 31, 2022 and 2021	2022	2021
Liabilities		
Current liabilities:		
Trade payables	281,128,125,975	290,460,240,811
Short-term borrowings	956,816,603,578	483,370,610,553
Current portion of long-term borrowings	533,737,872,070	253,574,502,160
Other payables	390,648,728,563	322,681,652,417
Other current liabilities	84,894,833,482	54,323,305,792
Current lease liabilities	21,102,051,358	19,230,422,458
Current portion of product warranty provision	8,298,911,889	9,270,536,356
Provision for litigation	65,024,770,210	60,914,287,173
Income tax liabilities	1,183,951,596	6,700,786,061
Total current liabilities	2,342,835,848,721	1,500,526,343,781
Non-current liabilities:		
Long-term borrowings	860,809,623,398	1,180,382,545,676
Defined benefit obligation	148,677,930,716	190,383,621,474
Long-term employee benefits	46,422,856,154	46,379,931,770
Non-current lease liabilities	28,842,281,005	38,861,713,642
Product warranty provision	8,529,564,842	8,806,104,599
Other non-current liabilities	497,321,779	414,483,603
Provision for litigation	9,015,473,759	90,009,270,315
Provision for restoration costs	570,109,835	543,842,254
Other payables	4,228,782,000	4,330,260,000
Total non-current liabilities	1,107,593,943,488	1,560,111,773,333
Total liabilities	3,450,429,792,209	3,060,638,117,114
Equity		
Capital stock	1,436,301,435,000	1,436,301,435,000
Capital surplus	224,985,390,523	224,985,390,523
Other components of equity	-19,538,444,447	-19,538,444,447
Accumulated other comprehensive income	98,710,326,639	94,526,326,750
Accumulated deficits	-614,340,857,092	-563,269,233,531
Equity attributable to:		
Owners of the Parent company	1,126,117,850,623	1,173,005,474,295
Non-controlling interest	118,437,760,652	108,562,394,095
Total equity	1,244,555,611,275	1,281,567,868,390
Total liabilities and equity	4,694,985,403,484	4,342,205,985,504

03

Consolidated Statements of Comprehensive Income (Loss)

(In Korean won)		
For the years ended December 31, 2022 and 2021	2022	2021
Sales	3,559,158,461,842	2,601,223,215,947
Cost of sales	-2,954,773,583,032	-2,138,314,118,657
Gross profit	604,384,878,810	462,909,097,290
Selling and administrative expenses	-581,249,208,293	-504,426,937,549
Operating income (loss)	23,135,670,517	-41,517,840,259
Other income	194,650,343,176	129,388,207,856
Other expenses	-169,138,806,508	-85,964,113,468
Finance income	19,105,646,269	15,570,021,209
Finance costs	-151,796,562,424	-92,643,117,279
Loss before income tax	-84,043,708,970	-75,166,841,941
Income tax benefit	6,573,992,846	3,316,169,224
Loss for the year	-77,469,716,124	-71,850,672,717
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	12,554,723,886	89,038,656,399
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit plans	27,902,735,123	-9,950,495,307
Other comprehensive income (loss) for the year, net of tax	40,457,459,009	79,088,161,092
Total comprehensive income (loss) for the year	-37,012,257,115	7,237,488,375
Loss for the year attributable to:		
Owners of the Parent company	-78,974,358,684	-71,147,601,182
Non-controlling interests	1,504,642,560	-703,071,535
	-77,469,716,124	-71,850,672,717
Total comprehensive income (loss) for the year is attributable to:		
Owners of the Parent company	-46,887,623,672	5,410,814,280
Non-controlling interests	9,875,366,557	1,826,674,095
	-37,012,257,115	7,237,488,375
Loss per share attributable to the equity holders of the Parent Company		
Basic loss per share	-275	-248
Diluted loss per share	-275	-248

Consolidated Statements of Changes in Equity

(In Korean won)

