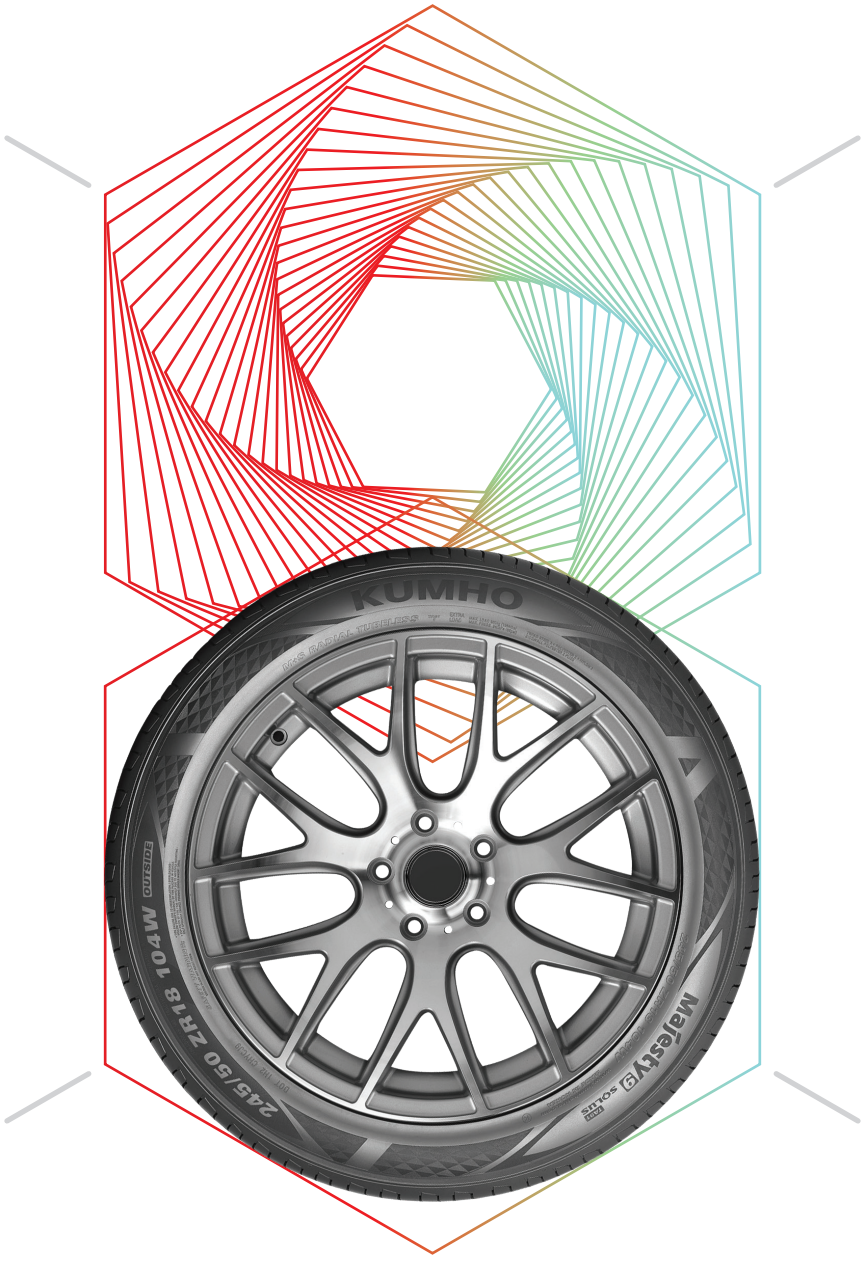
KUMHO TIRE ANNUAL REPORT 2019

BALANCE
DRIVES US FORWARD



KUMHO TIRE

Better, All-Ways

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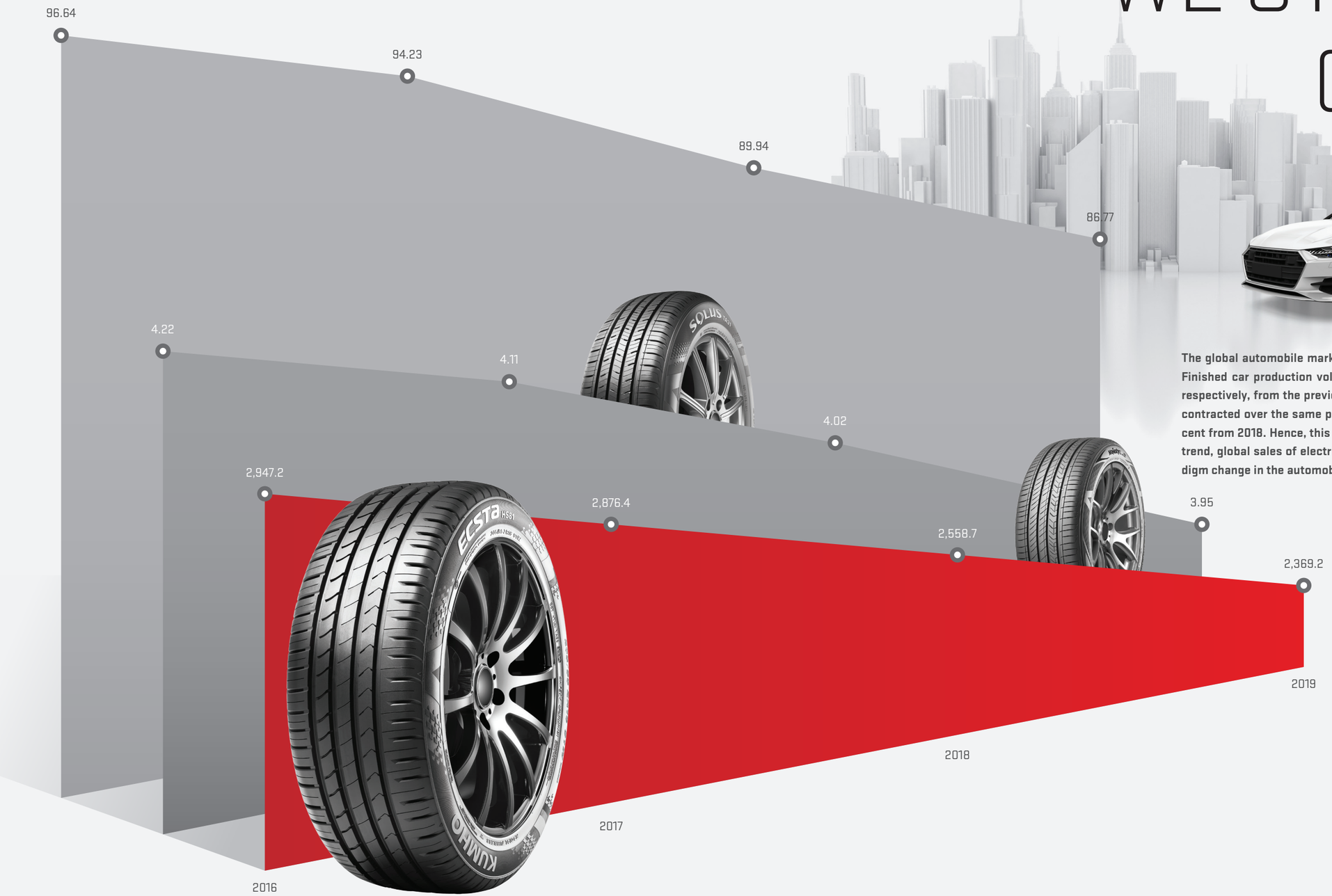
WE WORKED IT OUT AND MADE THE TURNAROUND

In 2019, Kumho Tire successfully turned a profit, even amid challenging market developments mired in the prolonged economic slowdown, the U.S.-China trade dispute, and the radical changes in finished car markets. Putting the past decade–which featured numerous crises–behind us, Kumho Tire is now preparing for a new chapter for the years to come. In 2020, we will achieve balanced performance in all business areas, from production and sales to marketing, service, and R&D. With everything back on track, Kumho Tire is roaring ahead towards a brighter future.

WE STOOD UP TO OUR CRISIS

The global automobile market, which has long been stuck in a recession, remained sluggish in 2019. Finished car production volume in the U.S. and Germany decreased by 3.7 percent and 8.1 percent, respectively, from the previous year, while emerging markets like China (7.5%) and India (12.7%) also contracted over the same period. Korean automakers rolled out 3,950,614 cars in 2019, down 1.9 percent from 2018. Hence, this had a negative influence on the tire industry. Even amid this international trend, global sales of electric vehicles rose by 10 percent year on year—a clear indication of the paradigm change in the automobile market.

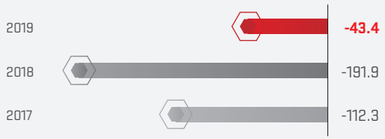


OUR HARD WORK MADE THIS A TURNAROUND YEAR FOR KUMHO

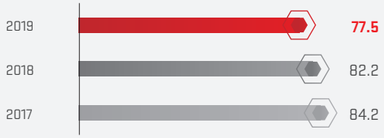
Kumho Tire succeeded in earning a profit after 10 straight quarters of deficits, posting KRW 24 billion in operating profits in the second quarter of 2019. This was the result of our all-out efforts to get business back to normal through rigorous restructuring and cost-saving initiatives that followed massive investments from Doublestar. Our operating profit in 2019 amounted to KRW 57.4 billion, which laid the foothold for overall profits. Our efforts will continue in the coming year so that we can further enhance performance results, such as saving money through joint procurement of raw materials with Doublestar, refraining from underpricing practices, and adjusting operating rates at overseas plants.

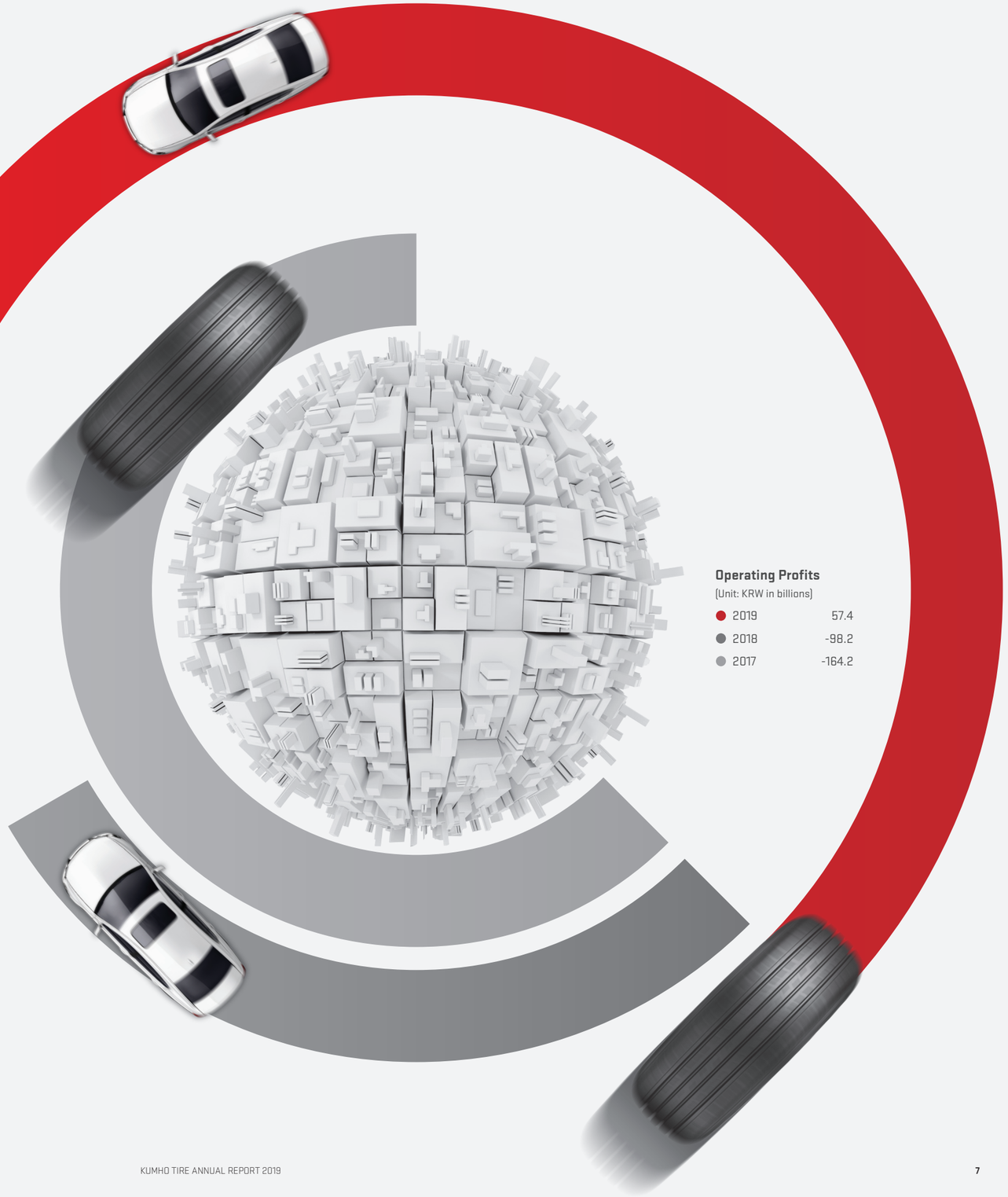
Operating Margin (%)

