

The graphic features several vertical lines of varying heights and colors (white and red) scattered across the page. The text 'UP AND RUNNING' is centered, with 'UP AND' in a thin white outline font and 'RUNNING' in a large, bold, white sans-serif font.

UP AND  
RUNNING

**KUMHO TIRE**

*All-Ways, Go With you*

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# UP | AND | RUNNING

The COVID-19 pandemic has brought about a paradigm shift in many parts of our lives, and the automobile industry has been no exception. In keeping up with the rapidly changing car industry, Kumho Tire has been focusing on developing next-generation technologies that can lead the market. For instance, we adopted a Tire Digital Twin System which significantly revolutionized our product development process. Additionally, our ESG commitment paid off as we received several accolades and awards both domestically and internationally. While making steady strides forward in numerous areas, we are overcoming the many uncertainties that abound in the business environment to grow into a future-oriented mobility company.

# DIGITAL TRANSFORMATION

Kumho Tire has made another breakthrough to cope with the rapidly changing mobility landscape. The Digital Twin System makes full use of big data and artificial intelligence technologies to determine the optimal compounds necessary for a specific tire's manufacture and to predict its performance in the developmental stages. It is an innovative system that simulates real-world product development in a virtual space, thereby maximizing the efficiency of product development and dramatically shortening the development period.



## Digital Twin System Plan



Step 1.

**Digital tire design**



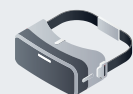
Step 2.

**Big data simulation**



Step 3.

**AI-based design optimization**



Step 4.

**Virtual manufacturing assessment**

# A TECH DISRUPTOR

Kumho's new Fin-Sread tires condense all the technologies required for realizing future mobility, with their airless structure effectively delivering the performance needed for autonomous mobility. This includes both high performance in safety and top-level riding comfort. These tires also offer the perfect mobility experience by collecting and leveraging big data on road conditions and traffic information in real-time through seamless communication with auto-driving mobility elements. In addition, Fin-Sread tires contribute to creating an eco-friendly tire ecosystem, as they allow for the replacement of only worn or damaged treads, not the entire tire body.

## 2021 Global Design Awards List



North America's IDEA 2021  
**Fin-Sread Tires**



Germany's iF Design Awards  
**e-NIMF / e-TOPs**

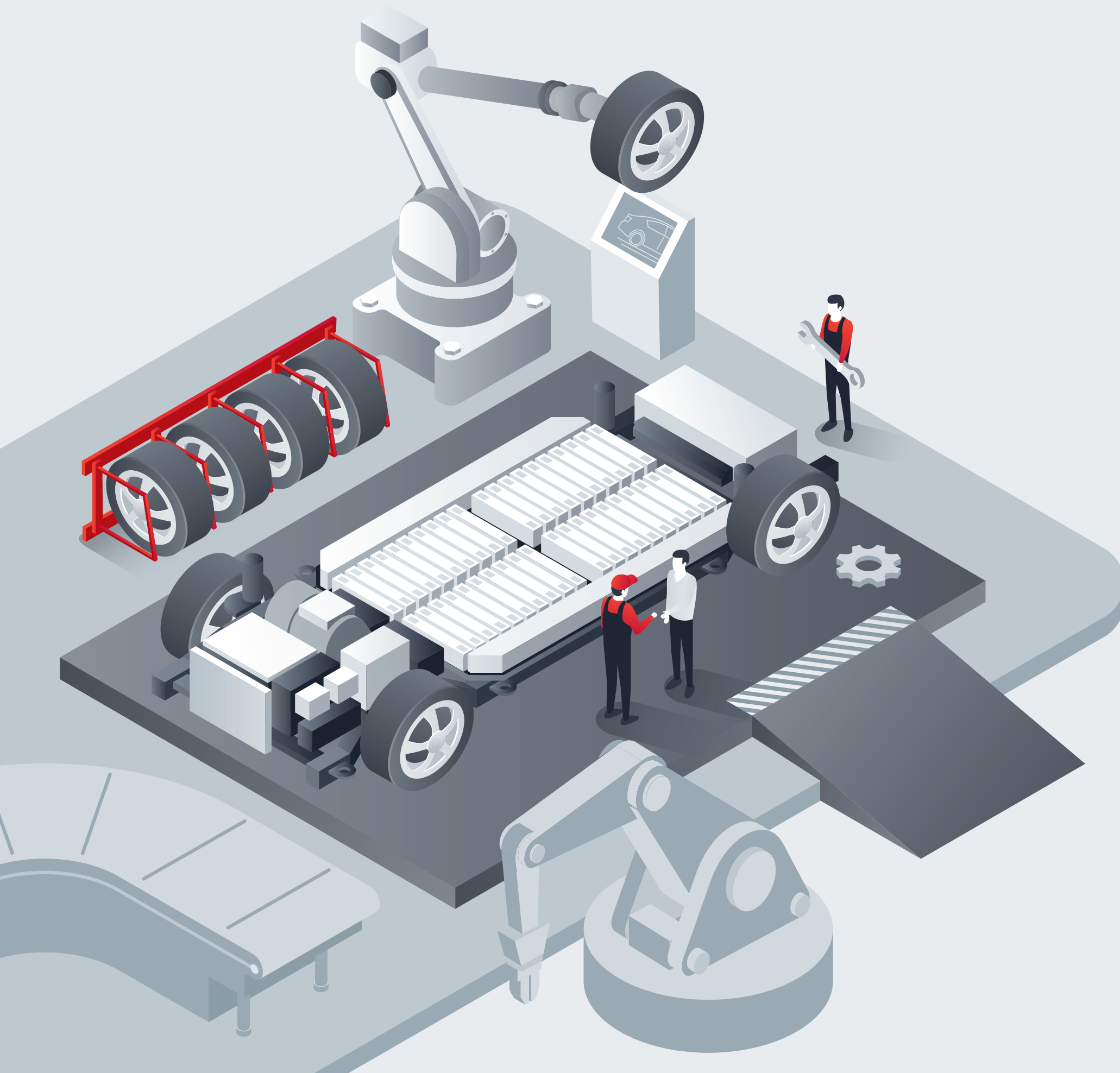


Germany's Red Dot Design Awards  
**ECSTA V730**



Japan's Good Design Award  
**ECSTA HS52**





# AN EMPOWERING PARTNER

Kumho Tire has signed an original equipment supply agreement to equip the Kia EV6 with its Crugen HP71 and the ECSTA PS71. Each of these products has the features required for EV tires, such as low rolling resistance, abrasion resistance, and high drive force. The two tires also feature the K-Silent System, the tire cavity resonance noise reduction technology we developed in-house in 2014. The flagship car of smart mobility, the Kia EV6 has sold more than 10,000 vehicles in Korea alone since its launch in August 2021. The agreement will attest to Kumho Tire's technological prowess in the automobile market of the future.

## 2021 Domestic OE Supply Contract List

Kia EV6  
**ECSTA PS71, HP71**



Renault Samsung XM3  
**ECSTA HS51**

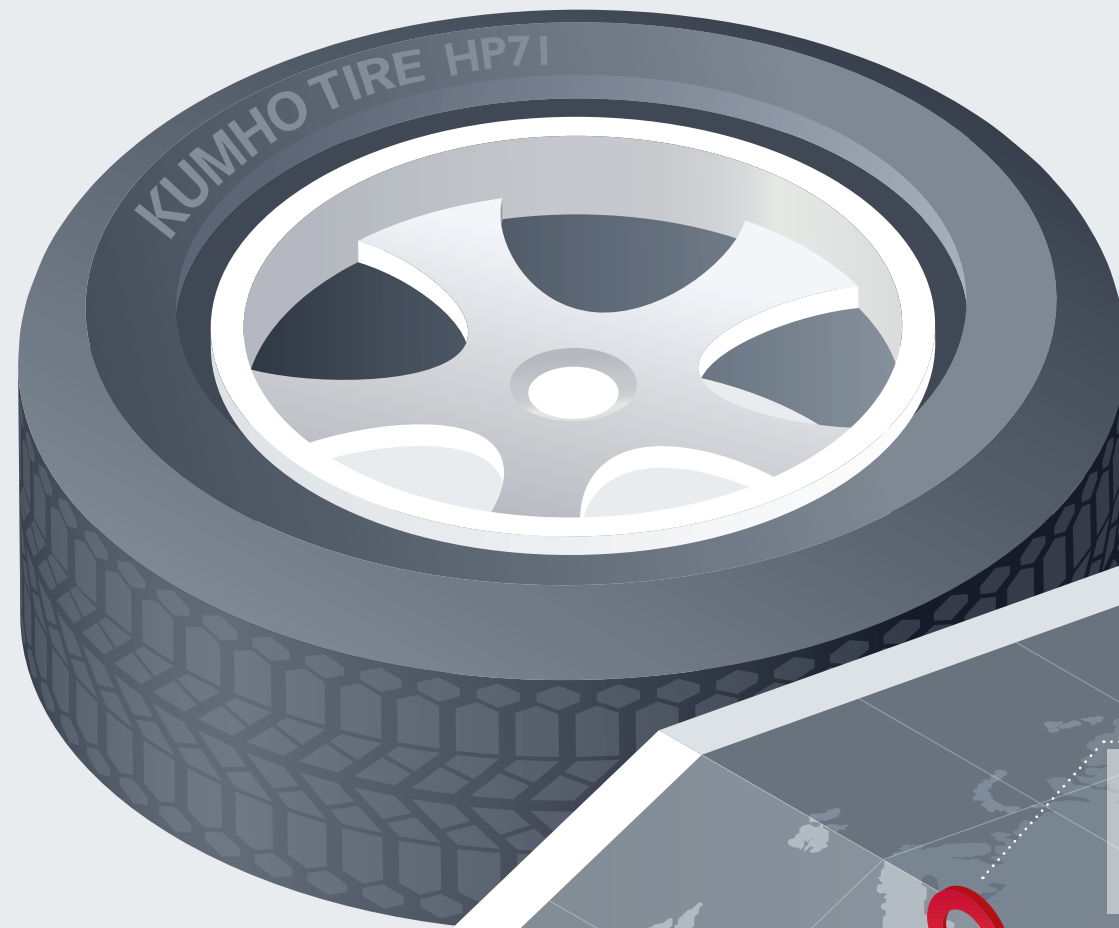


Kia Jiahua  
**CRUGEN KL33**



# A TECH INNOVATOR

We have signed an OE supply agreement for the Crugen HP71 to equip the Nissan Pathfinder, one of the leading models in the U.S. SUV market. The Crugen HP71 is a high-performance SUV tire that enhances smooth, quiet driving performance. At the same time, it features differentiated premium materials and next-generation tire compounds to improve wear and snow performance by more than 20% compared to conventional products. Through this agreement, Kumho Tire expects to be able to gradually expand its market share in the North American tire market while also being recognized for its advanced product technology.



## 2021 Overseas OE Supply Contract Status



Nissan Pathfinder  
**CRUGEN HP71**

# PATH TO SUSTAINABILITY

Kumho Tire has been practicing sustainability management activities with a focus on environmental, social, and governance initiatives to continue growth in the future. In proactive response to more rigid global environmental regulations, we are securing growth drivers by developing wear-resistant and low-carbon tires, eco-friendly raw materials, and tire recyclability technologies. In addition, we prioritize the health and safety of our employees as part of the company's comprehensive response to the COVID-19 pandemic as we strive for sustainable growth down the road. These efforts paid off in 2021 when we saw remarkable performance results in domestic and international ESG assessments from the KCGS and MSCI.



## ESG Assessment Results

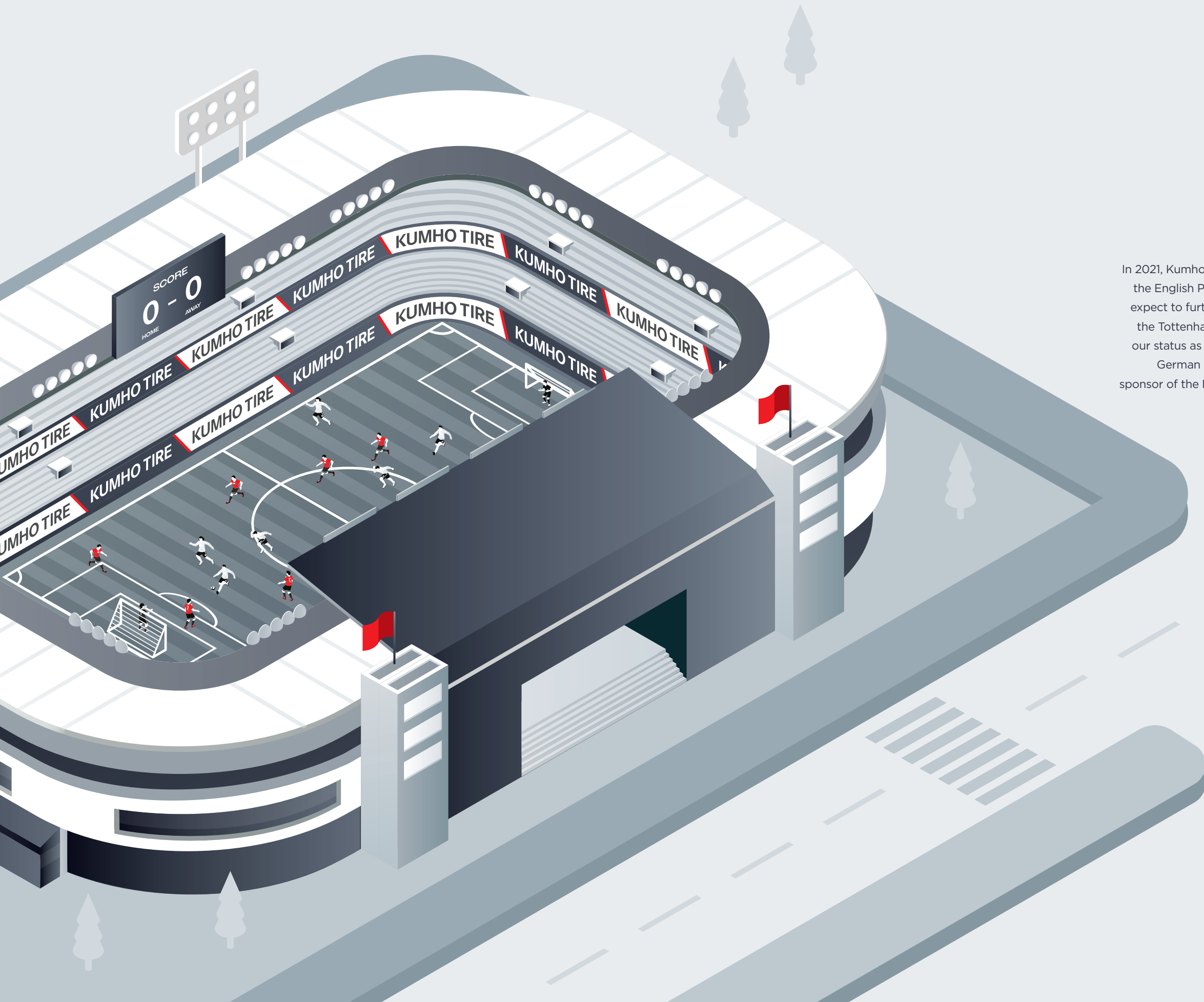
**AA**

MSCI (Morgan Stanley Capital International)  
2022 ESG Assessment

**B+**

Korea Corporate Governance Service (KCGS)  
2021 ESG Assessment

\*Environment: B+, Social: A, Governance: B+



# RISING STARS

In 2021, Kumho Tire signed a third agreement to extend its partnership with Tottenham Hotspur, the English Premier League soccer club where Son Heung-min plays. With this agreement, we expect to further our brand awareness through various programs as well as advertisements on the Tottenham Hotspur Stadium A-boards. What is more is that we have further consolidated our status as a global tire brand by extending our sponsorship agreement with the prestigious German soccer club Bayer 04 Leverkusen as an official tire partner. We are also an official sponsor of the NBA, one of the most popular sports in the United States, and the Kia Tigers, one of Korea's most storied baseball teams.