As of December 31, 2022 and 2021	Capital stock	Capital surplus	Other components of equity
Balance as of January 1, 2021	1,436,301,435,000	224,985,390,523	-19,538,444,447
Loss for the year	-	-	-
Other comprehensive income (loss):			
Remeasurements of net defined benefit plans	-	-	-
Exchange differences on translation of foreign operations	-	-	-
Total comprehensive income for the year	-	-	-
Paid-in capital increase of the subsidiaries	-	-	-
Balance as of December 31, 2021	1,436,301,435,000	224,985,390,523	-19,538,444,447
Balance as of January 1, 2022	1,436,301,435,000	224,985,390,523	-19,538,444,447
Loss for the year	-	-	-
Other comprehensive income (loss):			
Remeasurements of net defined benefit plans	-	-	-
Exchange differences on translation of foreign operations	-	-	-
Total comprehensive income (loss) for the year	-	-	-
Balance as of December 31, 2022	1,436,301,435,000	224,985,390,523	-19,538,444,447

Accumulated other comprehensive income	Accumulated deficits	Equity attributable to owners of the Parent company	Non-controlling interest	Total
8,017,415,981	-482,171,137,042	1,167,594,660,015	-	1,167,594,660,015
-	-71,147,601,182	-71,147,601,182	-703,071,535	-71,850,672,717
-	-9,950,495,307	-9,950,495,307	-	-9,950,495,307
86,508,910,769	-	86,508,910,769	2,529,745,630	89,038,656,399
86,508,910,769	-81,098,096,489	5,410,814,280	1,826,674,095	7,237,488,375
-	-	-	106,735,720,000	106,735,720,000
94,526,326,750	-563,269,233,531	1,173,005,474,295	108,562,394,095	1,281,567,868,390
94,526,326,750	-563,269,233,531	1,173,005,474,295	108,562,394,095	1,281,567,868,390
-	-78,974,358,684	-78,974,358,684	1,504,642,560	-77,469,716,124
-	27,902,735,123	27,902,735,123	-	27,902,735,123
4,183,999,889	-	4,183,999,889	8,370,723,997	12,554,723,886
4,183,999,889	-51,071,623,561	-46,887,623,672	9,875,366,557	-37,012,257,115
98,710,326,639	-614,340,857,092	1,126,117,850,623	118,437,760,652	1,244,555,611,275

Consolidated Statements of Cash Flows

(In Korean won)

For the years ended December 31, 2022 and 2021	2022	2021
Cash flows from operating activities		
Cash generated from operations		
Loss for the year	-77,469,716,124	-71,850,672,717
Adjustments	368,606,586,571	346,238,913,659
Change in operating assets and liabilities	-369,593,750,563	-128,666,370,344
	-78,456,880,116	145,721,870,598
Interest received	4,503,564,619	1,622,283,872
Interest paid	-91,378,651,526	-59,323,551,145
Income taxes paid	-14,717,027,382	-7,611,027,328
Net cash provided by (used in) operating activities	-180,048,994,405	80,409,575,997
Cash flows from investing activities		
Decrease in financial assets at FVTPL	-	5,623,813,741
Decrease in financial instruments	32,527,792,019	17,362,511,009
Decrease in loans and other receivables	25,475,537,416	27,221,531,429
Proceeds from disposal of property, plant and equipment	27,400,431,400	68,177,763,529
Increase in financial assets at FVTPL	-2,000,000,000	-51,096,214
Increase in financial instruments	-29,190,873,168	-10,460,356,670
Increase in loans and other receivables	-12,899,183,016	-9,789,914,443
Acquisition of property, plant and equipment	-373,200,262,860	-204,511,241,257
Acquisition of intangible assets	-482,595,792	-306,662,226
Net cash used in investing activities	-332,369,154,001	-106,733,651,102

(In Korean won)