Net Income (Unit: KRW in billions)



Cost to Sales Ratio (%)





OUR BRAND VALUE WON THE WORLD'S RECOGNITION

Kumho Tire's outstanding technology and brand value remained intact in the global market: we signed a new contract to supply original equipment (OE) for the Audi Q5. Kumho is also the exclusive supplier of tires for Seltos—one of Kia Motors' new best-selling SUV models. Furthermore, our sports marketing partnership was also successful in 2019, as our partner team, Tottenham Hotspur—where Korea's Son Heung-min plays—reached their first ever Champions League final.

Advanced brand value

Exclusive OE supply agreement for the Kia Motors Seltos

OE supply agreement for Audi's Q5

Tottenham Hotspur, our global partner team, the runner-up of the 2019 Champions League

Grand Prize at the Sports Marketing Awards 2019

Majesty 9 and Ecsta PA51, both award winners at the Good Design Awards (USA), transportation design category

Ecowing ES-333, an award winner at the Red Star Design Awards 2019

CEO MESSAGE

Guided by the 2019 business principles of "market-oriented, back-to-basics, profit generation, and employee satisfaction," Kumho Tire employees put their utmost effort into the company's prosperity in 2019. Looking ahead, we will continue enhancing production efficiency and cost competitiveness for higher profitability. Every department will work their hardest to exceed market expectations in product quality and technology.

Respected customers and shareholders,

Throughout 2019, the entire company did its best to get business back on track with intensive cost-cutting initiatives and price normalization. Owing to our dedicated employees, Kumho Tire finally turned a profit for the first time in several quarters, all the while retaining its leading status in the domestic tire market even amid the unstable economic environment and fierce competition in the industry.

In 2020, Kumho Tire will concentrate its resources on sales growth, with the aim of turning into the black in sales and ordinary income. Moving forward, we will continue to heighten our product competitiveness and innovative technologies to come out even stronger in today's intense market competition. Celebrating our 60th anniversary in 2020, we are preparing to open a new chapter in our history. Everyone at Kumho Tire is determined to make Kumho Tire a sustainable, long-lasting company that is strong and full of hope for decades to come.

There is an old saying that says both chick and hen should peck a shell from the inside and outside together when the chick breaks out of an egg. A lesson learned from this saying is the significance of cooperation. When all stakeholders—labor and management, leaders and followers, shareholders, suppliers, and communities—work together and are considerate of each other's interests, Kumho Tire will be able to push ahead at full speed even in an unstable market environment.

As we work together for these shared goals in the coming year, I humbly ask for your continued interest and support of Kumho Tire. I wish all the best for our employees, customers and shareholders.

Thank you.

Jeon Dae-jin
President & CEO
Kumho Tire Co., Inc.

NEWS HIGHLIGHTS

Kumho Tire successfully turned a profit in 2019, garnering significant results in sales, R&D, and marketing. For example, we entered into an original equipment (OE) supply agreement with Audi for the first time in our history. Domestically, we maintained the largest market share of replacement tires for the third year in a row. On the marketing front, we had a prosperous year. This included a new brand advertisement launched over the last three years under the slogan "Balance Drives us Forward," as well as the reopening of our YouTube Channel ECSTA TV.

01 Aiming to be a Leading Global Company

In 2019, Kumho Tire generated profits once again after three years of losses. This provided the foundation for our resurgence. The successful turnaround was the result of our responsible cost reduction efforts following an investment from Doublestar the previous year. At the beginning of 2019, a new brand campaign commenced under the slogan "Balance Drives us Forward," capturing our commitment to value and business normalization through a memorable catchphrase.

From 2019 to the first quarter of 2020, Kumho inked new OE supply agreements with Mercedes-Benz, Kia Motors, Hyundai Motor Company, and Audi. The company is delivering Solus KL21 SUV tires for the Mercedes-Benz new G-Class; Solus TA31 tires for the Kia Motors Seltos; PorTran KC53 tires for Hyundai Motor Solati Limousines; and CRUGEN Premium KL33 tires for the Audi Q5. The Kia Seltos are Korea's bestselling small SUVs, selling more than 35,000 cars in Korea alone since the car's launch in July 2019. Consequently, this contributed to our sales growth. The Crugen Premium KL33 tires are expected to prop up the normalization of Kumho's plant in the U.S., where they are produced, and then moved to be fitted to Audi Q5 vehicles at Audi's Mexico plant. Furthermore, Kumho Tire maintained the largest market share of replacement tires, accounting for 40 percent of Korea's top three tire makers' combined sales volume.

02 Tireless R&D Efforts

The Majesty 9, Kumho's premium comfort tire, has been garnering a positive market response since its launch in May 2018. Optimized for premium sedans, the tire offers a quieter and more comfortable ride on the road compared to the former model, the Majesty Solus. In fact, its overall durability and ability to brake on snow performance improved by more than 20 percent.

By applying Sound Harmony Technology, the Majesty 9 provides the most pleasant ride for up-market drivers. Sound Harmony Technology employs the optimal deployment of pattern blocks which reduce noise and lessen the sound of particular frequencies, while also diffusing other noises. In addition, it has a hologram on its side that maximizes its luxurious appearance and delicate surface texture, and its tread uses geometric patterns and modern curves to optimize its chic design.

Its excellent design has earned several awards worldwide. After receiving Japan's Good Design Award in 2019, the tire was the recipient of an iF International Forum Design Award in Germany in early 2020. It was also named a 2019 North America Good Design Award winner in the transportation category. The tire has a bright outlook in terms of market power, as it was introduced as one of the top products in the new product presentation event to Chinese dealers in Nanjing in June 2019.

03 Diversifying Marketing Channels

Kumho Tire reinforced its communication channels with customers when it renewed its YouTube channel ECSTA TV in April 2019. Boasting 33 million viewers in Korea alone (Dec. 2019), YouTube has emerged as a powerful marketing tool. ECSTA TV regularly uploads company TV commercials, ECSTA racing team news, and other useful tips concerning tires and cars.

In an effort to diversify communication channels, we opened a channel called Kumho Tire Trucks & Buses on Korea's largest mobile messenger platform, KakaoTalk, where we provide useful tips related to truck and bus tires, as well as commercial vehicles. In today's global market, we have been focusing our marketing campaigns on sports partnerships. In 2019, we signed a partnership agreement with the Bundesliga football club Bayer 04 Leverkusen to sponsor the leading German football club as an official global tire partner until the 2020/2021 season. The deal entitles Kumho Tire to advertising space inside Bay Arena and on LED boards, insignia on the sleeves of players, as well as ads in club magazines and on the team's official website.

Kumho Tire won the Grand Prize at Korea's Sports Marketing Awards 2019, which is hosted by the Sports Marketing Association of Korea. We earned rave reviews for our efficient marketing activities with the Korean Baseball League and popular Korean entertainment programs, as well as our partnership with Bayer 04 Leverkusen.

04 Sustainability Management Activities

Kumho Tire has declared its firm commitment to Clean Contract practices. This means we pledge fairness and transparency in bidding, contracting, and fulfillment of contracts. The Clean Contract initiative eliminates unethical elements in contracting and procurement at source to establish fair contracting practices in its supply chain by ensuring transparency in all business procedures. It is part of our commitment to transparency in business ethics, while also cultivating competitiveness and providing a driving force for our resurgence as an industry leader. In 2019, our Carbon Offset Forest Project celebrated its 5th anniversary of its partnership with the Seoul Municipal Government. Over this time, we have planted pine trees, oak trees, and green maple trees in an area spanning 6,000m2 in the vicinity of Mt. Bukhansan, which is located in the northern part of Seoul. The area is projected to absorb 172 tons of carbon dioxide over the next three decades, playing an important role in mitigating pollution.

Additionally, Kumho Tire's Study Room for Hope Project brought about its 20th Study Room in only the fourth year since its launch, improving study rooms for students from low-income families. We delved deeper into educational initiatives in 2019, such as career mentoring programs for teenagers and school bullying prevention programs. Just as important, Kumho Tire is nurturing a public-private-academic partnership program that fosters future leaders with creativity in industrial convergence by exploring ways of recycling used tires. Dubbed Gooling, the project is currently in the branding process. Eventually, we will turn this program into our signature educational donation program.

FINANCIAL HIGHLIGHTS

In 2019, Kumho Tire posted KRW 2,369.2 billion in sales and KRW 57.4 billion in operating profits. Despite the slight setback in sales records compared to the previous year, operating profits returned to the black for the first time since 2016. As a result of our consistent efforts to normalize business activities, financial solvency indicators are continually improving, with a lower debt ratio and a rising current ratio.

Sales by Region

Unit: KRW in billions

Kumho Tire Sales by Year

Unit: KRW in billions

2019	**2,369.2**
2018	2,558.7
2017	2,876.4

Percentage of Large-diameter Products

Unit: %

2019	**42.7**
2018	38.3
2017	37.6

Operating Profit

Unit: KRW in billions

2019	**57.4**
2018	-98.2
2017	-164.3

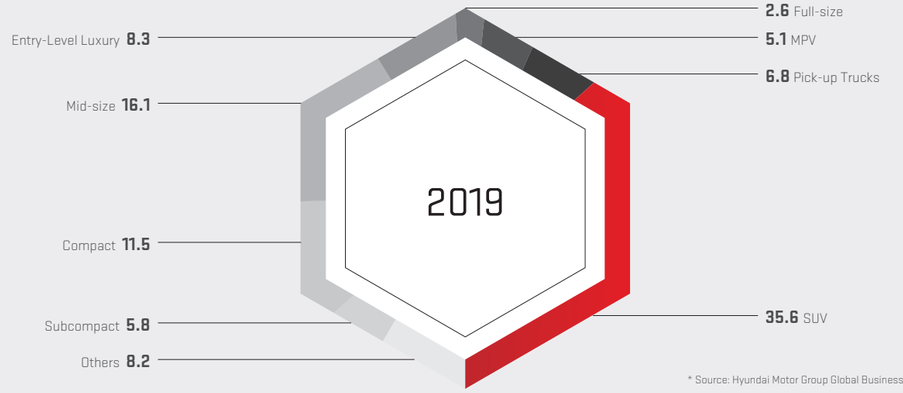
Operating Margin

Unit: %

2019	**2.42**
2018	-3.84
2017	-5.71

Global Sales of Cars by Segment

Unit: %



* Source: Hyundai Motor Group Global Business Intelligence Center

Global Demand for Finished Cars by Year

Unit: 10,000 vehicles, %

	2018 (9,244)	2019 (8,695)	2020 (estimate) (8,730)
Korea	181 (2.0)	175 (2.0)	**177 (2.0)**
China	2,315 (25.0)	2,050 (23.6)	**2,130 (24.4)**
U.S.	1,725 (18.7)	1,708 (19.6)	**1,680 (19.2)**
Europe	1,784 (19.3)	1,756 (20.2)	**1,703 (19.5)**
Others	3,239 (35.0)	3,006 (34.6)	**3,040 (34.8)**

Global Tire Demand by Year

Unit: million tires, %

	2018 (1,920)	2019 (1,976)	2020 (estimate) (2,045)
Korea	39 (2.0)	41 (2.1)	**42 (2.1)**
China	378 (19.7)	395 (20.0)	**427 (20.9)**
U.S.	352 (18.3)	355 (18.0)	**358 (17.5)**
Europe	470 (24.5)	480 (24.3)	**492 (24.1)**
Others	681 (35.5)	705 (35.7)	**726 (35.5)**

* Source: Hyundai Motor Group Global Business Intelligence Center, Hana Financial Investment Co.,Ltd.

