

HISTORY

- 2009** • Winter tire receives highest evaluation in Germany's ADAC test
VENTUS V12 evo ranked 1st in US auto magazine (Car & Driver)
Started supplying OE tires to Audi
- 2008** • Geumsan Plant's 2nd phase expansion completed
Globally announced "Kontrol Technology"
• enfen and Optimo 4S awarded with the
IF Product Design Award 2009
- 2007** • Hungary Plant begins production
• 100 millionth tire produced in China in March
- 2006** • Only tire manufacturer to receive FAW-Volkswagen 10 Best
Suppliers award
• Entered into Technical Agreement with premium car maker Audi
• Started construction of the Hungary Plant in July
- 2005** • Roll-out of T'Station one-stop auto service concept
• Selected as strategic partner of Ford
• Completion of Geumsan Test Track (G,Trac)
- 2004** • Unveiled new Corporate Identity
- 2003** • Established strategic alliance with Michelin
- 2001** • Opened Europe Distribution Center (EDC) in the Netherlands
- 2000** • Introduced ERP System
- 1999** • Completed Jiangsu and Jiayang Plant (China)
- 1998** • Established China Technical Center (CTC)
- 1997** • Completed Geumsan Plant (Korea)
- 1996** • Established of Europe Technical Center (ETC)
- 1994** • Hankook Tire established its Beijing branch in China
- 1992** • Opened first overseas facility and R&D Center in Akron, Ohio
- 1982** • Established the Main R&D Center (Korea) in Daejeon
- 1981** • Established Hankook Tire America Corporation
- 1979** • Built Daejeon Plant (Korea)
- 1941** • Founded

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At Hankook Tire, we strive to protect the environment in every way we can, no matter how small. This Annual Report uses environment-friendly paper printed in soybean oil ink.

HANKOOK TIRE ANNUAL REPORT 2009

HANKOOK TIRE ANNUAL REPORT 2009

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Global Network



Corporate Data

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2010 IR Schedule

January - Announcement of 2009 earnings results and 2010 earnings target
February - Conference (London, New York)
March - Conference (Hong Kong, Singapore)
April - Announcement of schedule for 56th general meeting of 10th Board of Directors
May - Announcement of 2010 earnings results
June - Announcement of 2010 earnings results
July - Announcement of 2010 earnings results
August - Announcement of 2010 earnings results
September - Announcement of 2010 earnings results
October - Announcement of 2010 earnings results
November - Announcement of 2010 earnings results
December - Announcement of 2010 earnings results

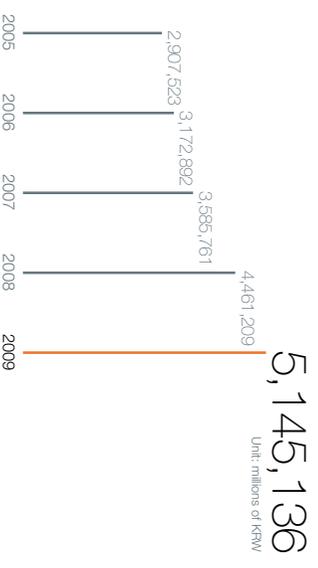
President
Hankook
Kang, Chansik
Executive Vice President / Finance & Management

Coo - Hyung Taek
Jaeng, Il Lyong
Choe, Hyun Sil
Choi, Eun He
Choi, Joo Hyun
Kim, Soo A
Team Manager, Global Strategy Team
Team Manager, Investor Relations & Communications Team
Corporate Secretary
Corporate Secretary
Corporate Secretary
Corporate Secretary

Financial Highlights

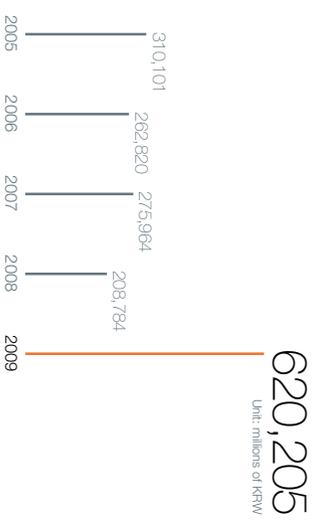
KRW **5.14** trillion

Global Consolidated Sales



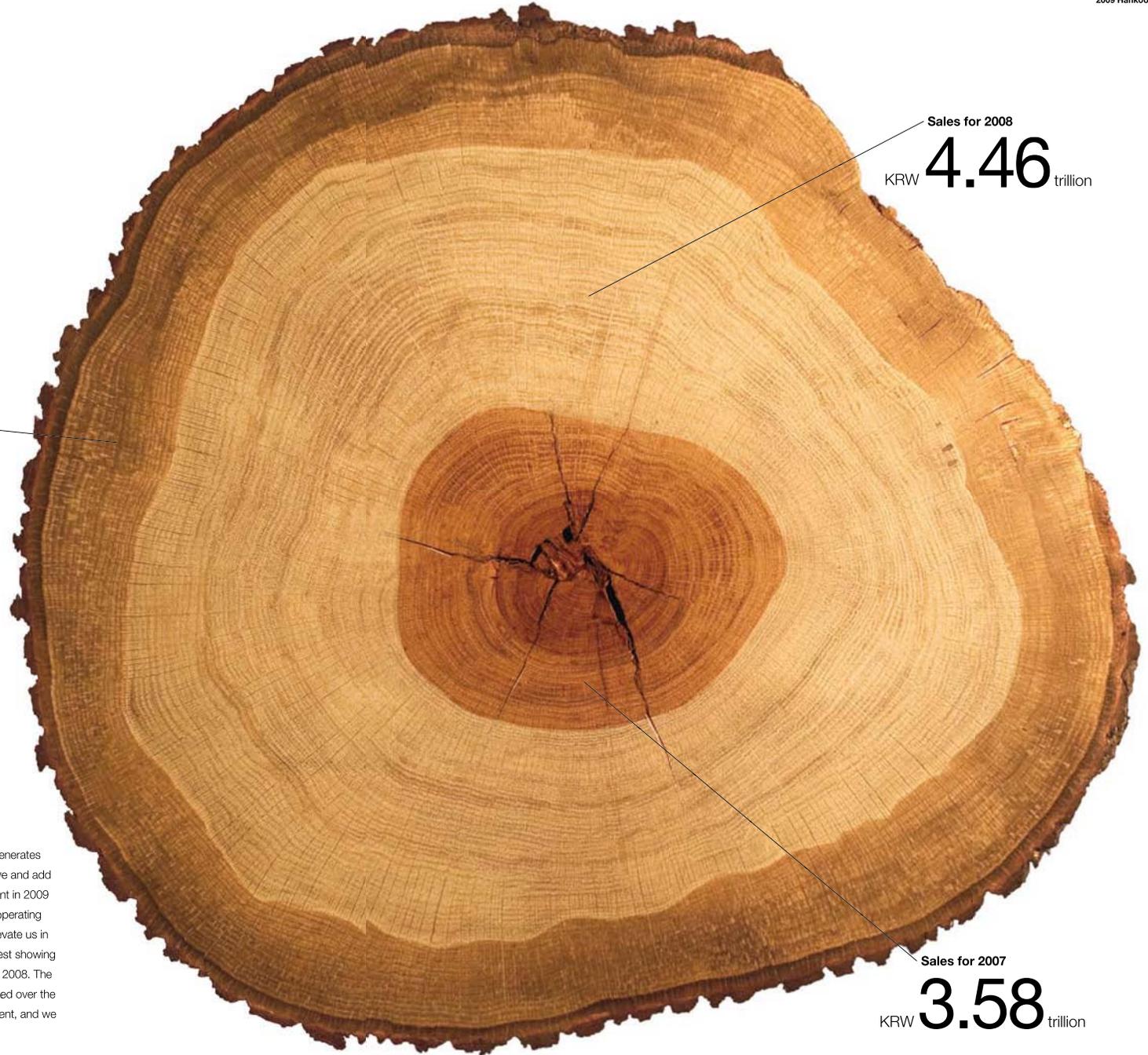
12% Operating profit ratio

Operating Profit



Our global operations earned KRW 620.2 billion in operating profit on consolidated sales of more than KRW 5.14 trillion in 2009. While the overall tire industry slumped, we achieved the highest annual growth among the world's top tire makers.

Sustainable Growth for the Company



Average annual growth '00-'09 13.9%

Sales growth YOY 15%

We continue to outdo ourselves and break new performance records. Hankook Tire generates strong results each year to grow constantly like trees that endure storms and droughts to thrive and add healthy annual rings. Our growth is accelerating, and not even the difficult business environment in 2009 could deter our expansion effort. For the year, global sales exceeded KRW 5.14 trillion, while operating profit amounted to KRW 620.2 billion and operating margin came to 12 percent, helping to elevate us in the global industry rankings. Importantly our year-on-year sales growth was 15 percent, the best showing among the world's top tire makers, and our operating profit soared 197 percent higher than in 2008. The rate of sales growth was even higher than the 13.9 percent annual average that we have posted over the previous decade. The 2009 performance demonstrates our passion for continuous improvement, and we are ready to take on every challenge to advance still further in the future.

Products for the World

2009 RE tire sales in Asia-Pacific

18%

2009 RE tire sales in Europe

30%

2009 RE tire sales in Korea

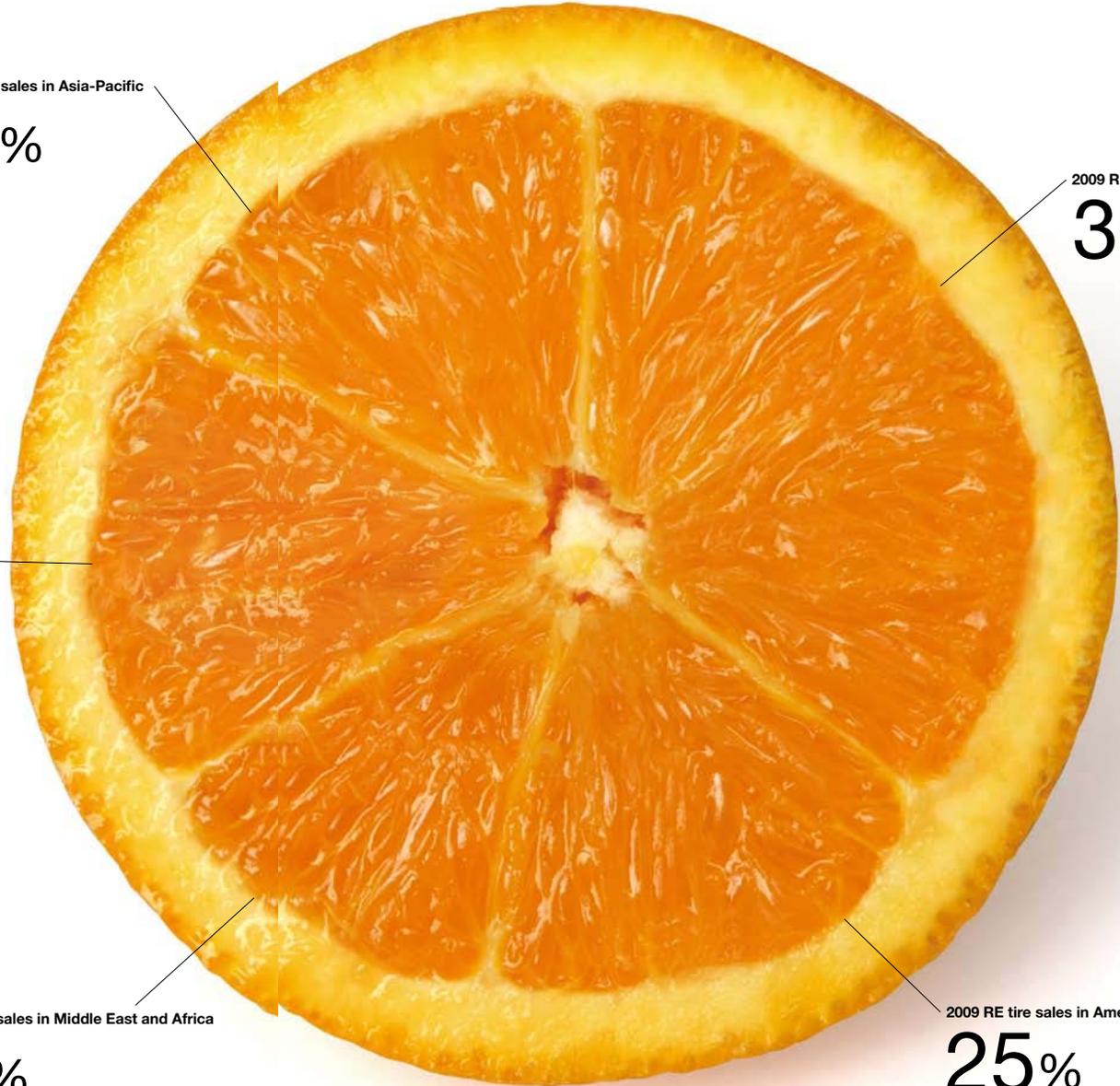
16%

2009 RE tire sales in Middle East and Africa

11%

2009 RE tire sales in Americas

25%

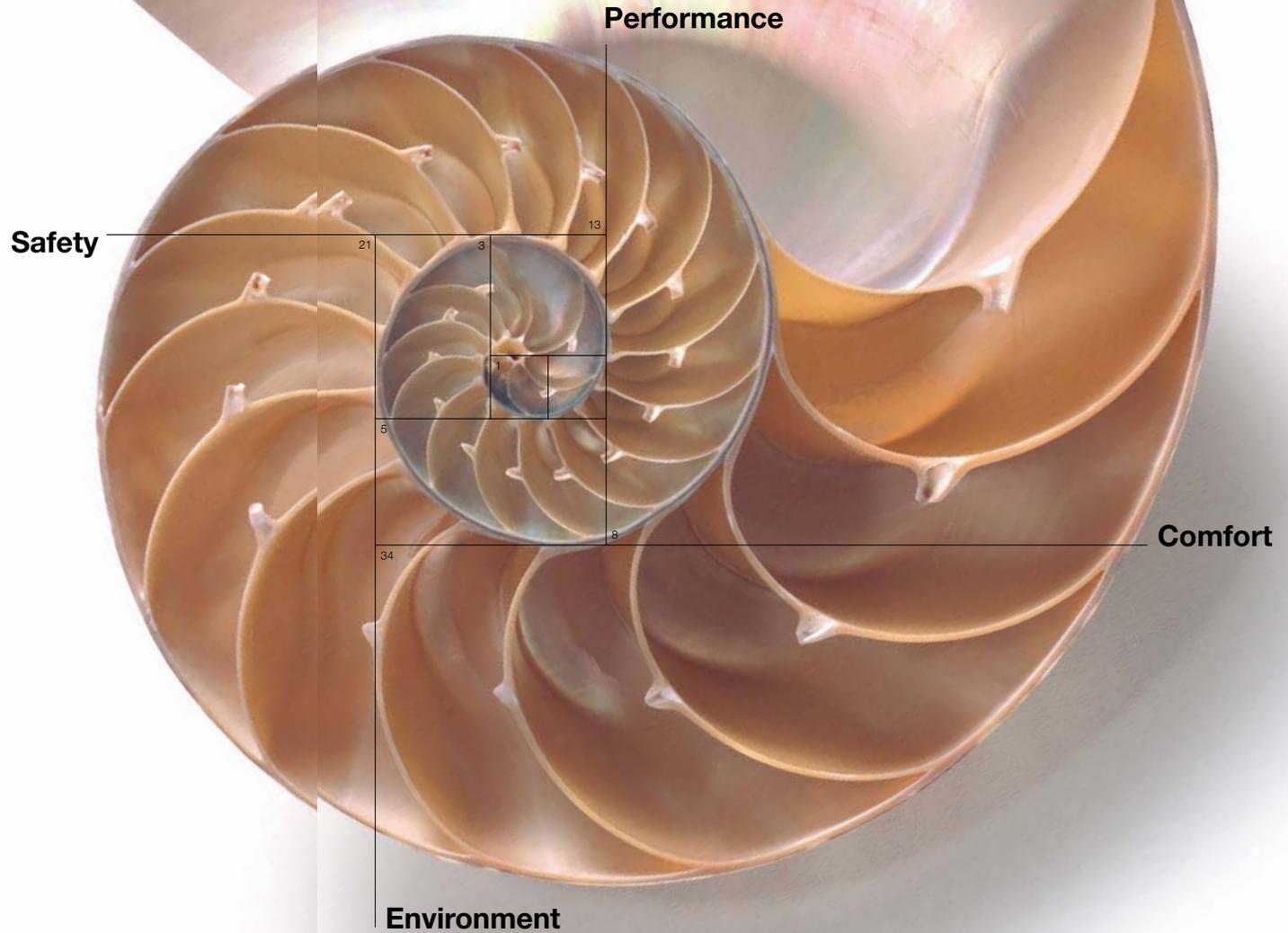


No. of national markets 180

No. of sales offices and subsidiaries 80

We are advancing rapidly as a respected global player. Hankook Tire's determination and willingness to take on challenges are yielding a rich harvest like the delicious ripe orange that results from the grower's hard work and care. The sphere of Hankook Tire operations keeps getting wider. We now have a total of five large-scale factories operating in Korea, China and Hungary, and produced some 78 million tires in 2009. The high-quality tires from each factory are brought to customers in 180 countries via 80 subsidiaries and sales offices around the world. In addition, we use diverse sales channels for greater accessibility and convenience, providing customers with a full range of tire-related services. The steady expansion of our production capacity and global network is bringing Hankook Tire products to more people around the globe.

Kontrol Technology for Customers



Increase in R&D Spending (in Korea) 11%

Growth in UHP tire sales 16%

Kontrol
TECHNOLOGY



Performance



Safety



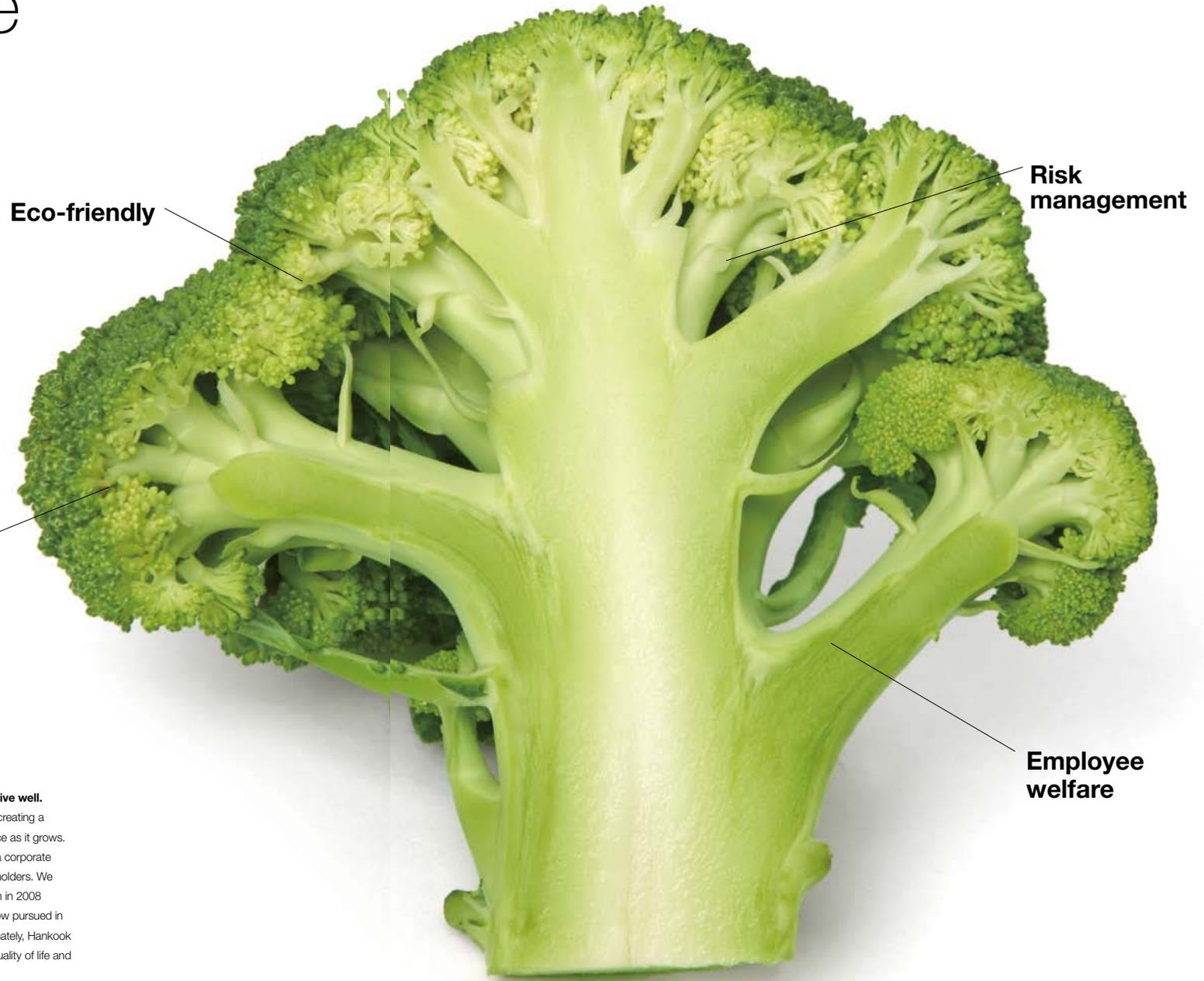
Comfort



Environment

We continue to create innovative technologies for the benefit of our customers. More and more customers are enjoying the exciting driving experience provided by Hankook Tire products, which balance performance, stability, ride comfort and environment friendliness like the golden ratio spiral that gives the pearly nautilus its sublime beauty. Each and every Hankook Tire product is imbued with our unique Kontrol Technology philosophy. This philosophy defines our resolve to ensure that the tire moves in a way that allows complete control among driver, vehicle and road surface. Our consistent goal is to make tires that can deliver great ride comfort, handling, power, driving stability, and environment-friendliness--all at the same time. Our relentless R&D effort is making possible innovative new products and technologies that provide greater driving satisfaction and safety for our customers.