	2022	2021
Cash flows from financing activities		
Proceeds from short-term borrowings	2,032,416,586,479	1,104,499,383,650
Proceeds from long-term borrowings	7,662,800,000	60,936,900,400
Capital Injection of the subsidiary	-	105,629,966,000
Repayments of short-term borrowings	-1,510,125,562,644	-992,394,800,757
Repayments of long-term borrowings	-81,800,000,000	-
Repayments of current portion of long-term borrowings	-40,018,093,852	-95,154,427,063
Repayments of lease liabilities	-24,754,391,240	-22,425,091,131
Net cash provided by financing activities	375,718,538,743	161,091,931,099
Net increase (decrease) in cash and cash equivalents	-136,699,609,663	134,767,855,994
Cash and cash equivalents at the beginning of the year	300,956,520,520	155,745,273,082
Effects of exchange rate changes on cash and cash equivalents	8,953,532,412	10,443,391,444
Cash and cash equivalents at the end of the year	173,210,443,269	300,956,520,520

Separate Financial Statements

- 57 Independent auditor's report
- 61 Separate Statements of Financial Position
- 63 Separate Statements of Comprehensive Income (Loss)
- 64 Separate Statements of Changes in Equity
- 66 Separate Statements of Cash Flows

01

Independent auditor's report

The Shareholders and Board of Directors

Kumho Tire Co., Inc.

Opinion

We have audited the separate financial statements of Kumho Tire Co., Inc. (the "Company"), which comprise the separate statement of financial position as of December 31, 2022 and 2021, and the separate statement of comprehensive loss, separate statement of changes in equity and separate statement of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We also have audited, in accordance with Korean Auditing Standards ("KGAAS"), the Company's Internal Control over Financial Reporting ("ICFR") as of December 31, 2022, based on the criteria established in Conceptual Framework for Designing and Operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 22, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements as of and for the year ended December 31, 2022. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Assessment of recognition of deferred tax assets

As described in Note 3 to the separate financial statements, the carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of deferred tax assets to be utilized. The realization of deferred tax assets should be reviewed whether a temporary difference can be used by estimating future taxable income. Assessment of recognition of deferred tax assets is complicated because it requires management's judgment in estimating future taxable income. We identified the assessment of recognition of deferred tax assets as a key audit matter by considering the significant amount of deferred tax assets and significant degree of judgment and uncertainty are involved in assessment of realization of deferred tax assets.

The primary procedures we performed to address this key audit matter included the following:

Evaluated the effectiveness of the design and operation of internal controls.

Used tax professionals to review the completeness and accuracy of tax adjustments.

Evaluated key input variables, such as sales and operating profit ratio used to determine future taxable income by comparing the most recent business plans approved by management.

Analyzed the nature of the relevant account and retained amounts for reviewing whether the timing of realization of the temporary difference to be deducted is estimated properly.

Compared the forecasted taxable income from prior period and the timing of usage of the deficit carried over from prior period to the actual results in order to assess the accuracy of the Company estimation.

Reviewed future estimated tax rates based on the business plan approved by management.

2. Assessment of impairment for investments in subsidiaries

As described in Note 3 to the separate financial statements, the Company reviews investments in subsidiaries at the end of reporting period whether there is an indication of impairment and when an indication of impairment is identified, the Company performs an impairment test on investments in subsidiaries.

As described in Note 10 to the separate financial statements, the Company performed an impairment test on the investments in subsidiaries, which the indication of impairment was identified. As a result, the Company recognized W69,441 million of impairment loss. We identified the assessment of impairment for investments in subsidiaries as a key audit matter by considering the risk of potential bias in management estimates and uncertainties exist on the key assumptions used in estimating value in use of investments in subsidiaries, such as revenue growth rates, discount rates, permanent growth rates.

The primary procedures we performed to address this key audit matter included the following:

Evaluated the effectiveness of the design and operation of internal controls on impairment for investments in subsidiaries.

Evaluated the competence and independence of external experts used by management.

Assessed whether future cash flows are based on the business plan reported to the management.

Evaluated the reasonability of key input variables, such as revenue growth, discount rate, and permanent growth rate used to calculate the value in use.

Utilized experts from the auditor to review the input variables applied to the calculation method of the estimated recoverable amount, business plan, and estimation model used in the external valuation report.