BUSINESS REVIEW

In 2019, Kumho Tire successfully returned to the black after three years of hard work. Competition intensified in the tire industry amid the saturating finished car market. Against this backdrop, we aggressively expanded original equipment supplies and maintained the largest share of the replacement market for a third straight year. On top of that, our efforts to cut costs and SG&A expenses paid off.

KOREA

Portion of Total Sales
(As of 2019)

35.3%

Korea

In 2019, Korea's automobile market rolled out a total of 3,951,000 cars, a reduction in total production for the fourth year in a row. Major global car markets are locked in a prolonged slump; Renault Samsung cut its OEM volume in Korea; GM Korea's production facility was forced to close, and Korean carmakers relocated their production lines. Even during these adverse market conditions, the sale of SUVs, including RVs, rose by 7.2 percent from the previous year, claiming 45.1 percent of total market sales. In line with the global trend of stricter environmental regulations on automobiles, eco-friendly vehicles (electric vehicles, plug-in hybrid vehicles, and fuel-cell electric vehicles) achieved a 14.6 percent year-on-year growth in market size. Accordingly, market demand is on the rise for electric vehicle tires, as well as for profitable large-diameter and high-performance tires.

Kumho Tire's domestic sales contracted 6.3 percent from 2018, standing at KRW 834.2 billion in 2019. The sluggish performance can be ascribed to sagging consumption and expanded low-price sales despite our increased OE supply to Korean carmakers. On top of that, the popularity of imported cars remained steadfast throughout the year, accounting for 15.3 percent of the Korean automobile market. Consequently, tire import value expanded by 15.8 percent compared to the previous year, reaching a record-high USD 943 million.

Despite the challenging market environment, Kumho Tire continued signing new OE supply agreements, while also maintaining its large-diameter tire sales above 40 percent of overall sales in Korea to improve profitability. As a result, our RE tire sales held the largest share of the domestic market for the third year in a row. This accomplishment attests to consumers' acknowledgment of our product quality, leading to a positive impact on our brand recognition and market trust.

Tire Sales in Korea — Unit: KRW in billions

2019	834.2
2018	890.6
2017	958.7

CHINA

Portion of Total Sales
(As of 2019)

9.4%

China

The Chinese automobile market suffered a contraction in both manufacturing and sales in 2019. The lingering fallout from the U.S-China trade dispute paralyzed economic growth and lowered consumer confidence. As a result, car sales declined by 10.9 percent from the previous year, to 20.5 million cars in 2019. The market outlook for 2020 is uncertain because it is expected to bear the brunt of the COVID-19 pandemic, dampening tire markets and related industries, as well as the auto industry.

In 2019, Kumho Tire saw a 16.3 percent year-on-year decrease in sales in the Chinese market, falling to KRW 222.8 billion. It was hit hard by the abrupt contraction in the Chinese auto market. In response, the company cut down on its operating ratio at three local plants, to 60 percent, and greatly reduced costs while marketing localized new product lineups.

Kumho Tire will work hard to make headway in the Chinese market on the leverage of synergies with its largest shareholder, Doublestar. While continuing our cost reduction efforts and keeping our SG&A expenses at a manageable rate, we will establish a stable dealer network and launch eco-friendly tires for electric vehicles to quickly normalize business operations.

Tire Sales in China — Unit: KRW in billions

2019	222.8
2018	265.9
2017	340.9

NORTH AMERICA

Portion of Total Sales
(As of 2019)

22.8%

North America

In 2019, the U.S. auto market reaffirmed its recession, posting a slight decrease in sales from the previous year. Market demand for passenger cars continued to fall, dragging down consumer sentiment amid the prolonged U.S.-China trade dispute. As a result, auto sales fell by 1.1 percent from the previous year, with 17.08 million cars sold in 2019. Within the market, however, the car class portfolio went through a rapid change over the year. The characteristic inclination of U.S. buyers to purchase multi-purpose vehicles like crossovers, SUVs, and pick-up trucks drove major U.S. carmakers such as General Motors, Ford, and Volkswagen to phase out development and production of compact cars and replace them with new SUV models.

Kumho Tire's sales in the U.S. market decreased 12.4 percent from 2018, or KRW 537.8 billion in sales, in 2019.

The company's major supply lines have gone through restructuring, which led to in a slash in our order volume. Worse still, intensifying competition for tires online continued dampening our sales. As a result, it is now more important than ever to secure new supply lines to overcome the continued impact of the discontinuation of car models featuring Kumho OE tires.

On a brighter note, Kumho Tire concluded a new OE supply agreement for the Audi Q5. This marks our first OE supply contract with the German carmaker. Under the agreement, we are supplying Crugen Premium KL33 tires that are produced in the U.S. plant to Audi's Mexico plant for manufacturing Q5 models starting in 2020. The geographical advantage of this supply chain is highly expected to contribute to business normalization at our plant in the U.S.

Tire Sales in North America — Unit: KRW in billions

2019	**537.8**
2018	614.2
2017	648.3

EUROPE

Portion of Total Sales
(As of 2019)

14.4%

Europe

In 2019, the European market's auto sales volume stood at 17.56 million cars, down 1 percent from a year ago. Seemingly, the enforcement of the world harmonized light-duty vehicles test procedure (WLTP) adversely affected the market, such as delaying automobile supplies and driving up prices. On the other hand, the stronger environmental regulations fed the growth of the green vehicle market around the world, ushering in a paradigm shift in the automobile market. Indeed, new models have been marketed in response to these environmental regulations, fueling the rapid growth of EV sales.

Encouragingly, Kumho Tire saw a 5.2 percent year-on-year growth in sales for 2019, reaching KRW 339.7 billion in the European market. At the same time, the sales growth of Volkswagen's Skoda model propped up our OE sales, while the increased orders of our winter tires pushed up our RE sales.

Kumho Tire is still benefiting from improved profitability after the 7 to 10 percent price hike of its large-diameter premium product lineups. Going forward, we will overhaul our sales network to recover RE sales and expand new supply lines on the strengths of our advanced technologies.

Tire Sales in Europe — Unit: KRW in billions

2019	**339.7**
2018	322.8
2017	384.2

22 Technology Leadership
24 Research and Development
26 Brand Portfolio

THE ROAD TO RESILIENCE

Kumho Tire successfully turned a profit in 2019 after three years of hard work. We entered into new OE supply agreements with global automakers and sustained the largest market share of Korea's RE sales for a third straight year. We also revamped product portfolios and distribution networks, while remaining vigilant about our R&D efforts as we move forward towards new technologies in preparation for a brighter future.

TECHNOLOGY LEADERSHIP

Despite the challenging market environment, Kumho Tire's technological prowess has remained robust. This was proven with several new OE supply agreements entered into with global leading automakers in 2019, including Mercedes-Benz, Audi, and Kia Motors. Additionally, our design competitiveness earned worldwide recognition from several global design awards.

Global OE Partners

Kumho Tire is an OE partner to several major global automakers, such as the Hyundai Motor Group (Hyundai Motors and Kia Motors), Volkswagen (Volkswagen, Audi, and Skoda), Daimler (Mercedes-Benz), BMW (BMW), Renault-Nissan (Renault Samsung and Renault), PSA (Citroën), GM (GM Korea), and SsangYong Motor. Our high-performance tire products are expanding their market share in the U.S. and Europe, gaining recognition for their advanced technologies in the world's largest premium tire markets.

Kumho Tires Roll with the World's Most Prestigious Cars

Kumho Tire concluded four new OE supply agreements with leading global automakers between 2019 and the first quarter of 2020.

Its signature product, the Solus KL21, runs on Mercedes-Benz's 2019 New G-Class models. Kumho Tire has maintained a strong partnership with Mercedes-Benz for several models of trucks, vans, and SUVs since our first OE supply agreement of tires in 2007.

The Solus TA31 is in an exclusive supply agreement for the Kia Motors Seltos. Since its debut in July 2019, Kia's Seltos has become one of the most popular compact SUVs, selling more than 35,000 units in Korea alone by the end of the year. Consequently, the robust sales of the cars helped improve our profitability as well.

Kumho's LCV-exclusive PorTran KC53 tires are supplied to Hyundai Motor's Solati Limousines. LCV tires require advanced technologies, a clear indicator of Kumho Tire's technological expertise.

When Kumho began supplying Crugen KL33 tires for the Audi Q5, it marked our first supply contract with Audi. The Crugen KL33 is produced at Kumho's U.S. plant, and is designed to be fitted with Audi Q5 automobiles manufactured at the German automaker's plant in Mexico.

New OE Supply Agreements (2019-20)

- Solus KL21 | Mercedes-Benz New G-Class
- Solus TA31, TA91 | Kia Motors Seltos
- PorTran KC53 | Hyundai Motor Solati Limousines
- Crugen KL33 | Audi Q5

The Recipient of Several Global Design Awards

Kumho Tire earned some major design awards in 2019. Tire designs go beyond just exterior design value because they have a direct impact on product performance. These award-winning accolades attest to Kumho's advanced technology.

Global Design Award Accolades (2019-20)

- Good Design Award (Japan), product design category | Majesty 9, ECSTA PA51
- Red Star Design Award (China) | Ecowing ES33
- iF Award (Germany), transport equipment category | Majesty 9, Wintercraft Wi51
- Good Design Award (USA), transportation design category | Majesty 9, ECSTA PA91, Wintercraft Wi51

Customer Value Maximizer

Kumho Tire has emerged from its humble beginnings in Korea to become a major global tiremaker on the back of its dedicated employees and customer trust. The commitment to provide better product quality to customers has earned the company several accolades from corporate evaluations, ranging from Korea Management Association Consulting (KMAC) and *Forbes Korea* to the Korean Internet Communication Association (KICOA).

2019 Corporate Evaluations & Service-related Awards

- Korea Best Brand Award in the tire category from *Forbes Korea* for eight straight years (2012-2019)
- No. 1 in the passenger tire category according to KMAC's Korea Customer Satisfaction Index (KCSI) for 15 straight years (2005-2019)
- Rated No. 1 in the passenger tire category by KMAC's Korean Net Promoter Score (KNPS) for the 12th straight year (2008-2019)
- Recipient of the Grand Prize at the Sports Marketing Awards 2019 from the Sports Marketing Association of Korea

RESEARCH AND DEVELOPMENT

With a saturated global automobile market moving towards a new era of future mobility in a low-growth trend, a swift paradigm change is unfolding before our eyes. This paradigm shift has consequences in the global tire market, intensifying competition for innovation among global tiremakers to take the lead. Kumho Tire is also working hard with its R&D department to prepare for a better future.

R&D on Airless Tires

Airless tires were developed to address the risk of tire puncture, which is the biggest problem with pneumatic tires that cause car accidents on the road. Kumho Tire's airless tires address this problem by using special materials and a strong structure for a high-speed drive–up to 140 km/h.

Yet airless tires also have flaws. The radial patterns and continuous structure of the spokes on the side of the tires compromises a smooth, clean prop while driving. The crisscross structure gives bounce to the flat-free tires, causing vibrations and shock when driving, and therefore a bad performance in ride and durability.

Kumho Tire effectively solved this issue by applying a continuous structure in a radial direction. The hybrid tire passed the speed durability test of 160 km/h (accident-free). The company has now filed for patents and is strengthening its database with regard to this information. At the same time, we are making use of future tire technologies in step with the current paradigm shift within the auto market, which will soon be featuring more electric vehicles and multi-purpose autonomous driving vehicles.