A Sustainable Future for All



Eco-friendly

Risk management

Philanthropic activities

Employee welfare

Improved fuel economy from Hankook tires **16%**

Amount of treated water that is reused **800m³/day**

Our ultimate goal is to help build a sustainable society in which all people can live well.
Hankook Tire's commitment to protecting the environment, contributing to society and creating a sustainable world is constant like broccoli, which maintains exactly the same appearance as it grows. Hankook Tire continues to grow closer to society. We recognize our responsibilities as a corporate citizen, and our systematic CSR activities promote balanced advancement for all stakeholders. We launched our unique H-LOHAS (Hankook Lifestyle of Health and Sustainability) program in 2008 followed by the establishment of a dedicated CSR Team in 2009. As a result, CSR is now pursued in a consistent, integrated manner companywide, allowing us to do more for society. Ultimately, Hankook Tire will grow as a respected global company by working aggressively to improve the quality of life and ensure a sustainable future for all.

Driving Emotion

Hankook Tire remained first in Korea and seventh in the world in 2009 and continued to embrace change. We delivered satisfaction to more customers worldwide as we expanded our distribution channels and introduced innovative products and brands that were designed to reflect both global trends and regional preferences. Moreover, we made unceasing efforts to advance our management system, raise structural efficiency and expand the global network, while strengthening our capabilities as a vehicle parts specialist in close cooperation with our affiliates. These efforts have earned us acclaim and numerous prizes from established auto magazines, consulting groups and design awards worldwide. Our ongoing innovation and change will contribute to the steady advancement of the global tire industry in the future.

Corporate Profile

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- Awards and Certifications

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032 Message from the CEO

1941

Year of Establishment

13.9% ↑

10-year Sales CAGR

7th

Global Ranking

VENTUS S1 evo



Ventus S1 evo is a summer tire developed for the drivers of sports cars, sporty coupes and high performance sedans to deliver maximum handling and braking performance as well as optimal surface contact under wet and dry conditions. This UHP tire received top ratings on tire comparison tests by the major German automobile magazines *Gute Fahrt*, *Auto Bild Sports cars*, and *Sport auto*.

The Stature of Hankook Tire

Current Status

The No.1 Tire Maker in Korea

Hankook Tire was established in 1941 as the first tire maker in Korea. Today, we remain the domestic industry leader and serve as a yardstick for measuring how far the industry has developed. In 2009, our extensive business portfolio in Korea helped us sell more passenger car tires than any other domestic tire manufacturer did, furthering our stature as the Korean leader in this industry.

7th in the World, 3rd in Asia

The January 2010 issue of *Modern Tire Dealer* magazine published the 2009 sales data for the global tire industry, and Hankook Tire placed seventh on the list for the fourth consecutive year since 2006. Our sales have grown an average of 13.9 percent annually for the past decade, bringing the cumulative rate to 133 percent for the period.

Our global distribution network consists of four regional headquarters and 80 subsidiaries & sales offices and our products are sold worldwide in about 180 countries. More than 70 percent of our revenue is earned outside Korea.

Our five R&D centers have enabled us to acquire world-class technologies. Meanwhile, our global production system encompasses five large-scale factories in three countries.

The superiority of our products has been well recognized throughout the industry, as evidenced by the interest overseas makers have shown in adopting our technologies.



Awards and Certifications

One of Deloitte Top 250 in the Consumer Products Industry

We have been transforming into a market-driven company since 2003, and our success in this regard has received global recognition. For example, Deloitte, the global consulting firm, has included Hankook Tire among its Global Powers of the Consumer Products Industry for each of the past three years, and we were the only Korean tire maker to make the list. Moreover in 2010, we also ranked 22nd on Deloitte's list of the 50 fastest-growing consumer product companies.

1st in K-BPI for Tires and Services, 1st in NBCI

Hankook Tire ranked first in the Passenger Car Tire category in the 2010 Korean Brand Power Index (8th year in a row), while T'Station was first in the Tire Service category (2nd consecutive year). These results are a testimony to our unrivaled leadership in the Korean tire industry. The K-BPI survey by Korea Management Association Consultants Inc. is one of the country's leading brand assessment programs for measuring customer confidence.

We also received top honors in the Tire category for the 2010 National Brand Competition Index by the Korea Productivity Center. It was the second consecutive year that Hankook Tire has been ranked No.1 in the NBCI.

Korea's Most Admired Tire Maker

We were named one of Korea's Most Admired Companies in 2010 in the Tire Company category by Korea Management Association Consultants Inc. Hankook Tire received high marks in all six categories (Innovation Capability, Shareholder Value, Employee Value, Customer Value, Social Value and

Image Value) covered by the KMAC survey. The survey results reflect our ongoing technology development and differentiated customer services for ensuring customer satisfaction.

Green Product Winner for the 2nd Year

Korea Management Association Registration and Assessments Inc. named enfren its Green Product Winner in the Passenger Car Tire category for both 2008 and 2009. The fuel-saving, environment-friendly tires were introduced in June 2008 after two and a half years of research at a cost of KRW 11 billion. They are seen as an outstanding product that marks a milestone in the history of the Korean tire industry.

Korea Eco-Lable from KEITI, Registration for Green Purchasing in Japan

In September 2009, the Korea Environmental Industry & Technology Institute conferred its E-Mark on enfren, acknowledging its effectiveness in conserving resources by lowering fuel consumption when vehicles are in motion. Meanwhile in Japan, enfren was recognized for improving fuel efficiency in accordance with the Green Purchasing Law. Thus, enfren is now recognized in both Korea and Japan for outstanding environment friendliness.

012

1 The World's Top Tire Makers source: MTD

Rank	Name
1	Bridgestone Corp.
2	Group Michelin
3	Goodyear Tire & Rubber Co.
4	Continental AG
5	Pirelli & C. S.p.A
6	Sumitomo Rubber Industries Ltd.
7	Hankook Tire Co., Ltd
8	Yokohama Rubber Co.*
9	Cooper tire & Rubber Co.
10	Kumho Tire Co. Inc. / Toyo Tire & Rubber Co. Ltd.*

Global consolidated sales in 2009

5.14 trillion

Sales growth in 2009

15%

* Due to the difference in fiscal year (March 31, 2009) it is impossible to make a direct comparison between Yokohama and Toyo and other tire makers.

013

Award marks



Most Admired Companies



Green Product Winner

Environmental certification marks



E-Mark



Green Purchasing Law

reddot design Award in Product Design for Winter i'cept evo

The Hankook Tire enfen and Optimo 4S won the 2009 iF Design Awards in the Transportation category, a first in the tire industry. In 2010, the ultra-high-performance Winter i'cept evo received the prestigious reddot design award in the Product Design segment. These marks of distinction are testimony to our global design competitiveness as well as our advanced tire technology and outstanding product performance.

The reddot design awards is regarded as one of the world's top three, along with iF in Germany and IDEA in the US. Winners are picked on the basis of stringent criteria, including the degree of innovation, functionality, ergonomics, formal quality, and ecological compatibility. In 2010, product design entries were submitted from 1,634 companies in 57 countries for the red dot design award.

GD Mark for "Magazine Test Motion Graphic Brochure"

The Korea Institute of Design Promotion organizes the Good Design Awards under the auspices of the Ministry of Knowledge Economy, and enfen was selected for the Good Design (GD) Mark at the 2008 Good Design Awards. In 2009, the "magazine test motion graphic brochure" received the GD Mark in the Communication Design category. The unconventional motion graphics medium received high marks for emphasizing the superiority of Hankook Tire, as evidenced in tests by overseas industry journals, in an elegant yet familiar way.

LACP Award for Annual Report

The 2007 Hankook Tire Annual Report received the Gold Prize at the 2008 Spotlight Awards (in the 2007 Annual Report category), sponsored by the League of American Communications Professionals, a world-renowned marketing research agency. Our 2008 Annual Report likewise was honored at the LACP's 2008 Vision Awards with a Gold Prize in the Automobiles & Components category. The Hankook Tire 2008 Annual Report competed with 3,500 entries from 22 countries, and the judging panel praised our publication highly for dramatically presenting the corporate colors and powerfully conveying the message.

Grand Prize for Global Website at Web Awards Korea 2008

Web Awards Korea is Korea's most prestigious event for assessing internet sites. In 2008, the Hankook Tire global website won the overall Grand Prize; the Korean-language website received the Award of Excellence in the General Corporate Website category, and the XQ Optimo Nova site was chosen for the Award of Excellence in the Brand Promotion category.

In addition, our *Tire Family* publication for dealers was honored with the 2009 New York Festival Prize, a special accolade from overseas, at the Korea Communication Awards, sponsored by the Korea Business Communication Association.

Tire Magazine Test Results Icebear W440

- This winter tire received a "Very Recommendable" rating, the highest possible, from ADAC, Europe's most prestigious automotive industry journal. (September 2009)

Optimo 4S

- Auto Bild rated the Optimo 4S "Very Recommendable," the top mark, in a tire performance comparison test. (September 2009)

Ventus S1 evo

- This tire received the highest score on a performance comparison test by Auto Motor und Sport. (March 2010)
- A "Very Recommendable" mark was received in the *Gute Fahrt* performance comparison test. (March 2010)
- "Very Recommendable," the top rating, was received on a performance comparison test by *Auto Zeitung*. (April 2009)
- Ventus S1 evo was declared the Test Winner and granted a "Very Recommendable" rating on a performance comparison test by *Auto Bild Sportscars*. (March 2009)
- "Very Recommendable," the top rating, was received on a performance comparison test by *Sport Auto*. (March 2009)

Ventus V12 evo

- The US magazine *Car and Driver* named Ventus V12 evo an "Outstanding Product." (July 2009)
- This tire received *Auto Motor und Sport's* "Very Recommendable" evaluation in a performance comparison test. (March 2009)

Ventus Prime

- Ventus Prime was declared the Test Winner and granted a "Very Recommendable" rating on a performance comparison test by *Auto Bild*. (March 2009)

Design Award Marks



iF Design Awards



reddot design award



GD Mark



LACP Vision Awards

Magazine Tire Performance Comparison Tests



<Auto Bild >



<Auto Motor Und Sport >

Products in Tire Performance Comparison Tests



VENTUS S1 evo



VENTUS V12 evo



VENTUS PRIME



OPTIMO 4S

Business Portfolio

Affiliates

The Hankook Tire Group is led by Hankook Tire, the dedicated tire producer, and includes ATLASBX (automotive batteries), Daehwa Engineering & Machinery (tire manufacturing equipment), emFrontier (system integration) and Frixia (brake pads). The Group today is firmly established as Korea's largest enterprise specialized in automotive parts and accessories.

¹ ATLASBX Co., Ltd.

ATLASBX was established in 1944 to make batteries for cars and trucks. Over the years, the operation has grown and transformed, expanding into marine batteries and industrial batteries to lead Korea's battery industry. After ATLASBX was acquired by Hankook Tire in 1977, battery sales were incorporated into the extensive Hankook Tire distribution network. Steady growth in battery sales resulted.

In the early 1990s, ATLASBX established a technology research center, which has helped to upgrade the product lines and solidify the company's position as a top-tier battery maker. The company was listed on the Korea Stock Exchange in 1994, providing direct access to funding from financial markets.

In the late 1990s, ATLASBX received QS-9000, ISO-9001 and ISO-14001 certifications, followed by the ISO/TS16949 certification in 2004. Production facilities include the plant established in Jeonju in 1999, which is now capable of producing 3.2 million batteries a year. Total annual output stands at 9.4 million units, making ATLASBX the world's sixth-largest battery maker.

Exports broke USD 200 million in 2007, a new record for the Korean battery industry, and topped USD 300 million the

following year. In 2009 ATLASBX became Korea's first battery maker to receive the "R" Mark from the Ministry of Knowledge Economy, testimony to outstanding product quality. The City of Daejeon also honored the company with its KRW 400 Billion Sales Tower award in 2009, while the Ministry of Labor designated ATLASBX as an outstanding company for labor-management relations. Finally, the Ministry of Knowledge Economy designated ATLASBX as the sole supplier of lead storage batteries for its Smart Grid pilot project. Thus the groundwork has been laid for company to grow as an environment-friendly energy specialist.

<Major Products>

- **Automotive Batteries:** The electrode plate is a key component that determines overall battery performance. ATLASBX has developed an electrode mat of nonwoven fabric to protect the electrode plate, instead of using the conventional paper material. This innovation extends battery life by at least 30 percent.
- **Taxi Batteries:** This battery boasts a number of features to enhance performance and durability under extreme operating conditions. The grid protection system extends the product lifetime, while the low-grid formate ions and electrolyte returnable structure minimize electrolyte evaporation. Ultra-micro fiber has been applied to boost engine ignition performance, a weak point for vehicles such as taxis that are powered by LPG.
- **Marine Batteries:** A special alloy has been used to prevent self-discharging, while cold-forged terminals resist corrosion. These features are ideal for marine batteries, which are

exposed to salt water and tend to self-discharge because boats are often operated irregularly.

- **Industrial Batteries:** High-density active materials, which maintain a stable backup performance for deep cycle machinery, are used to extend battery life significantly.
- **SUV Batteries:** These batteries are designed specifically to provide a reliable source of power for high-output, high-capacity diesel engines.
- **AGM Batteries:** This adsorbent glass mat (AGM) battery uses 100% recombinant gas adsorption and special valves to regulate internal voltage, enhancing energy efficiency and vibration resistance.
- **Batteries for Imported Vehicles:** ATLASBX is Korea's first and only the world's second to develop batteries with the latest "X"-frame technology. These premium products are well suited for use in imported (American, European or Japanese) automobiles, providing powerful engine ignition despite the high temperature of the electrical system, and their durability is excellent.
- **Micro-HEV Batteries:** AGM battery and stamped grid technologies have been integrated to develop the high-performance batteries required by micro-hybrid electric vehicles.
- **Batteries for Renewable Energy Storage (under development):** AGM technology, stamped grids, and improved active materials are being applied to extend the lifetime and improve the deep cycle performance of batteries for storing renewable (solar, wind etc.) energy.

² Daehwa Engineering & Machinery Co., Ltd

Daehwa Engineering & Machinery Co. was established in 1992 to build essential machines used in tire manufacturing. The company research center has localized its own tire building machine, curing press, uniformity tester for mid-sized and large TBRs, high-speed driving performance tester for UHP tires, and 1-operator TBR tire building machine, which is now in operation at the Geumsan Plant.

The Chinese subsidiary, established in 2004, completed development of a tire builder for European-style tires in 2006. That machine model has been installed in the Hankook Tire plant in Hungary. In 2007, Daehwa Engineering & Machinery expanded into bead-related work on behalf of Hankook Tire. A world-class quality management system has also been put in place, as evidenced by the ISO 9001 certification received in 2009. An ongoing R&D program is also developing the proprietary technology necessary to become a world-class maker of tire production machinery.

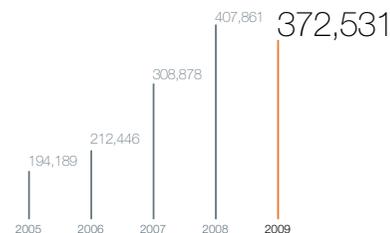
<Major Products>

- **Steel Belt Cutter:** The machine cuts steel belts in the desired widths for use in the tire production process.
- **Bead Winder:** It creates the bead required in tire production.
- **Tire Builder:** These machines manufacture the carcass and build the green tire by laying the inner liner, plies and other materials in sequence onto the carcass.
- **Curing Press:** The green tire, consisting of soft rubber, is placed inside this machine and exposed to a preset temperature and pressure that allows the sulfur and other chemicals to react with the rubber. In the process,

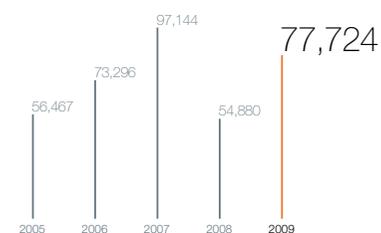
Affiliate Company Signatures



¹ ATLASBX Sales (millions of KRW)



² Daehwa Engineering & Machinery Sales (millions of KRW)



the desired tread design and degree of tire elasticity are obtained.

- **Uniformity Tester:** This machine inspects the tires for uniform rigidity and dimensions. All the materials that go into the tire are measured to ensure they are in the right places in the right amounts.

¹ **emFrontier Co.,Ltd**

This e-business integrator applies know-how from operating the Hankook Tire information system as well as in-house system integration expertise and business network to provide e-Business-based IT solutions that include system building and operation. The company started out in August 2000 as the Data Systems Division at the Hankook Tire Corporate Headquarters. Since then, emFrontier has performed diverse projects in the private and public sectors as well as in the service industries. Average annual sales growth stands at 12 percent, more than double the 5.5 percent figure for the IT industry. The company achieved KRW 49 billion in sales in 2009.

The company has remained an industry leader in other ways as well. The Korea Contents Association bestowed its Industrial Award on emFrontier in 2003, and the Institute for Information Technology Advancement presented the company with the Excellent Supplier Award in 2005. The Ministry of Knowledge Economy designated the emFrontier warehouse optimization solution as "new software" in 2008.

In the future, emFrontier will continue to apply cutting-edge know-how and technology to add value to customers' businesses. Armed with a thorough understanding of customer

needs, the company serves as an outstanding partner that grows along with the customer.

<Services>

- **SM/Outsourcing:** Business solutions are provided through a vertical service network. Service offerings include application building, maintenance & repair, system operation, network management, and service center operation.
- **SI/Consulting:** Various e-Business solutions, including ERP, and consulting services are provided to support the effective operation of companies' e-Businesses.

<Available Solutions>

- **Enterprise business application architecture has been built on a platform that integrates various applications, including those for e-Business. This architecture helps companies to computerize their operations and supports their B2B collaboration.**

² **Frixa Co., Ltd.**

Frixa was established in 1991 a brake specialist, and the business portfolio now includes brake pads, brake lining, racing brake pads, disc rotors, and industrial-use brakes. The company has played a leading role in elevating Korean friction material technologies to world-class status.

The outstanding braking performance, heat resistance and durability of Frixa products are key attributes for ensuring the safety of the vehicle and vehicular occupants. The company also employs exceptional technology to prevent brake noise and wheel dust formation, enhancing the quality of vehicular

ride. Frixa is the sole supplier of racing brake pads and disc rotors to domestic auto racing, and these items are also selling well in the UK. As such, the company's technology and product quality are highly regarded inside and outside Korea.

The Hankook Tire Main R&D Center and Frixa collaborate on new technology development. At the same time, Frixa products are sold through the Hankook Tire network, helping the company to increase sales consistently. Frixa received QS 9000 and ISO 9001 certification in 2004 as well as TS 16949 certification in 2008, attesting to outstanding product quality that is internationally recognized. As a result, the company now exports its products to more than 20 countries.

In 2009, Frixa received the right to use the logo of CARPOS, the largest automotive repair business in Korea, helping to spur sales growth going forward. At the same time, the company has stepped up development of Environment-friendly materials for brakes in order to lower pollution, improve auto shop working conditions and protect the health of mechanics.

<Major Products>

- **Racing Brake Pads & Disc Rotors:** Frixa products were installed on the winning car at the Silverstone Circuit in the UK. Frixa is also the official brake products for the Super 3800 Series, the most important auto racing event in Korea.
- **Premium Brake Pads:** Premium brake pads are designed for luxury sedans, SUVs, and fast cars, providing the driver with smooth braking performance. The gray-blue back-plates add a luxurious look to the automobile.
- **Brakes for EVs:** Non-asbestos organic (NAO) materials

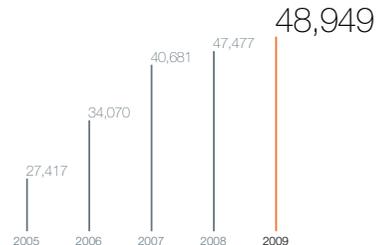
have been used to create the ideal brake pads for electric-powered vehicles, which are gaining popularity for their environment friendliness. The electrically-activated brakes produce no noise, and they always operate at their peak while ensuring no electrical errors are produced whenever the brakes are applied.

- **Brakes for Taxis:** Taxis must make very frequent stops, so their brakes need to be replaced often. Frixa has specially designed brakes to last longer than those on privately-owned vehicles do, saving the taxi operator money. They also operate very quietly, for the comfort of both the taxi driver and passengers.
- **Brake Pad & Shoe Assemblies:** Various materials are used to deliver maximum stopping power to each vehicle type. At the same time, the overall quality of the brakes has been elevated by the use of technologies for braking performance that is smooth, reliable and quiet.
- **Brakes for Industrial Uses:** Frixa helps to prevent industrial accidents by providing optimized brakes for elevators, cranes, conveyors, steelmaking equipment, papermaking equipment, and other areas.
- **Brake Lining for Trucks & Buses:** Frixa products are subjected to a full range of braking tests in the laboratory to reflect the environment in which trucks and buses operate in Korea. Numerous field tests are also performed to ensure the safety of commercial vehicle passengers and cargo. The brake lining is also highly durable, providing operators with economic benefits.