## Sports Marketing Activities

- Sponsorship Agreements

**Tottenham Hotspur, England**


- Sponsorship Agreements

**Bayer 04 Leverkusen, Germany**


- Sponsorship Agreements

**National Basketball Association (NBA), U.S.**


- Sponsorship Agreements

**Kia Tigers Baseball Team, Korea**





# A SERVICE INNOVATOR

As in 2021, TIRE PRO—Korea's first tire-specialized distribution brand—offers professional consulting services and standardized customer service with specialized equipment through more than 570 sales outlets nationwide. On top of this, we introduced a mobile tire-fitting service and Torororo Tire Rental service, positioning ourselves as a platform for new customer experiences and smart mobility services.



TIRE PRO's Nationwide Network

**570** outlets



Torororo Tire Rental Service Launched

**October 2020**



University-Industry Cooperation Program

**70** graduates from 7 classes as of 2020





# WINNING TACTICS

As of 2022, Kumho Tire is now an official tire supplier and sponsor for the TCR Europe Touring Car Series. Launched in 2015, TCR is the most world-renowned motorsports race series featuring mass-produced touring race cars. Additionally, Kumho Tire is sponsoring TCR Denmark, TCR Spain, and TCR Eastern Europe. The company also operates Korea's top racing team, the ECSTA Racing Team, which is instrumental in marketing activities as well as research and development to improve the performance and durability of Kumho's tires by accumulating driving performance data in extreme conditions.

## Domestic and International Motorsport Sponsorships

CJ Super Race Championship GT Class

**2019 ~ 2021**



TCR Europe Series

**2022**



# CEO MESSAGE

Valued customers and shareholders,

On behalf of my fellow colleagues at Kumho Tire, I'd like to express our sincere gratitude as always for standing by the company over the last year. In 2021, Kumho Tire incessantly tested its potential and limits through a number of meaningful initiatives, setting the stage for a significant rebound that will unveil a better future.

Although our sales volume outperformed the industry's average market growth, external factors like soaring freight rates and raw material costs, as well as tariff issues, chipped away at our profitability. We learned a critical, if bitter, lesson from this—profitability requires rock-solid fundamentals that can withstand macroeconomic headwinds. Indeed, all the competition is still facing a challenging market environment in 2022. Nonetheless, we will leverage our capabilities and competencies to prudently ride out these difficult times and grow into a company that our shareholders and employees can take pride in.

In 2022, the global market landscape is expected to continue to be dominated by shipping costs/capacity issues and rising material expenses. In order to overcome these challenges, we need to reshuffle the organization into a profit-based manufacturing and distribution system. Kumho Tire will undertake efficiency-oriented process innovation to continue to detect and solve problems so that we can return to healthy profit levels in the immediate future.

In the meantime, as ESG management has become the new business norm, Kumho Tire is implementing our own ESG management through such initiatives as addressing climate change, developing an even safer workplace, maintaining a sustainable supply chain, and building a sound corporate governance structure. Finally, labor and management will make a concerted effort to deal with troublesome internal and external risks by mobilizing company-wide resources to secure sustainable competitiveness.

In Chapter 23 of the *Doctrine of the Mean*, a classical Chinese text attributed to the only grandson of Confucius, there is a passage in Chinese that reads “唯天下至誠爲能化.” Essentially, it means that you have to do your utmost with sincerity, even when it comes to trivial matters, if you want to bring about real change. Kumho Tire is faced with challenges and changes in the coming year. We are taking on these challenges with the belief that our sincerity and all-out effort—even with the most banal of things—will eventually take us to where we aim to be. We hope that our shareholders will remain standing with us as we embark on this journey.

I would like to ask for your continued support and encouragement in Kumho Tire, and wish all our customers and shareholders health and happiness in the coming year.

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

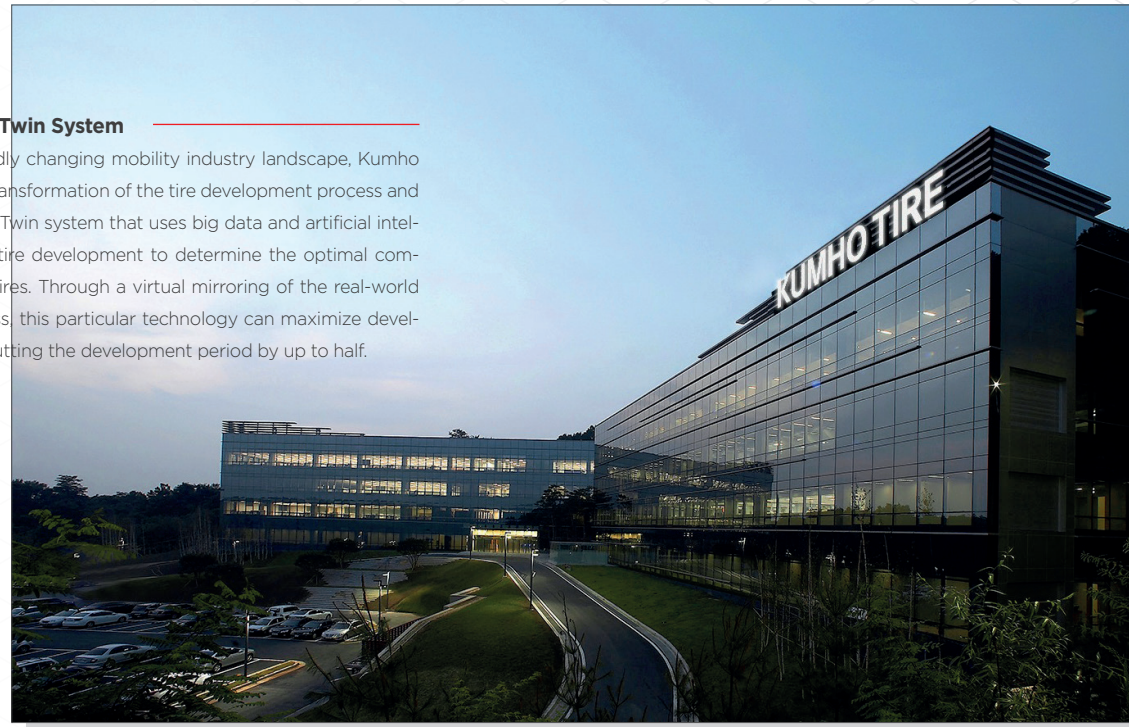



# NEWS HIGHLIGHTS

In the midst of a changing business environment characterized by smart mobility and ESG, Kumho Tire is preparing for a better future through company-wide systematic responses and close cooperation with external partners.

## #01 Introduction of a Digital Twin System

In swift response to the rapidly changing mobility industry landscape, Kumho Tire is carrying out a digital transformation of the tire development process and has established a Tire Digital Twin system that uses big data and artificial intelligence (AI) technologies in tire development to determine the optimal compound and performance of tires. Through a virtual mirroring of the real-world product development process, this particular technology can maximize development efficiency, thereby cutting the development period by up to half.



#01

#02

## Engaged in Various Social Contribution Activities

As a responsible corporate citizen, Kumho Tire is engaged in several social contribution activities, with a focus on educational donations, supporting underprivileged groups, and protecting the environment to fulfill our responsibilities and achieve win-win relations with members of society. This year, we continued our partnership with ChildFund Korea for such projects as the Study Room for Hope and COVID-19 SAFE BOX, as well as supporting Santa Clause parties for marginalized children. In line with our business characteristics, we have also been carrying out an online Child Road Safety Education program. Moreover, our social contribution activities are increasing in 2022 with the launch of a new program called the Climate Crisis Response Education-Green Campaigner.



## Highest Rating Earned at Germany's Auto Bild Test

Kumho's ECSTA HS51 topped the summer tire performance test by *Auto Bild*, a world-renowned automobile magazine in Germany. It beat out the other 52 contenders and secured the test's top rating. The ECSTA HS51 is our bestselling tire in Europe both for its outstanding driving performance and stability on the roads in all conditions. Furthermore, not just the ECSTA PS71 but also the ECSTA HS51 ranked among the top group and proved their advanced technologies in the ADAC *Motorwelt* tire performance test.

#03



## Tottenham Hotspur and Sponsorship Extension

We renewed our long-term sponsorship with Tottenham Hotspur in 2021. This marks our third period as the official tire partner to the English Premier League team since 2016. Tottenham is popular in Korea because of its star Korean player, Son Heung-min, who is also a member of the South Korea national football team. Kumho Tire is poised to make the most of its partnership to increase its brand awareness, including its use of Tottenham Hotspur Stadium's LED advertising.

#04



# FINANCIAL HIGHLIGHTS

In 2021, Kumho Tire saw strong sales performance results both in domestic and international markets, recording sales of KRW 2,601.2 billion. Despite the 20% year-on-year growth in sales, however, this did not lead to improvements in our profitability due to macroeconomic factors such as soaring commodity prices, shipping costs, and tariff issues.

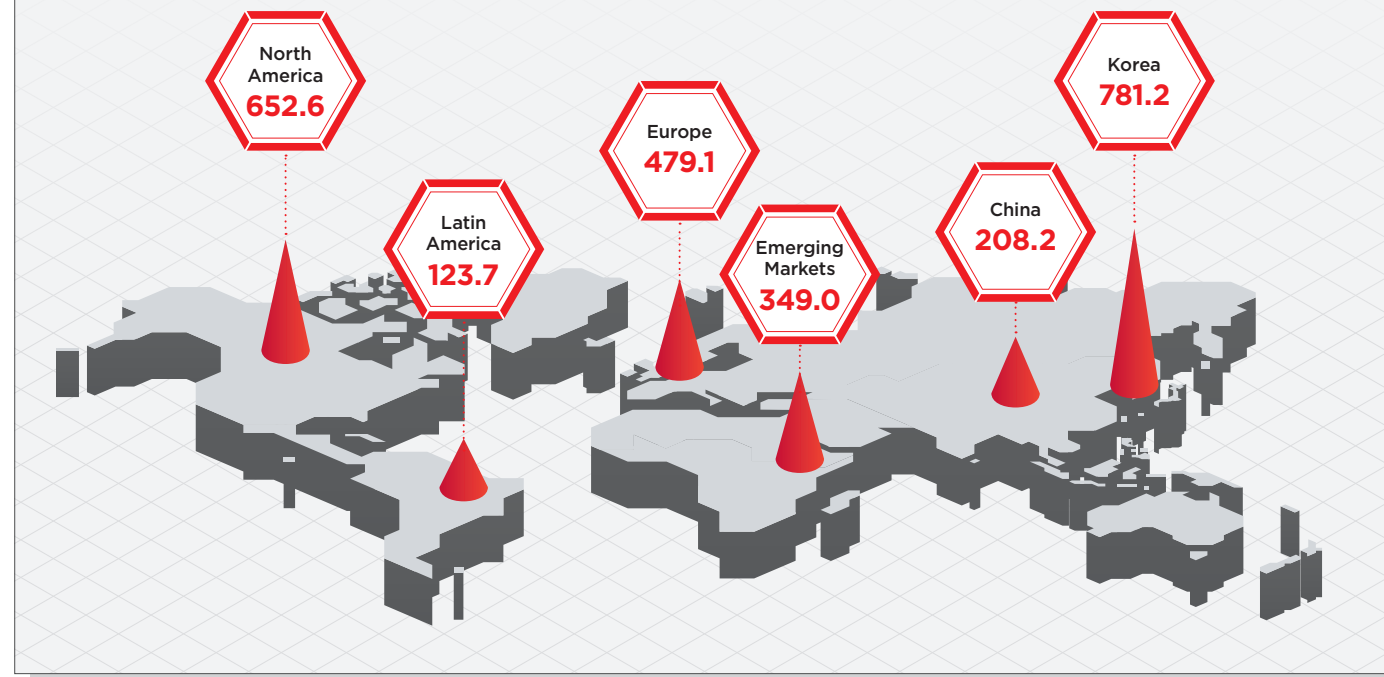
## Key Figures

Unit: KRW billion

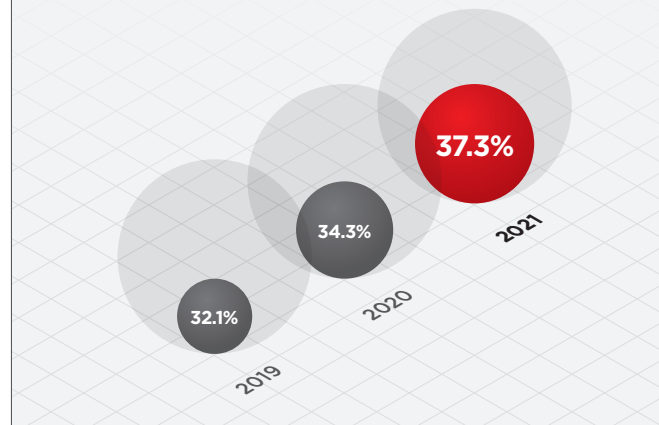
Account	2019	2020	2021
Sales	2,369.2	2,170.7	2,601.2
Operating Profit	57.4	-4.5	-41.5
Operating Margin	2.42%	-0.21%	-1.60%
Net Income	-43.4	-82.9	-71.9
Total Assets	3,929.5	3,846.2	4,342.2
Total Liabilities	2,636.8	2,678.6	3,060.6
Total Capital	1,292.6	1,167.6	1,281.6
Debt Ratio	203.99%	229.41%	238.82%