Compared estimated cash flow forecasts from the previous year and actual cash flow for the current year in order to assess the accuracy of estimates by the management of the Company.

Performed independent recalculation of the recoverable amount proposed by the Company.

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going-concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of the management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year 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 Jin Yong Kim.

 March 22, 2023

This report is effective as of March 22, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the independent auditor's report date to the time of this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

02

Separate Statements of Financial Position

(In Korean won)

As of December 31, 2022 and 2021	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	43,487,314,717	157,233,014,745
Short-term financial instruments	4,594,011,976	-
Financial assets at FVTPL	2,014,230,578	-
Trade receivables	824,047,714,638	597,998,211,256
Short-term loans and other receivables	18,902,626,404	13,449,043,957
Inventories	280,069,599,080	181,546,357,357
Current finance lease receivables	292,175,865	286,201,950
Other current assets	26,468,320,549	29,007,232,512
Total current assets	1,199,875,993,807	979,520,061,777
Non-current assets:		
Long-term financial instruments	81,525,900	81,525,900
Financial assets at FVTPL	3,446,731,808	1,996,203,671
Investments in subsidiaries	294,708,621,198	316,995,640,518
Long-term loans and other receivables	63,336,698,158	71,481,455,996
Property, plant and equipment	923,076,233,871	958,344,124,185
Right-of-use assets	10,117,099,308	12,257,831,047
Non-current finance lease receivables	222,975,866	147,046,030
Intangible assets	2,708,914,988	2,559,291,939
Investment properties	6,157,906,998	6,183,143,848
Deferred tax assets	186,241,097,447	193,470,155,195
Other assets	11,336,728,521	10,419,890,979
Total non-current assets	1,501,434,534,063	1,573,936,309,308
Total assets	2,701,310,527,870	2,553,456,371,085

(In Korean won)		
As of December 31, 2022 and 2021	2022	2021
Liabilities		
Current liabilities:		
Trade payables	345,156,653,472	217,492,006,938
Short-term borrowings	647,322,535,428	362,458,190,939
Current portion of long-term borrowings	387,633,608,030	-
Other payables	139,485,198,518	156,262,982,225
Financial guarantee liabilities	25,764,615,146	3,788,560,905
Current portion of product warranty provision	5,308,534,887	5,778,780,989
Provision for litigation	65,024,770,210	60,914,287,173
Other current liabilities	57,038,613,022	48,478,832,985
Current lease liabilities	9,520,130,036	8,275,286,353
Total current liabilities	1,682,254,658,749	863,448,928,507
Non-current liabilities:		
Long-term borrowings	213,462,592,265	669,997,842,361
Defined benefit obligation	148,677,930,716	190,383,621,474
Long-term employee benefits	46,348,684,122	46,312,137,272
Other payables	4,174,350,000	4,330,260,000
Financial guarantee liabilities	44,441,684,175	10,985,302,142
Product warranty provision	6,946,285,131	7,188,867,641
Provision for litigation	9,015,473,759	90,009,270,315
Non-current lease liabilities	1,963,596,156	5,215,001,981
Provision for restoration costs	570,109,835	543,842,254
Total non-current liabilities	475,600,706,159	1,024,966,145,440
Total liabilities	2,157,855,364,908	1,888,415,073,947
Equity		
Capital stock	1,436,301,435,000	1,436,301,435,000
Capital surplus	220,533,408,310	220,533,408,310
Other components of equity	-16,617,857,698	-16,617,857,698
Accumulated deficits	-1,096,761,822,650	-975,175,688,474
Total equity	543,455,162,962	665,041,297,138
Total liabilities and equity	2,701,310,527,870	2,553,456,371,085