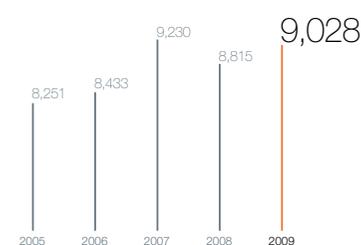
Affiliate Company Signatures



¹ emFrontier Sales (millions of KRW)



² Frixa Co., Ltd. Sales (millions of KRW)



Brand Portfolio

¹ Hankook Tire operates three global tire brands. The original Hankook name is used worldwide; Aurora is for passenger car tires, and Kingstar is for customers outside Korea. Who prefer affordable tires. Our global flagship brand Hankook has several product-brands that cover diverse segments in terms of applications and compatible vehicle types. These are: Ventus (UHP tire line and racing tires), Optimo (for premium sedans), enfren (Korea's first eco-friendly tire), Dynapro (for SUVs), Smart (economy line sold inside Korea), and Vantra (for vans). In addition, winter tire lines are classified as Winter i²pike (studded tires sold outside Korea), Winter i³cept (studless tires sold outside Korea), and Nordic (winter tire line for the

Korean market). We will launch a new eco-friendly line, Kinergy (standing for Kinetic + Energy), in 2011, first in Europe and then in other regions.

Aurora has a product-brand named Route Master, meaning tires that are the masters of the road, while Kingstar runs a Road Fit, which stands for tires that deliver optimal on-road performance.

We will further develop diverse brands and products that reflect global trends and regional requirements, strengthening our leadership in the global tire business.



020

¹ Hankook Tire brands



Distribution Portfolio

Our products are supplied through diverse distribution channels to ensure that more customers enjoy our quality products and outstanding services. Meanwhile, we continue to expand the volume of sales through retailers, setting a new distribution trend in the global market.

Our Korea Regional Headquarters operates more than 2,100 direct-run and franchised dealerships. These dealers belong to one of our different service networks: (1) the direct-run or franchise T-Station, a premium tire shop that offers a total service package; (2) Tire Town, a multipurpose tire distribution network serving both dealers and general consumers; (3) TBX, which specializes in the sale and retreading of truck & bus radials; and (4) regular franchised sales outlets.

In China we are rapidly establishing modern distribution networks like the T-Station and Tire Town franchises to satisfy growing demand for services that cater to owners of high-priced automobiles, particularly in cities. Our efforts have been well received and can be pointed to as a best practice in the development of local distribution networks. As of the end of January 2010, we have 40 T-Station locations and 400 Tire Town outlets in China.

Major tire makers' dominance in the European distribution market is strengthened through the expansion of retailers, both directly-run and franchised. Therefore, the Hankook Tire Europe Regional Headquarters is also reinforcing the retail end by developing its own regional dealers, and by building warehouses and other logistic centers. At the same time, the Headquarters is working to secure new channels that strongly affect purchase decisions and is expanding the Hankook ³ Masters Membership program to bolster market position. The

021

² Distribution Channel Signatures



³ Hankook Masters membership



Global Network

Global Network Expansion

Our contact with consumers is expanding through the global sales network. This network currently spans 37 sales offices in Korea, where the Global Headquarters is located, along with locations in China (1 subsidiary & 14 overseas sales offices), Europe (7 sales subsidiaries & 4 overseas sales offices), North America (2 sales subsidiaries), Latin America (5 overseas sales offices), Asia & Oceania (2 sales subsidiaries & 2 overseas sales offices), and the Middle East/Africa (3 overseas sales offices). In addition, we operate two liaison offices (in Hanover and Detroit) for the OE business. These offices maintain close ties with automakers in order to supply them with tires as original equipment. Finally, a liaison office has been opened in Singapore to respond quickly to various issues regarding the supply of raw materials.

We continue to expand our global sales network to strengthen marketing capabilities. In 2009, we established a sales office in Egypt, which will serve as a platform for making inroads to the emerging Egyptian and North African markets. Moreover, an additional Indian sales office started operations the same year in a bid to expand sales network as well as to collect data on this important emerging market.



- Korea** 2 Plants, 37 Sales Offices, Main R&D Center, Academy House (5,500 employees)
- China** 1 Subsidiary, 2 Plants, 14 Overseas sales offices, China Technical Center (6,973 employees)
- Europe** 1 Plant, 7 Sales subsidiaries, 4 Overseas sales offices, 1 OE Liaison office, Europe Technical Center (1,592 employees)
- Americas** 2 Sales subsidiaries, 5 Overseas sales offices, 6 Administrative offices, 1 OE Liaison office, Akron Technical Center (235 employees)
- Middle East, Africa and Asia-Pacific** 2 Sales subsidiaries, 5 Overseas sales offices, 1 Liaison office, Japan Technical Center (65 employees)

- **R&D centers** Main Research Center (Daedeok Innopolis, Korea), Akron Technical Center (Ohio, USA), Europe Technical Center (Hanover, Germany), China Technical Center (Jiaxing, China), Japan Technical Liaison Center (Osaka, Japan)
- ▲ **Plants** Korea (Daejeon & Geumsan), China (Jiaxing & Jiangsu), Hungary (Dunaujvaros)
- **Regional Headquarters** Korea, China, Europe and America
- **Subsidiaries & Sales Offices** Operating in 28 countries

*As of December 31, 2009

Organizational Structure

Hankook Tire has continuously restructured the organization to make sure that the company can execute vision and strategies most effectively. Restructuring goals in 2009 were (1) reorganizing for maximum profitability, (2) integrating and separating conventional units for greater operational efficiency and (3) reinforcing business support units.

For the first objective, we established a separate TBR operation to bolster our position in that segment. The new entity is handling marketing activities to increase our market share and profitability, while spheres of operation were rearranged.

We addressed the second objective by combining overlapping functions and separating conventional units to increase operational efficiency. We reformed the global supply chain planning unit to maximize efficiency in SCM.

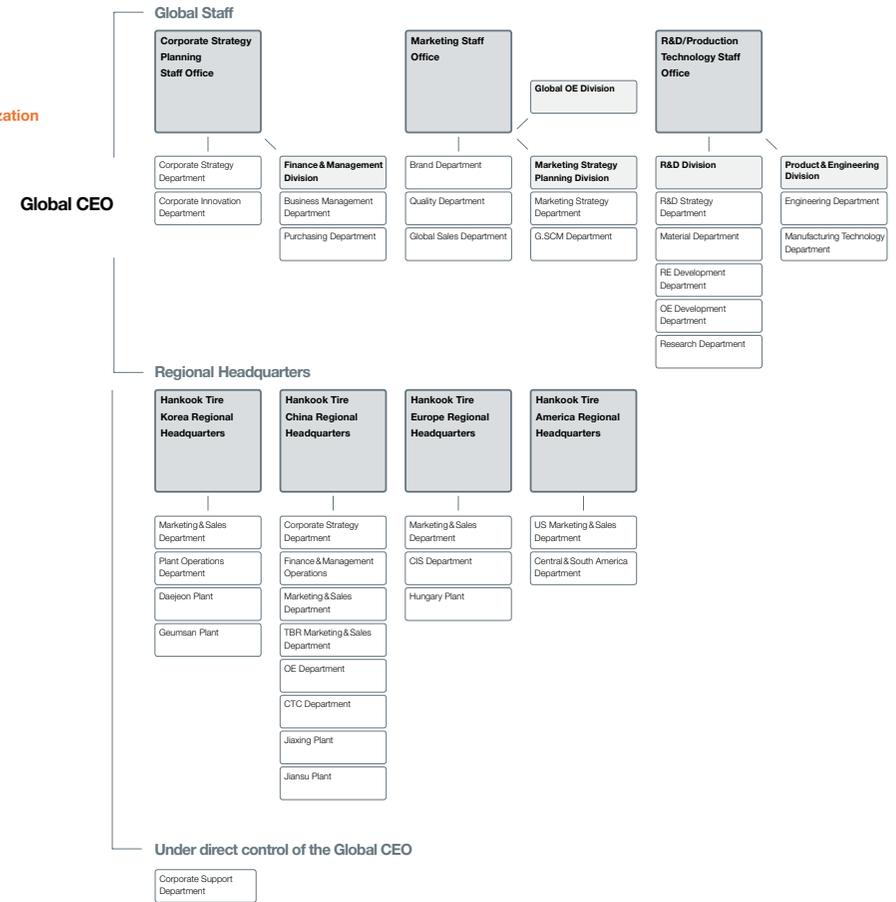
In addition, a new unit was established to address the strategic operations of all logistics activities. At the same time, the strategic and support organizations at Regional Headquarters outside Korea were separated for greater efficiency.

In addition, we significantly reinforced production technology support units to ensure seamless operation of manufacturing organizations. We established a new unit that is dedicated to completing the second phase of the Hungarian Plant expansion project. Moreover, support units for TBR technologies, quality control at each plant, and R&D centers outside Korea were built.

Hankook Tire will remain committed to ensuring operational efficiency by reorganizing the corporate structure in line with the corporate vision and strategies.



Organization Chart



- G.OE: Global Original Equipment
- G.SCM: Global Supply Chain Management
- RE: Replacement
- OE: Original Equipment
- ENG: Engineering
- TBR: Truck Bus Radial
- CTC: China Technical Center
- CIS: Commonwealth of Independent States

Top Management

Introduction of the Top Management

As of Dec. 31, 2009



Cho, Yang Rai
Chairman



Suh, Seung Hwa
Vice Chairman & Global CEO, CMO



Kim, Hwi Joong
President & CEO, CTO/CPO



Huh, Ki Yeul
President, COO/China RHQ



Cho, Hyun Shick
Executive Vice President, COO/Korea RHQ



Choi, Jin Wook
Executive Vice President, COO/Europe RHQ



Cho, Hyun Bum
Executive Vice President, CSFO



Lee, Soo Il
Vice President, COO/America RHQ



Yoon, Jae Ryong
Executive Vice President/Product & Engineering Division



Kang, Chang Hwan
Executive Vice President/Finance & Management Division



An, Myung Hun
Vice President/R&D Division



Lee, Byeong Jin
Vice President/Global OE Division



Pae, Ho Youl
Vice President/Market Strategy Planning Division

Group Executive Council

Hankook Tire is operated by professional managers; ownership and management are strictly separated to maximize shareholder value. Every member of top management has specialized knowledge and management experience, and is devoted to achieving maximum business results. The Hankook Tire management system meets the global standard for operational transparency and support for efficient and speedy decision making by top executives.

We convene committees to maintain an accurate grasp of internal operational status and to discuss and understand the external environment most easily. The companywide strategy direction can be considered comprehensively, and the Global CEO's vision and philosophy can be conveyed effectively to the company at large.

Our focus in 2009 was on productive time management to promote in-depth discussion and informed decision-making on key issues. The agenda was selected in advance to provide top management with sufficient time to prepare for focused discussion before coming to a decision. Minor issues were simply reported in documented form. Reducing overlapping subjects and setting a monthly meeting schedule boosted committee meeting efficiency, further.

Global Executive Innovation Committee

The Global Executive Innovation Committee (GEIC) is attended by the Global CEO and other senior executives to discuss the overall objectives and processes at each regional headquarters. The GEIC convenes to decide on innovation activities in line with companywide strategies. The meeting of this committee is an opportunity for senior management to

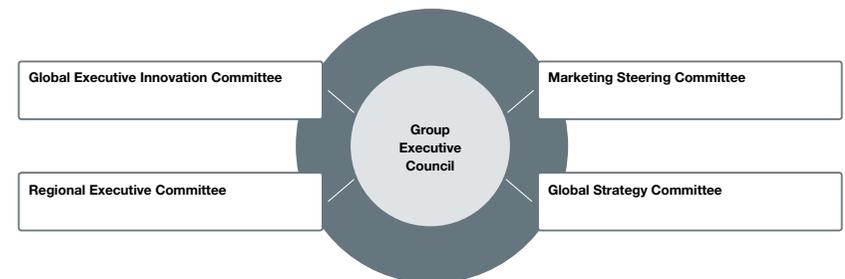
ascertain performance results from a global perspective and deliberate on the operational improvements achieved. In-depth discussions on corporate-level decisions and issues requiring a consensus provide a unified direction for the company.

Regional Executive Committee

The Regional Executive Committee (REC) is a meeting of the Regional Headquarters COO and his top people to convey regional performance results and discuss the objectives and progress of management innovation activities at the regional level. This is also a forum for launching management innovation activities for implementing regional strategies. The Global CEO or other senior executives may sit in on the REC to coordinate strategies between the Global Headquarters and the Regional Headquarters and offer support in making decisions on pending issues at the Regional Headquarters.

Marketing Steering Committee

The Marketing Steering Committee (MSC) deliberates on regional market situations as well as on the sales and marketing results for the Regional Headquarters. The MSC is attended by senior executives from the Global Headquarters as well. They carefully analyze market conditions and Regional Headquarters performance results and explore various action plans for maximizing sales and profitability within each region. The Global CEO or other senior executives may join the MSC to accelerate decision-making on pending issues.



Global Strategy Committee

Hankook Tire has also installed a Global Strategy Committee, consisting of expert groups, separate from the Board of Director. The Committee helps to promote the global management system, establish a transparent operational environment, and raise the effectiveness of companywide decision making. The Committee is tasked with promoting in-depth decision-making on specialized issues.

- **Executive Personnel Committee:** The Executive Personnel Committee was established to decide on all issues pertaining to Hankook Tire executives, including their promotions, appointments, evaluations and compensation. The Committee is attended by the Global CEO and CTO/CPO. They members evaluate the competencies of each executive, select new people for executive positions, and promote as well as assign positions to currently serving executives. Unlike at many other companies, the Hankook Tire personnel management system handles executives separately from the lower level employees, helping to improve transparency and fairness in personnel affairs.
- **Performance Management Committee:** The Performance Management Committee is not a technical committee under the Board. However, like the Executive Personnel Committee, this internal decision-making body is attended by the Global CEO, CTO/CPO and other key executives. Committee members decide on categories for performance monitoring and evaluate performance results. They decide compensation for organizational performance, calculate the global weighted average cost of capital and sharing rate, settle on incentives

and related financial resources, and determine incentive payments. The Performance Management Committee meets three times a year.

- **HR & Organization Management Committee:** The HR & Organization Management Committee is responsible for establishing, abolishing, integrating or restructuring organizational units. Committee decisions also cover who to hire, train and assign to those units. The Committee is chaired by the CSFO and attended by key executives. Their duties include assessing the organization and personnel, examining and determining the organizational structure, calculating the number of people required, assigning people to their respective positions, and authorizing middle management transfers and expatriate assignments. The Committee meets regularly twice a year and can convene at other times if needed.
- **HR Evaluation & Compensation Committee:** The HR Evaluation & Compensation Committee convenes each quarter to decide major issues related to non-executive personnel policy. The Committee meeting is led by the CSFO and attended by key executives. They examine requests to adjust performance evaluations of middle managers (team chiefs) and annual salaries for employees. They also decide on middle management promotions. In addition to the regular meetings, the Committee may be called to deliberate and decide on such issues as the Hankook Tire Code of Ethics, rewards and disciplinary actions, or selecting employees to attend training programs outside the company.



Board of Directors (Audit Committee)

The Supervisory Board

Times are changing and society expects companies to be managed more transparently and systematically. Most global corporations today use their Board of Directors and other designated bodies to protect shareholders' interests and elevate the levels of transparency and professionalism within the organization.

The Board has three main functions: (1) monitor the top executives on behalf of the shareholders, (2) offer advice on management issues to the top executives, and (3) help the top executives secure the resources necessary for corporate success.

Hankook Tire was one of Korea's first companies to adopt an exemplary governance system that clearly separates the activities of management from the vested interests of the business owners. Under this professional management system, performance is the top priority. At the same time, the Board of Directors controls the top management and a sound financial structure is maintained. A constant effort is also made to ensure decision making remains transparent and in the best interests of the company. In 2003, we announced our intentions to grow quickly as a market-driven company and we elucidated a corporate vision of maximum value to shareholders. Various activities have been pursued ever since in order to achieve these started goals.

The Hankook Tire Board of Directors is organized in accordance with the laws and regulations of the Republic of Korea, including the Commercial Act and Capital Market & Financial Investment Services Act. The stipulations of these laws are also included in the Articles of Incorporation. A

special set of rules and regulations also governs the operation of the BOD to ensure its management activities are efficient and accountable. The Hankook Tire Board of Directors consists of seven members, and the number of non-executive directors (NEDs) was increased from three to four in 2008 to raise BOD effectiveness further.

The NEDs for Hankook Tire have extensive experience in either government service or the private corporate sector. They are upstanding citizens who have contributed exceptionally to society. The nonexecutive directors are selected in a transparent and fair process by the NED Nomination Committee. Selecting experienced NEDs on the Board increases their control and monitoring functions, while they, with their wealth of experience and administrative skills, provide top management with valuable advice in support of decision making.

Roles and Composition of Technical Committees

Hankook Tire has established committees under the Board of Directors to maximize Board efficiency and ensure legality in every respect. Part of the BOD authority is delegated to these committees, made up of specialists who systematically examine and settle issues within their area of expertise. Currently, under the BOD are the Audit, NED Nomination, and Management Committees. The Articles of Incorporation enable additional specialized committees if necessary.

- **Audit Committee:** The accelerated pace of global business has given rise to diverse risks previously unimaginable, urgently requiring various new auditing activities. The internal

Non - executive Directors (NEDs)

Name	Career
Hwang, Won Oh	<ul style="list-style-type: none"> · Graduated from Seoul National University in Economics · Completed a Course on Taxation at the University of Southern California Graduate School · Served as Head of the National Tax Tribunal under the Ministry of Finance · Was a Standing Member of Securities and Exchange Commission · Served as President of Korea Minting and Security Printing Corp.(KOMSCO) · Was Chief Director at KMSPC (Non-standing) · Taught as guest Professor in College of Economics and Commerce at Daejeon University
Min, Hae Yung	<ul style="list-style-type: none"> · Graduated from Seoul National University in Economics

	<ul style="list-style-type: none"> · Served as Vice Minister of Political Affairs · Was Chief Director of Korea Technology Credit Guarantee Fund · Was Chairman of the Credit Finance Association
Lee, Yong Sung	<ul style="list-style-type: none"> · Graduated from Seoul National University in Economics · Was Head of the Planning and Administration Office under the Ministry of Finance · Was Outside Director at Hynix Semiconductor Co., Ltd. · Was Outside Auditor for Hyundai Economic Research Institute
Chang, Sun Kon	<ul style="list-style-type: none"> · Completed MBA at Korea University · Served as CEO of Hankook Tire Co., Ltd. · Served as CEO of Dongshin Petrochemical Co., Ltd.

auditing role of managing and responding to potential risk must be bolstered. Old reactive mechanisms need to be replaced by a system anticipating problems through proactive monitoring.

The Committee, which has been in operation, consists of three nonexecutive directors for maximum independence, and they have the right to veto the selection of the head of the internal auditing department for the company. The Audit Committee members also assist in the company audits, serving as an overseer and regulator working on behalf of the shareholders.

Hankook Tire's internal regulations stipulate that the Audit Committee have ready access to the necessary performance data to perform its own audits. The Committee meets regularly each quarter, and additional meetings may be called whenever necessary. The company regulations also empower the Audit Committee to request reports from the Board of Directors or examine the company's financial standing at any time, helping to ensure operational transparency.

- **NED Nomination Committee:** The NED Nomination Committee is operated as a technical committee under the BOD to ensure fairness and independence in the nomination of all NEDs. The Committee consists of five members, of which the NEDs outnumber the internal directors. This is yet another way that Hankook Tire helps enhance transparency and fairness.

The NED Nomination Committee was established as a technical committee under the BOD in 2007, after a resolution was passed at the General Shareholders' Meeting. The stipulations on the on the establishment of

the Committee and related regulations are included in the Hankook Tire Articles of Incorporation. The NED nominations are confirmed by vote at the General Shareholders' Meeting.

- **Management Committee:** Hankook Tire has recently carried out diverse management initiatives to ensure survival within a hotly contested industry. Therefore, the responsibilities of the BOD (the only decision-making organization) have increased substantially.

This Committee deliberates and decides on general management and financial affairs, which represent the most frequent aspects of management activities.

The Management Committee helps to raise corporate professionalism and efficiency by streamlining the number and procedures of BOD meetings and by accelerating the decision-making process. Regular BOD meetings become a forum for discussing the most important issues, and the Board activities can be performed systematically. Managerial accountability is promoted at the same time.

Within five days of each meeting, the Management Committee is obligated to present the minutes and an explanation of the resolutions passed to the NEDs. During the following two days, the NEDs may call a board meeting to deliberate further on the agenda deliberated on by the Management Committee. Should any of the resolutions passed by the Management Committee be vetoed during the ensuring Board meeting, then the issue is automatically disallowed according to regulations.