## Sales Breakdown by Region

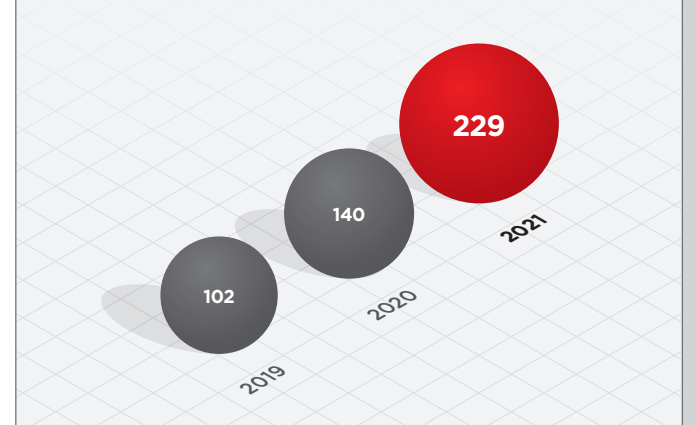
Unit: KRW billion



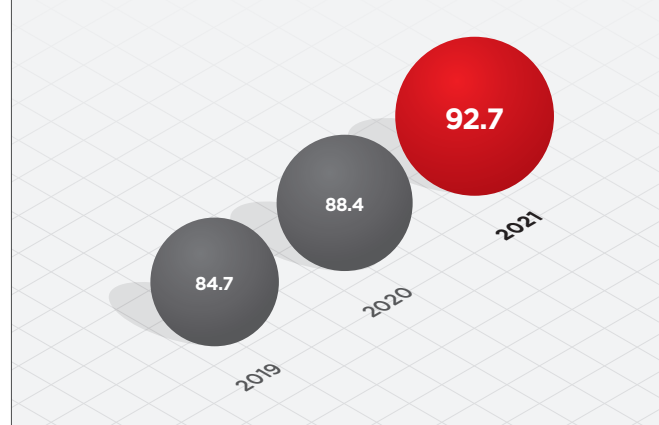
## Large-Diameter Tire Sales (over 18 inches)



## Annual Sales of Eco-Friendly Tires | Unit: 10,000 pieces



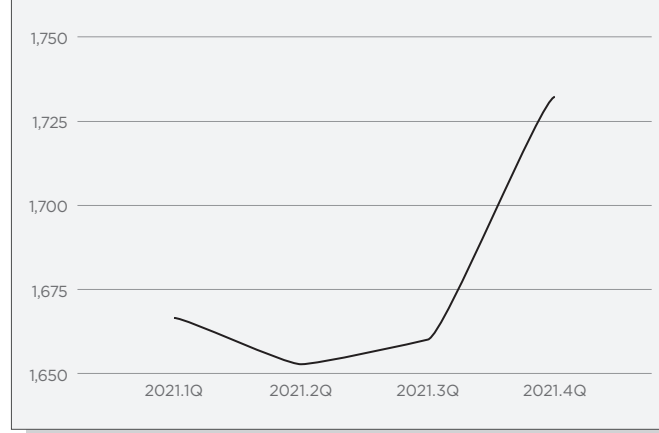
## R&D Expenditure | Unit: KRW billion



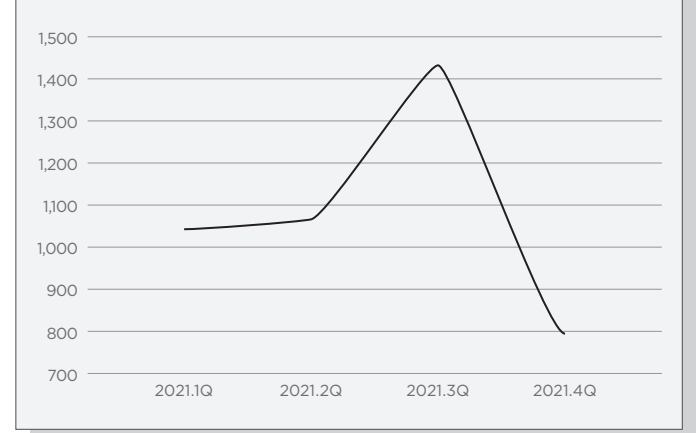
## Global R&D Workforce | Unit: Persons



## Natural Rubber Price Trend | Unit: USD/ton



## Synthetic Rubber Price Trend | Unit: USD/ton



BUSINESS REVIEW

# KOREA

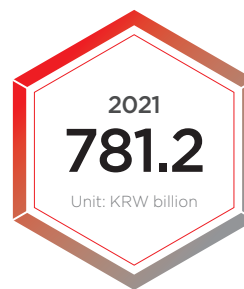
In 2021, Korea's automobile industry rolled out a total of 3,462,000 cars, a slight decrease from the previous year, due to the global shortage of automotive semiconductors and the resurging COVID-19 pandemic. Still, the nation's production ranking remained in fifth place for a second straight year, reaffirming its position as an automotive powerhouse.

Over this same time, surging interest in eco-friendly vehicles and the growing infrastructure of charging stations fed the growth of the electric vehicle (EV) market in Korea, where the number of newly registered EVs more than doubled from the previous year to 100,439 in 2021. This makes Korea the world's seventh nation with an annual EV registration number exceeding 10,000. It is now abundantly clear that the EV market is exploding, regardless of where these vehicles are produced.

OE Partners



Sales of Tires in Korea



Initiation of OE Tire Supply for Kia's EV6

Kumho Tire has signed an OE supply agreement with Kia for its first all-electric EV6 vehicle. We will be equipping this model with our Crugen HP71 and ECSTA PS71 tires, both of which feature our in-house developed sound-absorbing technology called K-silent. In 2022, the Kia EV6 became the first Korean automobile brand to receive Europe's Car of the Year award. The model sold more than 10,000 cars in both Korea and Europe in the first year of its launch.

Going forward, Kumho Tire plans to further expand its sales of EV tires. Although the current focus is on securing a stable OE supply chain, RE demand is also expected to increase as EVs grow more popular in Korea. Accordingly, we plan to further our marketing efforts by creating an exclusive EV tire brand.

Doing Our Utmost to Improve Profitability

In the domestic market, Kumho Tire recorded sales of KRW 781.2 billion in 2021, up by 3.4% year on year. However, soaring shipping costs and skyrocketing commodity prices drew down our profitability. Today, we are strengthening our efforts to improve profitability. This includes increasing the sale price of tires, growing the sales volume of high-yield products, and continuing our cost-cutting efforts.



# CHINA

China, the world's largest automobile market, sold 26.28 million cars in 2021, up 3.8% year on year. It was the first year of growth after three straight years of negative growth going back to 2018. As such, the country's car production volume also rose, up 4.8%, despite a shortage of semiconductor supplies, the protracted COVID-19 pandemic, and the aftermath of climbing commodity prices. During the COVID-19 pandemic, the Chinese market has seen explosive sales growth in EVs, hybrid vehicles, and fuel cell EVs. Coupled with the Chinese government's stimulus packages, the sales of new energy-powered vehicles have more than doubled year on year to 3.5 million vehicles.

Sales of Tires in China

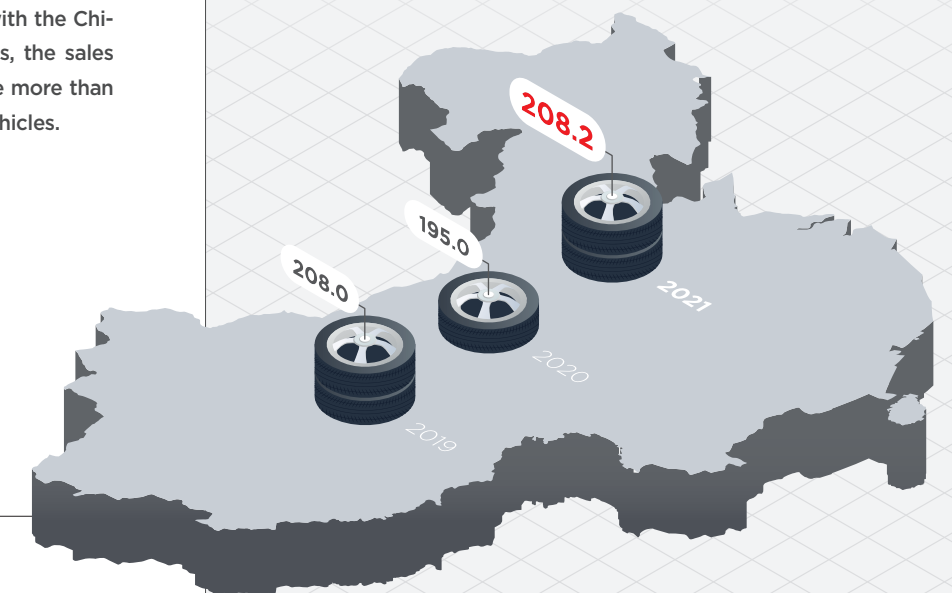


OE Partners



Diversifying Distribution Channels

In the Chinese market, local tire brands are continuing their aggressive underpricing policies to secure domestic market demand. In response, Kumho Tire continued its efforts to expand its distribution network and diversified its sales channels, which included strengthening its e-commerce-only products. As a result, its sales remained similar to that of the previous year, proving its marketing prowess in the highly competitive Chinese market.



A Prize Winner at the China CGD Awards

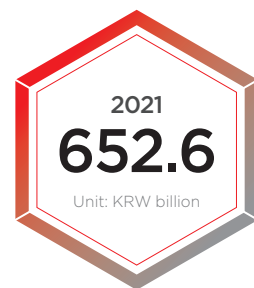
Kumho Tire's SOLUS HS63 and ECSTA PS71 tires, built specifically for Chinese passenger cars, were singled out for prizes at the 2021 China Contemporary Good Design (CGD) Awards. The SOLUS HS63 is a high-performance tire for passenger cars that provides reliable control and braking performance on wet roads, while also featuring low noise, smooth driving, and excellent durability. The ECSTA PS71 is a premium sports tire that specializes in high-speed driving by maximizing the overall ground area for higher braking performance. Its patterns feature an in-out design and hybrid new technology, allowing for handling stability at high speeds, regardless of road conditions.

# NORTH AMERICA

In 2021, the U.S. automobile market went into a recession in the aftermath of the COVID-19 pandemic and a shortage of automotive semiconductors. As the selling price of new cars rose from production disruptions, consumers' purchase power declined, and in November monthly new car sales tumbled to their lowest levels since the outbreak of the pandemic.

While the transition to electric vehicles is slower in the U.S. than in China and Europe, North America's share of EVs for pickup trucks and SUVs remains steady. However, big changes are expected as the Biden administration's green car policies are gaining momentum, and California, which accounts for 11% of all U.S. car sales, set its goal of raising its share of EVs to 61% by 2030.

## Sales of Tires in North America



## OE Partners



### Supply of the Crugen HP71 to the Nissan Pathfinder

Kumho Tire has signed a contract to supply the Crugen HP71 for Nissan's mid- and full-size SUV model, the Pathfinder. With its enhanced smooth and quiet driving performance for stable urban SUV rides, the Crugen HP71 is a high-performance tire dedicated to premium comfort SUVs. Produced since 1985, the Pathfinder is Nissan's flagship model. It has consistently been a steady seller in the U.S., where consumers prefer versatile full-size car models. The direct supply of products from Kumho Tire's local factories in the United States is expected to greatly help expand its share of high-performance tires as well as strengthen profitability.



### High-Performance, Large-Diameter Tires Record Robust Sales

Kumho Tire recorded KRW 652.6 billion in sales for 2021 in the North American market, up 24.4% year on year. Sales of 18-inch and over large-diameter tires remained at 40% of Kumho's sales, and both OE and RE sales increased, leading to a sound sales record.

# EUROPE

The European market is undergoing rapid changes due to the impact of strong environmental regulations that mandate carbon reductions of more than half by 2030 and a ban on the sale of internal combustion engine vehicles starting from 2035. By the end of 2021, the market share of electric vehicles (EV) accounted for more than 20% of all new car sales, outpacing the share of diesel cars, which accounted for 19%, for the first time in history. In addition, sales of LPG-fueled and other alternative-fueled vehicles increased by 47.6% year on year, with diesel vehicle sales dropping by 31.5%. Meanwhile, major European markets, including Germany, Spain, the United Kingdom, and France, have all begun to cut back on automobile production in the aftermath of chip shortages. These mixed trends accelerated and also affected related industries, including the tire industry.

## OE Partners



## Sales of Tires in Europe

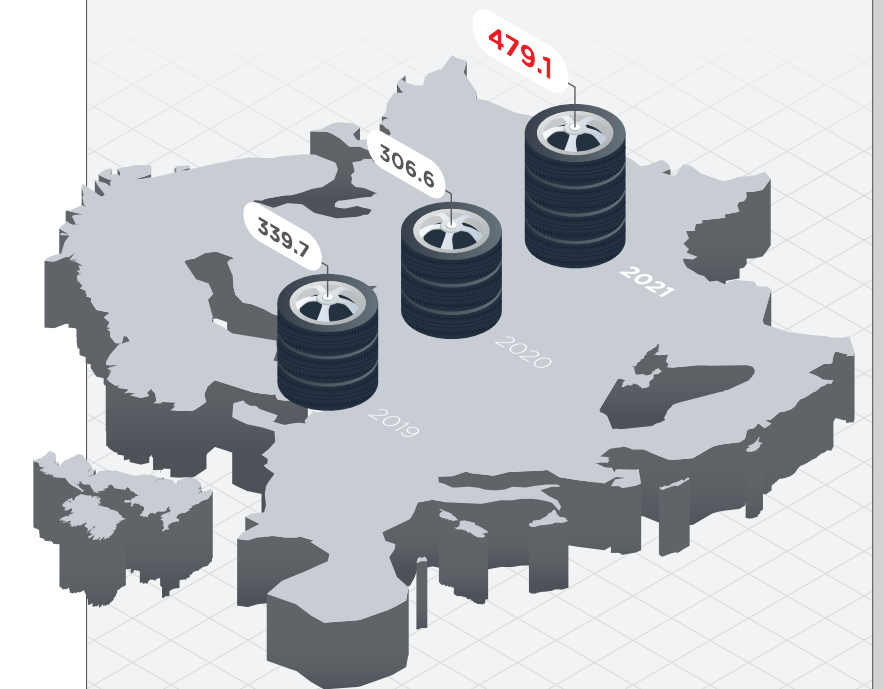


### Significant Sales Growth

In the European market, Kumho Tire generated sales of KRW 479.1 billion, a whopping 56.3% jump from the previous year. This considerable sales growth was made possible because the distribution network gradually stabilized again, recovering from the aftermath of the prolonged COVID-19 pandemic as inventory sales picked up along with price hikes. In addition, increased OE tire orders from major automobile makers have significantly buoyed our sales over the past year.