R&D on Hybrid Tires

Normal tires have air pressure, without which they cannot continue forward. In addressing this issue, Kumho's R&D efforts have focused on run-flat and sealant tires.

Run-flat tires can sustain speeds up to 80 km/h without air pressure and travel as far as 80 km, but they have to be replaced after the trip. Sealant tires stop air leakage in the event of a foreign object damaging its tread, letting it finish the drive. However, they cannot go on permanently after the puncture.

Kumho Tire effectively addressed these issues by successfully developing a hybrid tire, which mixed the strengths of air tires and the spokes of non-pneumatic tires. The non-air-pressure spoke structure was developed to prevent going flat. Additionally, we developed a technique to glue the spoke and tread rubbers together with enhanced affixation of different types of materials. The new product succeeded in a speed durability test reaching 210km/h. Ongoing R&D efforts for hybrid tires will further evolve tire technology in the future.

Big Data Analysis for Performance Forecast Algorithms (Industrial-Academic Projects)

Tire rolling resistance is the energy that a vehicle needs to send to tires to maintain movement at a consistent speed over a surface. As it is a determinant to a vehicle's fuel efficiency, there are ongoing R&D efforts to reduce the rolling friction of tires.

For its part, Kumho Tire has come up with a performance forecast algorithm for passenger car radial (PCR) tire rolling resistance (RR). The algorithm collects and learns from tire design/test data from the past to anticipate the PCR RR coefficients before manufacturing tires. Its prediction accuracy is higher than an R2=90 percent success rate. Furthermore, we developed an algorithm for anticipating handling performance in force & moment tests by taking into account the handling performance of vehicles at an accuracy rate of higher than R2=90 percent.

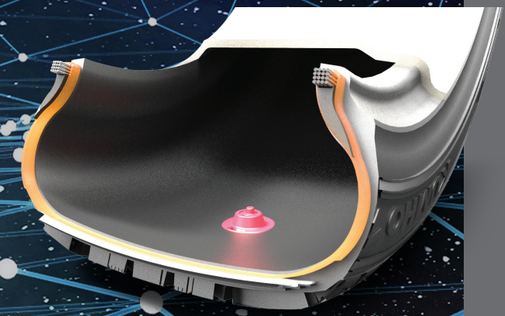
In the future, Kumho Tire will add more tire performance determinants to its newly developed algorithms prior to marketing new products.

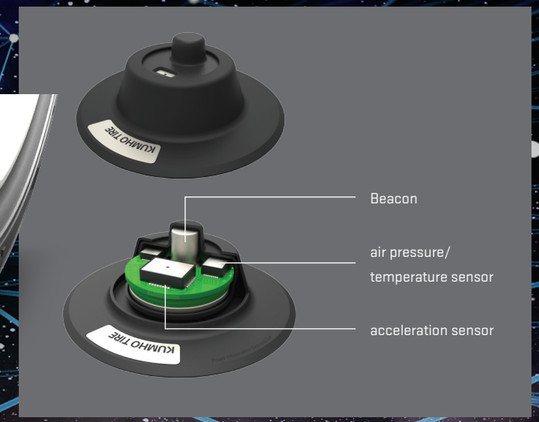
R&D for Smart Tire Systems (Cross-industry Projects)

Technological development is unfolding at a fantastic speed for the safety of autonomous vehicles, giving rise to the innovative sensors necessary for self-driving vehicles, such as CCD cameras, radars, and lidar. This is on top of active car body balancing equipment, such as conventional TPMS, ABS, and ESP. In contrast, R&D technology has lagged behind when it comes to measuring road surface conditions, leaving vehicles vulnerable to accidents due to the damage of a car's body or a driver's loss of control.

Road surface conditions have a direct effect on tires, and this subsequently affects car bodies with the correlation heavily influencing the vehicle's movements. Therefore, a great deal of R&D efforts are ongoing in numerous research institutes and in developed countries to measure road conditions. A case in point would be smart tire system R&D.

Kumho Tire is currently working to develop various sensors, including air pressure and temperature sensors that check tire conditions and a high-performance acceleration sensor that checks road surface conditions, as well as more sensors estimating the wear conditions and dynamic load of the tires.





BRAND PORTFOLIO

In 2019, Kumho's TIRE PRO—the nation's first tire-specialized distribution brand—was inducted into the 2020 Korea Brand Hall of Fame by the Institute for Industrial Policy Studies (IPS)— a clear indication of the brand's popularity in the market. TIRE PRO was a trailblazer in the new notion of customer services by introducing customized consulting services and standardized customer reception backed by specialized equipment. Offering high-end services at 570 its outlets nationwide, TIRO PRO has familiarized the public with tire-specialized repair shops through advertisements on diverse online and off-line media, as well as TV commercials.

Training Tire Experts for Advanced Service Quality

Advanced services of TIRE PRO come from the hands of our highly skilled experts, all of whom are trained at Kumho's Sales Training Center. Established in 2013, it was the industry's first training center dedicated to fostering tire sales specialists. The center provides store owners and employees with technician courses that come in different levels, along with sales manuals and practical training for store managers.

In addition, Kumho Tire has been operating a university-industry cooperation program for graduates of automobile engineering departments since 2016. It does not only foster skilled experts, but also helps stores find competent human resources, thereby addressing shortages in the job market. Since the first class graduated in 2016, a total of 60 talented graduates had completed their courses by 2019 before joining TIRE PRO through interviews and recruitment procedures. As we plan additional partnerships with universities that have automobile engineering departments, our pool of quality service staff is going to continue growing in the future.

At the same time, TIRE PRO is building on its expertise in imported cars to address growing market needs. At the moment, a separate Imported Car Expert Course is offering a fundamental course on imported vehicles, engine oils, and tire issues of concern. TIRE PRO also provides specialized courses about different global auto brands that are popular in Korea in order to enhance its responsiveness to servicing imported cars. TIRE PRO stores that have completed these courses are granted brand identity certificates, which highlight their guaranteed specialties with imported vehicles.

An Unrelenting Revolution in TIRE PRO Services

As we cope with rapidly changing market demand and higher customer expectations, TIRE PRO puts as much effort into customer service as product quality. Tire purchases are now a click away on our website and mobile apps, which provide tire order reservations and a search menu. Online shopping for our tires has become easier as our advanced customer service experience is also available at several open marketing platforms: 11 Street, G-Market, and WeMakePrice.

In 2019, our tire change event was extremely convenient for busy customers. In 2020, we plan on adopting a point of sale (POS) system, and this is expected to facilitate an integrated approach to our promotions and customer relationship management at all TIRE PRO outlets in Korea.

TIRE PRO co-branded with Lotte Insurance to raise both customer satisfaction and customer awareness of road safety, such as tire punctures while driving and slippery road accidents. The One Plus One insurance policy subsidizes both insurance premiums and tire change bills for customers who purchase at least four units of insurance-covered premium tires: Majesty Solus 9, Solus TA31, Crugen HP91, or Crugen HP71. Customers can claim their benefits when they revisit a TIRE PRO store to exchange an even number of tires.

In addition to our periodic promotion events at the outlets, TIRE PRO is increasing its business alliances with various partners—such as Easy Welfare and SK Benefia—two Korean software outsourcers for cafeteria benefits plans, and Shell Korea, which supplies Shell HELIX engine oils, to offer more diverse customer benefits and services.

Kumho Tire's diversified product portfolio offers a safe and comfortable driving experience in all circumstances, while also being tailored to the various needs of different car types and driving conditions. From ultra-high performance tires whose advanced technologies are validated at motor sports events to eco-friendly tires in consideration of sustainable growth, the company rolls out products that meet different market needs, living up to people's highest expectations.

1 SOLUS

Premium comfort tires that offer a quieter and more comfortable ride than ordinary tires

TA91/TA71/TA31/TA11/HA31/HS61

2 ECOWING

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

KH27/ES31

3 SENSE

Economy tires that offer satisfactory performance at reasonable prices for drivers seeking good bargains

KR26/KL26/SE11

4 WATTRUN

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

VA31/VS31

5 ROAD VENTURE

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

AT51/AT61/MT51/MT71

6 PorTran

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

KC53/KC55

7 CRUGEN

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

HP91/HP71/KL33/HT51

8 ECSTA

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

PS91/PS71/V720/HS51/PS31/PA51/PA31/HS81

9 WINTERCRAFT

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

WP72/WP71/WP51/Wi31/WS31/Wi61/WS61/WS71/WS51

10 SUPERMILE

Tires optimized for taxis that offer high mileage and durability performance

KR25/TX31

32 Motor Sports
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MARKETING STRATEGY

Kumho Tire continues to interact with consumers via diverse channels, raising its brand value amid cutthroat competition in the global tire market. In particular, our technological prowess remains proven in our marketing campaigns for motorsports. At the same time, our brand image continues to grow on the back of a robust partnership with Tottenham Hotspur F.C., where Korean star Son Heung-min plays.

MOTOR SPORTS

Kumho Tire has earned praise for its technology through several motorsports championships in Europe, China, and Australia–the barometers of cutting-edge automobile technologies. Our ultimate goal is to become an official sponsor of Formula 1 in the future. We also excel in domestic marketing campaigns as the official tire sponsors for Korea's largest amateur motorsports competition, the ECSTA Super Challenge and the Hyundai Motor Company's Avante Cup Series.

Global Motorsports Participation
(as of 2019)

Korea	CJ Logistics Super Race: Cadillac 6000 Class
	Hyundai Motor Company's Avante Cup
	ECSTA Super Challenge
China	Formula 4 Championship
Australia	Super 3 Series

Korea's Top ECSTA Racing Team

Backed by the company's advanced technology and full support, Kumho Tire's ECSTA racing team was the runner-up in the Cadillac 6000 Class in 2019, the top class of the CJ Logistics Super Race Championship–Korea's largest motorsports event. Under the leadership of Kim Jin-Pyo, the ECSTA racing team featured superstar driver Ide Ryuji, a Japanese Super GT 500 champion who has also driven Formula 1, and Jung Eun-Chul, the 2016 Season CJ Logistics Super Race champion driver. The team has remained among the very best, winning the team victory prize for two straight years (2015 and 2016). In fact, the team was a 2016 season double champion, and the runner-up in the 2017 and 2018 seasons. In 2019, Kiyoto Fujinami–a Japanese Super Taikyu Series champion–joined the team, which finished in second place for the third consecutive year.
Looking ahead, the team will continue to work together with the Kumho R&D Center to make the best of tire performance, and win more domestic motorsports events. It will also be at the forefront of the company's marketing campaigns to further its brand recognition and play a role in the development of Korean motorsports.

Brilliant Marketing Achievements in Korea

In 2019, Kumho Tire was the official tire sponsor to Korea's biggest motorsports events, the CJ Super Race GT Class and Hyundai's one-make race event, the Avante Cup Series.
Sponsorships of the nation's largest amateur motorsports events serve as excellent opportunities to promote the highly regarded ECSTA product lines, as well as to raise our corporate brand recognition. We have also partnered with motorsports opinion leaders in on-/off-line PR campaigns to further increase our sales of high-performance tire products.
Going forward, Kumho Tire will continue with its marketing campaigns through sponsorships to enhance the sales of high-performance tires and brand awareness as we seek cooperative marketing opportunities with automakers.

GLOBAL MARKETING

As a global tire supplier, Kumho Tire knows the significance of enhancing its global brand image, one which incorporates local elements of the markets where we operate. Sports marketing has proven to be effective in that regard because the excitement and passion surrounding sports and its athletes embody our brand image.

EUROPE

Partnerships with Top Football Clubs

Kumho Tire has maintained its partnership with Tottenham Hotspur F.C.—the team where star Korean player Son Heung-min plays—for years now. Established in 1882, Tottenham Hotspur F.C. is one of the most successful teams in the English Premier League, boasting 160 official fan clubs and 400 million fans worldwide. In 2019, the team advanced to the finals of the UEFA Champions League, where Son played exceptionally well, leading to worldwide exposure of the Kumho Tire brand.