Performance Assessment

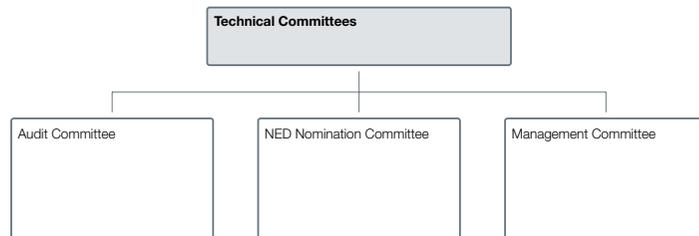
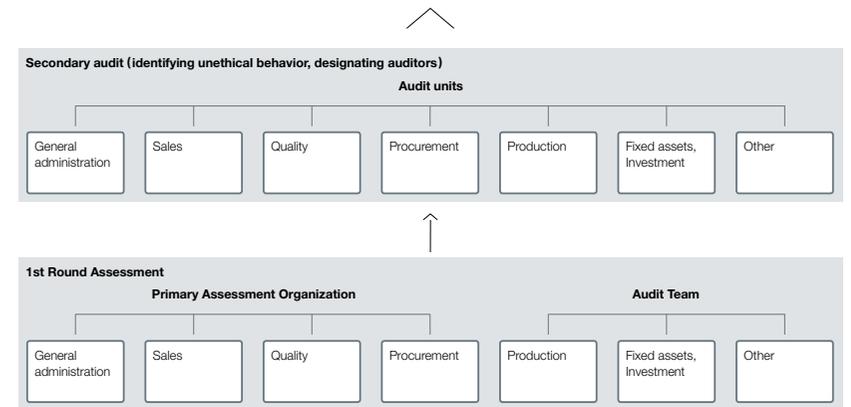
Hankook Tire has adopted a Code of Ethics to promote transparency and integrity in business conduct and ensure stable profitability for shareholders over the long term. In addition, new audit and assessment units have been formed to expand work process monitoring, identify sources of waste, and prevent inefficiency through various management diagnosis programs. Moreover, the role of front-line inspection on the factory floor has been bolstered. From the first quarter

of 2008, the new Management Diagnosis Committee began to oversee all monitoring and assessment processes from the corporate level. The new committee convenes regularly once a quarter, but from 2010, extraordinary committee meetings will be held whenever the need arises to review the effectiveness of follow-up corrective measures after an initial committee audit. These committee activities will help to strengthen management monitoring.

Hankook Tire Performance Assessment System

Targets: Global Staff, Regional Headquarters (Korea, China, Americas, Europe)

Monitoring management activities with unified performance assessment processes <Management Diagnosis Committee >



Message from the CEO

A Leading Global Tire Company Providing Customers with Value and Pleasure

To Our Shareholders

Business conditions worsened considerably in 2009 with the ongoing global financial crisis worldwide and slumping world automobile industry. However, our people at Hankook Tire quietly devoted themselves to their respective responsibilities in a collective effort to overcome the adversity and open up new opportunities. Thanks to their efforts and your continued support, we managed to achieve significant results for the year.

Quality management, market diversification, and ongoing efforts to elevate brand recognition enabled our global operations to achieve KRW 620.2 billion in consolidated operating profit (up 197% YoY) on global consolidated sales of more than KRW 5.14 trillion (15% higher YoY). Indeed, we were alone among the world's top tire makers to register growth in 2009, a period marked by a sharp slowdown in the global tire industry. This growth has strengthened our position as the world's seventh-largest tire manufacturer and laid the groundwork for us to rise steadily in the global ranks.

We expect 2010 to remain difficult; the specter of the global financial crisis still lingers, while raw material prices are rising and the automobile industry remains mired in a slump. However, confident in the quality of Hankook Tire products, we expect to maintain our growth momentum to continue. We have set our performance targets at more than KRW 5.95 trillion for tire sales (up about 6% YoY) and at KRW 550.2 for operating profit in the tire sector. Our people have come together to achieve these ambitious targets. We consider the crisis situation actually to be an opportunity, and are doing what we must to maximize results in the coming year.

First and foremost, we will remain faithful to the basics in an all-out effort to keep growing and maximize profits. The basic principles of business will be followed even with respect to minor details, and customer trust will be the basis for our continuous growth.

Second, we will leverage our technologies and product competitiveness to continue raising quality so that our customers receive only the very best. Third, we will establish a more-efficient global operational system that reflects our steadily rising global stature.

Fourth, we will continue to fulfill all our obligations to the society. Our development of Environment-friendly products and our systematic CSR programs are helping to create a society in which all people can lead a happy life. Finally, we will remain committed to transparent operation and cooperative labor-management relations so that we can be a good company that provides customers with satisfaction and enjoyment and employees with positive expectations for the future.

Hankook Tire has been growing for the past 70 years by adapting to change and adeptly overcoming crises. 2010 will yet be another year with many difficulties. However, our employees are united in their resolve to take on any challenge and respond to change quickly so that Hankook Tire continues to grow further and achieve performance targets.

In closing, I thank you, our shareholders, for the support and interest that you have shown to us. I look forward to working with you in the future. May the coming year be meaningful and memorable for us all.

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Suh, Seung Hwa
Vice Chairman & Global CEO




Driving Emotion

Corporate growth accelerated at Hankook Tire in 2009. We launched various new products and conducted aggressive marketing programs despite the global economic slowdown. As a result, our 2009 sales grew 15 percent year on year, while operating profit surged 197 percent. Our leadership in the Chinese and Korean markets was bolstered, while our share of the American and European markets rose. We made inroads into the Middle Eastern, African and Asia-Pacific markets. Our competitiveness on the global stage was also reinforced, as we strengthened our production capabilities and sales network, developed new technologies and products, and advanced operational efficiency. These efforts have allowed us to maintain our position as the world's seventh-largest tire maker and we continue to elevate our stature in the global tire industry.

Management Report

036 **2009 Key Figures**

- Economic Variables
- Financial Highlights
- Stock Data

040 **2009 Global Business Review**

- Global Performance
- Performance by Region
- Performance in the OE Tire Market
- Performance by Product Group

049 **Major Activities in 2009**

KRW **5.14** trillion

Global consolidated sales in 2009

KRW **620.2** billion

Global consolidated operating profit in 2009

KRW **375.5** billion

Global net profit in 2009

ventus S1 noble



Ventus S1 Noble is designed to ensure both a comfortable ride and sporty performance. Improvements to asymmetric tread patterns and Hankook Tire's proprietary Stiffness Control Contour Theory (SCCT) profile design technology enhanced the handling performance of this ultra-high-performance (UHP) tire. Simulation tests and 3D vibration analysis methods helped to reduce noise significantly, for a more pleasant ride.

2009 Key Figures

Economic Variables

Economic variables, which were extremely volatile in 2008, were relatively stable in 2009.

The prices for the five main raw materials and oil were stabilized and remained low in the first half of 2009, reflecting the drop in demand from the global downturn and slower-than-expected recovery. In the second half, however, the economy started to turn around, raising both the demand and prices for these items. Prices for the benchmark West Texas Intermediate (WTI) and natural rubber rose 90 percent and over 100 percent, respectively, during 2009. Market watchers expect this rise to continue in 2010.

Korean Won plummeted against the Dollar at the beginning of 2009 because of the growing demand for greenbacks as a safe asset. However, the global economic turnaround eventually resulted in the stabilization of the exchange rate.

The tire industry is extremely sensitive to fluctuations in raw material prices and exchange rates. In this sense, we carefully monitor the movement of these figures to secure reliable raw material supply channels as well as to hedge against exchange rate risk.

Oil Prices

The annual average for the WTI price fell from USD 98.55 in 2008 to USD 62 in 2009, down 37 percent year on year. The benchmark crude price remained low in the first half of 2009 because of the economic downturn and reduced demand. However, the price rebounded to USD 75 per barrel at the end of the year as the global economic recovery drove up demand. The strong demand is expected to continue in 2010 given the economic upturn that is accelerating today.

Natural Rubber

Natural rubber prices dropped about 33 percent in 2009 from the year before, as demand from tire makers decreased in the wake of the economic recession. To break down the figure by month, prices remained weak from January to March but started to rise from April. The upward trend continued thereafter, and by December the prices were more than 100% higher than they had been in early 2009. In 2010, the prices are expected to remain high, with accelerated demand from tire makers and the effects of price support policies in producing countries.

Synthetic Rubber · Carbon Black · Textile Cord

The prices for synthetic rubber, carbon black and textile cord are directly influenced by oil prices, given the nature of these raw materials. Plunging oil prices, coupled with decreasing demand, lowered the prices for synthetic rubber by 27 percent, carbon black by 24 percent and textile cord by 2 percent in 2009 from a year earlier. The price drop significantly reduced costs for raw materials, as these three items combined comprise at least 40 percent of the material costs for Hankook Tire. However, in 2010, the prices are likely to rise on the back of strong oil prices and rising demand.

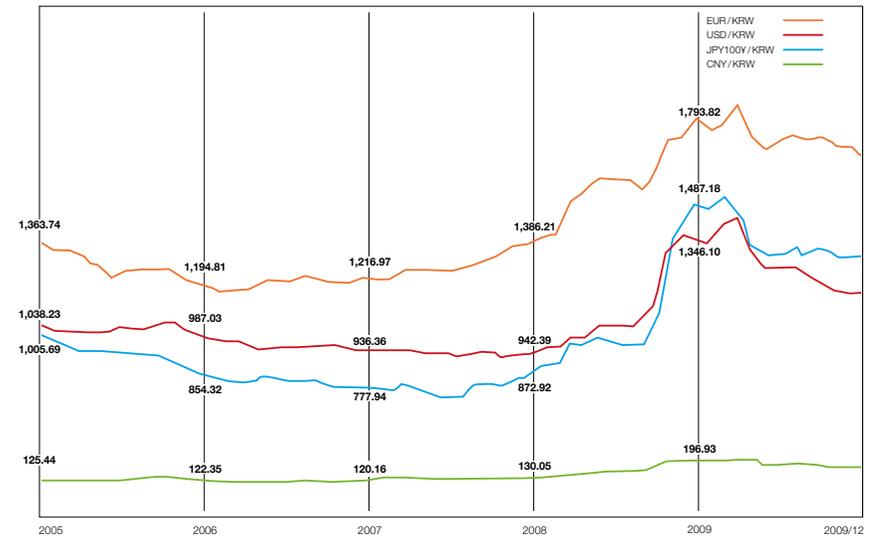
Steel Cord

In 2009, demand for steel cord dropped in the wake of the global economic downturn, lowering the price by 3 percent from 2008. Prices for basic materials such as iron ore and wire rod also remained low in the first half of the year, but took an upward turn and remained high in the second half after the global economic recovery materialized. In 2010, the upward trend in price is expected to continue.

Exchange Rate

The value of the Korean Won weakened rapidly in the first quarter of 2009, to trade at nearly KRW 1,600 to USD 1.00 amid growing concerns over a foreign currency crisis. The Won began to regain its value as the global financial turmoil subsided, and the Korean currency is likely to strengthen further against the Dollar in 2010, although the pace and extent are expected to be modest.

Exchange Rates over 5 Years

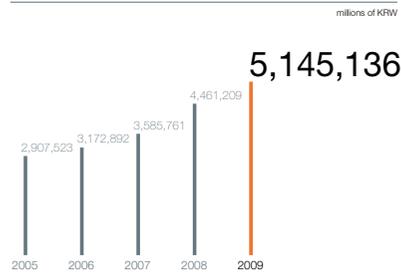


WTI Prices in 2009

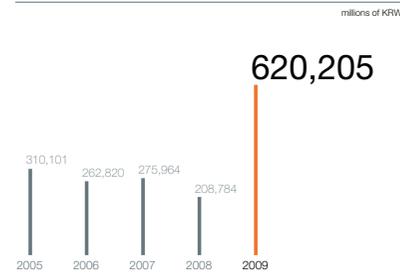


Financial Highlights
(On a globally consolidated basis)

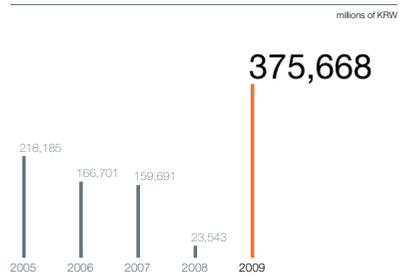
Sales



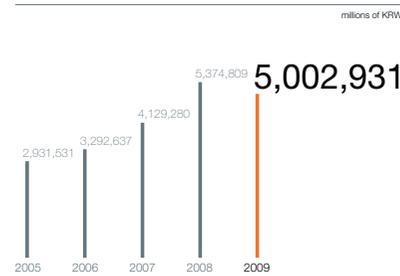
Operating Profit



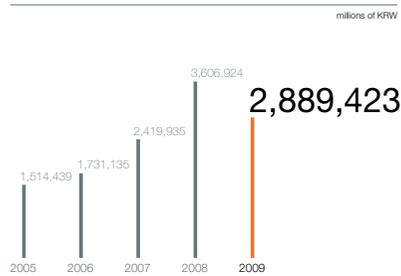
Net Income



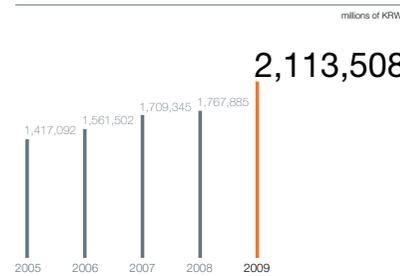
Assets



Liabilities



Capital



Stock Data

Stock Market Data	2009	2008	2007	2006	2005
Year High ^(Unit: KRW)	25,950	14,350	21,500	15,800	14,700
Year Low ^(Unit: KRW)	11,200	9,800	13,800	10,350	9,890
High/Low	0.43	0.53	1.56	1.53	1.49
Fiscal year-end final offering ^(Unit: KRW)	25,500	15,300	17,900	15,800	14,250
Annual KOSPI floating rate index ^(Unit: %)	49.65	(14.53)	13.29	10.88	39.71
Total number of shares ^(Unit: shares)	152,189,929	152,189,929	152,189,929	152,189,929	150,189,929
Market capitalization ^(Unit: trillions of KRW)	3.88	2.33	2.72	2.40	2.14
Average daily trading volume ^(Unit: shares)	1,061,162	973,816	1,019,911	702,024	566,787
Average annual trading volume ^(Unit: shares)	268,473,975	241,506,338	250,898,071	173,400,038	141,129,943
Dividend per share ^(Unit: KRW)	350	150	250	250	250
Listed on the Korea Exchange (KRX) Listed in the Stock Market Division of the Korea Exchange ISIN Code: KR700024002			Par Value: 500 KRW Trading Unit: 1 share Total number of voting shares: 145,189,929		

Data Per Share	2009	2008	2007	2006	2005
Net income ^(Unit: millions of KRW)	350,887	25,412	162,306	170,173	213,775
Earnings per share/Net income ^(Unit: KRW)	2,417	173	1,095	1,152	1,462
Pay-out ratio ^(Unit: %)	14.48	85.7	23.30	21.77	17.10
Dividend payout ratio ^(Unit: %)	1.43	0.98	1.30	1.67	1.88

Based on Korean GAAP



2009 Global Business Review

Global Performance

¹ In 2009, Hankook Tire globally earned KRW 620 billion in operating profit on sales of KRW 5.14 trillion on a consolidated basis. While the entire tire industry showed lackluster performance, we posted the highest year-on-year growth rates in sales (15%) and operating profit (197%) among the world's top players, demonstrating our strengths to the world.

Initially, the 2009 forecast was extremely bleak in the wake of the global financial crisis. Reduced output in the automobile industry led to decreased demand for original equipment (OE) tires. Meanwhile the harsh economic conditions weakened consumer sentiment and dampened the replacement (RE) tire market as well.

However, Hankook Tire was proactive in overcoming the challenges.

To begin with, we stepped up our efforts to boost sales in Korea (our original home market) and China (our second home market). We made aggressive moves to raise our share of the Korean RE tire segment, while our competitors languished. In addition, OE tire demand was revived in the second half of the year, as the Korean government started to give tax breaks to people who traded in their old cars for new ones. Meanwhile, in China our ongoing strategy to emerge as a top-tier player saw tangible results. Importantly, the Chinese real economy contracted less severely than the European and American ones did, thanks to the government's stimulus package.

Second, our competencies are focused on maximizing customer satisfaction by offering the very best products through ongoing technology innovation. We believe that customer trust in quality is the driver of corporate growth. Therefore, our ongoing technology innovation efforts are aimed

at achieving top quality for maximum customer satisfaction. We also improved our position in the economy tire segment by identifying and responding to changing customer needs ahead of the competition. The financial crisis has made tire shoppers much more price-conscious, and our strategy of catering to that segment was very well timed.

Third, our brand value has been strengthened by our introducing diverse new products and engaging in aggressive marketing activities. Most companies tend to put off launching new products and slash their marketing budgets when economic conditions turn unfavorable. Nonetheless, Hankook Tire launched new products and engaged in aggressive marketing campaigns to reinforce our brand value as a market trendsetter that satisfies changing customer needs.

Importantly, we have worked to establish a stable growth platform in emerging markets as part of our market diversification strategy. In addition, the rapid normalization of production at our Hungary Plant has allowed us to provide stable supplies of tires to the European region, increasing our sales Europe-wide and helping to improve profitability.

These activities enabled us to post a record performance, and we are determined to maintain this momentum by pursuing even more aggressive strategies in 2010.

Performance by Region

Korea

The Korean economy was hit hard by the global economic crisis in 2009. As the financial turmoil quickly spread to the real economy Korean people cut back on driving and delayed tire replacement causing tire demand to fall. Moreover, the sharp contraction in the automotive market, a lead indicator for the tire industry, forced Korean tire makers to restructure their portfolios to favor RE tires over OE tires. As a result competition over RE tire sales intensified.

Responding to the changing environment, the Hankook Tire Korea Regional Headquarters declared 2009 as a defining moment for the company's future, a time when the established order in the industry is apt to change significantly. The company considered the situation to be an unavoidable "game of chicken," and met the challenge head-on. We sought to establish a consensus on the crisis, getting both employees and dealers to consider it as an opportunity instead of a crisis. At the same time, an effort was made to improve the organizational structure. To this end, we pursued the following strategies:

First, we were quick to launch the new, highly affordable Smart brand, targeting price-conscious car owners, at a time when our competitors were reluctant to release new products. This move enabled us to extend our lead in the domestic economy tire segment. At the same time we adopted an "open price" policy on our tires, especially for the Smart, to emphasize their affordability. By doing so, we were able to correct price distortions at certain mass retailers and marked the beginning of a true "economy tire segment" in Korea. Second, we launched the "50+ Campaign" to increase

our share of the passenger car radial segment and establish undisputed leadership in Korea. The goal is to raise our PCR market share to at least 50 percent within 50 months. The new Smart and the campaign allowed us to respond quickly to customer needs for low-priced tires, which typically arise during an economic downturn, as well as to increase our market share. As a result, our performance in the Korean market was remarkable in 2009.

Third, we diversified existing lineups, including Ventus (UHP), Optimo (for premium sedans) and Dynapro (for SUVs). In addition, the eco-friendly entren and Dynapro ATm (RF10) tires were developed to address changing needs. By doing so, we gained customer recognition as a company that provides not only high quality tires but ones that customers really want.

Fourth, T'Stations, our retail tire shops either franchised or under the direct management, offered outstanding services to customers, strengthening our position as a premium brand in the domestic market. As of the end of 2009, more than 250 T'Stations are in operation.

Finally, we continued to emphasize sales promotion activities at the point of customer contact. Our market-driven marketing strategy and communication in the field were maintained.

These various aggressive marketing programs resulted in a significant increase in Korean market share amid unfavorable conditions in 2009. In 2010, the Hankook Tire Korea Regional Headquarters will lead the market trends as the industry's No.1 player and maintain strong growth by leveraging the success experienced in 2009.

040



041

T'Station



No. of T'Stations in Korea

250

China

The global financial turmoil caused the Chinese real economy to contract, and the slowdown lasted through the first quarter of 2009. Yet in the second quarter, the strong government stimulus package started taking effect, bringing the annual GDP growth back to 8.7 percent (according to the China National Bureau of Statistics). Although the figure is one percentage point lower from that posted the previous year, but it was the world's highest GDP growth rate for the year.

The GDP growth in China is attributable to the government's aggressive implementation of fiscal policies in the first half of 2009. Rising investment induced by the stimulus measures eventually drove up home appliance sales in rural areas, domestic consumption, and property transactions. These measures, coupled with an eased monetary policy by the Chinese central bank, helped the Chinese economy respond to the economic slowdown. As a result, the automobile industry posted a particularly strong growth, surpassing the US to become the world's largest automotive market, with annual vehicle sales of 13.78 million units, up 48% year on year.

Robust growth in the automotive industry and faster-than-expected economic recovery in China translated into a rapid rebound in the tire market. However, from September, the US government began to apply special safeguard tariffs against Chinese-made PCRs, making their export to the US almost impossible. Therefore, tire makers in China that were unable to diversify production and distribution channels were compelled to redirect their export volume to the domestic market, triggering a fierce struggle over sales network expansion and price cuts.

We continued to pursue a strategy to upgrade Hankook Tire is status in China despite those pressures from radical changes in the market environment. In 2009, distribution channels exclusively handling Hankook Tire products were bolstered to expand the sales of premium tires. Meanwhile, the sales outlet expansion helped to reinforce consumer contact.