### Applying Maximum Effort to Improve Profitability

In 2022, we plan to launch a i<sup>3</sup>Sold-Out Campaign<sup>3</sup> in Germany to promote the sale of replacement tires to consumers at large. Furthermore, we will continue to improve profitability by adjusting the sale price of tires.



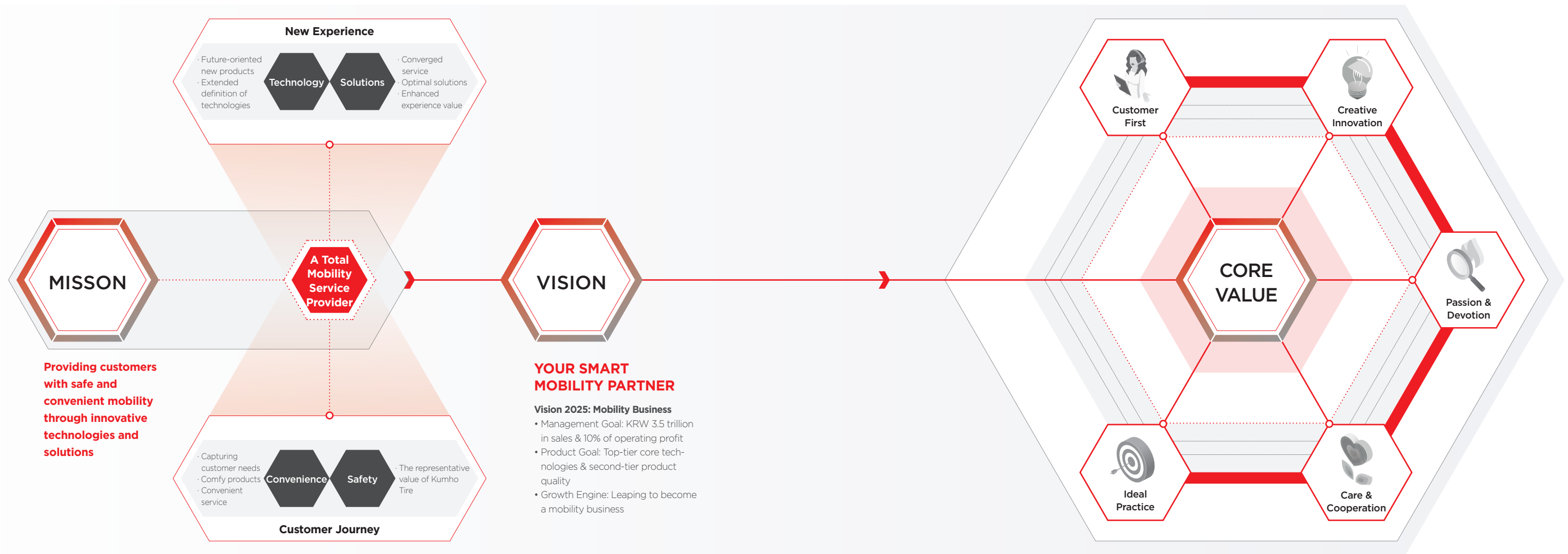
# BUSINESS OVERVIEW

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.





# VISION 2025



## VISION

**YOUR SMART MOBILITY PARTNER**

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

## 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

In a rapidly changing market environment, Kumho Tire has proven its leading technological prowess. We have also signed new OE supply agreements with multinational finished car brands such as Nissan, Kia, and Renault Samsung, all while sweeping a number of global design awards and being recognized for our design capabilities.

## Global OE Partners

Kumho Tire boasts a stellar OE partnership list of global carmakers that includes Hyundai Motor Group (Hyundai/Kia), Volkswagen (Volkswagen, Audi, Skoda), Daimler (Mercedes-Benz), BMW, Renault-Nissan (Renault Samsung, Renault), PSA (Citroen), GM (GM Korea), and SsangYong Motors, among others. In addition, we are expanding our share of high-performance tire markets in the U.S. and Europe, the world's largest premium tire markets, and gaining wide recognition for our advanced technologies.



## Kumho Tires Rolling with Leading Global Car Brands

Kia's first electric vehicle, the EV6, features Kumho sound-absorbing tires that dramatically reduce tire cavity resonance noise. The EV6 is the flagship model of smart mobility due in no small part to its long driving range, excellent performance, and highly appealing design. Today, Kumho Tire is meeting market demand for sustainable mobility, something clearly represented by electric vehicles, with its Crugen HP71 and ECSTA PS51 sound-absorbing models.

Another prestigious OE client of the Crugen HP71 is Nissan's mid- and full-size SUV Pathfinder. The Pathfinder is a vehicle that has a relatively long history of successful sales in global markets, including the United States. Teaming up with this steady-selling SUV is greatly expected to help us increase our share of the high-performance tire market in the U.S.

The ECSTA HS51, which ranked No. 1 in performance tests conducted by the German automotive magazine Auto Bild, is the official tire for Renault Samsung's new Arkana, a compact SUV for the European market. The ECSTA HS51 is a best-selling product that has been continuously improving its performance results through its abundant OE supply experience in Europe.

## New OE Supply Contracts Signed in 2021

- CRUGEN HP71, ECSTA PS71 | Kia EV6
- CRUGEN HP71 | Nissan Pathfinder
- ECSTA HS51 | Renault Samsung Arkana

## Global Design Award Winner

In 2021, Kumho Tire brought home several prestigious design awards from overseas with its advanced technology products featuring outstanding designs and was lauded for its overall product excellence. Indeed, our products have been singled out in all relevant categories, including Concept Tires, Racing Tires, and Premium Tires, by the world's top four design awards committees—the German Red Dot Design Awards, the iF Design Awards, the U.S. IDEA Design Awards, and Japan's Good Design Awards—as well as China's Red Dot Design Awards.



## Winner of Global Design Awards in 2021

- China's Red Dot Design Award winner | Majesty 9 and SOLUS TA93
- Germany's Red Dot Design Awards in the Transportation category | ECSTA V730
- Germany's iF Design Award in the Transportation category | e-TOPs, e-NIMF
- U.S. IDEA Design Awards in the Concept Tire category | Fin-Sread
- Japan's Good Design Award in the Product Design category | ECSTA HS52

## Customer Value Maximizer

In order to provide the highest quality products and solutions, everyone at Kumho Tire puts customer value at the heart of how they think and act. Efforts to bring better products and services to consumers have been significantly valued through various company evaluations.

## Recognition and Accolades in 2021

- Consumer Award for Best Brand - *Forbes Korea*
- Winner of the Durable Tires category (10th consecutive year)
- Korea Management Association Consulting's Korea Customer Satisfaction Index (KCSI), Korean industry survey
- 1st place in the Durable Goods Manufacturing Passenger Car Tires category (17th consecutive year)
- Korea Management Association Consulting's Korean Net Promoter Score (KNPS)
- 1st place in the Durable Goods Manufacturing Passenger Car Tires category (14th consecutive year)



# RESEARCH & DEVELOPMENT

The paradigm shift to future mobility entails technology convergence and competition across a wide range of industries, from the car manufacturing ecosystem—including finished carmakers, auto parts manufacturers, and tiremakers—to other industries, such as semiconductors, software, and telecommunications. Kumho Tire is also staying relevant through its declaration of a digital transformation from the product development phase and is strengthening its brand name as a technology leader.

## Tire digital twin system

In proactive response to changes in technology trends that are in tandem with heightened environmental regulations and increased EV demand, Kumho Tire has completed a 'Tire Digital Twin' environment which uses big data and AI technologies in tire development to maximize tire performance and safety. A digital twin brings about process innovation in the overall product development process, as it virtualizes the product development process of the real world, thereby saving on the cost and time of product development.

The Tire Digital Twin System covers the entire product development process, from tire design planning and performance prediction that is followed by design optimization to virtual evaluations and manufacturing, including simulated test driving. The actual tires are manufactured only after thoroughly comprehensive reviews and evaluations are carried out, significantly enhancing efficiency in the product development and manufacturing processes. Fortunately, the utility of the digital twin system is truly unlimited because client needs are growing more and more diverse, requiring various trials and tests of different designs and evaluations to meet their requirements.

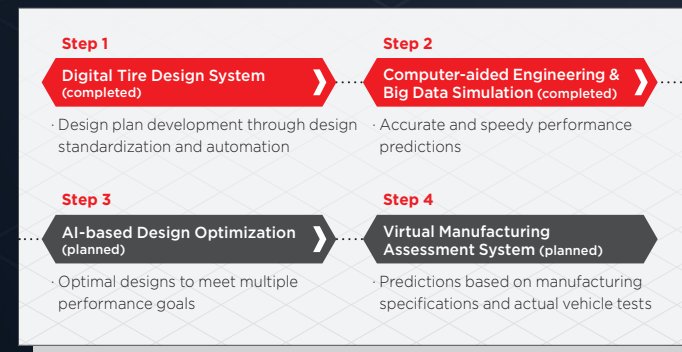
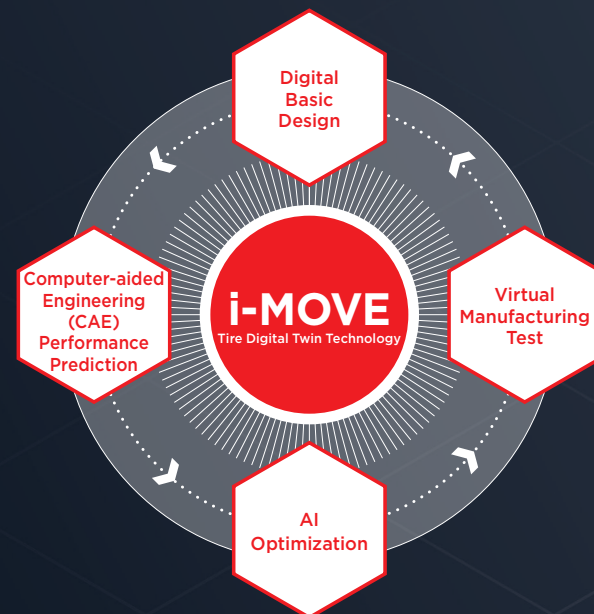
### • Developing a Digital Tire Design System

For the purposes of designing tires, we have digitalized all tire design databases, which now serve as the platform for the process of developing target performance and design goals. This allows us to collect precise design data for use as the underlying data for big data. Several versions of design data are established in order to optimize the CAE and big data performance forecast system. As a result, the integrated design system can upgrade the speed and efficiency in the process of designing improved high-performance tires.

### • Developing a Big Data-based Performance Prediction System

Using big data and AI technologies, we developed a tire compound mass property prediction simulation and tire performance prediction simulation system. The compound prediction system uses AI technology to learn the collected test results of big data and forecasts the performance of new compounds in new specifications. As it cuts down on the number of compound tests, the system is expected to substantially shorten the product development period. In addition, the tire performance prediction system is a model that forecasts performance through machine learning algorithms based on tire design factors and test results, a fact that is expected to markedly reduce development time and test rates.

## Progress and Plans of the Digital Twin System's Setup



## Electric system tire, Fin-sread

The dawn of the full-fledged EV era coincided with the autonomous driving era, shifting the concept of a car away from conventional ideas about automobiles. Self-driving cars of the future will be more like platforms on which we can sit back and relax, rather than driving with our full attention, while on the move. For their part, tires will inch closer to the living space of customers and depart from their traditional function as objects you merely put on automobiles. Customer expectations of tire performance will change accordingly. That is why we have to produce tires that can make your journey a more stable, safe, and comfortable ride.

Auto parts other than tires are gradually becoming electrified and systematized in step with the technology development of autonomous driving, AI, and 5G. As a result, tires also have to embrace innovative technologies to create new value for customer experience innovation.

Our Fin-sread concept tire employs an airless tread structure inspired by the shape of a whale's fin, combining LiDAR sensors, noise-canceling electronics, and network equipment for 5G use to make movement safer, more comfortable, and quieter.