03

Separate Statements of Comprehensive Loss

(In Korean won)		
For the years ended December 31, 2022 and 2021	2022	2021
Sales	2,834,274,411,243	2,058,953,575,710
Cost of sales	-2,520,225,196,192	-1,837,838,730,149
Gross profit	314,049,215,051	221,114,845,561
Selling and administrative expenses	-309,601,712,910	-284,484,420,459
Operating income (loss)	4,447,502,141	-63,369,574,898
Other income	164,694,409,508	99,880,382,612
Other expenses	-213,019,518,439	-211,994,096,392
Finance income	16,861,663,215	150,429,941,901
Finance costs	-122,635,951,660	-49,377,851,720
Loss before income tax	-149,651,895,235	-74,431,198,497
Income tax benefit	163,025,936	4,387,763,860
Loss for the year	-149,488,869,299	-70,043,434,637
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit plans	27,902,735,123	-9,950,495,307
Other comprehensive income (loss) for the year, net of tax	-9,950,495,307	27,902,735,123
Total comprehensive income (loss) for the year	-121,586,134,176	-79,993,929,944

Separate Statements of Changes in Equity

(In Korean won)

For the years ended December 31, 2022 and 2021	Capital stock	Capital surplus
Balance as of January 1, 2021	1,436,301,435,000	220,533,408,310
Loss for the year	-	-
Other comprehensive income (loss):		
Remeasurements of net defined benefit plans	-	-
Total comprehensive income for the year	-	-
Balance as of December 31, 2021	1,436,301,435,000	220,533,408,310
Balance as of January 1, 2022	1,436,301,435,000	220,533,408,310
Loss for the year	-	-
Other comprehensive income (loss):		
Remeasurements of net defined benefit plans	-	-
Total comprehensive income (loss) for the year	-	-
Balance as of December 31, 2022	1,436,301,435,000	220,533,408,310

Other components of equity	Accumulated deficits	Total
-16,617,857,698	-895,181,758,530	745,035,227,082
-	-70,043,434,637	-70,043,434,637
-	-9,950,495,307	-9,950,495,307
-	-79,993,929,944	-79,993,929,944
-16,617,857,698	-975,175,688,474	665,041,297,138
-16,617,857,698	-975,175,688,474	665,041,297,138
-	-149,488,869,299	-149,488,869,299
-	27,902,735,123	27,902,735,123
-	-121,586,134,176	-121,586,134,176
-16,617,857,698	-1,096,761,822,650	543,455,162,962

Separate Statements of Cash Flows

(In Korean won)		
For the years ended December 31, 2022 and 2021	2022	2021
Cash flows from operating activities		
Cash generated from operations		
Loss for the year	-149,488,869,299	-70,043,434,637
Adjustments	277,528,025,306	155,960,762,818
Change in operating assets and liabilities	-342,068,009,996	-87,199,322,505
	-214,028,853,989	-1,281,994,324
Interest received	833,621,484	1,966,766,639
Interest paid	-42,929,000,200	-28,704,755,375
Dividend received	2,552,700,000	-
Income taxes paid	-5,605,992,331	-2,887,445,848
Net cash used in operating activities	-259,177,525,036	-30,907,428,908
Cash flows from investing activities		
Decrease in financial assets at FVTPL	-	5,623,813,741
Decrease in financial instruments	13,000,000,000	11,210,083,064
Decrease in loans and other receivables	13,784,865,916	26,250,566,304
Decrease in loans to affiliated companies	10,408,000,000	-
Proceeds from disposal of property, plant and equipment	26,009,195,290	61,707,658,880
Increase in financial assets at FVTPL	-2,000,000,000	-
Increase in financial instruments	-17,594,011,976	-200,000,000
Increase in loans and other receivables	-12,155,263,624	-909,303,939
Acquisition of investments in subsidiaries	-47,154,440,000	-44,228,146,500
Acquisition of property, plant and equipment	-63,746,409,265	-62,608,992,337
Acquisition of intangible assets	-284,170,694	-165,023,010
Net cash used in investing activities	-79,732,234,353	-3,319,343,797