In addition we managed to strengthen the unique positioning of our tires by developing models specifically for China. Our new offerings reflect local market preferences as well as the rapid changes resulting from a tire business that has both emerging and advanced market characteristics. We also improved our product mix to elevate profitability and engaged in aggressive marketing programs to improve our brand recognition and preference as well as to inform customers of our products' differentiated features.

These market-driven, customer-focused sales strategies boosted sales. Importantly, the value-added UHP tires sales surged (48% YoY), leading to an increase in our overall PCR sales (39% during the same period). Meanwhile, TBR sales were up 22 percent in 2009 from the previous year. These results will serve as the groundwork for us to achieve our mid-/long-term goal of becoming a top-tier player with a diverse, high-quality portfolio in China. Hankook Tire China Regional Headquarters will continue to implement sales expansion strategies in 2010.

Europe

Europe, including the CIS region, continued to post negative growth in the fourth quarter of 2009 (-4% YoY). Russia, East European countries, and other CIS states were hit especially

hard, as local currency depreciation triggered by the financial crisis tightened credit availability and lowered sovereign credit ratings.

These weak economic conditions caused automobile demand in Europe to drop by about 20 percent in the second half of 2008 and the first half of 2009 compared with the same periods a year earlier. In the second half of 2009, the governments of Germany and some other West European countries started to offer subsidies to customers who traded in their old vehicles, buoying up automotive demand temporarily. Ultimately, however, total sales were no higher than in 2008, or about one million units less than the 2007 figure.

The European tire business as a whole also experienced difficulties in 2009, directly influenced by the declining automobile demand. The RE tire segment plunged, with TBR demand posting the largest loss. The entire European market, including the CIS region and Turkey, saw overall RE tire demand fall by six percent in 2009 from the year before (TBRs by 24% YoY). The 2009 TBR sales volume is estimated to be less than 300 million units. The OE market also saw demand plummet by approximately 30 percent, while TBR sales in this segment nosedived by 60 percent.

The Hankook Tire Europe Regional Headquarters achieved significant growth amidst these unfavorable conditions. Our RE tire sales grew by eleven percent in 2009 from 2008, while the OE segment rose by 33 percent during the same period, to reach more than EUR 700 million. A standout among our many successes was soaring sales for winter tires in Germany and other countries. This sales expansion lifted our European market share to five percent.

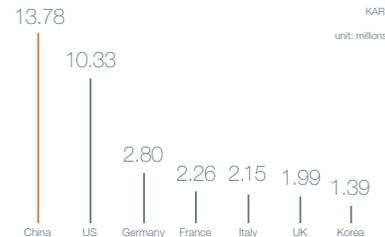
We strengthened our sales network by expanding wholesale sales and attracting more retail dealers. As a result, we achieved qualitative growth, as our major subsidiaries saw their RE tire wholesale performance escalating by more than 20 percent from the previous year.

In addition, the operations of the Hungary Plant were stabilized earlier than expected, and productivity was enhanced as well. Therefore, the plant began to exceed the original production target in the second half of 2009, and operating profit went into the black. This was an unprecedented achievement given that less than two years had passed since the plant went into full production.

Moreover, we laid the foundation, starting in Hungary, to expand our operations in Eastern Europe, where our presence was relatively weaker than in other regions. We also engaged in various sales promotion activities to increase our brand recognition.

Finally, our corporate image in Europe continued to improve in 2009. Our products received good results in tests conducted by various German tire magazines, improving our brand image. In addition, we continued to invest in a TV commercial campaign, launched in 2008, in major European countries. We also attended and helped sponsor major European auto and tire shows. Hankook Tire also engaged in various sports marketing activities, including the sponsorship of the Audi Cup Football Tournament, which was held to commemorate the company's 100th anniversary.

2009 Automobile sales by country



source: CAAM
Automotive News
KAPRI
unit: millions

1

PCR sales growth in China for 2009

39%

1

TBR sales growth in China for 2009

22%

2

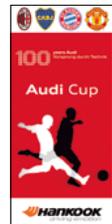
RE tire sales growth in Europe for 2009

11%

OE tire sales growth in Europe for 2009

33%

Audi Cup sponsorship



The Americas

The North American economy, which had suffered a severe downturn in early 2009, began to turn around in the third quarter and subsequently posted a moderate recovery. However, the effects of the economic slowdown caused US automobile sales to drop sharply, and China overtook the US as the world's largest auto market in 2009, reflecting America's unfavorable economic conditions. Moreover, the government bailout funds for GM, Ford and Chrysler resulted in a slight rise in third quarter auto sales even though the bailout was supposed to reverse the market decline.

The US tire market continued to contract for the second year in 2009, and the US government adopted a protectionist stance as evidenced by the imposition of an additional 35 percent safeguard tariff on Chinese-made tires.

Hankook Tire America Regional Headquarters handled the rapidly changing business environment with appropriate countermeasures at the right time. We diversified production centers to circumvent the safeguard tariffs, simultaneously the company pursued stable growth by promoting strategic models and strengthening retail sales.

1 In the US, a mail-in rebate program on Ventus V12 evo tires for end-users led to a surge in the sales of UHP tires, and the increased sales of the Optimo H727 helped raise the entire RE tire sales by 12 percent in 2009 from a year earlier. Canadian sales rose over 49 percent, as the expansion of the Ontario warehouse helped to boost winter tire sales, and diversified sales channels increased overall sales volume.

The devaluation of local currencies against the Dollar made 2009 an extremely difficult year for Latin American economies.

During the first half, declining oil and raw material prices wrecked havoc in Latin American countries, which are heavily dependent on the export of primary products. Shrinking exports triggered severe trade account deficits, while at the same time the governments had to restrict foreign exchange transactions to secure foreign currencies for servicing external debts. However, in the second half, the regional economy started to recover. Leading the way was Brazil, which is preparing for the 2014 FIFA World Cup and 2016 Summer Olympics. In the fourth quarter, therefore, major Latin American economies resumed growth.

For its part, the Central & South America Department was busy laying the groundwork for sustainable operations in this region. For example, helping local dealers improve their inventory management.

Our goal for 2010 is to maximize profitability by unifying product management and pricing policy in the Americas. In addition, we will continue to expand distribution channels by upgrading sales offices to subsidiary status in major Latin American markets to provide a solid sales base. Moreover, we will upgrade the image of the original "Hankook" brand and implement mid-/long term strategies for the associate "Aurora" and "Kingstar" brands. These aggressive marketing activities will allow us to reinforce our stature in Latin America, which has high growth potential, as well as in the North American market.

The Middle East, Africa & Asia-Pacific

The Middle Eastern and African economies started out slow in 2009 amidst the global economic crisis. However, their markets recovered to register brisk growth in the second half as financial markets stabilized and oil prices rebounded, enabling massive plant projects that had been postponed earlier to go forward. The Asia-Pacific showed mixed economic results, as India and other emerging economies began turning around while recovery was somewhat slower in Japan.

These fluctuations notwithstanding, we implemented four strategies to expand our unique sales capabilities and maximize customer satisfaction in 2009. These strategies were designed to provide a wider selection of products to a larger number of regions in the Middle East, Africa and Asia-Pacific.

First, we customized our sales programs to accommodate individual dealers. As a result, 2 sales in the Middle East and Africa reached five million units in 2009, up 30 percent from 2008. The differentiation strategy also worked well in the Asia-Pacific region, which posted twelve percent year-on-year sales growth.

Second, we recruited dealers in some new countries in order to create new growth engines. As a result, over 100 new dealers joined us in the Middle Eastern, African and Asia-Pacific regions, boosting our ability to deliver our products wherever and whenever they are needed.

Third, we strengthened our brand portfolio. Previously, our main focus in these markets has been on selling the Hankook brand. However, in 2009 we began to promote brands other than "Hankook" to offer customers more lineups to choose from, thereby increasing their satisfaction. As a result, the

share of the associate brands, namely Aurora and Kingstar, in total sales rose one percentage point year-on-year.

Finally, we reinforced our organization to strengthen sales competencies. In Australia, for example, we opened a new warehouse in April 2009 and recruited some additional dealers. In December, we established new sales offices in India and Egypt, laying the foundation for stable sales growth in the future.

Our sales expansion strategies in these regions helped us keep growing despite the global economic downturn in 2009. In 2010, boosting sales in the Middle East, Africa and the Asia-Pacific will remain a priority in order to make these regions a platform for stable growth over the long term.

¹
2009 RE tire sales growth in Americas

12%

²
2009 Sales growth in the Middle East and Africa

30%

2009 Sales growth in Asia-Pacific

12%

Performance in the OE Tire Market

Original equipment (OE) tires are important in proving product competitiveness of a tire manufacturer as well as in raising the brand image. Hankook Tire's supply of OE tires to the world's leading automakers is recognition of outstanding handling performance and tire quality, for the company must meet the strict requirements of each automaker. In addition, several surveys have shown that original equipment will directly influence the vehicle owner's purchase decision when replacement tires are needed. Thus, the importance of the OE tire business on the company-wide sales growth cannot be overstated. For these reasons, Hankook Tire keeps working to expand OE tire sales.

The global financial crisis that erupted in late 2008 put the US "Big 3" automakers in danger of bankruptcy, and GM and Chrysler resorted to filing for bankruptcy protection. Subsequently, the OE tire market suffered a severe decline in demand in the first half of 2009. However, the vehicle sales, especially for compact and mid-sized models, rebounded, as the government bailout funds and restructuring saved the two automakers from insolvency. At the same time, governments around the globe began to offer incentives to new vehicle buyers. Thus, the OE tire market saw a rapid recovery in sales from the second half of the year. For the year, Hankook Tire's OE tire sales outside Korea stood at USD 720 million, similar to the figure posted in 2008.

The Korean market saw both domestic sales and exports plummet with the global market contraction in the first half of 2009. In the second half, however, sales began to rise, as the Korean economy turned around. More specifically, all five Korean automakers, including the largest, the Hyundai, Kia

Automotive Group, reduced production in the first quarter. This caused quarterly OE tire sales to drop by more than 35 percent from the same period a year earlier. From the second quarter, however, the government implemented tax incentives for people who traded in their old vehicles, and this helped demand for OE tires to rebound from the third quarter. Moreover, a series of new models launched in the third quarter allowing the Korean automotive market to recover. Thus, our OE tire segment rapidly recouped losses in the second half of 2009.

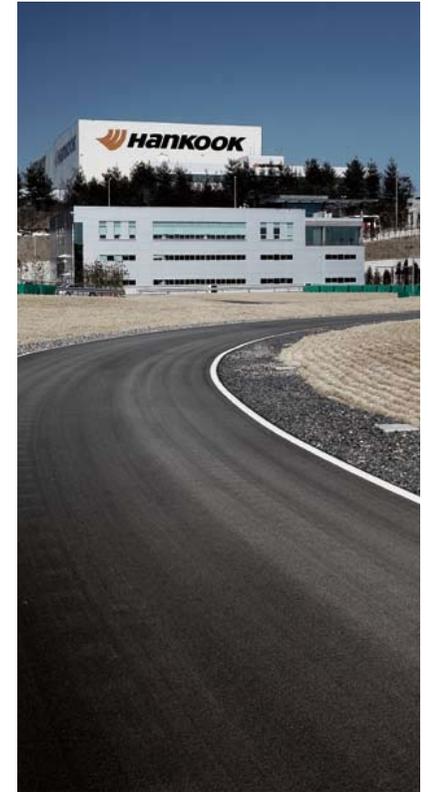
On the other hand, exports did not recover all year, as the contraction in the global automotive market lingered. Overall, the total sales for 2009 stood at KRW 340 billion, down about 15 percent YoY.

In the Americas, we posted annual sales of USD 90 million in 2009, down 20 percent year-on-year, amid a shock in the tire market, as GM and Chrysler faced bankruptcy and US automotive demand declined. However, Hankook Tire made various efforts to minimize risks by reducing outstanding receivables and by participating in supplier protection programs of the two auto makers. We also expanded our supply volume to Volkswagen America, which was financially sounder than other automakers were, in a bid to diversify our regional portfolio.

In Europe, we also suffered from the automotive market contraction, but our sales rose, as the European governments ran incentive programs for vehicle purchases and European automakers expanded their supply volumes. The Ford Fiesta sedan, equipped with our tires, enjoyed strong sales in 2009 in Europe, and the Audi rolled out its A3 luxury sedan,

also equipped with our products, which is a remarkable achievement for us. Furthermore, growing sales of Volkswagen and the Hyundai, Kia Automotive Group caused demand for OE tires to surge. As a result, our 2009 sales figure reached almost USD 100 million, up 40 percent from 2008. Moreover, the BMW Procurement President announced his company's intention to use our tires as original equipment on their vehicles. These developments bode well for Hankook Tire in the global OE tire market despite the drop in worldwide automobile sales.

China, the only country that avoided the brunt of the global economic crisis, was also the sole automotive market to expand, driven by the government stimulus package and a steadily rising vehicle penetration rate. Likewise, Hankook Tire's sales surged here. In 2009, our OE tire sales reached CNY 1.6 billion, jumping over 50 percent from the previous year, and significantly boosting our growth in the OE tire segment.



046

¹ Global OE tire sales for 2009

USD **720** million

047

² 2009 OE tire sales revenue in Europe

KRW **127.6** billion

2009 OE tire sales growth in Europe

40%

³ 2009 OE tire sales in China

KRW **261.6** billion

2009 OE tire sales growth overall

50%

Performance by Product Group

Hankook Tire sold more than 70 million units in 2009, up three percent from 2008. The 70 million mark was surpassed only three years after the company sold the 60 million units for the first time.

To break down these figures by business segment, our RE tires accounted for 68 percent of total sales, while OE tires represented the remaining 32 percent.

By region, the Korean market accounted for 16 percent of our RE tire sales. Other regions include China (13%), Europe (30%), North America (20%), Latin America (5%), the Middle East & Africa (11%), and Asia-Pacific (5%). Noteworthy is that Europe and North America, two of the most advanced markets in the world, combined accounted for more than 50 percent of total RE tire sales. Considering the RE and OE segments collectively, the growth of two specific countries--Korea (22%) and China (20%)--is also significant. In China, combined RE OE tire sales rose 32% in 2009 from the year before, significantly contributing to companywide sales expansion.

By product line, more than 60 million PCRs were sold in 2009, up five percent from 2008. The sales volume for UHP tires reached the 10-million mark, 16 percent higher year on year, leading the sales growth in the PCR segment. UHP models accounted for 18 percent of the PCR sales portfolio, two percentage points higher than the figure for 2008. PCR sales for 2009 break down as 66 percent for the RE market and 34 percent for OE. The proportions of each region in replacement PCR sales are as follows: Korea (15%), China (12%), Europe (32%), North America (20%), Latin America (4%), the Middle East & Africa (11%) and Asia-Pacific (6%). As is in the total sales figure, Europe and North America

collectively accounted for 51 percent. Korea and China each took up 21 percent share in total PCR sales, and China surpassed Korea as the single largest country for PCR sales with its 36-percent year-on-year growth.

UHP tire sales for 2009 break down as 59 percent for the RE segment and 41 percent for OE. In the mid-/long term, the share of RE tires in total UHP tire sales is likely to rise, since the OE segment performance directly influences sales in the RE sector. The regional proportions in replacement UHP tire sales are as follows: Korea (8.5%), China (7%), Europe (40%), North America (31.5%), Latin America (2%), the Middle East & Africa (4%) and Asia-Pacific (7%). Europe and North America combined took up a 72 percent share, higher than any other product category. Of total UHP tire sales, Korea and China accounted for 15 percent and 21 percent, respectively. China also surpassed Korea as the single largest nation for UHP tire sales, as its sales volume surged 48 percent to sell more than two million units.

TBR sales performance in 2009 was similar to the 2008 figure. TBRs for replacement applications were mainly sold in high-profitability markets such as Korea (23%), China (23%) and Europe (20%). In total sales, Korea and China accounted for 26 percent and 22 percent, respectively. Importantly, sales grew by 16 percent in the lucrative Korean market, with the sales volume reaching one million units, leading companywide sales growth for TBRs.

Major Activities in 2009

In early 2009, survival, rather than growth, was the main concern for the global tire industry. However, Hankook Tire took a positive and proactive stance amid the downturn, seeking ways to turn the crisis into new opportunities. The company effectively communicated and shared the difficulties in the business environment with internal and external stakeholders, improving efficiency throughout the entire processes from procurement and production to distribution. In addition, aggressive marketing programs were conducted to develop and provide the items that customers need the most. Moreover, various measures to increase employee satisfaction were put in place, and the groundwork for sustainable management was laid to meet social and environmental responsibilities. All of these activities will serve as a strong platform for Hankook Tire to grow continuously and achieve high profitability in the days ahead.

Stronger Global Production Competencies

We increased production capacity at the Geumsan Plant to accommodate growing exports and increasing domestic UHP tire sales. The KRW 275.5 billion expansion project proceeded in two stages. Stage 1 was finished in 2008, followed by the completion of Stage 2 in November 2009, after which total annual output increased by 29.4 percent. The Geumsan Plant is now better equipped to produce UHP tires, which are enjoying rapidly increasing demand, and we will accelerate our advance into the premium tire markets worldwide. The Hankook Tire plant in Hungary went into operation in 2007. We identified seven priority tasks in order to minimize trial and error at the initial stage of production. Innovations

were made throughout the operation to reach full production quickly. Hungary Plant accounts its annual output capacity of five million units (as of 2009). Today, the plant construction project is in the second stage, which is scheduled for completion in 2011, when annual output will total ten million units. The local operation will reduce logistics costs in Europe and boost our sales competencies. In addition, the plant will raise public recognition of and consumer preference for the Hankook Tire name. Faster delivery will also elevate customer satisfaction and boost brand value.

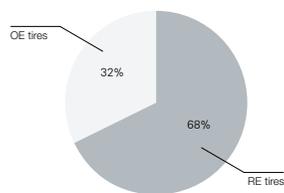
Hankook Tire still needs to increase production capabilities even though these expansion efforts have achieved targeted results. A project to build a new plant capable of producing five million tires a year by 2013 is seriously being considered.

New Technology for Premium OE Tires

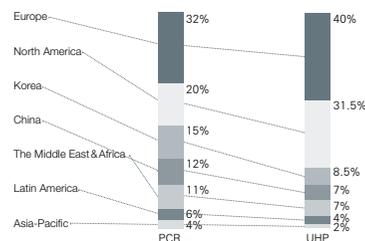
Hankook Tire provides quality OE tires to some of the world's leading automobile makers. Superior technology competitiveness is the key to this business, as it is essential to satisfy the performance and environmental specifications for each automaker. The company has been dedicated to R&D projects for securing OE tire technologies to accommodate the diverse requirements from Ford, GM, Volkswagen, Audi and others since 2008, when the Global OE Division was launched.

Hankook Tire engineers are working on cutting-edge technologies to match tire and vehicular performance, making tires lighter to improve fuel mileage, and enhancing wear resistance. We are also underway to research core OE design technology related to vehicular safety as it pertains to better handling performance. Our engineers have made some

2009 Tire sales by product group



2009 Tire sales by region



1
Output increase at Geumsan Plant

29.4%

Output increase at Hungary Plant

200%

progress in using new belts to reduce rolling resistance, and developed new cord fabric to enhance handling performance both in the dry and wet environments. Investment in R&D activities for various new materials and performance-improving technologies will continue in 2010 to obtain additional OE certifications for premium tires and secure a technological edge over other tire makers.

New Technologies

e-Cube is a new radial tire concept for long-haul commercial vehicles, offering economic and environmental benefits from higher fuel efficiency and improved wear resistance. The term "e-Cube" refers to three development directions: energy, economy and environment. AH15, DH25 and TH25 tires were first introduced in Korea in 2008, and models designed exclusively for the North American market followed in 2009. In the first half of 2010, European models will hit the market.

¹ The e-Cube user can enjoy the performance of premium tires (a smooth, quiet ride), while taking the advantage of the economic benefits that only these tires provide (higher fuel efficiency and stronger wear resistance). In one test, e-Cube tires delivered 2.9 percent higher fuel mileage (which translates into some USD 1,500 in savings per vehicle a year) than relevant competing tires did, while wear resistance was at least 10 percent higher (rolling resistance was at least 10 percent lower). At the same time, a vehicle equipped with e-Cube will emit some 2,214kg less CO₂ per year.

² What is more, the AL11 (all-position long haul) and DL11 (drive-axle long haul) tires, first put on the North American market in 2009, were granted the Smart-way mark by the US

Environmental Protection Agency, proving their superior eco-friendliness. The EPA Smart-way certification identifies those tires that can provide a significant reduction in NOx and GHG emissions compared with other models.

"Kontrol Technology," our unique development philosophy as well as a set of proprietary innovations, is also applied to the AL11 and DL11. For example, our proprietary "split belt" technology mitigates one-sided wear by dispersing the stress that is normally concentrated in the tread center. In addition, the belt centers are designed for flexibility to absorb shock and minimize the impact passed on to the vehicle body, improving ride comfort.

A high-wear-resistant tread compound and the Innovative Mixing System (IMS) were applied to lengthen tire mileage further. The new mixing system distributes the carbon particles and rubber molecules within the compound more evenly. The mixing time is also extended at lower temperatures, increasing the bonding rate between the carbon and rubber molecules, so that the rubber compound, used in the sub-tread, generates less heat, minimizes energy loss, reduces rolling resistance and improves fuel mileage.