The English Premier League is one of the world's most popular sports organizations and has enormous commercial value, with its annual broadcast fees amounting to £5.1 billion. Between 2007 and 2011, Kumho Tire sponsored Manchester United, where Ji Sung Park played. More recently, our partnership with Tottenham Hotspur F.C. has been instrumental in adding a more youthful and dynamic aspect to corporate recognition from global soccer fans.

Kumho Tire has also been establishing its marketing presence in the European sports world since 2011. This has included advertisements at the home pitches of several renowned European sports teams, including the Bundesliga's Hamburg SV and Austria's SK Rapid Vin in 2011; Bundesliga's FC Schalke 04, Hertha BSC Berlin, and Real Madrid and FC Barcelona of Spain's Primera Liga in 2015; and a partnership agreement with the Olympique Lyonnais of France Ligue 1 in 2016. In 2019, Kumho began sponsoring the Bundesliga's Bayer Leverkusen and FK Mlada Boleslav, part of the Czech First League, strengthening our influential brand image.

KOREA

Professional Baseball League Marketing

In Korea, Kumho Tire concentrates its marketing resources into the country's pro baseball league as a means of connecting with the public. Kumho was a faithful sponsor of the Kia Tigers between 2013 and 2018, but in 2019 we began placing advertisements on the home plates in the stadiums of the Hanwha Eagles, SK Wyverns, and NC Dynos.

AUSTRALIA

Official Sponsor to the Super 3 Series

Kumho Tire actively engages in a number of motorsports events to promote its advanced technologies. In Australia, we continued being an official sponsor of the Super 3 Series in 2019. The Super 3 Series is an Australian motor racing competition for touring cars that is organized by Motorsport Australia. The Super 3 Series joined the nation's largest motor racing event, the Supercar Series, after being renamed in 2018 from the previous V8 Touring Car Series. This provided Kumho Tire with an opportunistic chance to brand itself to millions of Australian motorsports fans.

CHINA

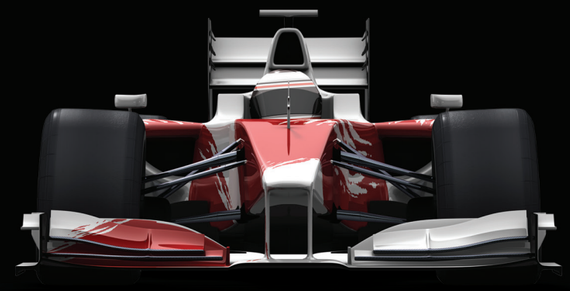
Official Sponsor of the China Formula 4 Championship

The China F4 Championship is the nation's largest racing series, taking place at the China Shanghai F1 Circuit. Kumho Tire has been sponsoring the event since 2016, supplying tires and marketing its products through a live broadcast on the Chinese sports channel CCTV 5.

U.S.

Sponsoring the NBA

In North America, Kumho Tire focuses its sports marketing on basketball, one of the continent's most popular sports. As a long-standing sponsor of the Los Angeles Lakers, one of the league's top teams, Kumho Tires expanded its marketing power in 2014 when it signed an official sponsorship agreement with the NBA. Our partnership with the NBA's Atlanta Hawks has remained steadfast as we continue to engage with local residents and run constant advertisement campaigns.



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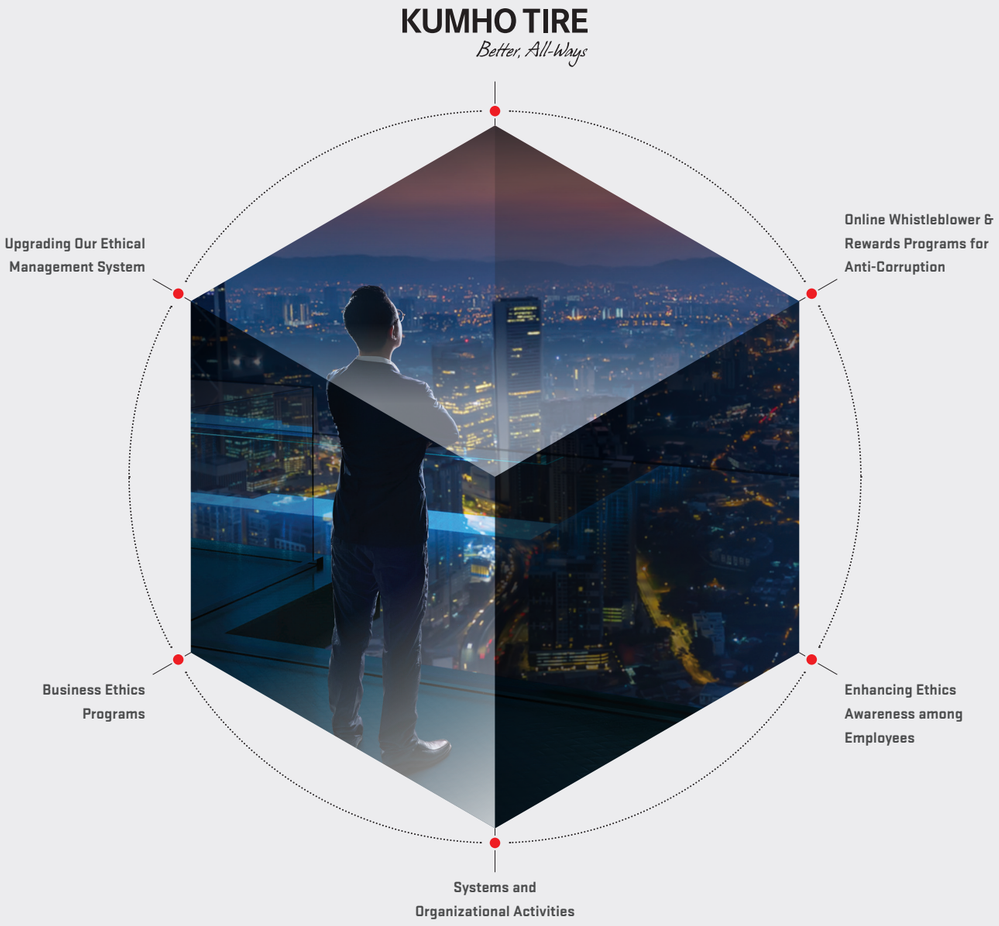
40 Social Commitment
42 Environmental Management

SOCIAL RE-SPONSI-BILITY

As a responsible corporate citizen, Kumho Tire was actively engaged in business ethics, environmental management, and sustainability management initiatives in 2019. Institutional arrangements continued to upgrade our business ethics practices, while our employees invested their time and resources into diverse social contribution programs. At the same time, the company continued making environmental investments to reduce GHG emissions and energy consumption.

BUSINESS ETHICS

At Kumho Tire, business ethics go beyond just standard business practices.
We actually implement business decisions in light of our ethical responsibility that society expects from us.
As a result, we make decisions and then carry them out in line with our corporate social responsibility.
We believe that our prudent business practices contribute to establishing transparency in society.



Upgrading Our Ethical Management System

Kumho Tire is upgrading its business systems to coincide with its business ethics strategies. While assisting our employees in strengthening their ethics, we strive to bring our business decisions and activities in line with stakeholders' expectations of business ethics.
Kumho Tire has set business ethics as guidelines in its business activities as part of an in-house course of ethical management, and has worked hard on the detailed stipulations of its code of ethics and related bylaws. Thus, we give employees training sessions on our business ethics policies. Furthermore, we support the spreading of business ethics in our supply chain. Kumho Tire strives to remain a faithful corporate citizen that honors its promises as a trusted corporate partner, and which also contributes to society through its roles and responsibilities.

2002~2004

Introduction
- Audits on assets, ISO performance indicators management
- Enactment and declaration of our code of ethics and regulations

2005~2008

Establishment
- A separate corporate website dedicated to business ethics
- Self-check surveys on employees' sense of ethics
- Business ethics index assessment
- Asset management practices index assessment
- Safety and environmental management practices assessment
- Adopting Kumho's Beautiful Enterprise Index assessment

2009~

Internalization
- Developing programs for business ethics practices
- Setting up an information security management system
- Linking CSR themes to the corporate image
- Proactive responsiveness to the ISO 26000

Systems and Organizational Activities

In line with its business ethics strategies, Kumho Tire set up a Business Ethics Committee and a Self-Check Group in 2012. The two entities convene for regular meetings. Over this time, they have enacted the company's detailed regulations, procedures, and code of ethics. In addition, they have constantly updated related bylaws. After the declaration of the official code of ethics, we have since reinforced internal ethical compliance through a self-check list of ethics as a guideline for business ethics practices.

Enhancing Ethics Awareness among Employees

Kumho Tire provides employees with education on an annual basis on business ethics and the Fair Trade Act, thereby ensuring the prevention of legal violations to the highest level as well as voluntary compliance practices. In 2019, Kumho's entire workforce took part in the annual online education program on business ethics. Separate ethics courses are now also in place for new employees and those who are to be dispatched overseas. They attend courses on the company's code of ethics and regulations, as well as on case studies of corruption and how to deal with these issues.

Business Ethics Programs

Transparent Contracting Procedures
Kumho Tire has established what it calls Transparent Contracting Procedures in promotion of the company-wide practice of business ethics. The program assists Kumho employees with transparent and fair procedures for the bidding, contracting, and implementation of all contracts.

Addressing the Practice of Monetary Tokens of Courtesy
Kumho employees cannot notify partner companies about their family affairs in order to prevent any type of bribery. In cases of receiving money out of courtesy, the amount should not exceed the socially acceptable level, as long as it is not against the established social customs of highly valuing mutual help.

Checking on Retirees Removing Corporate Assets
In a bid to prevent any trade secret leaks and to avert losses to corporate assets, the company assigns a staff member from the department in question to check the list of items that retirees take out as they leave the company.

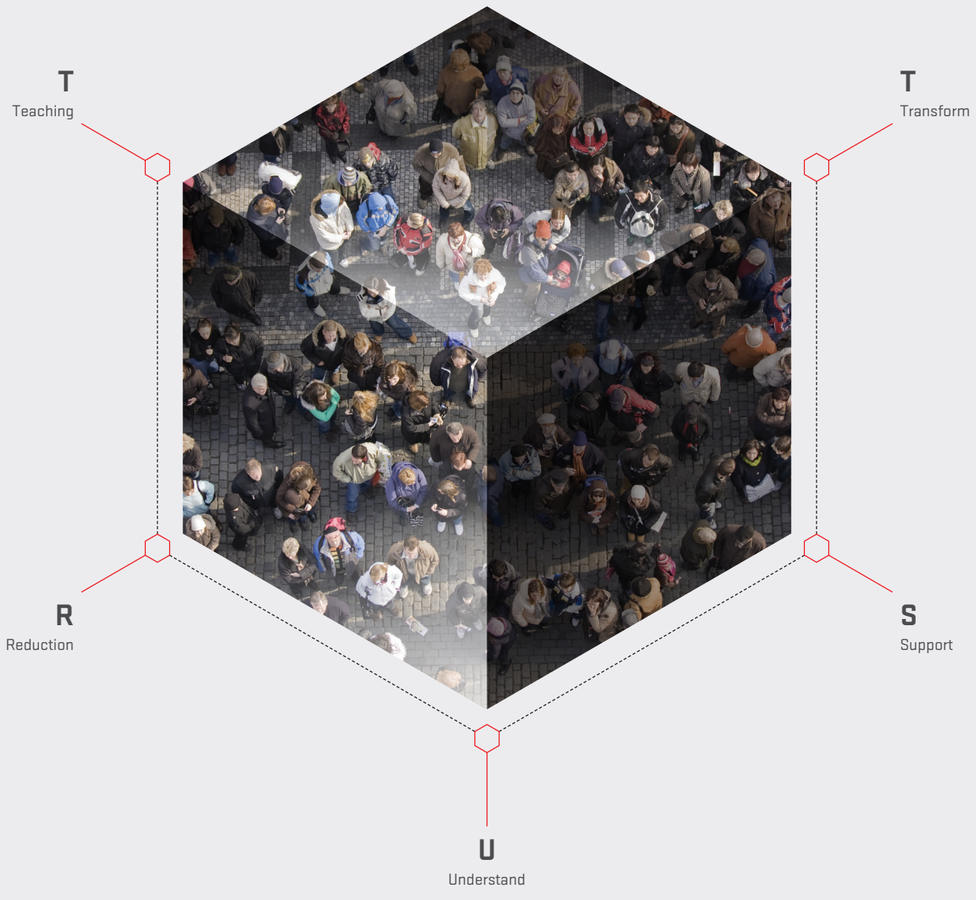
Bribery-free National Holidays
In order to enhance our corporate image and business ethics awareness, Kumho Tire holds annual campaigns strictly banning any forms of accepting gifts or monetary offerings from suppliers during national holidays. During the campaign, the company sends official letters to suppliers asking for their cooperation and participation in our business ethics efforts. Kumho Tire also has an area for employees to self-report gifts they received against their will.