## • Eco-Friendly Tires of the Future

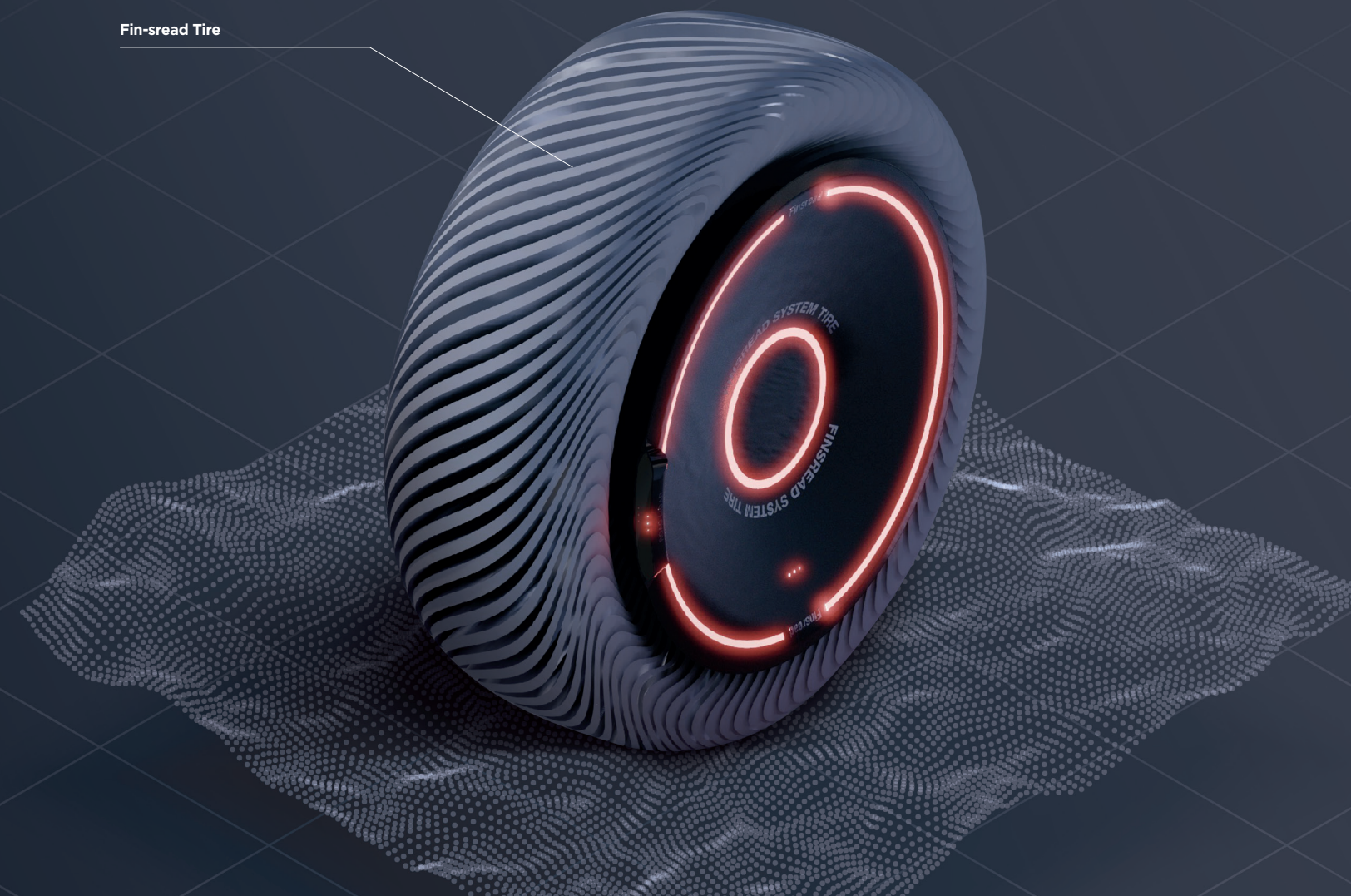
Each sliced airless tread is interlocked to the core in order to complete a single tire. The laminated airless tire has an embossing effect that realizes a smooth outer texture with strong durability on the inside. Small-scale treads can significantly save on the time and space required to steam the rubber in the manufacturing process, which in turn can greatly improve productivity. Most important, a broken tread is replaceable with new pieces of tire tread to make the tire seemingly brand-new without replacing the entire tire body. This will fundamentally solve current issues concerning tire waste, which will then help us build an eco-friendly ecosystem for tires.

## • Smart Mobility Tires

Each separate airless tread is a movable and variable tread. The contact degree of the shoulder and the distance between the pitches are adjusted to the direction and angle of rotation to optimize a tire's stiffness. Variable treads can create synergies with the electronic equipment of automobiles. The tire can also adjust the tread stiffness to the road conditions based on LiDAR sensor readings, further increasing riding comfort.

Even after the sale of Fin-sread tires, we provide regular software updates using over-the-air (OTA) technology to fine-tune the tread control through variable treads and network equipment. Fin-sread tires will evolve in a way that reflects user feedback to provide an optimized tread mode that is also more personalized.

Fin-sread Tire



# BRAND PORTFOLIO

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

TA91 TA71 TA51 TA31 TA21 TA11 HA32 HS61

## 2 ecowing

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

KH27 ES31

## 3 WATTRUN

EV-specialized tires optimized for energy efficiency and the characteristics of EVs

VA31 VS31

## 4 ROAD VENTURE

Classic SUV-specialized tires that can run on all terrains both on and off-road

AT52 MT51 MT71

## 5 ECSTA

Ultra-high performance sports tires demonstrating stable handling performance during high-speed driving based on formula racing technology

PS91 PS71 V730 HS52 HS81 PS31 PA51

## 6 CRUGEN

Tires made for premium SUVs offering the best ride and stability & control on paved roads

HP91 HP71 KL33 HT51

## 7 PorTran

Tires for light commercial vehicles (LCVs) with excellent durability for any road conditions

KC53 KC55 CX11 CW11

## 8 WinterCRAFT

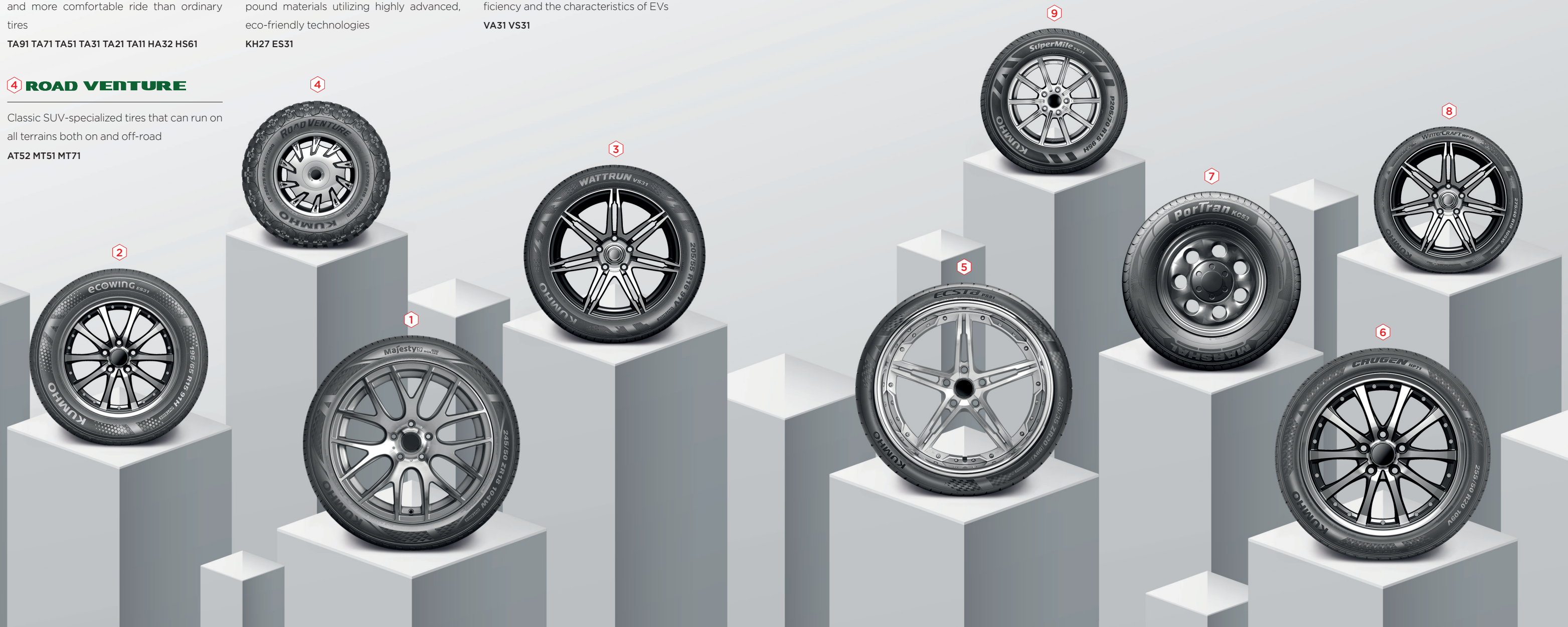
Premium winter tires that offer safe driving on snowy and icy roads

WP72 WP71 WP51 WS71 WI32 WS31 WI51 WS51 WI61 WS61

## 9 SuperMile

Tires optimized for taxis that offer high mileage and durability performance

KR25 TX31





# 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.

# ENVIRONMENTAL

Kumho Tire implements environmental management under what we call our 4-G Strategies: establishing a global environmental management system (Green Management); developing eco-products (Green Products); pursuing high-efficiency green energy (Green Production); and creating a new business green market (Green Business). We aim to grow into a sustainable company by leading the key technologies of the future tire industry and focusing on the development of eco-friendly technologies to alleviate the environmental load on the entire life cycle of our products.

## DEVELOPING ECO-FRIENDLY TIRES



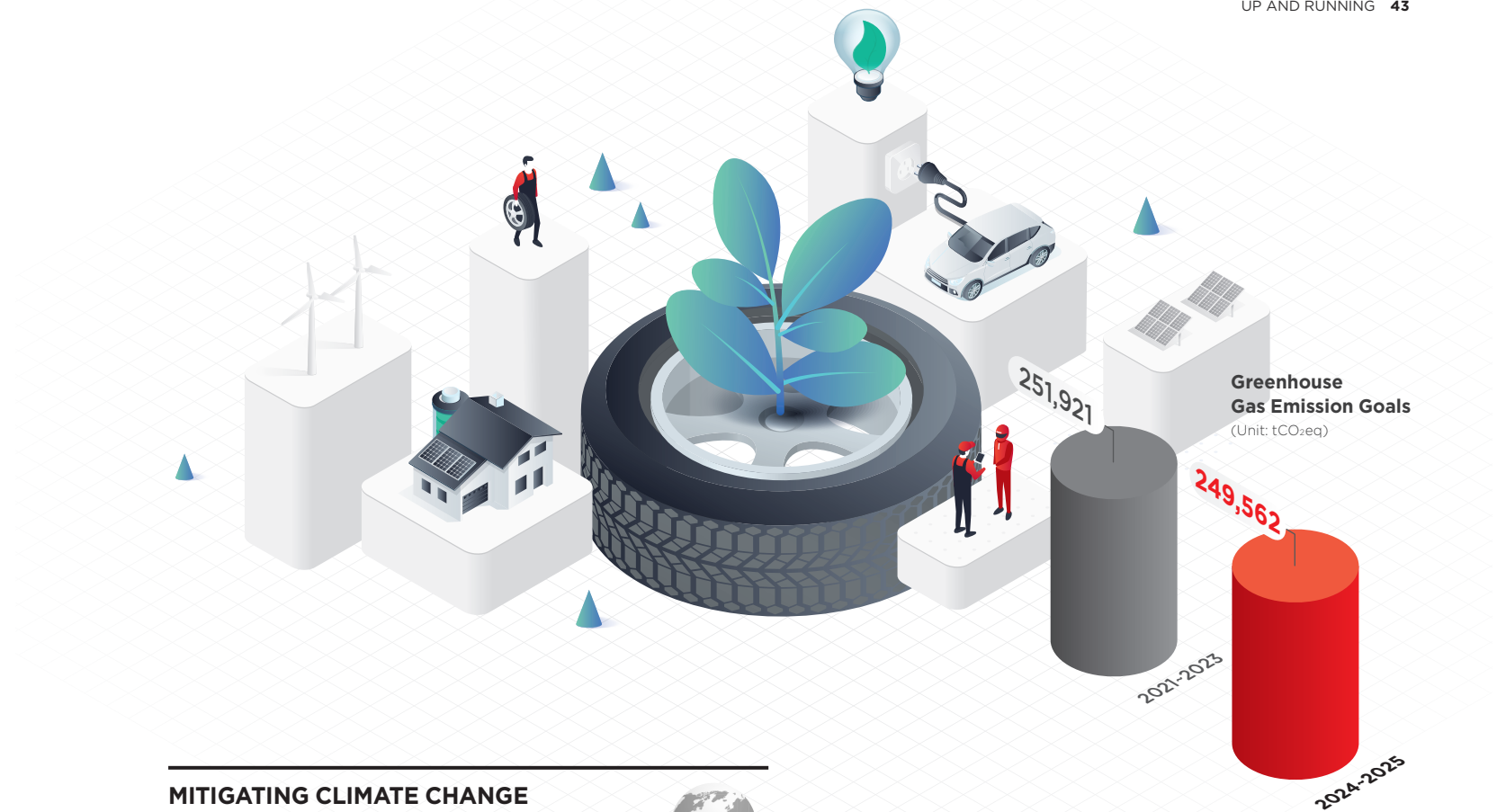
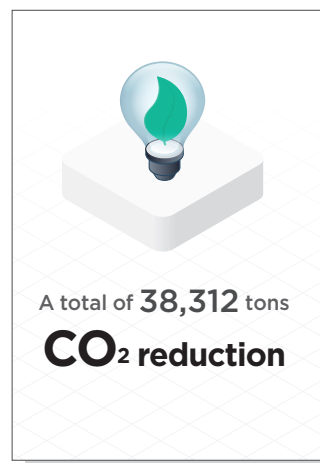
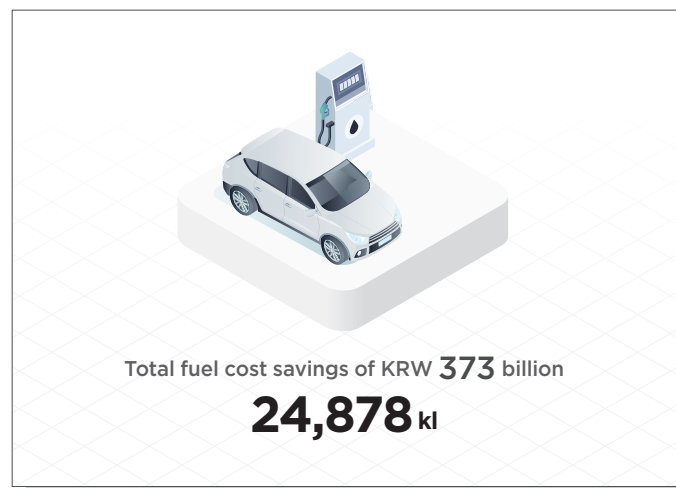
### Developing Eco-friendly Tires

In order to develop more sustainable tire materials, we are working on R&D to develop new tire materials from natural materials such as sunflower oil and rice bran silica, as well as renewable materials like recycled rubber and recycled carbon black. The newly developed raw materials are tested for hazardous risks by Korea's National Chemicals Information System and the Korea Occupational Safety and Health Agency.

### Developing Low-carbon, Fuel-efficient Tires

Automotive fuel economy regulations are tightening around the world. Tires are no different, as they are also under pressure for higher fuel economy as required by WLTP (Worldwide Harmonized Light Vehicles Test Procedure) legislation and revisions to EU-Labeling regulations. Kumho Tire is spurring research and development of low rolling resistance (LRR) in response to tightening fuel economy regulations and leading the next generation of tire technology. By developing products with LRR tire compounds and structures, we have significantly improved our fuel economy performance compared to conventional products. As a result, we have contributed to cutting the overall greenhouse gas (CO<sub>2</sub>) emissions of automobiles. Today, we are preparing to supply OE that is in compliance with the WLTP in Europe and plan to expand our OE business with products of various specifications.