Environment-friendly Technologies

Today, environmental protection is not just a social obligation for tire manufacturers; it is a prerequisite for operating globally. Hankook Tire is in step with this trend, working with dedication to obtain environment-friendly technologies. We started emphasizing the development of eco-friendly tires in 2008. The results since then have been several air-quality protection technologies and compounds, which will promote compliance with global environmental regulations.

³ In 2009, we completed 24 new compounds in preparation for new restrictions on polycyclic aromatic hydrocarbons (PAHs). These include 3 for PCR treads, 1 for TBR treads, 7 for TBR tire carcasses and 7 for bias treads & carcasses. They follow the 23 low-PAH compounds developed in 2008. We plan to apply the 50 low-PAH compounds that we have developed from 2005 to 2009 to our products in 2010.

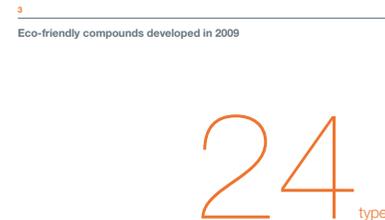
Air quality regulations, both domestic and overseas, have been tightened, as evidenced by the 2005 legislation of the Odor Control Law in Korea. At the same time, automakers are demanding tires that do not give off a strong smell.

Hankook Tire's research effort does not stop at developing the expertise for making Environment-friendly tires. We are building systems and honing the skills needed to analyze air quality.

We completed the development and test of new odor-prevention systems, and have installed concentration catalytic oxidizers for the rubber mixing processes at the Daejeon Plant (Korea) and the Jiaying Plant (China). As a result, the odor control rates of the two production facilities rose 91 percent and 90 percent, respectively, in 2009 compared with the 2008

figures. Also in 2009, we developed analytical methods for five more legally-designated odor compounds as part of our effort to scrutinize odor-causing particles and identify their sources. Thus the total of analytical methods developed in-house now stands at 22. Our research on the odor characteristics of compounds (namely volatile organic compounds or VOCs) and raw materials have allowed us to identify 84 odor substances, and this knowledge will be applied to design new odor-prevention systems for plants.

Moreover, we became the first company in Korea to acquire the EU Technical Service authorization for environmental protection. This proves our capabilities to evaluate our eco-friendliness through an in-house system and our willingness to develop eco-friendly technologies further in order to strengthen our global leadership.



New Products

Hankook Tire continued to launch new products in 2009 that received favorable market responses worldwide. These include Ventus TD tires for racing competition, Ventus R-s3 max-performance tires, Ventus ME01 tires exclusively for the Middle East, and the Smart PLUS for Korea.

Ventus TD competed in the Revspeed Time Attack 2009, one of the most popular time trials held by the Japanese Revspeed magazine, against other tires from the world's major tire makers and ranked first in the FF (front engine, front drive) and FR (front engine, rear drive) divisions. In addition, another debutant, Ventus R-s3 tires, took first place in the 4WD and FF segments, impressing car buffs, customers and spectators alike.

Ventus ME01 is our first model designed to accommodate the usage pattern of Middle Eastern customers and climate. For example, the heat dispersion has improved to increase durability. In addition, we streamlined the product portfolio for the Middle Eastern market to raise productivity. Our latest products quickly received positive market responses and helped to reinforce our stature in the region.

The Smart PLUS was designed to attract customers who want products at the most affordable prices. Tires in this new economy line quickly became popular, and average monthly sales have reached 40,000 units, leading our rise in Korean market share.

e-Cube, for the lucrative long-haul commercial vehicle segment was first introduced in Korea in 2008, and the e-Cube AL10, DL10 and TL10 models made successful debuts in Europe in 2009. In North America, the AL11 and DL11 tires

went on the market in 2009 and received the Smart-way mark from the EPA, proving their eco-friendliness worldwide.

Moreover, we will demonstrate our technological prowess once again by developing breakthrough technology for ultra-super single (USS) truck & bus radials. We remain committed to protecting the environment and guaranteeing customer safety by expanding our eco-friendly lineups and launching USS tires, thus strengthening "Hankook" as a premium brand.

Aggressive Marketing Programs

The 2009 global economic downturn caused automotive sales to fall and drivers cut back on driving, directly affecting global demand for tires. Sluggish tire businesses were more prominent in the North American and European markets than in other regions. Hankook Tire aggressively engaged in various marketing activities to counter these unfavorable conditions.

Our marketing focus was on creating new demand. We strove to offset falling demand in the advanced markets by expanding sales in the Middle East, Africa and the Asia-Pacific, regions that enjoyed relatively better economic conditions. Intense sales promotion projects were launched in 17 Asia-Pacific and African countries, including the ASEAN members and India, resulting in about 180 percent growth in sales year on year.

In addition to the tangible results, on-the-spot market surveys in these regions provided us with essential information for establishing marketing strategies, not just for generating new demand but also for analyzing the market distribution structure and relationships among competitors. We will enlarge our influence in these emerging markets by conducting

marketing activities more systematically in the future.

The global economic crisis that started in late 2008 caused shipping volumes to fall and TBR markets to shrink as well. This has resulted in the poor performance of tire makers and distorted tire prices. Despite the adversity, Hankook Tire managed to maintain a TBR sales volume in 2009 that was similar to the one posted a year earlier by running aggressive marketing programs aimed at fleet accounts (such as logistics and shipping companies), which are demanding customers in terms of technological requirements and services. For example, we took a 70+ percent share in the domestic express bus tire market, and expanded our sales to large fleets in advanced markets overseas, securing stable demand. We will continue to expand TBR sales and maximize customer satisfaction by accelerating our efforts to attract additional large fleet customers by upgrading technology continuously and bolstering our service network further.

Improved Operational Efficiency

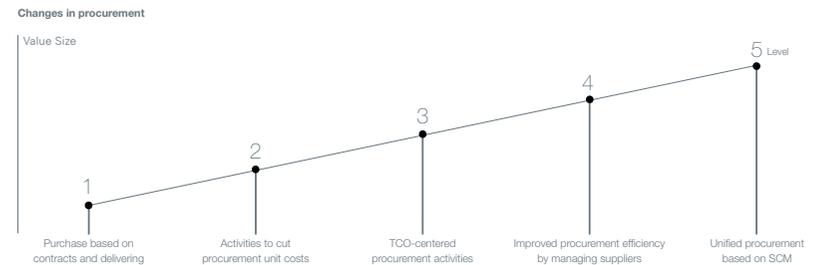
The tire business is highly sensitive to external factors such as oil prices and foreign exchange rates. Hankook Tire has reinforced internal management capabilities to minimize the effects of those external factors and achieve initial performance targets. Our cost-cutting measures achieved tangible results by minimizing procurement costs, increasing productivity, and innovating processes.

We improved the transparency of our procurement practices by integrating purchase activities globally, and costs were lowered through large volume purchases. Cost-cutting techniques found to be effective at Korean plants were also applied at our global production centers. We reviewed customary expenditures on a zero sum basis to determine whether they are really needed, and prioritized them to ensure that money is only spent when necessary. We continue to promote innovations and remain committed to adopting cutting edge management techniques. Other measures to increase management efficiency in every aspect are now in place.

Strategic Procurement system

Raw material procurement costs represent a relatively larger share of total costs in the tire industry than in other production businesses. Natural and synthetic rubber, two items that take up the largest portion of raw material costs, are directly influenced by the fluctuation of oil prices. Moreover, they are usually traded in a seller's market where alternative materials are hard to find.

Reducing costs while maximizing business performance is a priority to every company in the industry, given these



industrial characteristics and unfavorable economic conditions today. Thus, we adopted a total cost of ownership (TCO) approach to build a procurement system that identifies the most outstanding raw material and equipment suppliers.

Assessment criteria include not only purchase prices but quality, processing costs, and cooperativeness with Hankook Tire. These data are arranged in indices to evaluate price and quality gains provided by different suppliers. The enhanced procurement system offers incentives to outstanding suppliers and motives for them to reduce costs and raise quality. By doing so, the company establishes "win-win" relationships that benefit both the company and suppliers over the long term.

Plans have been set to shape the details of a new procurement system and to put them into practice by reestablishing evaluation standards on supplier capabilities and identifying problems that need correcting in the system. These efforts will eventually result in our promoting qualified suppliers and improving their competitiveness, building a platform for stable supply as well as for maximizing mutual benefits.

We are now relying on outsourcing for the supply of consumables used in maintenance, repair and operation (MRO) activities. We are expanding our MRO outsourcing channels and improving processes for procurement from our affiliates. Our procurement process best practices are now shared by affiliates and subsidiaries inside and outside Korea in order to build a system that promotes transparency and excellence. We adopted the supplier relationship management (SRM) system, a sourcing scheme that covers global operations to identify suppliers who provide the best quality products at the lowest prices. The improved procurement system allowed us

to increase operational efficiency as well as to offer quality products at affordable prices to our customers.

Plant Innovations

Predictive management in 2009 was difficult due to extreme volatility in the business environment. Hankook Tire restructured and reduced output by shutting down some production lines and cutting back on work hours under an emergency management scheme. Increasing energy consumption efficiency and reducing production losses allowed us to minimize resource waste. In addition, we developed future-oriented, lean manufacturing technologies in preparation for an expected slow recovery after governments implement their exit strategies. Our ongoing efforts to improve tire quality and performance helped us ride out the crisis.

In 2009, we engaged in two different innovation activities at our plants: the Task Force for Overcoming the Crisis to improve production processes, and Total Productive Maintenance (TPM) for Survival to upgrade facilities. The Task Force, consisting of 30 experts in various areas, improved plant processes to raise productivity. Their efforts include enhancing quality, reducing losses, upgrading performance, and lowering energy consumption. As a result, technological value at the Daejeon Plant increased by KRW 7.5 billion, while that at the Geumsan Plant rose KRW 5 billion.

TPM for Survival is centered on the quality control circles (QCCs), who are tasked with eliminating problems in their respective work areas and upgrading their own facilities. To this end they focused on maintaining quality to eliminate product defects at the source, restoring the performance of

antiquated facilities and operating their own machine shop to enhance their ability to upgrade facilities. Thus the employees discover ways to improve the plant and raise efficiency. Indeed, Hankook Tire QCCs received two gold medals and two silver medals at the 2009 National Quality Circle Competition, helping to elevate the corporate image.

In 2010, we will continue to adapt to the ever-changing business environment. Our focus will remain on improving quality, particularly on those emotional aspects that truly satisfy customers. We will also raise plant efficiency still further with the goal of ensuring an environment-friendly operation that is sustainable over the long run. Our ongoing commitment to innovation enables us to provide products that meet diverse customer needs and satisfy them in terms of quality and price.

Improved Compensation Policy

All personnel policies at Hankook Tire are based on three principles derived from a management philosophy that considers personnel capabilities as the most valuable company asset. These principles are: (1) respect for all people in the interest of sound labor-management relations as well as employee health and well-being; (2) performance-based compensation to reward results; and (3) a fair and transparent personnel policy to ensure equal opportunities and facilitate open communication.

Hankook Tire was one of the first companies to adopt a performance-based personnel management system in Korea. In 2009, our focus was on reviewing and improving our overall approach to personnel management to raise the degree of employee engagement in the workplace.

We have established a new annual employee evaluation program encompassing planning, doing, seeing and reviewing. Thus our performance management system now centers on process management, which can bring better results than those achieved under the conventional system, which focuses only on measuring performance results. In addition, we began to disclose performance assessment results, and this move was very well received by all employees. Furthermore, we adopted a performance management monitoring system and an evaluator's performance management points scheme, bolstering our ability to ensure all employees are judged fairly.

In addition, we launched a system for quantifying employees' evaluation results, language skills, completed training programs, and reward & punishment records as promotion points. This system motivates employees to achieve more, as promotion opportunities are now only provided to people who have accumulated a certain number of points. Moreover, as each employee's bonus includes an amount based on individual performance, calculated at a preset percentage of the base pay. Compensation is now linked more closely to actual performance, and all employees are motivated to achieve their performance targets.

We have built an equitable and strict performance management system and increased both monetary and non-monetary rewards. These improvements are expected to raise employee work engagement.

Cost reduction through production optimization at Daejeon Plant



Cost reduction through production optimization at Geumsan Plant



Quality circle teams win 2 golds and 2 silvers at the national competition



A Sound Corporate Culture

The corporate vision and strategy influence the organizational culture, while a sound and efficient corporate culture influences individual behavior positively. Thus, the performance of the organization as a whole is raised. A unique and powerful organizational culture serve as the wellspring for maintaining a competitive edge.

Hankook Tire fully recognizes the importance that corporate culture can play and began to survey employee work engagement levels in 2009. The study is aimed at creating a sounder corporate culture, thereby enhancing the company's bottom line. Employees who are "engaged in the organization" are not simply satisfied to work at the company or to carry out individual duties diligently. Rather, they are fully involved in and enthusiastic about improving the company's performance. Therefore, the first step in building a healthier corporate culture at Hankook Tire is to identify what factors hamper employee engagement and where we must focus investment to induce such engagement. This is also a fundamental condition for improving corporate performance results.

About 14,000 Hankook Tire employees took part in the engagement survey, which was conducted between October and December 2009. Based on the survey results, we will continue to build a system and environment that strengthen employee engagement. For example, we will change the human resources system to increase opportunities for self-development, and we will adhere to as well as improve our performance-based corporate culture. Moreover, various programs will be adopted to help employees balance their work and private lives. We will help them to solve personal

problems and manage their stress, creating an environment in which employees can enjoy life at work more and be more engaged in their work.

Besides the ongoing enhancements to the HR system, we are improving the efficiency and effectiveness of the work methods at Hankook Tire. Namely, a learning environment is being created on the job by integrating work with study as a way to improve individual performance. Moreover, we are advancing the way meetings, reports and other incidental activities are carried out so that employees can concentrate on activities that create added value and contribute the most to corporate performance. Finally, employee leadership skills are being honed, and both internal and external communication is being stepped up so that all the various improvement initiatives are conducted most effectively.

Improved Training for Employees

Cultivating quality human resources has always been a priority for Hankook Tire. In 2009, the company began a training contract program for all employees. The new scheme is designed to provide customized training programs by identifying individual limitations through tests and setting a customized annual plan for making improvements. Then, employees are provided with the opportunity to attend the courses that they need. The adoption of this unique in-house learning system has raised training efficiency, as employees can focus on improving their individual weaknesses and participate in the courses of their own choosing.

A system was also established for identifying essential capabilities that employees are required to have, and for

evaluating their current levels. The system also provides recommendations for specific training programs suitable to develop certain capabilities. All training courses are categorized as either compulsory or optional, and some have been designated as requirements for promotion. This new arrangement has helped to integrate HR management and development.

The new training scheme has helped all employees find the most appropriate ways to improve their overall competencies. Meanwhile, team managers were given more responsibilities in cultivating quality human resources. In addition, these activities have promoted a corporate culture where employees voluntarily participate in education programs.

Engineers at Hankook Tire are working to develop better products. A system was built to assist their efforts by assessing their development competencies. The evaluation program is more sophisticated than that of the education contract system. Knowledge, skills and research competencies are now evaluated through this upgraded system.

Hankook Tire engineers all know the capability level required to complete their development goals and voluntarily work hard to make progress on reaching that level. The evaluation program helps engineers identify required skills, and the engineers reflect them in their own study plan to conclude education contracts customized for each position. Improved development capabilities turn into outstanding technological competitiveness.

Besides the formal educational routes, Hankook Tire is dedicated to promoting informal ways of acquiring knowledge. This is a means for making up for the shortcomings of the

"team-based" organizational system, which is unavoidable in a performance-oriented corporate organization. The one-on-one matching that occurs when the team chief works with each member has caused the "culture of nurturing among team members" to erode. To improve this situation, some of the Hankook Tire organizational units have adopted a mentoring program for newly hired employees. This enables the new recruits to learn know-how from their seniors more quickly and strengthens their sense of belonging to the team. Overall organizational competencies improve as a result. The integrated learning approach that employs such formal as well as informal routes is designed to advance employee capabilities and build a more stable, action-oriented organization.



Strengthened External Communication

Hankook Tire is among only a few tire makers that continued to grow despite pressures on the industry. Thus, mass media, both inside and outside Korea, are now paying attention to Hankook Tire's outstanding achievements. Forbes magazine interviewed us in 2008, and in 2009, CNBC Asia, the Wall Street Journal Asia, Reuters and other overseas presses reported our exceptional growth. Our history of about 70 years, thorough quality control, continuous R&D investment and sound labor-management relations have all attracted their attention.

We are running a global PR network, of which activities are focused on strategically important markets. In 2010, we will work to increase our brand recognition by leveraging the network and performing PR activities aggressively. In addition, we will secure diverse channels to communicate with our customers.

Improved Internal Communication

In 2008, we set an objective of improving internal communication and sought ways to achieve that goal. Our focus was on providing a constant and consistent message regarding the corporate mission, vision and strategies. We also looked for ways to convey important developments to our employees quickly and accurately as they happen. Our internal communication was enhanced by the establishment of our own "Internal Relations (IR) program" and "Global CEO" website.

In May 2009, we launched our Internal Relations Briefing program to share corporate performance and other management processes with employees. Each quarter, an agenda of relevant topics is selected and a delegation formed to visit Korean worksites and give a presentation, which is also video-recorded and shared with locations outside Korea. This new program has laid the foundation for building trust between management and employees. It also encourages voluntary employee participation, which is expected to elevate their focus on work.

The Global CEO's webpage, called Hankook Tire Agora (HANA), opened on July 22, 2009 as a communication channel where employees can share information and communicate with each other in an amicable atmosphere. The site consists of the CEO's page, where the CEO provides useful information and communicates with employees; the corporate policies section, where employees discuss the corporate vision and strategies; and the bulletin board, where they talk about various issues. The site is formatted like a blog to ensure user-friendliness and to promote communications

among the CEO, management and employees.

Hankook Tire has put a special emphasis on communication with newly hired employees. Family members of the new employees are also invited to our plants and participate in the meeting between the newly employed and their supervisors. These activities help to strengthen internal communication.

We are also working to ensure that management processes are understood and the strategic direction is accepted and linked to the work that each employee does so that overall performance is maximized. The effort fosters employees' understanding of corporate goals and allows them to integrate their work into that performed organization-wide so that individual capabilities are elevated.

risk management, employee satisfaction, environmental management, answering to external stakeholders, and public disclosure. We will annually select CSR performance targets to help upgrade the corporate structure and secure global competencies. A companywide consensus will also be built on CSR management to promote innovation and change. We are now working on the 2009 Hankook Tire CSR Report, which is soon to be published, to share our CSR vision, strategy and performance with stakeholders.

Integrated CSR Management

In 2009, we renewed our commitment to corporate social responsibility to facilitate ethical management further and build confidence with stakeholders. We also worked to establish sustainable management practices by promoting stakeholder understanding and participation.

In late 2009, we created the CSR Team in the Corporate Innovation Department to pursue these goals more systematically and strategically. The team is now engaged in building consensus on the importance of corporate responsibility and sustainable management, establishing a support network for CSR activities conducted by each division, publishing reports on our social contribution programs, and communicating with stakeholders to collect their opinions. We set the following six task areas to lay the groundwork for sustainable management over the mid-/long term: ethical management, integrated



Driving Emotion

Even greater challenges lie ahead for Hankook Tire in 2010. Prices for oil and raw materials are expected to rise steadily, and intensified competition is seen in the global tire industry. Yet, opportunities can be found amidst crises, and Hankook Tire has a history of success when times are difficult. We are ready to exhibit our potential in this regard to the world.

As global economic activity picks up, we will become more aggressive and proactive in our approach. At the same time, we aim to continue raising the efficiency of our investments and lowering the costs of our operations. Our strategic marketing activities are also being reinforced, with products, pricing, distribution, promotions and communication all tailored to suit regional preferences and requirements. Thus, we are looking to surprise the world by making 2010 another banner year for Hankook Tire.

Global Outlook

062 **Industrial Dynamics**

- Global Economy
- Automotive Industry
- Tire Industry

067 **2010 Outlook**

- Regional Economic Outlooks and Plans
- OE Tire Market Outlook and Plans

KRW **5.95** trillion

2010 Target for Global Tires Sales (YoY)

6% ↑

2010 Target for Global Tires Sales Growth (YoY)



Our proprietary technology has allowed us to launch "e-Cube", so named for the energy, economic and environmental benefits that these new-concept truck & bus radials provide. In response to rising oil prices, e-Cube TBRs are designed to boost fuel mileage and wear resistance at the same time. Using e-Cube will reduce the amount of toxic substances and CO₂ emitted during the life cycle, benefitting both the user and the environment.

Industrial Dynamics

Global Economy

The economic slowdown from the 2008 financial crisis persisted into 2009, causing the global economy to start the year off perilously. However, it began to pick up in the second half, on the back of government stimulus programs and corporate restructuring efforts for survival.

By Region, Japan's quarter-on-quarter economic growth rate turned to positive in the second quarter of 2009, and that in the United States and Europe did so in the third quarter.

Meanwhile, the global trade volume has remained in positive territory from the second quarter. Meanwhile, oil and material prices steadily rose throughout the year, fueled by the economic recovery and weak Dollar. Investors flocking to safe assets paradoxically made the Dollar stronger for a short while right after the financial crisis erupted. However, with time, financial markets stabilized and economic activity picked up, and they turned their eyes to riskier assets and the US currency weakened vis-à-vis the Euro and Yen.