(In Korean won)		
	2022	2021
Cash flows from financing activities		
Proceeds from short-term borrowings	1,736,792,756,575	1,044,725,883,492
Repayments of short-term borrowings	-1,419,075,410,847	-940,672,815,107
Repayments of long-term borrowings	-81,800,000,000	-
Repayments of lease liabilities	-11,205,834,789	-10,719,660,270
Net cash provided by financing activities	224,711,510,939	93,333,408,115
Net increase (decrease) in cash and cash equivalents	-114,198,248,450	59,106,635,410
Cash and cash equivalents at the beginning of the year	157,233,014,745	95,907,992,939
Effects of exchange rate changes on cash and cash equivalents	452,548,422	2,218,386,396
Cash and cash equivalents at the end of the year	43,487,314,717	157,233,014,745

Global Network

Headquartered in Seoul, Kumho Tire's global network is now operating nine overseas sales subsidiaries and 12 branches/offices worldwide. In addition, the company exports more than USD 1.8 billion worth of tires annually to roughly 180 countries around the world. All plants and R&D centers are well connected and organized to develop and manufacture top-tier tire products. Backed by this full and seamless support network, Kumho Tire continues to grow through active marketing campaigns and distribution channel expansion.

9
Overseas sales corporations

13
Overseas branches & offices

SEOUL OFFICE

68, Saemunan-Ro, Jongno-Gu, Seoul, KOREA

PLANTS

- 01 | Gwangju Plant**
658, Eodeung-Daero, Gwangsan-Gu, Gwangju
- 02 | Gokseong Plant**
85-63, Geumho-Gil, Ip-Myeon, Gokseong-Gun, Jellanam-Do
- 03 | Pyeongtaek Plant**
87, Pyeongtaek-Ro 156Beon-Gil, Poseung-Eup, Pyeongtaek-Si, Gyeonggi-Do
- 04 | Nanjing Kumho Tire Co., Ltd.**
8 Chunyu Road Nanjing Pukou Economic Development zone, Nanjing, Jiangsu, CHINA
- 05 | Kumho Tire (Tianjin) Co., Inc.**
No.333 Zhongnan, 2st. Teda, Tianjin, CHINA
- 06 | Kumho Tire (Changchun) Co., Inc.**
No.677 Jintu Road, Changchun, CHINA
- 07 | Kumho Tire (Vietnam) Co., Inc.**
Gen. My Phao3, Industrial Park, Ben Cat Dist., Binh Duong Province, VIETNAM
- 08 | Kumho Tyre Georgia Inc.**
3051 Kumho Parkway, Macon, GA 31216, United States

R&D CENTERS

- 01 | Yongin Central R&D Center**
215-21, Saoun-Ro, Gihung-Gu, Yongin-Si, Gyeonggi-Do
- 02 | Gwangju Performance Center**
658, Eodeung-Daero, Gwangsan-Gu, Gwangju
- 03 | KATC (U.S.A.)**
711 South Cleveland-Massillon Road Akron, Ohio 44333, United States
- 04 | KETC (GERMANY)**
Kumho Tire Europe Technical Center
Starkenbug Strasse 10, 64546, Moerfelden-Walldorf, GERMANY
- 05 | KCTC (CHINA)**
No.49 Xinye 3 Street, The West Zone Of Teda, Tianjin, CHINA