In addition, numerous research projects are under way to develop low-carbon and wear-resistant tires that can reduce fine dust and greenhouse gases (GHG). As part of a government project to improve air quality and reduce GHG emissions, we have developed and applied functional synthetic rubber to make eco-friendly tires that meet the highest fuel economy/braking performance ratings as set out in the most stringent Tire Labeling standards. Moreover, the optimization of the structure designing process has successfully improved the wear-resistant and braking performance of our tires. Indeed, domestic and internationally certified test laboratories found that our new products enhanced fuel efficiency by 4.8% compared to conventional tires, with GHG emissions reduced by 5.9%.



## MITIGATING CLIMATE CHANGE



### Mitigating Climate Change

In dealing with the growing demand for more overt global action to reduce greenhouse gas (GHG) emissions, Kumho Tire established a climate change response system before the turn of this century and incorporated it into our management strategy. From 2015 to 2020, we participated in the 1st and 2nd Korea Emissions Trading Scheme (KETS) and we are now in the 3rd KETS period (2021-2025).

### Greenhouse Gas Reduction

In compliance with the laws and regulations related to carbon credit trading, we carry out detailed activities such as planning, measuring, verifying, and reporting our GHG emissions. To be more specific, we plan and allocate our quota of GHG emissions to each of our business premises. Kumho Tire was the first tiremaker in Korea to register and obtain certification for its GHG reduction performance through facility improvements. Thus, it is no surprise that Kumho Tire is an ardent advocate of the government's low-carbon green growth efforts.

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### Conservation of Terrestrial Ecosystems

Carbon reduction has now become a universal cause that requires global participation in both the public and private sectors. Kumho Tire is one such participant and started planting a carbon-offset forest at the foot of Mount Bukhan and Mount Inwang in Seoul in 2015. By the time the project was completed in 2019, we had planted a total of 19,364 trees in the area. A noteworthy success, the forest is forecast to absorb a total of 1,379 tons of carbon dioxide over the next 30 years.

In 2021, we began expanding our environmental projects to the field of education. One example of this was the Kumho Tire Classroom Forest project we initiated in which we donated potted trees to elementary schools in Seoul. While encouraging students to care for these potted trees and keep a diary of their tree-growing experience, we also provided educational videos on the importance of trees and forests to all life.

In 2022, we joined hands with ChildFund Korea for another green campaign called Climate Crisis Response Education-Green Campaigner. This drive is meant to awaken our future generations to the seriousness of climate change and the importance of carbon reduction. We believe the campaign will encourage young people to remain vigilant to future crises and appropriately respond to them through environmental education.

# SOCIAL

Kumho Tire strives to create a safer workplace and ensure a healthy work-life balance for all our employees. We also evaluate and advise our business partners on their ESG issues to help them with competency-building and risk management for mutual growth. In addition, we engage in a number of social contribution activities, as they constitute an essential part of our business activities.

## STRENGTHENING OUR HEALTH AND SAFETY SYSTEM



Kumho Tire puts the safety of its employees ahead of anything else. We have developed and continue to practice strategies to establish risk prevention measures as part of our corporate culture. While developing countermeasures and mid- to long-term plans to respond to stricter Occupational Safety and Health Act regulations, we have also been planning investments in safety and health management. On top of that, major health and safety issues are reported to the Board of Directors annually to tighten up control measures. At the same time, we are planning a long-term campaign to reduce industrial accidents with the goal of reducing the annual average disaster intensity rate by five percent. In particular, we have prepared thorough plans for responding to the Serious Disaster Punishment Act, which will come into force in 2022. As such, we will continue to track down and close any loopholes in our safety management systems and practices to upgrade our safety controls.

## OPTIMIZING A HEALTHY WORK-LIFE BALANCE



Kumho Tire works relentlessly to help its employees balance their life and work in an effort to create a great workplace. Everybody knows that work efficiency improves when you get ample rest, so we have been supporting employees taking more days off to lead a healthier life at work since 2020. Employees can also take annual paid leaves back to back with their regular yearly vacation and take i\*refresh leaves.13 What is more is that they are free to take days off whenever they want, even on working days between two holidays. Furthermore, the Leaders' Day program is scheduled time off for team leaders, all of whom are mandated to take any one day off of the second week of every month. Employees are also advised to use their remaining annual paid leave days before they become void by taking up to five working days off at the end of every year in the run-up to New Year's Eve.

## SUSTAINABLE SUPPLY CHAIN MANAGEMENT



### Supply Chain Management

The Kumho Tire Portal of Supplier Management System supports our business partners with a total subcontract management service that ranges from contracting and bidding to closing deals and billing. In the future, we will be adding ESG and shared growth initiatives to the portal service to build a sustainable supply chain management system for shared growth.

### Supply Chain Risk Management

As part of our risk management, Kumho Tire conducts annual on-site inspections to enhance the competitiveness of its partners, advising them to take control of potential risk factors. Our periodic inspections check ESG practices on our supply chain under such criteria as business ethics, social contribution, employee management, and environmental management.

### Health and Safety Controls on the Supply Chain

Kumho Tire holds council meetings with subcontractors to ensure the integrity of their health and safety management and runs joint inspections concerning health and safety practices by suppliers. We also support various health and safety control initiatives including health and safety education to subcontractors and project sites and education on risk assessment by the Korea Occupational Safety and Health Agency (KOSHA).

### Use of Sustainable Natural Rubber

Kumho Tire is a member of the Global Platform for Sustainable Natural Rubber (GPSNR), which consists of 39 member companies, including tire and automobile manufacturers, rubber distributors, and civic groups. Its primary aim is to improve the social, economic, and environmental benefits of natural rubber value. An independent council under its umbrella has set the standards for improving natural rubber yields, preventing land clearing and deforestation, protecting biodiversity and water resources, and increasing transparency and traceability in supply chains. Kumho Tire will gradually increase the rate of natural rubber use in our products to become carbon neutral down the road.



## SOCIAL CONTRIBUTION ACTIVITIES



### Promoting Equity for a Healthier and Happier Life

In our partnership with ChildFund Korea, Kumho Tire sponsors two important projects, the Study Room for Hope and the COVID-19 SAFE BOX, both of which aim to help low-income children and teenagers grow healthier and happier. Initiated in 2016, the Study Room for Hope project provides underprivileged students with a space reserved just for them. It is planning to open a 29th Study Room by the end of 2022. Furthermore, we kicked off another special campaign in 2021 to ensure the health-related rights of low-income children against pandemic risks. To this day we continue to deliver specially made COVID-19 personal protective equipment (PPE) kits called SAFE-BOXES to teenagers from low-income families.

Since 2017, Kumho Tire has been throwing Santa Clause parties and granting Christmas wishes to children and teenagers living in local child protection service centers. Our employees participate in the program by hand-wrapping Christmas gifts, filling out cards, and delivering these presents to young people every year, ensuring they are not left out from creating the long-lasting memories of such a special time of year.

### Inclusive Quality Education

Kumho Tire engages in a number of educational donation programs with various partner institutions to help our future generations cultivate the right values, strengthen their character, and grow into healthy adults who are socially adept. From 2016 to 2018, we invited noted lecturers in culture and art to provide special lectures to seventh grade students in Seoul, giving them a unique opportunity to learn about a wide range of careers. From 2018 up until now, we have been offering specially designed education programs at schools of all grades to prevent school bullying in an effort to address this critical social issue in collaboration with specialized institutions and schools.

In addition, the Kumho Child Road Safety Education program went online after the outbreak of the pandemic in 2020. In the second half of 2021, we surveyed about 3,000 students from 15 elementary schools in Seoul. We had them sketch maps of their routes to school and think about what to watch out for on their way to school. We found the sessions very helpful in keeping children mindful of their own safety while going to school every day.

Kumho Tire signed an MOU with the Korea Transportation Safety Authority (KTSA) in the first half of 2021 to support traumatized children of traffic accidents and those suffering from any kind of mental or physical disability in the aftermath. We offer children this help in order to support their career development, educational progression, and employment, with various programs available such as career aptitude tests, career consulting, and subsidies for textbooks. The purpose of all this is to close the educational inequality gap that arises from financial distress in the wake of family tragedies and consequential damage to the mind and body. Additionally, our employees offer their talent to consult the devastated children and young adults, some of whom are preparing for job interviews.

For donation programs that draw on our business acumen and resources, we were awarded a third Best Education Donation Program Award in Korea in 2020 after receiving the same award in 2015 and 2016. As of 2021, a total of 10,000 children and youth have benefited from our educational donation programs. In 2022, we will expand the scope of education donations to include climate change education and seek more industry-related activities for the benefit of a greater number of students.

# GOVERNANCE

Kumho Tire is reinforcing the independence, diversity, and professionalism of its Board of Directors, and establishing and implementing systematic management strategies to enhance stakeholder value. In order to increase the trust in our company even more, we have advanced our ethical management system and established an early crisis response system through a Business Contingency Plan Committee as a prompt crisis response organization.

## GOVERNANCE

### Board of Directors

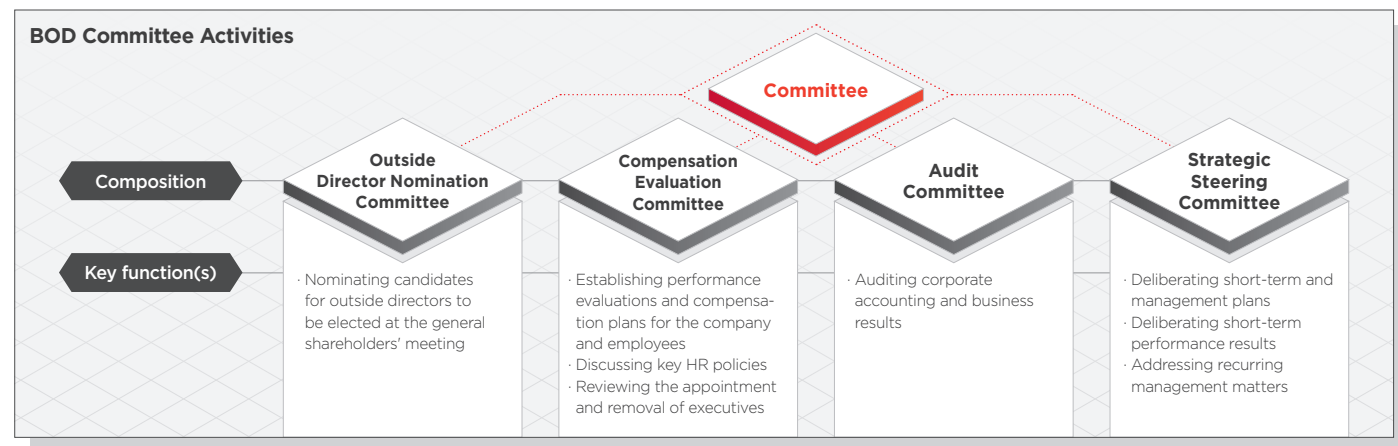
Kumho Tire ensures the independence and professionalism of its Board of Directors to promote the interests of all stakeholders. As of June 2021, the Kumho Tire BOD consisted of two executive directors, two non-standing directors, and five outside directors. The Chairman of the Board of Directors is Chai Yong Sen of Double Star Group, the majority shareholder of Xingwei Korea (the majority shareholder of Kumho Tire).

### Diversity and Professionalism on the Board of Directors

Kumho Tire selects directors on the basis of professionalism and does not discriminate on the basis of gender, ethnicity, race, or national origin. Directors are selected from professionals who have the knowledge and industry experience necessary for the management of the company, including legal, finance and accounting, business administration, and economic know-how. Furthermore, we have appointed a female director to make certain of diversity on the BOD, and we will continue to work to improve our diversity level in the future.

### Fair Appointment of Directors

Executive directors are appointed on the recommendation of the Board of Directors, while outside directors are appointed from candidates recommended by the Outside Director Nomination Committee. From the candidates recommended by the Committee, outside directors are appointed after scrutinizing for any potential disqualification factors, ensuring that there is no conflict of interest. In order to safeguard all fairness in the appointment procedures, every director candidate must be approved by the Board of Directors before being appointed at a General Shareholders' Meeting. All appointment and decision-making procedures are transparently disclosed to optimize efficient and rational decisions, and we are currently working to increase shareholder engagement.



### BOD Committees Composition

● Chair ○ Member (as of June 30, 2021)

Committee	Jeong Iltaek	Chai YongSen	Jang Jwinhwa	Chae Yanggi	Kim Jeongwan	Kim Jonggil	Choe Hongyeop	Lee Yeonghyeon	Gu Hanseo
Outside Director Nomination Committee			○			●	○		
Compensation Evaluation Committee			○		●				
Audit Committee						○	●		○
Strategic Steering Committee	●	○	○						○



## ETHICAL MANAGEMENT



### Ethical Management System

Kumho Tire aspires to be a trusted company that adheres to its principles of fulfilling social responsibilities and keeping its promises. We are upgrading our ethical management system to conform to the updated ethical management strategy. This in turn will strengthen the ethical consciousness of our employees and align all ethical expectations as required by stakeholders, thus incorporating them into our decision-making and implementation processes. Since the second half of 2002, we have developed long-term plans for the practice of ethical management, while also setting up related organizations, education, systems, and programs. In addition, the Ethical Management Committee and the Self-Monitoring Group were established in 2012 to discuss important issues through regular meetings of the Audit Council.

### Implementation of Ethical Management Education

Kumho Tire provides ethical management training every year and has established a code of conduct and core values for employees. In 2021, we implemented ethical management training on the Kumho Code of Ethics and bylaws, case studies on dealing with corruption and irregularities, as well as cyber ethical management courses.

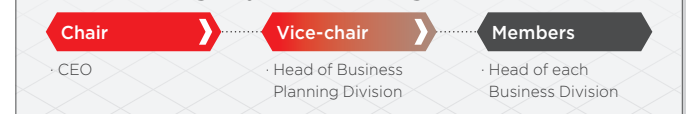
## RISK MANAGEMENT



### Risk Management Organizations

Kumho's Business Contingency Committee makes decisions on the company's responses in the event of accidents and distributes relevant guidelines to the crisis response organization. In the event of a crisis or accident at home or abroad, the Headquarters Accident Response Control Tower controls and manages the information necessary for incident responses and reports to the Business Contingency Committee, the crisis response organization at Kumho Tire's headquarters. It also takes charge of overcoming the crisis together with each crisis response organization under control of the Committee. By establishing a dedicated crisis response organization, we have been able to separate crisis management from the normal business activities of the company, enabling a swift and timely crisis response system.