Global enterprises adopted a more aggressive posture in 2009, resuming delayed investments to respond to the growing demand sparked by the global economic recovery. In step, Hankook Tire creatively approached the global crisis by launching an aggressive marketing campaign in the ASEAN region, India and Africa to achieve a new growth surge.

The IMF predicts that the global economy will grow 3.9% in 2010. Meanwhile, most advanced economies are forecasted to record positive growth with their emerging counterparts in Asia, including China, developing fast. ¹According to the IMF, the US is expected to grow 2.7%; Japan, 1.7%; Europe, 1.0%; China, 10%; India, 7.7%; and Korea, 4.3%.

Macroeconomically, oil prices are likely to rise during the

year as a result of the weak Dollar, growing demand from the recovery, and inflation. Nevertheless, the pace is likely to be modest if we factor in major economies' exit strategies, the government clampdown on speculation and sluggish consumption and delayed economic recovery in the US and Europe.

The Dollar should remain weak against the Euro and Yen in 2010, but the degree of depreciation will probably be limited as long as economic activity in Europe and Japan remains slow. During the period, the Korean currency is expected to trade at an average of 1,100 won per dollar, showing a 16% appreciation from the 2009 average.

However, the threat of another downturn remains. Fear of a possible double dip is being fueled by lingering financial instability, the difficulty in deciding the right time to implement exit strategies, the financial crisis in Southern Europe and other issues.

²Even still, our global tire business targets for 2010 including sales of more than KRW 5.95 trillion (up 6% YoY) and operating profit of KRW 550.2 billion.

In this context, Hankook Tire is planning to maintain its aggressive approach while raising investment efficiency and cutting overhead in case of delayed economic recovery.

Automotive Industry

³The IMF predicts that the global economy will grow 3.9% in 2010. By contrast, the automobile market, buoyed by government support programs for new vehicle purchases in China, Germany and elsewhere, is forecasted to emerge from the serious slump that began in early 2009. Global vehicle sales are expected to reach 64.92 million units in 2010, up 5.9% from the previous year.

However, certain factors remain that can slow the pace of recovery in the automobile industry. These include the end of government support programs, and rising oil prices. Industry watchers say that global vehicle sales are not likely to return to the 2007 level until 2011.

Korean automobile sales, influenced by the financial crisis that first erupted in the US, fell sharply in January 2009. However, the domestic financial market stabilized quickly, slowing the decline in automobile sales, and a gradual recovery ensued. From May, the Korean government implemented an incentive program for drivers who replace their old automobiles with new ones. Automobile sales began to register strong growth, and a total of 1.45 million units, including imports, were sold during the year, an increase of 19.5 percent from figure posted in 2009.

The US automobile market was hardest hit by the global financial crisis, with sales in 2009 totaling 10.4 million units, down 21.2 percent year on year. All automakers saw their sales drop during the year, but GM and Chrysler experienced the greatest declines. However, the US government's Car Allowance Rebate System prompted a steady turnaround in the second half of the year.

European governments were quick to adopt incentives

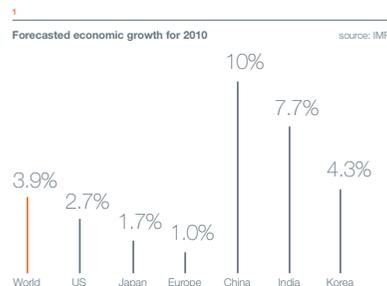
to get drivers to turn in old automobiles for new ones. Total vehicle sales, therefore, declined only 5.9 percent year on year to 15.8 million units. This performance was better than that for the real economy as a whole.

The emerging markets of China, India and Brazil saw automobile sales rise in 2009 on the back of government support for new vehicle purchases, rapid economic recovery, and aggressive marketing by automakers. The January 2010 edition of *Automobile Economy*, a publication by the Korea Automotive Research Institute (KARI), reported that 2009 automobile sales reached 13.64 million units in China (up 46.2% YoY), 2.26 million units in India (up 14.1% YoY) and 3 million units in Brazil (up 12.6% YoY). On the other hand, 2009 automobile sales in Russia fell 50.4 percent from the previous year to 1.44 million units. This drop is attributable to declining oil prices and an unstable financial market.

The economic downturn prompted a strong preference for small and mid-sized vehicles in overseas markets. Accelerating this trend was a US government program that provided economic incentives to people who purchase a new, more fuel-efficient vehicle when trading in a vehicle that gets low fuel mileage. European government subsidies also boosted demand for fuel-efficient, compact cars.

The crossover utility vehicle (CUV), with its relatively high fuel mileage, has taken a larger share of the US market for small-sized vehicles. On the other hand, global sales of SUVs and vans fell. They were not targeted for trade-in by European government programs, but their high prices deterred many buyers.

Korean automobile sales are forecasted to rise 1.3 percent



year on year to 1.47 million units in 2010. Negative factors abound (no more government rebates on trade-ins, higher household debt, a sluggish job market and rising oil prices). Nevertheless, economic recovery, improved consumer sentiment, and the launch of more than ten new models should stimulate some growth in the industry.

Greater economic activity in the US is expected to lift automobile sales 13.4 percent to 11.8 million units in 2010. The worst of the economic crisis is over, but a high unemployment rate, a reduction in government stimulus, and reduced automobile inventories will offset most of the factors that can lead to sales growth. Therefore, industry watchers believe the pace of the actual recovery will be very slow. Automakers will emphasize bold marketing strategies to drive up sales, and the "Big 3" (GM, Ford and Chrysler) are expected to see the largest increase in sales performance.

In Europe, consumers will remain reluctant to spend, installment finance companies will maintain strict conditions, and the effects of the government-sponsored incentives to trade in old models will fade. Therefore, automobile sales there are expected to drop 4.7 percent to 15.05 million units. The falloff in sales is likely to be greatest in Germany and other major countries that adopted the temporary programs to encourage new vehicle purchases. Auto sales should be slow in Europe during the first half and then pick up during the second half. The recovery, however, is not likely to be strong enough to lift annual sales above the 2009 figure.

The BRICs markets will all see a reduction in government support for the automobile industry, and the governments will implement exit strategies. As a result, the strong growth in the

automatic sector seen in 2009 is not expected to be repeated in 2010. On the other hand, economic growth will continue, and automakers will introduce low-priced models, enabling the automobile market to continue expanding amid intense competition. KARI's estimates for 2010 automobile sales in the BRICs are: 15 million units in China (up 9.9% YoY), 2.53 million units in India (up 11.9% YoY), 3.17 million units in Brazil (up 5.4% YoY) and 1.65 million units in Russia (up 13.7% YoY).

US automakers will expand involvement in compact vehicles in 2010, intensifying competition. Thus, Korean automakers, which rely heavily on compact car sales, will need to establish countermeasures. The Russian government's incentive program to trade in old cars will raise the percentage of smaller vehicles in the country. However, small vehicle sales in Europe and Brazil is expected to either drop or grow only slightly from the figures posted in 2009.

Sales of small trucks and buses should rise in 2010, boosted by economic recovery in the US and the expiration of incentive programs to trade in larger automobiles for smaller ones. The commercial vehicle exposition in Shanghai and development in China's western region should keep commercial vehicle sales rising, but the growth rate will probably be small. The Indian government's support for infrastructure construction is also expected to boost sales of commercial vehicles. However, economic hardship in rural India will dampen the rate of this growth.

In the mid-/full-sized automobile segment, the robust sales of the Hyundai Sonata and Kia K7 that began at the end of 2009 are expected to continue in Korea in 2010.

Tire Industry

All people seek "freedom of mobility." The bicycle, automobile, airplane and other modes of transportation were invented to satisfy this basic human desire. Tires are used to support the vehicular chassis and transfer the motive and braking power to the road surface. They are also designed to mitigate road shock and enable the vehicle to change its directional course. The importance of these functions has brought the tire and automobile industries closely together, and tire brands have assumed a unique place among all automobile accessories.

The global economic slowdown that began in the second half of 2008 caused demand for new automobiles to fall and plunged the tire industry into a slump. The overall tire industry registered negative growth in 2009 as well. Raw material prices which were low in the first half began to climb again in the later half of 2009. Thus most tire manufacturers saw sales and profitability drop.

The tire market can be divided into two main segments, original equipment (mounted on new vehicles), and replacement. According to LMC data, the overall tire sales in 2009 were about 1.3 billion units, 2.9 percent lower year on year. About 988 million replacement tires (74% of the total market), a decline of 1.3 percent from the previous year, and 345 million OE tires (26% of the total market), down 7.2 percent from 2008, were sold globally. The relatively larger drop in OE tire sales is attributable to the fall in new vehicle production caused by the global economic slowdown.

Tire sales in China and some other emerging markets actually grew somewhat in 2009, but tire demand fell in the Americas and Europe, where growth had been previously robust. As a result, overall tire sales suffered negative growth.

Breaking down the global tire sales mix down by region, the portions for the Americas and Europe decreased and those for China and emerging economies increased. The tire markets in China, India and other emerging nations are expected to continue expanding in the future as well.

In terms of tire category, the economic downturn had a relatively greater effect on large truck and bus tire sales in 2009, which fell 5 percent from the previous year's figure. The rate of decrease in sales for light truck and passenger car tires was 2 percent and 3 percent, respectively.

The majority of the world's largest tire makers registered negative sales growth in 2009. However, Hankook Tire was the exception, posting positive growth for both sales and operating profit.

The drop in American and European tire demand negatively affected the US, European and Japanese tire makers strongly, as they hold the largest shares of these markets. By contrast, Hankook Tire along with tire makers in China, India and Taiwan all saw their sales increase. Importantly, China posted the world's highest totals for both tire production and tire sales, and this is fast becoming the world's largest automobile market. Investment in the Indian tire and automobile industries also increased in 2009, and Indian tire makers made significant gains during the year.

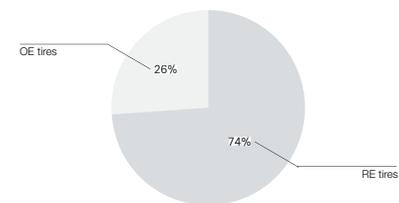
The coming year is seen as a turnaround period, when the tire market begins to return to the pre-crisis level. LMC data forecasts the global tire market to grow 3.3 percent year on year in 2010, and this growth is expected to be led by the OE segment, which contracted in 2009.

The Chinese tire market is forecasted to grow 12 percent

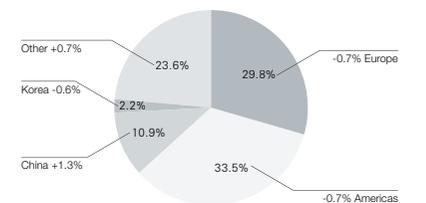
1 Auto sales growth by region source: KARI



2 2009 Global tire market by segment source: LMC



3 2009 Tire sales by region source: LMC



over 2009 bringing the global tire industry growth into positive territory. Greater economic activity is anticipated in Europe and the Americas, and tire sales there should also increase around 1 percent over the 2009 figure. Korean tire sales are projected to grow 8.8 percent year on year in 2010 and represent about 2.5 percent of the global tire market.

Meanwhile, competition among the world's tire makers will intensify in 2010. As the tire industry is highly sensitive to changes in prices for oil, rubber and other raw materials, steadily rising prices erodes profitability and forces manufacturers to raise their sales prices incrementally. In the process, severe price wars can break out. The North American and European tire market, which showed the most contraction in 2009, is expected to rebound in 2010.

Local tire manufacturers that dominate these markets are

likely to see their sales and profits grow in 2010, and this could trigger greater competition among the tire makers.

Recently, the global tire market has been affected by greater demand for Environment-friendly products, while driver needs have also diversified. In response, tire makers are bolstering their quality management programs. Regulations that require tire labeling and quality marks are driving up the quality of the tires being sold in each nation.

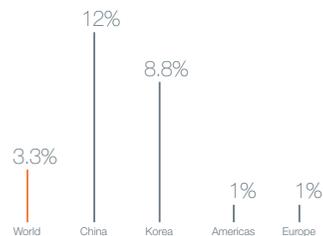
Meanwhile, tire manufacturers will have to respond carefully to changes in the business climate going forward. The lingering sluggishness of advanced as well as emerging economies will prompt governments to tighten technology restrictions as a form of protectionism. Responses among trading nations will become more important as well.



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Global tire market growth forecast for 2010

source: LMC



2010 Outlook

Regional Economic Outlooks and Plans

Korea

The Korean economy faced hardships from the global economic crisis in 2009. Tight credit and contracted investment rattled the job market and dampened consumer spending, which in turn posed various risks in the domestic tire market.

The outlook for 2010 is not very bright either. The effects of the economic crisis have not yet disappeared. Destabilizing factors remain. The Korean government is ready to implement an exit strategy, and major national policy projects have reached an impasse. Making matters worse is the erosion in profits from the steadily rising prices for raw materials, which began in 2009.

We must resolve various dilemmas related to the recovery of the domestic economy. After the crisis hit, Hankook Tire became the sole strong player in the Korean market. Now our supply capabilities and distribution network must quickly be cultivated. We need balanced growth, both qualitatively and quantitatively, in product lines, brand assets, distribution scale and all other areas to accommodate our increasing market share and rising brand status.

Our priority is to build unrivalled product lines, distribution network, brand and sales system in Korea.

The major step in this direction is to implement a marketing strategy that accommodates tire customer needs, thereby expanding sales and protecting Hankook Tire's top position.

To this end, we are launching a series of new tire models.

These include Ventus ME01, a UHP successor to Ventus V4 ES; Dynapro HL2, a Dynapro HL upgrade; and Ventus R-s3, which is setting a new standard in racing tires and has been

well received in Japan as well as Korea. Our expanded lineup will accommodate the diverse and discriminating needs of our customers. In addition, enfren will play a leading role in satisfying the growing demand for environment-friendliness in all products.

We newly formed a unit dedicated to the TBR segment. This unit will perform "technology-based sales," bringing together technological expertise and salesmanship. This improved sales management approach will make its debut in the Korean market. In addition, the Smart brand will lead our advance into the newly-defined economy tire market, which we aim to aggressively develop and manage. We have extended the "Proper Tires and Proper Service Campaign," launched in 2008 to promote the excellence of the services and products in our sales network.

Also planned for 2010 is the "Customer Care and Safety Campaign," which will raise public awareness of the importance of tires and driving safety. This campaign shows that we, as the market leader, remain responsible for customer safety even after the products have been sold.

In 2010, the Hankook Tire Korea Regional Headquarters will engage in an aggressive and confident marketing campaign to further build trust with customers. Our experience in turning the 2009 crisis into a great opportunity will be the impetus for establishing the company firmly as Korea's No. 1 tire manufacturer.

China

China demonstrated its potential in 2009 by registering 8.7 percent economic growth amidst a global economic downturn.

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Global Headquarters, Korea Regional Headquarters



This robust expansion bolstered China's influence in the global economy. In 2010, the Chinese economy is expected to continue its rapid advance despite economic uncertainty in the rest of the world. Most of the forecasting agencies say that the Chinese economy will grow at least 9 percent, replacing Japan as the world's second-largest economic power.

The Chinese government is also determined to maintain double-digit growth in the automobile industry through 2011. At the end of 2009, the government lowered the tax on automobile purchases and extended the incentives offered to rural communities to trade in old vehicles for new ones. If all goes according to plan, 15 million new vehicles will be sold in 2010, followed by sales of 16.5 million vehicles in 2011.

However, some formidable obstacles also stand in the way. China's economic growth in 2009 was made possible by expanding liquidity considerably. This same kind of growth appears to be impossible in 2010. The economic slowdown in the US and other parts of the world is reducing Chinese exports, causing a serious supply glut in China's major industries. In addition, the Chinese currency is under pressure to appreciate, while concerns are being voiced over a growing friction between China and her trading partners.

Facing these conditions, we will adhere to the strategy of making Hankook Tire a top-tier player in China. The goal for 2010 is to increase the sales ratio in domestic China to 62 percent. Aggressive marketing strategies will be carried out in all areas: brands, products, pricing and distribution.

Our first plan of action is to engage in focused marketing activities to improve price positioning and brand preference. At the same time we continue to elevate our brand to "premium"

status. Second, the volume of OE tires to automakers will be increased to make China a truly second "home market" for Hankook Tire. Third, we will increase our investment to expand into new sales channels for premium products, and new premium tire models will be developed specifically for the Chinese market. These moves will raise product competitiveness and sales capabilities. Fourth, we will increase our sales of truck and bus tires and boost our share of the Chinese TBR market, which continues to grow. Finally, we will raise our cost competitiveness. This will be done by lowering our expenditures on materials and optimizing our supply chain management so that production and warehouse operation becomes more efficient.

China is now our largest market; we already sell more passenger car radials and UHP tires there than we do in Korea. The growing strategic significance of China has made our multifaceted management activities all the more important. In 2010 the China Regional Headquarters aims to elevate the brand stature in terms of both quality and quantity.

Europe

Europe expects performance to start turning around in 2010. The CIS economy expects a 4 percent growth, and the Euro Zone, a 0.3 percent growth, compared to 2009.

However, government debt in Greece and other EU countries exceeds the 60 percent cap on debt-to-GDP ratio set by the amended EU regulations. The looming risk of government default has prompted a tighter monetary policy, and the exit strategy dictated by that policy will be implemented as early as the fourth quarter of 2010. This could

become an impediment in the recent stirrings of economic recovery in Europe.

Government support programs for the automobile industry initiated in 2008 boosted sales in 2009 but are now terminated. Therefore, the automobile sales in western Europe in 2010 is expected to be lower by 1 million units compared to 2009.

Turning to the tire market, recovery is seen in the replacement truck tire segment, and demand will rise in the CIS. However, OE tire sales will contract, and signs of European economic recovery are weak, suggesting that the difficult business environment in 2009 will carry over into 2010.

Despite the adversity, we have set aggressive performance targets for Europe. We aim to increase replacement tire sales by 15 percent year on year, and the monetary total has been set at USD 1 trillion. Reaching this target would boost our share of the European market to around 5.5 percent. The productivity of our operation in Hungary has been greatly improved, and we expect the operation to remain in the black for the second straight year. By 2012, our second expansion phase at the Hungary Plant, will be complete and will be the foundation for expanding Hankook Tire sales in the region.

We will continue to bolster our distribution channels in major Western European countries and to upgrade our channel structure over the mid-/long term. In Eastern Europe and the CIS, meanwhile we will continue to build a foundation for retail sales. Our attention will be particularly focused on the major Eastern European markets of Poland and Hungary.

We will continue the expanded TV advertising campaign that was launched in 2009, and we expect to perform well on tire comparison tests by major industry magazines. Aggressive

efforts will be made to elevate brand value. We plan to increase our sports marketing activities, moreover our ties with and marketing support for our customers and dealers will strengthen.

Hankook Tire has grown in terms of sales volume and brand recognition in the European market. We are resolved to upgrade our brand even further in 2010. We will strive to increase demand for our products in the market and elevate our brand value over the mid-/long term. Amid adverse market conditions, we are ready to turn in surprising results yet again.

The Americas

Market watchers predicted that the US economy would start to rebound in the second half of 2009, but the unemployment rate currently stands at around 10 percent. US government's massive debt and low interest rate policy have also made additional stimulus programs difficult. Therefore, any turnaround in the real economy will be slow during 2010.

Meanwhile, installment financing for automobile purchases has remained tight, and the number of automobile dealerships is expected to decline further in 2010. Thus, the US automobile market will improve somewhat after bottoming out in 2009, but a full recovery will take much time.

Making matters worse, Latin American countries have imposed restrictions on imported tires from China and strengthened their non-tariff barriers. In sum, 2010 will not be an easy year for tire makers in the Americas.

The Hankook Tire America Regional Headquarters will respond to this adversity by pursuing the following strategies: First, improvements will be made to the distribution network

China Regional Headquarters



Europe Regional Headquarters



America Regional Headquarters



throughout 2010, thereby developing new customers and diversifying distribution channels. Profitability will also be raised through the ongoing promotion of strategic products. OE tires will be supplied to Ford, GM, Chrysler, and ITEC in the United States and Canada. We will also expand the OE business by cultivating supply arrangements with Volkswagen in Mexico and Brazil, and synergy will be maximized between the OE and RE segments. We will expand our customer base in the growing truck and bus tire business, and focus on developing relationships with large truck and bus fleet owners in the US, Brazil and Mexico and diversify our sales channels.

Second, customers are increasingly requiring that deliveries be made frequently in smaller lots. The importance of fill rate keeps rising, necessitating improvements in logistics services. Specifically, six US warehouses currently supply tires to more than 300 wholesalers and over 4,000 retailers. Optimal inventories must be maintained to promote the fill rate.

A new warehouse is being established to serve Western Canada, and the expansion of customer contact points is planned. In major Latin America markets, sales offices will be upgraded into sales subsidiaries to help build a highly reliable logistics system. Emergency orders to small customers along the Caribbean coast and in Central America will be exported directly from the US, cutting delivery lead time and raising customer satisfaction.

Third, we will increase our brand exposure and brand recognition through online and mobile marketing channels, which are steadily gaining importance in the Americas. Marketing activities will be pursued at Major League Baseball games, drift competitions, TV commercials, magazine ads and

events to reach target consumer audiences most effectively.