Online Whistleblower & Rewards Programs for Anti-Corruption

Our corporate website has a webpage dedicated to whistleblowing in order to eliminate at source any unfairness or unethical practices in work processes. Whistleblowers are protected through anonymity so that they are not at risk of any backlash by the company or its employees.
Anybody can file a report, whether through the intranet, e-mail, phone, fax, mail, or the whistleblowing webpage. The webpage is offered in various languages for overseas operations. All branches in other countries are then fully notified on a quarterly basis through the company's intranet system. For more effective detection and reinforced internal control, we also offer whistleblowers and those who file reports with monetary rewards of up to KRW 1 billion according to our related bylaws.

SOCIAL COMMITMENT

**As a faithful corporate citizen in its corporate social roles and responsibility,
Kumho Tire keeps a close eye on different social issues.
In a bid to become a fully trusted tire brand, we have come up with a strategy called T.R.U.S.T.,
and implemented several programs that have been supported by voluntary participation on the part of our employees.**



T.R.U.S.T. the Brand Name You Can Trust

TEACHING

Kumho Tire cares about our future generations and wants to help them grow into healthy, thoughtful, and globally conscious adults in the future. Therefore, we have partnered with the Korea Mecenat Association for education programs. Since 2016, we have been backing art classes called Reaching for the Stars through the Arts, all of which are taught by professional art and culture instructors. In prevention of juvenile delinquency, we also sponsor art classes called Rising Up through Art at schools and specialized organizations to prevent bullying.
Furthermore, we collaborate with an NGO called ChildFund Korea, as well as local social welfare centers, to promote the Study Room of Hope program, in which we help create a more ideal environment for children from low-income families to study in. Since 2016, we have built a total of 20 study rooms over a period of four years. We set our goal at opening a 25th branch by the end of 2020.

REDUCTION

Kumho Tire is an ardent supporter of the international effort to slow global warming. In total, 147 countries worldwide, including Korea, have pledged to join the United Nations Framework Convention on Climate Change (UNFCCC). Since 2015, Kumho Tire has been planting trees to offset carbon emissions at the base of Mt. Bukhansan and Mt. Inwangsan in Seoul.
In 2019, we planted pine trees, oak trees, and green maple trees to create a 6,000 m^2 forest in the vicinity of Mt. Bukhansan. Entrusted to the municipal government of Seoul to manage for 30 years, the forest is expected to absorb 172 tons of carbon dioxide during that period. This year's planting event was joined by students from neighboring Hongeun Elementary School, who had a chance to practice environmental management.

UNDERSTAND

Kumho Tire lends its business acumen to establishing new CSR content. We are developing a new traffic safety campaign in partnership with the Korea Association for Safe Communities and have plans for another social contribution program with ChildFund Korea.

SUPPORT

Kumho Tire works closely with ChildFund Korea to help marginalized teenage girls grow into mature and dignified young women through the Pink Box campaign. It offers free female hygiene items to girls who find it difficult to support themselves due to financial hardship and difficulty in talking about this subject with their guardians. Initiated in 2018, the campaign sends pink boxes to 180 girls annually.
Kumho Tire continues to reach out to underprivileged people and financially distressed families in various ways. Since 2017, the company has been throwing Santa Claus parties for the children and teenagers of low-income families and local orphanages with the help of social welfare centers through the Fellowship of Santa program. Through all these efforts, Kumho Tire will remain a committed supporter of the underprivileged.

TRANSFORM

Kumho Tire takes advantage of it being a motorsports sponsor to offer hands-on activity programs to children. Since 2013, the program invites children to take part in grid walks and pit lane walks—rare and unforgettable experiences to learn about motorsports in person. In 2019, a total of 41 students took part in the program.

ENVIRONMENTAL MANAGEMENT

**Kumho Tire practices environmental management in all business activities,
from the development and production of products to distribution
and disposal of them so as to achieve eco-friendly sustainable growth.
In that regard, we have devised four major strategies to fulfill our social responsibility as an eco-friendly company.**

Green Management

Establishment/Operation of a Global Environmental Management System

In systemic response to environmental regulations that are growing stricter every year, Kumho Tire adheres to the ISO 14001 (environmental management systems) certificate. It makes continuous facility investments and carries out facility maintenance according to in-house standards that are much higher than legal requirements. On top of that, regular in-house checks allow us to conform to rigorous environmental regulations while we also steer clear of accidents. Additionally, Kumho Tire's company-wide environmental protection campaigns contribute to local communities and firmly internalize environmental protection within the company.

Green Production

Highly Efficient Eco-friendly Energy and GHG Reduction Practices

Kumho Tire has successfully reduced greenhouse gas (GHG) emissions and energy use on the back of the factory energy management system (FEMS) established at its plants in Korea. What is more is that the company is adopting a photovoltaic power supply system and LED light replacement as part of its green energy policy. In proactive response to global environmental issues—climate change and GHG emissions—the company is adopting an emissions trading management system and an IT system called K-GEMs, which refers to Kumho Tire's greenhouse gas emissions management.

Green Product

Leading the Way with Green Product R&D Efforts

Making use of its single-handedly developed design techniques, Kumho Tire is developing green products to reduce the environmental burden throughout the lifecycle of its products. As a result, the company became the first Korean tiremaker to develop ECOWING (tires with an energy efficiency rating of Level 1 in Korea) in 2012, and WATTRUN (tires exclusively used for electric vehicles) in 2018. Some enormous investments are directed to responding to specific energy efficiency level requirements in many countries worldwide and to developing tires with low rolling resistance. We are also developing new materials in order to minimize hazardous chemical substances in products. Thanks to these efforts, Kumho Tire had earned the Eco Label from the Korean government for a total of six products by 2019. Going forward, we will continue to expand our green product lineup.

Green Business

Green Markets & Business Opportunities

Green markets are going to continue expanding in tandem with growing consumer interest and demand for green products. In response, Kumho Tire is developing and releasing green products to become a leader in the market. It is also investing, planning, and implementing the production of tires featuring low rolling resistance. At the same time, we are effectively responding to the emissions trading scheme that went into effect as of 2015 by replacing fuel sources with green fuels, and strategically pegging high-efficiency energy conservation investments to our emissions control plans to seize on opportunities for generating more revenue.

CONSOLIDATED FINANCIAL STATEMENTS

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01 Independent Auditor's Report

Based on a report originally issued in Korean
To the Shareholders and Board of Directors of Kumho Tire Co., Inc.

Opinion
We have audited the accompanying consolidated financial statements of Kumho Tire Co., Inc. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statement of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.
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, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion
We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' 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.

Emphasis of Matters – Restatement of Current and Prior Years' Consolidated Financial Statements
Without qualifying our opinion, we draw attention to the following:
As described in note 41 to the consolidated financial statements, the Group restated its accompanying current and prior years' financial statements to correct errors on property, plant and equipment, trade receivable, short-term borrowings, other long-term employee benefits and others.

Other Matter
The accompanying consolidated financial statements as of and for the year ended December 31, 2018 reflecting the adjustments described in the Emphasis of Matters section above were audited by other auditors who expressed an unqualified opinion on those financial statements on April 29, 2020.
The accompanying consolidated financial statements of the Group as of and for the year ended December 31, 2019, which we expressed an unqualified opinion on those statements on March 27, 2020, did not reflect the adjustments described in the Emphasis of Matters section above, and were restated to correct such errors and approved by the Board of Directors on April 27, 2020, which are different from the consolidated financial statements previously approved by the Board of Directors on March 12, 2020. We performed additional audit procedures to express an opinion on the restated consolidated financial statements as of and for the year ended December 31, 2019.
As we reissue our opinion due to the restatement, our original opinion issued on March 27, 2020 should not be relied upon in connection with the Group's consolidated financial statements for the year ended December 31, 2019.
The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[1] Assessment of recognition of deferred tax assets

| Key Audit Matter |

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. 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 that significant degree of judgment and uncertainty are involved in determining the key assumptions such as estimated sales and operating expenses in estimating future taxable income.

| How we addressed the key audit matter in our audit |

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

- We evaluated key input variables such as sales and rate of operating profits used to determine future taxable income by comparing most recent business plans approved by the board of directors with historical performance as well as industry reports.
- We assessed the Group's ability to accurately forecast by comparing future taxable income forecasts and the expected timing at which unused tax credit would be utilized prepared in prior year with the actual results.

[2] Assessment of impairment for cash generating unit

| Key Audit Matter |

As described in note 3 to the consolidated financial statements, the Group performs impairment test at the end of reporting period when there is an indication that its carrying amount of non-financial asset exceeds the amount to be recovered. When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount for each cash generating units (the "CGUs") to which the asset belongs. The Group performs impairment test for non-financial assets and does not recognize impairment loss because it is determined that the recoverable amount of the CGUs exceeds the carrying amount. In performing impairment analysis, the Group utilizes the CGUs and estimate of future cash flows determined by the management. We identified the assessment of impairment for CGUs in which any indication of impairment exists as a key audit matter by considering the significant amount of the non-financial assets and the risk of potential bias in management estimates.

| How we addressed the key audit matter in our audit |

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

- We evaluated the adequacy of CGUs identified by management.
- We evaluated the competence and objectivity of external experts used by management.
- We tested the accuracy of the Group's stock price used in determining net fair value.
- We compared the future cash flow used in estimate of value-in-use with the business plan approved by the management.
- We assessed the appropriateness of valuation model used by management for the estimate of recoverable amounts.
- We evaluated the reasonableness of key assumptions in preparing the value-in-use estimate.

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 K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' 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 KSAs 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 KSAs, 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 in the preparation of the consolidated financial statements 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors'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 auditors'report is Ha Kyoon Kim.

KPMG Samjong Accounting Corp.
Seoul, Korea

KPMG Samjong Accounting Corp.

March 27, 2020
(The end date of the audit procedure performed on matters other than those in note 41.)

May 4, 2020
(The end date of the audit procedure performed only for the modifications described in note 41.)