### Business Contingency Committee Organization



## COMPLIANCE MANAGEMENT



### Compliance Control Self-checks

We perform internal self-checks on our compliance practices against major laws and regulations in Korea. The Compliance Officer carries out the compliance self-check and sees through the corrective measures on incompliances. The Compliance Officer then reports the annual results of the bi-annual self-check results to the Board of Directors and keeps an eye on the progress of corrective measures taken on incompliances.

### Internal Control Monitoring System

As part of our internal control system, we run an internal control monitoring system that covers the internal accounting control system as well as a compliance officer program based on all relevant Korean laws. In order to strengthen risk management, we use the internal control monitoring system to check and manage risk factors associated with the process of payments and daily work duties at the departmental level so as to enhance the risk management capability of all employees.

### Financial Risk Management

Kumho Tire manages financial risks to help create stable and continuous performance results against market risks, credit risks, and liquidity risks. We are also re-tooling the financial structure and enhancing efficiency in the operation of funds to save on our financial expenses and to enhance our cost competitiveness. Financial risk management activities are under the control of the finance team of the controlling company, which closely cooperates with each business division to take a company-wide integrated approach to financial risk management policy-building as well as to discern, assess, and hedge financial risks.

### Tariff Risk Response

The U.S., which represents the world's largest tire market, has announced anti-dumping duties against four countries of origin (Korea, Vietnam, Thailand, Taiwan). Consequently, tiremakers who are heavily dependent on exports to the U.S. market are now exposed to tariff risks. In dealing with this challenge, Kumho Tire has made investments to expand our factories in the United States and Vietnam. In addition, we have set up a new team in charge of trade issues and are working on a tariff risk response system with the help of professional anti-dumping specialists.

\* Anti-dumping duties are a protectionist tariff levied on imported commodities when a domestic government believes they are priced below fair market value.



# CONSOLIDATED FINANCIAL STATEMENTS

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## 01

### Independent Auditor's Report

To the Shareholders and Board of Directors  
Kumho Tire Co., Inc.:

#### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

#### Basis for Opinion

We conducted our audit in accordance with Korean Auditing Standards ("KGAAS"). 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 audit 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, 2021. 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.

## 01

## Independent Auditor's Report

**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 realizable possibly of 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:**

- 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 Group estimation.
- Reviewed future estimated tax rates based on the business plan approved by management.
- Reviewed 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 an indication of impairment is identified, the Group performs 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.

**Other Matter**

The consolidated financial statements of the Group as of and for the year ended December 31, 2020, were audited by Deloitte Anjin LLC, whose report dated March 22, 2021 expressed an unqualified opinion thereon.

**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.

## 01

## Independent Auditor's Report

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, 2022

\* This report is effective as of March 22, 2022, 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, 2021 and 2020

	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	300,956,520,520	155,745,273,082
Short-term financial instruments	45,701,943,768	46,928,282,999
Financial assets at FVTPL	47,805,514	5,743,897,928
Trade receivables	543,408,128,412	457,278,973,093
Short-term loans and other receivables	18,921,182,149	19,969,550,311
Inventories	588,030,581,304	406,544,087,484
Other current assets	55,676,282,033	62,463,536,276
Current finance lease receivables	286,201,950	315,255,878
<b>Total current assets</b>	<b>1,553,028,645,650</b>	<b>1,154,988,857,051</b>
<b>Non-current assets held for sale</b>	<b>13,866,308,345</b>	<b>15,408,642,025</b>
<b>Non-current assets:</b>		
Long-term financial instruments	502,494,463	353,417,124
Financial assets at FVTPL	1,996,203,671	1,955,939,707
Long-term loans and other receivables	40,760,147,439	53,666,575,332
Property, plant and equipment	2,391,911,149,579	2,297,453,287,405
Right-of-use assets	86,699,567,235	92,683,028,131
Non-current finance lease receivables	147,046,030	265,312,034
Intangible assets	4,609,618,386	4,217,670,591
Investment properties	6,183,143,848	6,208,380,698
Deferred tax assets	241,165,955,744	218,221,709,201
Other assets	1,335,705,114	779,114,927
<b>Total non-current assets</b>	<b>2,775,311,031,509</b>	<b>2,675,804,435,150</b>
<b>Total assets</b>	<b>4,342,205,985,504</b>	<b>3,846,201,934,226</b>

## 02

## Consolidated Statements of Financial Position

(In Korean won)

As of December 31, 2021 and 2020	2021	2020
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade payables	290,460,240,811	192,801,325,398
Short-term borrowings	483,370,610,553	366,401,634,012
Current portion of long-term borrowings	253,574,502,160	95,977,608,434
Long-term employee benefits	-	3,147,007,585
Other payables	322,681,652,417	231,336,564,953
Other current liabilities	54,323,305,792	31,578,312,723
Current lease liabilities	19,230,422,458	18,146,177,144
Current portion of product warranty provision	9,270,536,356	10,117,297,522
Provision for litigation	60,914,287,173	-
Income tax liabilities	6,700,786,061	924,694,549
<b>Total current liabilities</b>	<b>1,500,526,343,781</b>	<b>950,430,622,320</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	1,180,382,545,676	1,278,070,143,260
Defined benefit obligation	190,383,621,474	179,049,027,611
Long-term employee benefits	46,379,931,770	59,930,376,644
Non-current lease liabilities	38,861,713,642	46,816,769,776
Product warranty provision	8,806,104,599	9,531,604,084
Other non-current liabilities	414,483,603	233,736,198
Provision for litigation	90,009,270,315	149,244,193,057
Provision for restoration costs	543,842,254	518,784,940
Other payables	4,330,260,000	4,782,016,321
<b>Total non-current liabilities</b>	<b>1,560,111,773,333</b>	<b>1,728,176,651,891</b>
<b>Total liabilities</b>	<b>3,060,638,117,114</b>	<b>2,678,607,274,211</b>
<b>Equity</b>		
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	94,526,326,750	8,017,415,981
Accumulated deficits	-563,269,233,531	-482,171,137,042
<b>Equity attributable to:</b>		
Owners of the Parent company	1,281,567,868,390	1,167,594,660,015
Non-controlling interest	108,562,394,095	-
<b>Total equity</b>	<b>1,281,567,868,390</b>	<b>1,167,594,660,015</b>
<b>Total liabilities and equity</b>	<b>4,342,205,985,504</b>	<b>3,846,201,934,226</b>

## 03

## Consolidated Statements of Comprehensive Income (Loss)

(In Korean won)

For the years ended December 31, 2021 and 2020	2021	2020
<b>Sales</b>	<b>2,601,223,215,947</b>	<b>2,170,677,305,382</b>
<b>Cost of sales</b>	<b>-2,138,314,118,657</b>	<b>-1,698,239,370,613</b>
<b>Gross profit</b>	<b>462,909,097,290</b>	<b>472,437,934,769</b>
Selling and administrative expenses	-504,426,937,549	-476,908,712,414
<b>Operating loss</b>	<b>-41,517,840,259</b>	<b>-4,470,777,645</b>
Other income	129,388,207,856	81,713,940,661
Other expenses	-85,964,113,468	-103,677,109,333
Finance income	15,570,021,209	34,003,253,699
Finance costs	-92,643,117,279	-94,430,373,932
<b>Loss before income tax</b>	<b>-75,166,841,941</b>	<b>-86,861,066,550</b>
Income tax benefit	3,316,169,224	3,921,766,590
<b>Loss for the year</b>	<b>-71,850,672,717</b>	<b>-82,939,299,960</b>
<b>Other comprehensive income (loss)</b>		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	89,038,656,399	-16,582,318,685
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit plans	-9,950,495,307	-19,122,898,001
<b>Other comprehensive income (loss) for the year, net of tax</b>	<b>79,088,161,092</b>	<b>-35,705,216,686</b>
<b>Total comprehensive income (loss) for the year</b>	<b>7,237,488,375</b>	<b>-118,644,516,646</b>
<b>Loss for the year attributable to:</b>		
Owners of the Parent company	-71,147,601,182	-82,939,299,960
Non-controlling interests	-703,071,535	-
	-71,850,672,717	-82,939,299,960
<b>Total comprehensive income (loss) for the year is attributable to:</b>		
Owners of the Parent company	5,410,814,280	-118,644,516,646
Non-controlling interests	1,826,674,095	-
	7,237,488,375	-118,644,516,646
<b>Loss per share attributable to the equity holders of the Parent Company</b>		
Basic loss per share	-248	-289
Diluted loss per share	-248	-289

## 04

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020	Capital stock	Capital surplus	Other components of equity
<b>Balance as of January 1, 2020</b>	<b>1,436,301,435,000</b>	<b>224,985,390,523</b>	<b>-19,538,444,447</b>
Adjustments of accumulated deficits	-	-	-
<b>Balance as of January 1, 2020 (adjusted)</b>	<b>1,436,301,435,000</b>	<b>224,985,390,523</b>	<b>-19,538,444,447</b>
<b>Loss for the year</b>	-	-	-
Other comprehensive income (loss):			
Remeasurements of net defined benefit plans	-	-	-
Exchange differences on translation of foreign operations	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-
<b>Balance as of December 31, 2020</b>	<b>1,436,301,435,000</b>	<b>224,985,390,523</b>	<b>-19,538,444,447</b>
<b>Balance as of January 1, 2021</b>	<b>1,436,301,435,000</b>	<b>224,985,390,523</b>	<b>-19,538,444,447</b>
<b>Loss for the year</b>	-	-	-
Other comprehensive income (loss):			
Remeasurements of net defined benefit plans	-	-	-
Exchange differences on translation of foreign operations	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-
Paid-in capital increase of the subsidiaries	-	-	-
<b>Balance as of December 31, 2021</b>	<b>1,436,301,435,000</b>	<b>224,985,390,523</b>	<b>-19,538,444,447</b>

(In Korean won)

Accumulated other comprehensive income	Accumulated deficits	Equity attributable to owners of the Parent company	Non-controlling interest	Total
<b>24,599,734,666</b>	<b>-373,713,948,569</b>	<b>1,292,634,167,173</b>	-	<b>1,292,634,167,173</b>
-	-6,394,990,512	-6,394,990,512	-	-6,394,990,512
<b>24,599,734,666</b>	<b>-380,108,939,081</b>	<b>1,286,239,176,661</b>	-	<b>1,286,239,176,661</b>
-	<b>-82,939,299,960</b>	<b>-82,939,299,960</b>	-	<b>-82,939,299,960</b>
-	-19,122,898,001	-19,122,898,001	-	-19,122,898,001
-16,582,318,685	-	-16,582,318,685	-	-16,582,318,685
<b>-16,582,318,685</b>	<b>-102,062,197,961</b>	<b>-118,644,516,646</b>	-	<b>-118,644,516,646</b>
<b>8,017,415,981</b>	<b>-482,171,137,042</b>	<b>1,167,594,660,015</b>	-	<b>1,167,594,660,015</b>
<b>8,017,415,981</b>	<b>-482,171,137,042</b>	<b>1,167,594,660,015</b>	-	<b>1,167,594,660,015</b>
-	-71,147,601,182	-71,147,601,182	-703,071,535	-71,850,672,717
-	<b>-9,950,495,307</b>	<b>-9,950,495,307</b>	-	<b>-9,950,495,307</b>
86,508,910,769	-	86,508,910,769	2,529,745,628	89,038,656,397
86,508,910,769	-81,098,096,489	5,410,814,280	1,826,674,094	7,237,488,374
-	-	-	106,735,720,000	106,735,720,000
<b>94,526,326,750</b>	<b>-563,269,233,531</b>	<b>1,173,005,474,295</b>	108,562,394,095	<b>1,281,567,868,390</b>

## 05

## Consolidated Statements of Cash Flows

(In Korean won)

For the years ended December 31, 2021 and 2020	2021	2020
<b>Cash flows from operating activities</b>		
<b>Cash generated from operations</b>		
Loss for the year	-71,850,672,717	-82,939,299,960
Adjustments	346,238,913,659	431,608,278,120
Change in operating assets and liabilities	-128,666,370,344	-55,233,422,345
	145,721,870,598	293,435,555,815
Interest received	1,622,283,872	1,228,050,386
Interest paid	-59,323,551,145	-66,553,278,633
Income taxes paid	-7,611,027,328	-3,851,064,618
<b>Net cash provided by operating activities</b>	<b>80,409,575,997</b>	<b>224,259,262,950</b>
<b>Cash flows from investing activities</b>		
Decrease in financial assets at FVTPL	5,623,813,741	20,130,570,778
Decrease in financial instruments	17,362,511,009	27,886,497,721
Decrease in loans and other receivables	27,221,531,429	2,565,502,900
Proceeds from disposal of property, plant and equipment	68,177,763,529	5,788,136,063
Proceeds from disposal of investment properties	-	7,131,000,000
Decrease in other non-current assets	-	-
Increase in financial assets at FVTPL	-51,096,214	-17,000,000,000
Increase in financial instruments	-10,460,356,670	-27,084,037,639
Increase in loans and other receivables	-9,789,914,443	-5,070,213,776
Acquisition of property, plant and equipment	-204,511,241,257	-90,753,214,381
Acquisition of intangible assets	-306,662,226	-84,000,786
Increase in other non-current assets	-	-
<b>Net cash used in investing activities</b>	<b>-106,733,651,102</b>	<b>-76,489,759,120</b>

(In Korean won)

	2021	2020
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,104,499,383,650	796,115,584,179
Proceeds from long-term borrowings	60,936,900,400	17,921,171,024
Capital Injection of the subsidiary	105,629,966,000	-
Repayments of short-term borrowings	-992,394,800,757	-830,576,632,784
Repayments of long-term borrowings	-	-7,525,308,906
Repayments of current portion of long-term borrowings	-95,154,427,063	-53,125,613,062
Repayments of lease liabilities	-22,425,091,131	-23,399,008,768
<b>Net cash provided by (used in) financing activities</b>	<b>161,091,931,099</b>	<b>-100,589,808,317</b>
Effects of exchange rate changes on cash and cash equivalents	10,443,391,444	-982,289,539
<b>Net increase in cash and cash equivalents</b>	<b>145,211,247,438</b>	<b>46,197,405,974</b>
Cash and cash equivalents at the beginning of the year	155,745,273,082	109,547,867,108
<b>Cash and cash equivalents at the end of the year</b>	<b>300,956,520,520</b>	<b>155,745,273,082</b>

# SEPARATE FINANCIAL STATEMENTS

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## 06

### Independent Auditor's Report

To the Shareholders and the 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, 2021, and the separate statement of comprehensive loss, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("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, 2021, 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, 2022, 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, 2021. 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.