OVERSEAS SALES CORPORATIONS

- 01 | Kumho Tire U.S.A., Inc.**
133 Peachtree Street NE, Suite 2800, Atlanta, GA 30303, United States
TEL 1-800-445-8646 | FAX 1-678-916-3280
- 02 | Kumho Tire EurvvH**
Brüsseler Platz 1, 63067 Offenbach am Main, GERMANY
TEL 49-69|94331811 | FAX 49-69|490-069
- 03 | Kumho Tyre (U.K.) Ltd.**
Suite 6 Hilton House, Corporation Street, Rugby, CV21 2DN, UK
TEL 44 (0)1788 820 200
- 04 | Kumho Tire France S.A.S**
BAT le Ari'Val Paris Nord 29, Rue des Trois Soeurs, BP 42030 Villepinte, 95912 Roissy C.D.G. Cedex, FRANCE
TEL 33-01|4938-0539 | FAX 33-01|4938-0895
- 05 | Kumho Tire Canada, Inc.**
Unit B, 6430 Kennedy Rd. Mississauga, ON L5T 2Z5, CANADA
TEL 1-905|564-0882 | FAX 1-604|241-5591
- 06 | Kumho Tire Japan, Inc.**
Kyobashi Yamamoto Bldg 2F 3-12-7, Kyobashi, Chou-Ku, Tokyo, JAPAN (104-0031)
TEL 81-3|3535-0880 | FAX 81-3|3535-0881
- 07 | Kumho Tyre Australia Pty. Ltd**
Level 2, Unit 214 Versatile, 29-31 Lexington Drive Bella Vista NSW 2153, AUSTRALIA
TEL 61-2|9912-9806 | FAX 61-2|9912-9830
- 08 | Kumho Tire China Co., Inc.**
0-31F, BLK A, No 391 Guiping Rd., New Caohejing International Business Center, Xuhui District, Shanghai, CHINA
TEL 86-21|6139-1100 | FAX 86-21|6139-1416
- 09 | Kumho Tire De Mexico S.A. DE C.V.**
Av.Paseo de la Reforma No.373, 7 Piso Despacho "A", Col. Cuauhtemoc, Deleg. Cuauhtemoc CP 06500, Ciudad de Mexico, MEXICO
TEL 52-55-5251-7617
- 01 | Vienna**
Helmut-Qualtinger Gasse 2/7, 1030, Wien, AUSTRIA
TEL 43 1 796 27 5501 | FAX 43 1 796 27 55-91
- 02 | Moscow**
Office 602A, Entrance 3, World Trade Center, Krasnopresnenskaya nab., 12, 123610 Moscow, RUSSIA
TEL/FAX 7|495-258-1133
- 03 | Northern Europe**
Brüsseler Platz 1, 63067 Offenbach am Main, GERMANY
TEL 49-69|94331811 | FAX 49-69|490-069
- 04 | Milano**
S.S Padana Superiore 2/B 20063
Cernusco Sul Naviglio (MI), ITALY
TEL 39-02|9210-6688 | FAX 39-02|9210-7523
- 05 | Madrid**
P.E.Alvia Edificio 3, Planta 2, Oficina 3 C./Jose Echegaray, 8 28232 Las Rozas, Madrid, SPAIN
TEL 34-916-366-621 | FAX 34-91-640-5373
- 06 | Panama**
P.H. Sortis Business Tower, Oficina 18-D, Cl. 57 este entre Av. Samuel Lewis y Cl. Abel Brava, Obarrio, Ciudad de Panama, Rep. de PANAMA
TEL 507|209-6750|1 | FAX 507|209-6754
- 07 | Sao Paulo**
Rua. Florida, 1738 Conjunto 92, CEP: 04565-001, Bairro: Cidade Moncoes, Sao Paulo, SP, BRAZIL
TEL 55-11|5102-2633/2846 | FAX 55-11|5102-2852
- 08 | Dubai**
Office No 401, Icon Tower, Al Barsha Tecom Dubai, UAE
TEL 971-4|554-7386 | FAX 971-4|299-9525
- 09 | Jeddah**
Jameel Square (Business center), Prince Mohamed Bin Abdulaziz St., Al Andalus, Jeddah 23326
- 10 | Cairo**
Building no. 56, Street No. 15, Maadi 3rd Floor, Flat No. 33 Cairo, EGYPT (Postal Code: 11728)
TEL 20-2|2378-1719 | FAX 20-2|2528-1353
- 11 | Bangkok**
55 Wave Place Building, 9th Floor, Unit 9.08, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, THAILAND
TEL 66-2|253-3911-2 | FAX 66-2|253-3913
- 12 | Istanbul**
42 Maslak, B Kule Rezidans No: 4, 22. Kat No: 12 Ahi Evran Cad. Maslak Sariyer Istanbul, TURKEY
TEL +90-53-3123-5790
- 13 | Ho Chi Minh**
Unit 503-2, 5th Floor, Royal Tower B of Royal Centre Building No. 235 Nguyen Van Cu Blv., Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City, 700000, Vietnam
TEL 84-28-3829-5058