This report is effective as of the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

02 Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(In Korean won)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	109,547,867,108	271,834,340,316
Short-term financial instruments	48,818,575,200	58,579,124,908
Financial assets at fair value through profit or loss	10,026,178,082	-
Trade receivables	416,251,276,679	455,954,106,888
Short-term loans and other receivables	15,746,644,408	13,708,914,418
Inventories	420,766,510,250	458,636,318,506
Other current assets	52,210,835,642	58,537,753,128
Current finance lease receivables	360,962,642	-
Total current assets	**1,073,728,850,011**	**1,317,250,558,164**
Non-current assets held for sale	**12,993,701,429**	**28,513,775,482**
Non-current assets		
Long-term financial instruments	191,961,351	172,770,159
Financial assets at fair value through profit or loss	1,000	1,000
Long-term loans and other receivables	59,008,493,678	25,173,371,187
Property, plant and equipment	2,468,048,942,949	2,579,912,362,353
Right-of-use assets	75,721,971,720	-
Non-current finance lease receivables	580,567,912	-
Intangible assets	4,532,066,344	5,540,182,744
Investment properties	17,562,629,224	4,694,156,372
Deferred tax assets	215,721,056,240	206,789,531,252
Other assets	1,373,301,506	53,348,216,990
Total non-current assets	**2,842,740,991,924**	**2,875,630,592,057**
Total assets	**3,929,463,543,364**	**4,221,394,925,703**

02 Consolidated Statements of Financial Position

As of December 31, 2019 and 2018

(in Korean won)

Liabilities	2019	2018
Current liabilities		
Trade payables	199,122,998,532	294,537,431,400
Short-term borrowings	404,547,368,501	507,026,686,956
Current portion of long-term borrowings	89,823,535,020	134,582,893,611
Other payables	185,551,274,148	246,427,509,834
Other current liabilities	22,462,381,989	30,561,455,668
Current lease liabilities	20,066,661,253	-
Current portion of product warranty provision	10,693,537,398	7,549,794,671
Current tax liabilities	**5,406,740,932**	**222,856,348**
Total current liabilities	**937,674,497,773**	**1,220,908,628,488**
Non-current liabilities		
Long-term borrowings	1,354,729,933,519	1,344,729,576,269
Post-employment benefit obligation	158,249,690,698	135,342,226,010
Long-term employee benefits	55,325,692,069	37,902,085,393
Non-current lease liabilities	27,595,912,033	-
Product warranty provision	10,785,513,629	15,260,231,795
Other non-current liabilities	599,764,017	2,719,546,399
Provision for litigation	87,043,110,319	122,799,223,219
Provision for restoration costs	494,882,134	-
Other payables	4,330,380,000	-
Total non-current liabilities	**1,699,154,878,418**	**1,658,752,889,085**
Total liabilities	**2,636,829,376,191**	**2,879,661,517,573**
Equity		
Share capital	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	24,599,734,666	13,740,141,156
Accumulated deficits	-373,713,948,569	-313,755,114,102
Equity attributable to owners of the Parent Company	**1,292,634,167,173**	**1,341,733,408,130**
Non-controlling interest	**-**	**-**
Total equity	**1,292,634,167,173**	**1,341,733,408,130**
Total liabilities and equity	**3,929,463,543,364**	**4,221,394,925,703**

03 Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2019 and 2018

(In Korean won)

	2019	2018
Sales	**2,369,198,863,879**	**2,558,681,154,748**
Cost of sales	**-1,835,442,357,942**	**-2,104,436,085,838**
Gross profit	**533,756,505,937**	**454,245,068,910**
Selling and administrative expenses	-476,360,988,497	-552,445,889,799
Operating profit (loss)	**57,395,517,440**	**-98,200,820,889**
Other income	77,971,533,440	70,313,317,996
Other expenses	-72,514,636,156	-163,874,905,409
Finance income	8,084,756,682	138,726,193,517
Finance costs	-109,967,803,363	-140,633,565,197
Loss before income tax	**-39,030,631,957**	**-193,669,779,982**
Income tax benefit (expense)	-4,372,391,095	1,739,692,621
Loss for the year	**-43,403,023,052**	**-191,930,087,361**
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	10,859,593,510	6,259,037,268
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability	-15,314,552,210	20,269,570,670
Other comprehensive income (loss) for the year, net of tax	**-4,454,958,700**	**26,528,607,938**
Total comprehensive loss for the year	**-47,857,981,752**	**-165,401,479,423**
Loss is attributable to:		
Owners of the Parent Company	-43,403,023,052	-183,734,900,781
Non-controlling interests	-	-8,195,186,580
	-43,403,023,052	**-191,930,087,361**
Total comprehensive loss for the year is attributable to:		
Owners of the Parent Company	-47,857,981,752	-158,669,515,202
Non-controlling interests	-	-6,731,964,221
	-47,857,981,752	**-165,401,479,423**
Loss per share attributable to the equity holders of the Parent Company		
Basic loss per share	-151	-830
Diluted loss per share	-151	-830

04 Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In Korean won)

	Share capital	Capital surplus	Other components of equity	Accumulated other comprehensive income	Accumulated deficits	Equity attributable to owners of the Parent Company	Non-controlling Interest	Total
Balance at January 1, 2018	**789,965,790,000**	**246,692,976,952**	**-19,538,444,447**	**8,944,326,248**	**-130,755,034,605**	**895,309,614,148**	**33,739,048,207**	**929,048,662,355**
Changes in accounting policy	-	-	-	-	-19,534,749,386	-19,534,749,386	-70,289,941	-19,605,039,327
Balance at January 1, 2018 (Adjusted)	**789,965,790,000**	**246,692,976,952**	**-19,538,444,447**	**8,944,326,248**	**-150,289,783,991**	**875,774,864,762**	**33,668,758,266**	**909,443,623,028**
Loss for the year	-	-	-	-	-183,734,900,781	-183,734,900,781	-8,195,186,580	-191,930,087,361
Other comprehensive income								
Remeasurements of net defined benefit liability	-	-	-	-	20,269,570,670	20,269,570,670	-	20,269,570,670
Exchange differences on translation of foreign operations	-	-	-	4,795,814,908	-	4,795,814,908	1,463,222,360	6,259,037,268
Total comprehensive income (loss) for the year	-	-	-	4,795,814,908	-163,465,330,111	-158,669,515,203	-6,731,964,220	-165,401,479,423
Capital increase	646,335,645,000	-3,201,657,603	-	-	-	643,133,987,397	-	643,133,987,397
Effects of changes in ownership interests of subsidiaries	-	-18,505,928,826	-	-	-	-18,505,928,826	-26,936,794,046	-45,442,722,872
Balance at December 31, 2018	**1,436,301,435,000**	**224,985,390,523**	**-19,538,444,447**	**13,740,141,156**	**-313,755,114,102**	**1,341,733,408,130**	**-**	**1,341,733,408,130**
Balance at January 1, 2019	**1,436,301,435,000**	**224,985,390,523**	**-19,538,444,447**	**13,740,141,156**	**-313,755,114,102**	**1,341,733,408,130**	**-**	**1,341,733,408,130**
Changes in accounting policy	-	-	-	-	-1,241,259,205	-1,241,259,205	-	-1,241,259,205
Balance at January 1, 2019 (Adjusted)	**1,436,301,435,000**	**224,985,390,523**	**-19,538,444,447**	**13,740,141,156**	**-314,996,373,307**	**1,340,492,148,925**	**-**	**1,340,492,148,925**
Loss for the year	-	-	-	-	-43,403,023,052	-43,403,023,052	-	-43,403,023,052
Other comprehensive income								
Remeasurements of net defined benefit liability	-	-	-	-	-15,314,552,210	-15,314,552,210	-	-15,314,552,210
Exchange differences on translation of foreign operations	-	-	-	10,859,593,510	-	10,859,593,510	-	10,859,593,510
Total comprehensive loss for the year	-	-	-	10,859,593,510	-58,717,575,262	-47,857,981,752	-	-47,857,981,752
Balance at December 31, 2019	**1,436,301,435,000**	**224,985,390,523**	**-19,538,444,447**	**24,599,734,666**	**-373,713,948,569**	**1,292,634,167,173**	**-**	**1,292,634,167,173**

05 Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In Korean won)

	2019	2018
Cash flows from operating activities		
Cash generated from operations		
Loss for the year	-43,403,023,052	-191,930,087,361
Adjustments	400,496,975,644	394,043,875,017
Change in operating assets and liabilities	-132,418,653,345	-10,894,231,024
	224,675,299,247	**191,219,556,632**
Interest received	2,172,103,099	6,236,703,111
Interest paid	-78,311,040,625	-99,360,127,040
Income taxes paid	-2,024,911,636	-4,851,009,859
Net cash inflow from operating activities	**146,511,450,085**	**93,245,122,844**
Cash flows from investing activities		
Decrease in financial instruments	19,579,524,131	5,695,137,616
Decrease in loans and other receivables	271,441,316	-
Decrease in other investment assets	-	111,692,560
Proceeds from disposal of property, plant and equipment	6,294,575,820	22,082,249,271
Proceeds from disposal of intangible assets	-	62,875,830
Decrease in other non-current assets	4,354,813,055	2,908,124,346
Increase in financial instruments	-18,680,361,308	-11,097,546,049
Increase in loans and other receivables	-20,244,629,880	-25,036,607,332
Payments for property, plant and equipment	-89,507,921,990	-158,815,560,529
Payments for intangible assets	-118,745,319	-183,077,412
Increase in other non-current assets	-120,559,659	-2,880,091,440
Increase in other investment assets	-	-20,693,678
Net cash outflow from investing activities	**-98,171,863,834**	**-167,173,496,817**

	2019	2018
Cash flows from financing activities		
Proceeds from short-term borrowings	113,306,095,464	443,152,153,763
Proceeds from long-term borrowings	4,895,444,902	56,511,512,528
Capital increase	-	643,133,987,397
Repayments of short-term borrowings	-273,945,963,477	-904,403,640,177
Repayments of long-term borrowings	-32,099,304,028	-
Acquisition of non-controlling interests	-	-45,404,920,389
Repayments of lease liabilities	-25,709,428,244	-
Others	-	-584,684,748
Net cash inflow (outflow) from financing activities	**-213,553,155,383**	**192,404,408,374**
Effects of exchange rate changes on cash and cash equivalents	**2,927,095,924**	**1,326,922,568**
Net increase (decrease) in cash and cash equivalents	**-162,286,473,208**	**119,802,956,969**
Cash and cash equivalents at the beginning of the year	**271,834,340,316**	**152,031,383,347**
Cash and cash equivalents at the end of the year	**109,547,867,108**	**271,834,340,316**

SEPARATE FINANCIAL STATEMENTS

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06 Independent Auditor's Report

Based on a report originally issued in Korean
To the Shareholders and Board of Directors of Kumho Tire Co., Inc.

Opinion

We have audited the accompanying separate financial statements of Kumho Tire Co., Inc. (""the Company""), which comprise the separate statement of financial position as of December 31, 2019, the separate statement of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2019, 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 Standards on Auditing (KSAs), the Company''s Internal Control over Financial Reporting (""ICFR"") as of December 31, 2019 based on the criteria established in Conceptual Framework for Designing and Operating Internal Control over Financial Reporting issued by the Operating Committee of Internal Control over Financial Reporting in the Republic of Korea, and our report dated March 27, 2020 expressed an adverse opinion on the effectiveness of the Company''s internal control over financial reporting.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors'' 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 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.

Emphasis of Matters – Restatement of Current and Prior Years' Separate Financial Statements

Without qualifying our opinion, we draw attention to the following:

As described in note 43 to the separate financial statements, the Company restated its accompanying current and prior years' financial statements to correct errors on other long-term employee benefits and others.

Other Matter

The accompanying separate financial statements as of and for the year ended December 31, 2018 reflecting the adjustments described in the Emphasis of Matters section above were audited by other auditors who expressed an unqualified opinion on those financial statements on April 29, 2020.

The accompanying separate financial statements of the Company as of and for the year ended December 31, 2019, which we expressed an unqualified opinion on those statements on March 27, 2020, did not reflect the adjustments described in the Emphasis of Matters section above, and were restated to correct such errors and approved by the Board of Directors on April 27, 2020, which are different from the separate financial statements previously approved by the Board of Directors on March 12, 2020. We performed additional audit procedures to express an opinion on the restated separate financial statements as of and for the year ended December 31, 2019.

As we reissue our opinion due to the restatement, our original opinion issued on March 27, 2020 should not be relied upon in connection with the Company's separate financial statements for the year ended December 31, 2019.

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

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, 2019. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[1] Assessment of recognition of deferred tax assets

| **Key Audit Matter** |

As described in note 3 to the separate 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. 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 that significant degree of judgment and uncertainty are involved in determining the key assumptions such as estimated sales and operating expenses in estimating future taxable income.

| **How we addressed the key audit matter in our audit** |

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

- We evaluated key input variables such as sales and rate of operating profits used to determine future taxable income by comparing most recent business plans approved by the board of directors with historical performance as well as industry reports.
- We assessed the Company' ability to accurately forecast by comparing future taxable income forecasts and the expected timing at which unused tax credit would be utilized prepared in prior year with the actual results.