## 06

## Independent Auditor's Report

**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 147,269 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.

**Other Matter**

The separate financial statements of the Company as of and for the year ended December 31, 2020, were audited by Deloitte Anjin LLC, whose report dated March 22, 2021 expressed an unqualified opinion thereon.

**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.



## 06

## Independent Auditor's Report

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, 2022

\* This report is effective as of March 22, 2022, 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

## 07

## Separate Statements of Financial Position

(In Korean won)

As of December 31, 2021 and 2020	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	157,233,014,745	95,907,992,939
Short-term financial instruments	-	11,010,083,064
Financial assets at FVTPL	-	5,743,897,928
Trade receivables	597,998,211,256	474,166,464,136
Short-term loans and other receivables	13,449,043,957	13,252,228,726
Inventories	181,546,357,357	147,487,430,425
Current finance lease receivables	286,201,950	315,255,878
Other current assets	29,007,232,512	21,501,191,273
<b>Total current assets</b>	<b>979,520,061,777</b>	<b>769,384,544,369</b>
<b>Non-current assets:</b>		
Long-term financial instruments	81,525,900	81,525,900
Financial assets at FVTPL	1,996,203,671	1,955,939,707
Investments in subsidiaries	316,995,640,518	420,036,928,478
Long-term loans and other receivables	71,481,455,996	90,622,077,347
Property, plant and equipment	958,344,124,185	1,003,233,545,599
Right-of-use assets	12,257,831,047	13,631,629,885
Non-current finance lease receivables	147,046,030	265,312,034
Intangible assets	2,559,291,939	2,336,773,887
Investment properties	6,183,143,848	6,208,380,698
Deferred tax assets	193,470,155,195	179,044,906,715
Other assets	10,419,890,979	80,515,011,154
<b>Total non-current assets</b>	<b>1,573,936,309,308</b>	<b>1,797,932,031,404</b>
<b>Total assets</b>	<b>2,553,456,371,085</b>	<b>2,567,316,575,773</b>

## 07

## Separate Statements of Financial Position

(In Korean won)

As of December 31, 2021 and 2020	2021	2020
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade payables	217,492,006,938	189,838,404,676
Short-term borrowings	362,458,190,939	258,564,848,061
Long-term employee benefits	-	3,147,007,585
Other payables	156,262,982,225	110,797,416,787
Financial guarantee liabilities	3,788,560,905	3,495,732,867
Current portion of product warranty provision	5,778,780,989	6,476,079,103
Provision for litigation	60,914,287,173	-
Other current liabilities	48,478,832,985	23,081,135,693
Current lease liabilities	8,275,286,353	7,726,282,377
<b>Total current liabilities</b>	<b>863,448,928,507</b>	<b>603,126,907,149</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	669,997,842,361	657,049,795,307
Defined benefit obligation	190,383,621,474	179,049,027,611
Long-term employee benefits	46,312,137,272	59,874,006,069
Other payables	4,330,260,000	4,091,270,000
Financial guarantee liabilities	10,985,302,142	154,196,693,697
Product warranty provision	7,188,867,641	7,696,820,988
Provision for litigation	90,009,270,315	149,244,193,057
Non-current lease liabilities	5,215,001,981	7,433,849,873
Provision for restoration costs	543,842,254	518,784,940
<b>Total non-current liabilities</b>	<b>1,024,966,145,440</b>	<b>1,219,154,441,542</b>
<b>Total liabilities</b>	<b>1,888,415,073,947</b>	<b>1,822,281,348,691</b>
<b>Equity</b>		
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	-975,175,688,474	-895,181,758,530
<b>Total equity</b>	<b>665,041,297,138</b>	<b>745,035,227,082</b>
<b>Total liabilities and equity</b>	<b>2,553,456,371,085</b>	<b>2,567,316,575,773</b>

## 08

## Separate Statements of Comprehensive (Loss)

(In Korean won)

For the years ended December 31, 2021 and 2020	2021	2020
<b>Sales</b>	<b>2,058,953,575,710</b>	<b>1,708,313,283,946</b>
<b>Cost of sales</b>	<b>-1,837,838,730,149</b>	<b>-1,448,864,178,752</b>
<b>Gross profit</b>	<b>221,114,845,561</b>	<b>259,449,105,194</b>
Selling and administrative expenses	-284,484,420,459	-264,743,021,080
<b>Operating loss</b>	<b>-63,369,574,898</b>	<b>-5,293,915,886</b>
Other income	99,880,382,612	116,083,101,004
Other expenses	-211,994,096,392	-491,870,011,352
Finance income	150,429,941,901	14,920,704,934
Finance costs	-49,377,851,720	-37,770,279,972
<b>Loss before income tax</b>	<b>-74,431,198,497</b>	<b>-403,930,401,272</b>
Income tax benefit	4,387,763,860	90,018,681
<b>Loss for the year</b>	<b>-70,043,434,637</b>	<b>-403,840,382,591</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of net defined benefit plans	-9,950,495,307	-19,122,898,001
<b>Other comprehensive loss for the year, net of tax</b>	<b>-9,950,495,307</b>	<b>-19,122,898,001</b>
<b>Total comprehensive loss for the year</b>	<b>-79,993,929,944</b>	<b>-422,963,280,592</b>

## 09

## Separate Statements of Changes in Equity

For the years ended December 31, 2021 and 2020	Capital stock	Capital surplus
<b>Balance as of January 1, 2020</b>	<b>1,436,301,435,000</b>	<b>220,533,408,310</b>
<b>Loss for the year</b>	-	-
<b>Other comprehensive income (loss):</b>		
Remeasurements of net defined benefit plans	-	-
<b>Total comprehensive loss for the year</b>	-	-
<b>Balance as of December 31, 2020</b>	<b>1,436,301,435,000</b>	<b>220,533,408,310</b>
<b>Balance as of January 1, 2021</b>	<b>1,436,301,435,000</b>	<b>220,533,408,310</b>
<b>Loss for the year</b>	-	-
<b>Other comprehensive income (loss):</b>		
Remeasurements of net defined benefit plans	-	-
<b>Total comprehensive loss for the year</b>	-	-
<b>Balance as of December 31, 2021</b>	<b>1,436,301,435,000</b>	<b>220,533,408,310</b>

(In Korean won)

Other components of equity	Accumulated deficits	Total
<b>-16,617,857,698</b>	<b>-472,218,477,938</b>	<b>1,167,998,507,674</b>
-	<b>-403,840,382,591</b>	<b>-403,840,382,591</b>
-	-19,122,898,001	-19,122,898,001
-	<b>-422,963,280,592</b>	<b>-422,963,280,592</b>
<b>-16,617,857,698</b>	<b>-895,181,758,530</b>	<b>745,035,227,082</b>
<b>-16,617,857,698</b>	<b>-895,181,758,530</b>	<b>745,035,227,082</b>
-	<b>-70,043,434,637</b>	<b>-70,043,434,637</b>
-	-9,950,495,307	-9,950,495,307
-	-79,993,929,944	-79,993,929,944
<b>-16,617,857,698</b>	<b>-975,175,688,474</b>	<b>665,041,297,138</b>

## 10

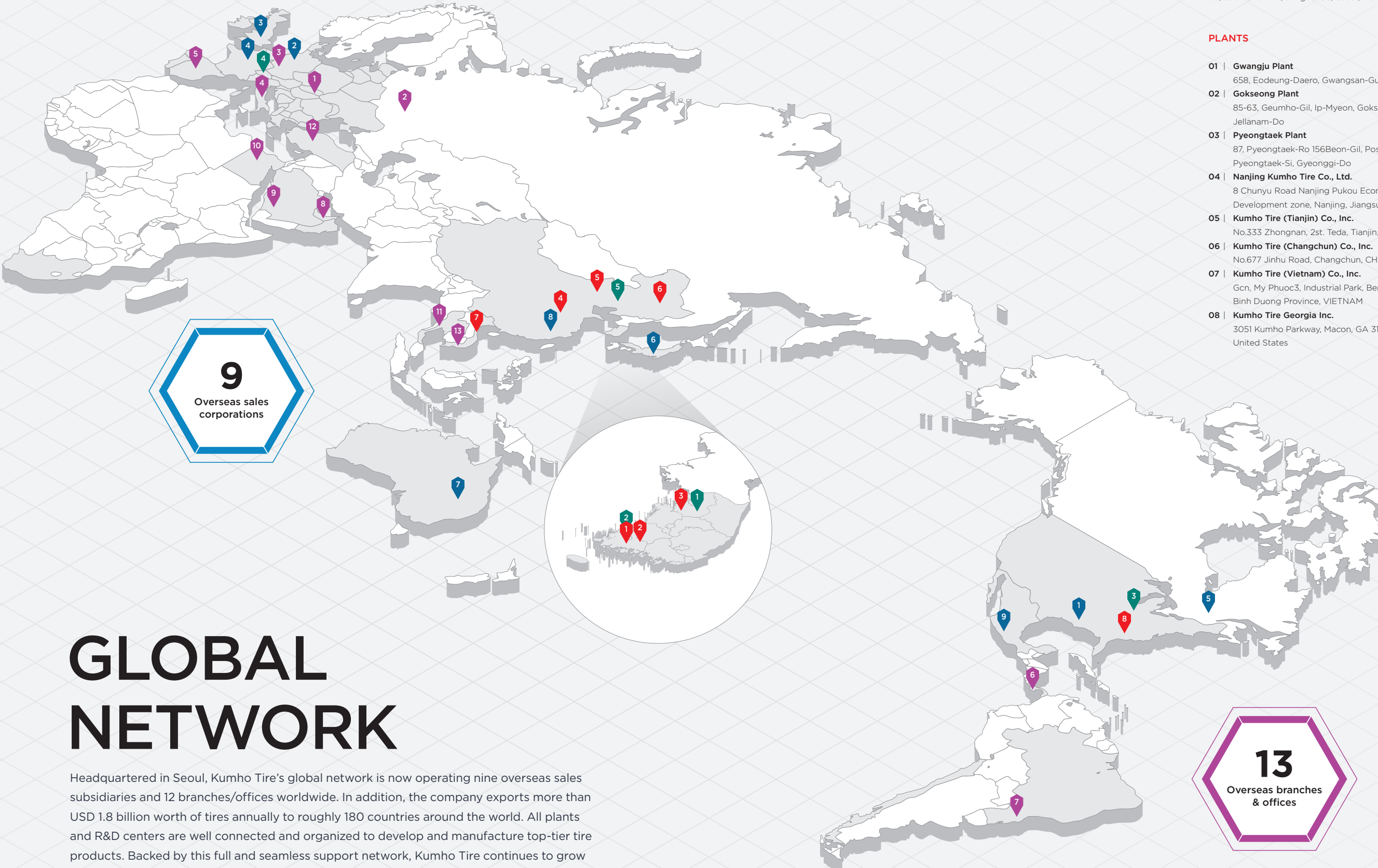
## Separate Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities</b>		
<b>Cash generated from operations</b>		
Loss for the year	-70,043,434,637	-403,840,382,591
Adjustments	155,960,762,818	604,785,835,663
Change in operating assets and liabilities	-87,199,322,505	80,874,361,366
	-1,281,994,324	281,819,814,438
Interest received	1,966,766,639	2,337,943,124
Interest paid	-28,704,755,375	-30,215,362,985
Income taxes refund	-2,887,445,848	2,523,285,393
<b>Net cash provided by (used in) operating activities</b>	<b>-30,907,428,908</b>	<b>256,465,679,970</b>
<b>Cash flows from investing activities</b>		
Decrease in financial assets at FVTPL	5,623,813,741	20,130,570,778
Decrease in financial instruments	11,210,083,064	20,789,000,000
Decrease in loans and other receivables	26,250,566,304	2,216,151,021
Proceeds from disposal of property, plant and equipment	61,707,658,880	4,438,435,229
Proceeds from disposal of investment properties	-	7,131,000,000
Increase in financial assets at FVTPL	-	-17,000,000,000
Increase in financial instruments	-200,000,000	-17,008,883,798
Increase in loans and other receivables	-909,303,939	-4,024,099,290
Acquisition of investments in subsidiaries	-44,228,146,500	-175,203,051,500
Acquisition of property, plant and equipment	-62,608,992,337	-46,528,196,379
Acquisition of intangible assets	-165,023,010	-74,037,636
<b>Net cash used in investing activities</b>	<b>-3,319,343,797</b>	<b>-205,133,111,575</b>

(In Korean won)

	2021	2020
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	1,044,725,883,492	754,382,934,329
Repayments of short-term borrowings	-940,672,815,107	-757,683,148,368
Repayments of long-term borrowings	-	-7,525,308,906
Repayments of lease liabilities	-10,719,660,270	-10,758,858,991
<b>Net cash provided by (used in) financing activities</b>	<b>93,333,408,115</b>	<b>-21,584,381,936</b>
<b>Net increase in cash and cash equivalents</b>	<b>59,106,635,410</b>	<b>29,748,186,459</b>
Cash and cash equivalents at the beginning of year	95,907,992,939	66,312,069,870
Effects of exchange rate changes on cash and cash equivalents	2,218,386,396	-152,263,390
<b>Cash and cash equivalents at the end of year</b>	<b>157,233,014,745</b>	<b>95,907,992,939</b>



**9**  
Overseas sales corporations

**13**  
Overseas branches & offices

# 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.

## 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 Churyu 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 Jinhua Road, Changchun, CHINA
- 07 | **Kumho Tire (Vietnam) Co., Inc.**  
Gcn, My Phuoc3, Industrial Park, Ben Cat Dist., Binh Duong Province, VIETNAM
- 08 | **Kumho Tire Georgia Inc.**  
3051 Kumho Parkway, Macon, GA 31216, United States

## R&D CENTERS

- 01 | **Yongin Central R&D Center**  
215-21, Saeun-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 Starckenburg 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 Art'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.**  
O-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

## OVERSEAS BRANCHES & OFFICES

- 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)94331871 | 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 Bravo, 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

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