[2] Assessment of impairment for investments in subsidiaries

| **Key Audit Matter** |

As described in note 10 to the separate financial statements, in 2019 as a result of impairment assessment, the Company recognized impairment loss on investment in subsidiaries, because the recoverable amount was less than the carrying amount. When performing impairment assessment, the estimation of future cash flows and discount rate is made upon management's decision. We identified the assessment of impairment for investments in subsidiaries by considering the significant amount of the investments in subsidiaries and the involvement of management's estimation and judgment.

| **How we addressed the key audit matter in our audit** |

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

- We assessed the appropriateness of valuation model used by management for the estimate of recoverable amounts.
- We compared the future cash flow used in estimate of value-in-use with the business plan approved by management.
- We evaluated the competence of external experts used by management.
- We evaluated the reasonableness of key assumptions in preparing the value-in-use estimate.
- We verified the adequacy of the management's disclosures relating to impairment.

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 K-IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, 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 auditors'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 KSAs 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 KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Ha Kyoon Kim.

KPMG Samjong Accounting Corp.
Seoul, Korea

KPMG Samjong Accounting Corp.

March 27, 2020
(The end date of the audit procedure performed on matters other than those in note 43.)

May 4, 2020
(The end date of the audit procedure performed only for the modifications described in note 43.)

This report is effective as of the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

07 Separate Statements of Financial Position

As of December 31, 2019 and 2018

(In Korean won)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	66,312,069,870	179,358,540,542
Short-term financial instruments	15,789,000,000	10,039,767,700
Financial assets at fair value through profit or loss	10,026,178,082	-
Trade receivables	431,980,101,946	418,938,790,120
Short-term loans and other receivables	22,289,334,305	26,292,737,752
Inventories	163,717,365,363	168,056,117,270
Other current assets	29,954,767,262	185,599,191,713
Current finance lease receivables	360,962,642	
Total current assets	**740,429,779,470**	**988,285,145,097**
Non-current assets held for sale	-	**13,148,703,000**
Non-current assets		
Long-term financial instruments	81,525,900	43,758,200
Financial assets at fair value through profit or loss	1,000	1,000
Investments in subsidiaries	645,515,189,655	573,355,575,655
Long-term loans and other receivables	97,633,559,395	62,653,979,801
Property, plant and equipment	1,050,423,593,923	1,110,400,190,798
Right-of-use assets	14,291,682,507	-
Non-current finance lease receivables	580,567,912	-
Intangible assets	2,530,806,449	3,482,384,902
Investment properties	17,562,629,224	4,694,156,372
Deferred tax assets	175,865,911,837	175,792,982,582
Other assets	129,843,893,449	45,716,535,890
Total non-current assets	**2,134,329,361,251**	**1,976,139,565,200**
Total assets	**2,874,759,140,721**	**2,977,573,413,297**

07 Separate Statements of Financial Position

As of December 31, 2019 and 2018

(In Korean won)

	2019	2018
Liabilities		
Current liabilities		
Trade payables	163,172,290,237	187,512,032,224
Short-term borrowings	267,268,871,804	313,299,928,368
Current portion of long-term borrowings	-	8,820,911,715
Other payables	92,368,537,735	96,292,612,274
Financial guarantee liabilities	3,732,627,785	5,419,320,080
Current portion of product warranty provision	7,002,992,018	7,549,794,671
Other current liabilities	15,157,684,948	19,710,881,008
Current lease liabilities	7,993,314,725	-
Total current liabilities	**556,696,319,252**	**638,605,480,340**
Non-current liabilities		
Long-term borrowings	660,539,602,372	650,961,519,178
Post-employment benefit obligation	158,249,690,698	135,342,226,010
Long-term employee benefits	55,277,310,719	37,836,336,582
Financial guarantee liabilities	167,804,542,644	185,439,830,548
Product warranty provision	8,048,925,113	8,470,841,246
Provision for litigation	87,043,110,319	122,799,223,219
Non-current lease liabilities	8,275,869,796	-
Provision for restoration costs	494,882,134	-
Other payables	4,330,380,000	-
Total non-current liabilities	**1,150,064,313,795**	**1,140,849,976,784**
Total liabilities	**1,706,760,633,047**	**1,779,455,457,124**
Equity		
Share capital	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	-472,218,477,938	-442,099,029,439
Total equity	**1,167,998,507,674**	**1,198,117,956,173**
Total liabilities and equity	**2,874,759,140,721**	**2,977,573,413,297**

08 Separate Statements of Comprehensive Loss

For the years ended December 31, 2019 and 2018

(In Korean won)

	2019	2018
Sales	**1,820,850,829,672**	**1,881,271,577,121**
Cost of sales	**-1,470,980,589,477**	**-1,595,206,096,393**
Gross profit	**349,870,240,195**	**286,065,480,728**
Selling and administrative expenses	-270,188,772,518	-318,940,745,218
Operating profit (loss)	**79,681,467,677**	**-32,875,264,490**
Other income	53,011,890,812	44,665,399,299
Other expenses	-105,563,442,704	-479,209,140,365
Finance income	8,699,727,276	71,381,848,928
Finance costs	-44,529,810,215	-214,835,105,003
Loss before income tax	**-8,700,167,154**	**-610,872,261,631**
Income tax benefit (expense)	-4,863,469,930	4,500,819,664
Loss for the year	**-13,563,637,084**	**-606,371,441,967**
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss		
Remeasurements of net defined benefit liability	-15,314,552,210	20,269,570,670
Other comprehensive income (loss) for the year, net of tax	**-15,314,552,210**	**20,269,570,670**
Total comprehensive loss for the year	**-28,878,189,294**	**-586,101,871,297**
Loss per share attributable to the equity holders of the Company		
Basic loss per share	-47	-2,739
Diluted loss per share	-47	-2,739

09 Separate Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In Korean won)

	Share capital	Capital surplus	Other components of equity	Retained earnings (Accumulated deficits)	Total
Balance at January 1, 2018	**789,965,790,000**	**223,735,065,913**	**-16,617,857,698**	**144,836,331,859**	**1,141,919,330,074**
Changes in accounting policy	-	-	-	-833,490,001	-833,490,001
Balance at January 1, 2018 (Adjusted)	**789,965,790,000**	**223,735,065,913**	**-16,617,857,698**	**144,002,841,858**	**1,141,085,840,073**
Loss for the year	-	-	-	-606,371,441,967	-606,371,441,967
Other comprehensive income (loss)					
Remeasurements of net defined benefit liability	-	-	-	20,269,570,670	20,269,570,670
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-586,101,871,297**	**-586,101,871,297**
Capital increase	646,335,645,000	-3,201,657,603		-	643,133,987,397
Balance at December 31, 2018	**1,436,301,435,000**	**220,533,408,310**	**-16,617,857,698**	**-442,099,029,439**	**1,198,117,956,173**
Balance at January 1, 2019	**1,436,301,435,000**	**220,533,408,310**	**-16,617,857,698**	**-442,099,029,439**	**1,198,117,956,173**
Changes in accounting policy	-	-	-	-1,241,259,205	-1,241,259,205
Balance at January 1, 2019 (Adjusted)	**1,436,301,435,000**	**220,533,408,310**	**-16,617,857,698**	**-443,340,288,644**	**1,196,876,696,968**
Loss for the year	-	-	-	-13,563,637,084	-13,563,637,084
Other comprehensive income (loss)					
Remeasurements of net defined benefit liability	-	-	-	-15,314,552,210	-15,314,552,210
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-28,878,189,294**	**-28,878,189,294**
Balance at December 31, 2019	**1,436,301,435,000**	**220,533,408,310**	**-16,617,857,698**	**-472,218,477,938**	**1,167,998,507,674**

10 Separate Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In Korean won)

	2019	2018
Cash flows from operating activities		
Cash generated from operations		
Loss for the year	-13,563,637,084	-606,371,441,967
Adjustments	257,735,099,243	754,001,217,440
Change in operating assets and liabilities	-116,174,050,406	1,969,305,455
	127,997,411,753	149,599,080,928
Interest received	3,234,230,064	11,241,507,444
Interest paid	-31,467,741,651	-40,299,094,774
Income taxes received (paid)	118,076,982	-187,527,306
Net cash inflow from operating activities	**99,881,977,148**	**120,353,966,292**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	2,300,327,261	1,899,405,083
Proceeds from disposal of intangible assets	-	62,875,830
Decrease in financial instruments	2,000,000	12,994,776
Decrease in loans and other receivables	43,032,171	97,816,742,529
Decrease in other non-current assets	2,163,133,379	2,907,329,474
Increase in financial instruments	-5,789,000,000	-10,012,901,200
Increase in loans and other receivables	-20,150,000,000	-26,268,908,776
Payments for investments in subsidiaries	-72,159,614,000	-391,709,725,600
Payments for property, plant and equipment	-47,855,054,665	-88,181,931,332
Payments for intangible assets	-81,052,137	-146,116,140
Increase in other non-current assets	-	-2,880,091,440
Increase in financial assets at fair value through profit or loss	-10,000,000,000	-
Net cash outflow from investing activities	**-151,526,227,991**	**-416,500,326,796**

	2019	2018
Cash flows from financing activities		
Proceeds from short-term borrowings	77,861,461,024	299,404,186,184
Proceeds from long-term borrowings	-	169,696,721
Capital increase	-	643,133,987,397
Repayments of short-term borrowings	-128,637,719,522	-418,592,592,593
Repayments of current portion of long-term borrowings	-	-33,015,013,376
Repayments of current portion of bonds	-	-120,000,000,000
Repayments of lease liabilities	-10,987,353,380	-
Net cash inflow (outflow) from financing activities	**-61,763,611,878**	**371,100,264,333**
Net increase (decrease) in cash and cash equivalents	**-113,407,862,721**	**74,953,903,829**
Cash and cash equivalents at the beginning of the year	179,358,540,542	103,509,008,443
Effects of exchange rate changes on cash and cash equivalents	361,392,049	895,628,270
Cash and cash equivalents at the end of the year	**66,312,069,870**	**179,358,540,542**

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 Chunyu Road Nanjing Pukou Economic Development zone, Nanjing, Jiangsu, CHINA
05 | **Kumho Tire (Tianjin) Co., Inc.**
No.333 Zhongnan, 2st. Teda, Tianjin, CHINA
06 | **Kumho Tire (Changchun) Co., Inc.**
No.677 Jinhu 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, Yong
Gyeonggi-Do
02 | **Gwangju Performance Center**
658, Eodeung-Daero, Gwangsan-Gu
03 | **KATC (U.S.A.)**
711 South Cleveland-Massillon Road
Ohio 44333, United States
04 | **KETC (GERMANY)**
Kumho Tire Europe Technical Cente
Starkenburg Strasse 10, 64546,
Moerfelden-Walldorf, GERMANY
05 | **KCTC (CHINA)**
No.49 Xinye 3 Street, The West Zor
Tianjin, CHINA

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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 Starkenburg 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.**
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TEL. 1-800-445-8646 | FAX. 1-678-916-3280
02 | **Kumho Tire Europe GmbH**
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03 | **Kumho Tyre (U.K.) Ltd.**
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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**
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TEL. 61-2)9912-9806 | FAX. 61-2)9912-9830
08 | **Kumho Tire China Co., Inc.**
0-31F, BLK A, No 391 Guiping Rd., New Caohejing International Business Center, Xuhui District, Shanghai, CHINA
TEL. 86-21)6139-1100 | FAX. 86-21)6139-1416
09 | **Kumho Tire De Mexico S.A. DE C.V.**
Av.Paseo de la Reforma No.373, 7 Piso Despacho "A" Col. Cuauhtemoc, Deleg. Cuauhtemoc CP 06500, Ciudad de Mexico, MEXICO
TEL. 52-55-5251-7617

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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**
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TEL/FAX. 7)495-258-1133
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04 | **Milano**
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05 | **Madrid**
P.E.Alvia Edificio 3, Planta 2, Oficina 3 C/jose Echegaray, 8 28232 Las Rozas, Madrid, SPAIN
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06 | **Panama**
P.H. Sortis Business Tower, Ofinica 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**
Office No 401, Icon Tower, Al Barsha Tecom Dubai, UAE
TEL. 971-4)554-7386 | FAX. 971-4)299-9525
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 | **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
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