Our Ventus V12 evo mail-in rebate program was a huge success in the US 2009, and we will extend it in 2010 to value-added product lines to raise our profitability. To this end, sales activities will be expanded using the superior ratings of our tires in comparison tests by influential magazines.

In Latin America, co-marketing very important. Co-marketing with major customers is very important. Therefore, we are planning various events and communication activities to elevate customer satisfaction levels.

The Middle East, Africa and the Asia-Pacific

The 2010 World Cup in South Africa will draw the world's attention on Africa and the Middle East. The economy in Sub-Saharan Africa grew 1.2 percent in 2009 but is forecasted to surge 4.1 percent in 2010.

General economic recovery is expected for the Asia-Pacific as well, although growth rates will vary by country. The Japanese economy is predicted to grow 1 percent, while India is expecting 7.7 percent economic growth.

Hankook Tire will continue efforts to secure new growth engines in the Middle East, Africa and Asia-Pacific. Developing new customers and engaging in diverse sales support programs to ensure that sales are steady.

Sales of Aurora and Kingstar will be promoted, while Hankook Tire brand products will be sold through diverse distribution channels. We will upgrade the training programs for salespeople, to elevate knowledge of Hankook Tire products and help boost sales.

Economic activity was sluggish in advanced markets during

2009, but slow recovery should return in 2010. On the other hand, the economies in the Middle East, Africa and the Asia-Pacific are forecasted rebound vigorously. These regions will contribute more than ever to overall sales growth.

Segmentation, targeting and positioning (STP) analysis and studies will be conducted to determine the optimal pricing, products, promotions, and distribution strategies in order to boost 2010 results. We believe that the Middle East, Africa and Asia-Pacific present greater growth potential over the long term. Aggressive efforts will be made to create new opportunities and maintain steady progress.

OE Tire Market Outlook and Plans

OE Tire Market Outlook
The number of global automobile sales in 2010, is expected to increase by six percent, year on year. Yet the number of sales units is expected to remain around 65 million, as various setback elements still remain. Most incentive programs that stimulated sales of new vehicles in 2009 will cease in 2010, and oil prices are expected to rise.

However Hankook Tire is ready to overcome the adverse changes in the business environment. Environment-friendly automobiles will be in the mainstream in 2010, and the market positions of Hyundai, Kia and Volkswagen will strengthen. At the same time, vehicle sales growth should be vigorous in emerging markets. We will take advantage of these changes by pursuing the following strategies:

First, we will continue efforts to secure supply agreements for premium OE tires. We have managed to steadily increase our shipments to global automakers working in Korea and China and business ties have also been maintained with Ford.

In addition, we have continued to increase our shipment volume to Volkswagen and Audi in Europe, providing OE tires from 2009 for the Audi A3 produced in Germany. Of course, we are approaching other major European automakers as well, and these marketing efforts are about to show tangible results.

Second, we are constantly improving the profitability of the OE business. Our greatest strengths lie in proprietary technologies for high-quality tires and outstanding production capabilities. These competencies are being leveraged to lower costs while maintaining quality in tire production as well as to differentiate our pricing from that of the competition. In addition, we have built the optimal portfolio for each automaker each vehicle model, applying a strategy of selectively concentrating resources to maintain a solid business within a changing marketplace. In addition, we are launching a pricing scheme that is linked to changes in raw material prices in order to boost profitability.

In early 2009 the US government announced new rules that will require all passenger cars sold to average at least 16.6km/l in fuel mileage. Thus fuel efficiency has become a key factor in determining vehicle purchases in both Europe and the US. The survival of tire makers, too, will hinge on their offering products with low rolling resistance and other features that can improve vehicular fuel performance. Technologies that improve environment friendliness and fuel efficiency are the only way to compete head to head with the top-tier tire manufacturers. Therefore, we will continue our R&D on technologies that make tires friendlier to the environment and raise fuel efficiency.

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2009 SEMA show



Tame the Road campaign in the Middle East



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Premium automakers using OE tires from Hankook Tire



Driving Emotion

The Hankook Tire vision is to become a Leading Global Tire Company Providing Customers with Value and Pleasure. We will realize this vision by elevating the value of our brand, optimizing global operations and accelerating growth on the world stage. We will continue to raise the competitiveness of our technology, products, services and marketing programs to make "Hankook" the brand of choice. At the same time, our efficient resource allocation, increased operational efficiency, reinforced risk management and enhanced intra-organizational communication will optimize our resource utilization. Moreover, we will keep strengthening our production and sales capabilities to accelerate growth worldwide.

Mission & Vision Strategy

074 **Mission & Vision**

- Mission Frame
- Vision Frame

077 **Strategy**

- Brand Value-up
- Global Operation Excellence
- Global Growth Acceleration

5

World's 5th-largest Tire maker
Global market share 5% higher

1

EBITDA of USD 1 billion
1st in profitability

1

Annual global output of 100 million
1st in quality & productivity

ventus R-s3



Ventus R-s3 is an extreme-performance tire, designed for racing. Hankook Tire has honed innovative circuit tire compound technology, called Racing Carbon-black Silica Compound (RCSC), by participating in Japan's Super GT and France's Le Mans 24h. Numerous performance simulation tests were carried out in designing Ventus R-s3, and the break-through RCSC technology and aggressive tread pattern ensure maximum grip.

Mission & Vision

Hankook Tire's Mission & Vision framework was redefined to describe the reason for existence, core values and the future direction of our company. The Mission Frame is structured in three tiers: the mission, six business principles, and core values. It provides the basic rules for our doing business and standards to guide the thinking and deeds of our organizational members. The Vision Frame details what the company should achieve in the next five to ten years, and how to achieve it. Vision 2020 clearly defines the stature we envision for Hankook Tire one decade from now and sets mid-/long-term goals to accomplish going forward. Moreover, our three strategic directions determine the best ways to realize our vision.

- **Environment:** A company that ensures the environment comes first
- **People:** A company that ensures all employees receive fair opportunities to realize their full potential
- **Innovation:** An innovative company filled with an entrepreneurial spirit that responds aggressively to changes in the business environment
- **Ethics:** A company that fulfills corporate social responsibilities and earns a sound reputation through transparent management
- **Execution:** A company that carries out strategies through active communication and cooperation

Core Values

Our core values provide employees with a common set of priorities regarding how they go about their work. They are the standards for thinking and acting that all employees must respect and follow so that the mission is accomplished and the vision is realized. The core values for Hankook Tire can be summed up in one word: "proactive."

- **Passion:** Positive attitude, Performance-oriented, and Ownership mindset
- **Innovation:** Creativity, Flexibility, and Leading change
- **Trust:** Ethics, Respect for others, and Customer satisfaction
- **Global competencies:** Open mind, Global communication, Global perspective

Mission

Our Mission identifies our raison d'être and the role we play in society. It also describes what we must do and legitimizes who we are and what we do. As such, we have defined our mission as "Contribute to Advancement in Driving." The statement shows our commitment to promoting progress in both the company and society by making driving a safer, more pleasant, more comfortable experience.

Business Principles

Business principles are established to provide all employees, from top to down, with shared values and a common basis for making decisions. We have established six basic principles serving as common standards in setting business directions.

- **Voice:** A company that pursues excellence proactively by placing the highest priority on giving every customer a voice

Mission Frame

Mission Frame



Vision Frame



- **Vision 2020**
A Leading Global Tire Company Providing Customers with Value and Pleasure
- **Mid-term Goals 5-1-1**
5: Global 5th Tire Maker | Global M/S Over 5%
1: Global EBITDA 1st in Profitability
1: Global Production 1st in Quality & Productivity
- **Strategic Direction**
Brand Value-up
Global Growth Acceleration
Global Operation Excellence

Vision Frame

Vision 2020

The Hankook Tire vision is to become "Leading Global Tire Company Providing Customers with Value and Pleasure." We concluded that setting clearly defined, step-by-step goals is required to achieve this vision eventually. Therefore, we have established a management strategy scenario that covers the period until 2020. We are relentless and passionate in our efforts to reinvent Hankook Tire as a global corporation that sets industry trends.

Mid-term Goals

Our mid-term goals describe what we should achieve within three to five years in order to realize our envisioned future. These goals can be summarized as "5-1-1," and each of the three numbers refers to two separate targets. The "5" stands for becoming the world's fifth tire maker and taking at least

five percent of the global market share; the first "1" represents earning EBITDA of USD 1 billion and achieving the industry's highest profit rate, and the second "1" means producing 100 million tires annually and topping the industry in terms of quality and productivity. These are the basic sales, production and profitability guidelines for elevating Hankook Tire to the world's 5th-ranked tire manufacturer regardless of fluctuating exchange rates.

Strategic Directions

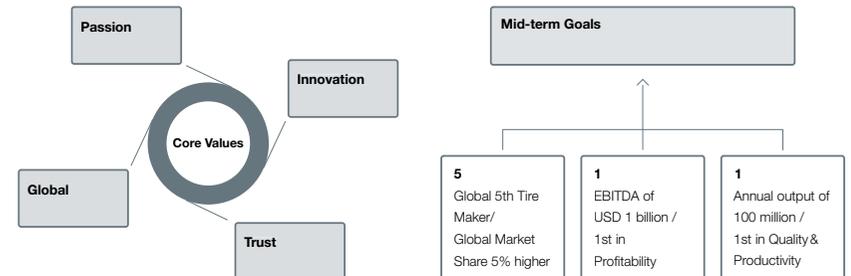
We have clarified three strategic directions to help achieve the mid-term goals that were set to realize our ultimate vision. They are: Brand Value-up, Global Operation Excellence and Global Growth Acceleration.

The importance of brands is widely understood, as they represent the company's face and are a yardstick for

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measuring customer satisfaction. Communication with customers is also a priority at Hankook Tire. Therefore, we are investing steadily into raising brand value to respond effectively to market changes and ultimately become a market-driven company that sets the trends. Various programs are ongoing to elevate the stature of our brand. For example, we develop products that satisfy customers, engage in vigorous marketing communications, and are strengthening our distribution competencies.

Today, thorough preparation is necessary given the steadily increasing uncertainties in the business environment. The current downturn in the global economy serves to remind all companies of how important operational efficiency truly is. Hankook Tire's Global Operation Excellence is a strategic direction to maximize business efficiency.

To this end, cost and investment rationalization schemes and other programs are being devised to use company

resources as efficiently as possible. The global supply chain management (SCM) project is also in progress as part of efforts to rationalize business processes. Innovations are also being made from the mid-/long-term perspective to manage potential risk better and respond quickly and comprehensively when actual risk occurs.

The economy of scale is vital for tire manufacturers. The entry barriers are high in this technology-, labor- and capital-intensive industry, which has already matured in the advanced economies. However, companies are engaging in new investment, mergers and acquisitions to foster further growth. For this reason, relentless effort is being made to increase operational scale and raise profitability. Hankook Tire, too, has identified Global Growth Acceleration as a strategic direction for the future and is investing continuously to acquire additional production facilities around the world.



Strategy

Uncertainty in the global tire and automotive industries is expected to remain for the next several years, as the global financial crisis deeply shook up many of the major players. Hankook Tire has clearly defined three strategic directions; Brand Value-up, Global Operation Excellence, and Global Growth Acceleration. These strategies will enable us to create value, thus become a Leading Global Company Providing Customers with Value and Pleasure.

Brand Value-up

Increasing Product Quality

We continue to diversify product lines as part of an effort to enhance our brand value. Our brand portfolio consists of three individual names: Hankook, Aurora and Kingstar. The flagship brand is Hankook, while the other two are customized for specific markets, and pricing is differentiated by brand and product group. Rising raw material prices, fluctuating exchange rates and other external changes will be taken into account when setting new prices. Moreover, we will expand our use of local currencies in settling transactions in overseas.

Hankook Tire has continued to increase quality and manage market prices and distribution channels in each region. Moreover, effective communication with customers will help us to reflect changing external factors when differentiating prices by product group and brand.

We are working on expanding our product lineups to meet diversifying customer needs. Dedicated R&D engineers and salespeople are assigned to each brand to improve specialization and raise competitiveness. Meanwhile, we continue to develop new patterns and sizes while monitoring demand in each market, building distribution strategies

to accommodate individual market requirements, and strengthening communication with the market. In support of these activities, we have built sales infrastructure, are planning and developing new products, managing production and sales operations, and running sales promotion campaigns.

We will continue to expand the share of Aurora and Kingstar products in the sales mix and secure more distribution channels. Furthermore, diversifying our product lines improves the brand mix, while fine-tuning the brand portfolio enhances brand value.

Achieving the World's Best Quality

Our vision is to provide customers with the world's best quality tires in order to become a top-tire manufacturer that sets global tire industry trends. Now, we are committed to improving our quality steadily and to offering the top-class products and services that fully satisfy customers.

To this end, we are now engaged in the following activities: First, we have held a series of Quality Academy programs to increase the quality awareness of our suppliers as well as employees. The programs allow for continuous quality improvements and thorough quality assurance. Second, we have adopted the Hankook Tire Production System (HPS), are implementing Six Sigma initiatives, upgraded operational processes, and are conducting other quality improvement activities. Third, we are expanding investment in quality improvement programs to assure that not even a single defective tire reaches the customer.

We remain committed to providing customers with the best-quality products by strengthening internal communication



Major Aurora - Kingstar Products



on the importance of quality.

Developing Market-leading Products

Customer needs are endlessly transforming and diversifying. Hankook Tire is responding to these changing customer requirements and working to develop products that can lead the market.

Recently, global warming has emerged as an issue that all people must address, sparking diverse new regulations and product certification systems aimed at environmental protection. Hankook Tire introduced *entren*, so-named for its environment-friendly features, in 2008. The tires are setting a new trend in today's "Green Growth" era. They have been ranked first on the "Green Product" index by Korea Management Association Registration and Assessments for the past two years and were registered as being in compliance with Japan's Green Purchasing Law.

Customers have been very satisfied with our Smart tires, which was developed in response to the global economic crisis. At the same time, we have been busy developing premium tires that reflect the rising preference for top quality. Our development efforts are also focused on tires that reflect the different weather and road conditions of each major geographical region of the world. Ventus V12 evo was ranked first for wet road performance and low noise and cam in second overall in a tire comparison test by *Car & Driver* magazine in the US. The test results confirm that these tires ensure top performance and driving safety at very high speed.

Going forward, we will making ongoing efforts to introduce

top-quality tires that address the latest customer needs and the changing times.

Strengthening Marketing Activities

Our confidence in our products is reflected in the aggressive marketing activities that we use to attract buyers. First, we continue to adjust our distribution strategy. Multifaceted efforts are underway to secure our own distribution channels globally. We are establishing overseas retail outlets as one way to build distribution infrastructure, while new sales and service networks are also being created.

Customers come into direct contact with Hankook Tire through distribution networks that includes multi-brand retailers and wholesalers as well as exclusive direct-run and franchise shops. Thus, these are prime locations for promoting the excellence of our products and elevating our brand image.

Second, our pricing policy is designed to achieve our "5-1-1" mid-term goals. In setting our prices we first run simulations to reflect variations in the exchange rates in each country and the costs of raw and secondary materials. This approach optimizes the performance among different geographical regions and product lines. It also allows us to pursue a preemptive pricing strategy in a fast-changing market environment.

Third, we have installed an automated system to handle global logistics tracking, shipping documents, and purchase documents to ensure a stable product supply. The new system raises customer trust while reducing the lead time needed to pass through customs and deliver documentation. Logistics costs are lowered while operational efficiency is raised. We

continue to seek new ways to provide our customers with even better services, and our diverse marketing activities are maximizing customer satisfaction.

Improved OE Competitiveness

Hankook Tire is also working hard to elevate the competitiveness of the global OE business as part of efforts to enhance brand value. We will first raise the proportion of the premium OE tire segment in our sales mix. In Korea, our sales strategy is set to expand the volume of UHP tires delivered to the five domestic automakers, particularly for their high-end models. In China, we plan to increase our OE tire shipments for the premium vehicles from Europe as well as local automobile manufacturers. Our OE tire supply to overseas makers outside Korea and China has been largely concentrated on the compact- and mid-sized segments. However, we will expand into the luxury segment, and continue to increase OE tire sales for Audi and other European premium automakers.

Our R&D focus will be on tires with low rolling resistance (LRR) to promote product competitiveness. LRR tires are more Environment-friendly than conventional products, as less rolling resistance means higher fuel efficiency and lower CO₂ emissions. We will continue to add more LRR tire models to our OE portfolio to satisfy both automakers and customers, while raising our competitiveness.

Global Brand Communication

Hankook Tire is engaged in diverse brand communication programs around the world. Our activities are mainly focused on the Hankook brand, and we are implementing various

programs to reflect regional preferences. In Korea and China, our marketing strategy is to position Hankook Tire as a premium brand, while, for the rest of the world it is to elevate the public recognition of the brand. Currently a global campaign is in progress under the "Tame the Road" theme. In China, the third "Road to Success" campaign was launched, which features famous actress Zhang Jingchu as a lead model. She is respected and highly regarded as one of the top actresses in China; some even call her "new Zhang Ziyi."

The Middle East has emerged as a strategic market for Hankook Tire. Therefore, we developed a region-specific ad campaign that emphasizes the performance of our tires under hot and dusty conditions. The new campaign will help us to elevate our posture in this region as well as to increase sales. In Korea, the new "Driving Emotion" campaign was launched, featuring top entertainers Jang Dong-geun and Shin Min-ah, reinforcing our leadership in the Korean market.

Meanwhile, our "Kontrol Technology" theme has been used in various marketing and PR activities for corporate image enhancement. The stature of our brand as a global player is being reinforced through our participation in various motor sports events and trade shows such as the Le Mans 24h, Nurburgring 24h, Super GT in Japan, Dubai Motor Show, and SEMA Show in Las Vegas.

These diverse communication programs promote our brand image and brand loyalty among consumers, dealers, and industry insiders. Of course we are constantly devising new marketing activities that will lead to increased sales in the future. We will further expand these programs worldwide.

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Environment-friendly tire models



079

The Road to Success campaign



Super GT in Japan



Global
Operation
Excellence

Resource Rationalization

The tire business is sensitive to many economic variables, particularly those affecting the automotive market. Oil prices also have a direct impact on the industry, as natural and synthetic rubber take up the largest share in raw material costs for tire production. Hankook Tire is directly exposed to these highly volatile factors. Yet, we have continued to achieve the industry's highest levels of profitability and growth in a balanced way.

Not being complacent to our success, we continue to prepare for a possible crisis in the near future. We prioritize R&D and marketing activities in our overall budget. This frees our employees to pursue their plans without feeling pressure to deliver immediate results. Meanwhile, we are minimizing unnecessary expenditures on one-off items.

Our ongoing resource rationalization activities will allow us to have strong corporate fundamentals that provide customers with the best-quality products as well as shareholders with steady returns.

Increased Operational Efficiency

Hankook Tire pursues top-level performance in an optimum working environment, and ongoing innovation projects for operational efficiency enhancement cover the organizational structure, personnel, processes and infrastructure. To this end, in 2009, we engaged in various programs with the aim of "building systemic work processes and raising organization efficiency through strengthened auditing activities."

First, we clearly redefined individual duties and allocated them to executives, team managers and team members.

We have established job descriptions for each position and have used them to create work charts. As a result, work assignments, which used to be distributed by team, are now allocated by individual position. This clarifies the role of individuals and promotes cooperation among different units.

Second, we reinforced our audit system, thus organizational audits are performed regularly. This allows us to identify and address obstacles to strategy implementation and increase responsiveness organization-wide. Action plans were devised to correct problems discovered in these audits, and those plans were reflected in our personnel and organizational restructuring. Thus the organizational structure has become more strategy-oriented.

Third, we built processes for helping newly created units become fully functional quickly. If a company wants steady growth, it should constantly adopt new functions. In this sense, the increasing number of new units at Hankook Tire is the mark of a company that is growing. Thus, we established a support process for them, under which their roles, functions and responsibilities are clearly defined. The process calls for the units to report their operations to supervisors and supervisory units. The process helps to increase operational efficiency of newly established organizations as well as to prevent overlapping of work among associated departments.

We will continue to implement these innovative programs to raise operational efficiency, contributing to achieving corporate targets, both financial and non-financial.

Strategy for Integrated of CSR Management

Hankook Tire plans to establish a framework for the integrated

management of social contribution activities in Korea. The CSR Committee is attended by division chiefs and relevant executives to discuss companywide strategies and make decisions. The CSR Team will act as a main organization responsible for executing the decided programs, while the CSR Steering Group will serve as a discussion group among social responsibility-related units. Environment management, social contribution, ethical management, integrated risk management, employee issues, communication with various stakeholders, and other companywide CSR agendas are collectively discussed and handled by these organizations.

We are well aware that CSR activities should not be a task of a specific department but a task that requires the participation of all organization members, from the CEO and managerial staff to rank-and-file workers. Meanwhile we are making consensus among employees on this issue to ensure that our CSR strategies are reflected in all the performances of our organization. We are looking for responsible management practices that can ensure that we continue to prosper for the next 100 years.

We clearly understand that creating value for all stakeholders is a necessary condition for our sustainability. Thus, our corporate philosophy, and CSR policies and strategies will be combined systemically to create stakeholder value from all of our activities.

Increased Risk Management Competencies

The business environment is highly volatile and uncertainties are increasing in today's rapidly-changing society. Thus, a company faces the possibility of a crisis, namely risk. However, risk from

uncertainties can be turned into opportunities if the company is well prepared for the possible hazards. The company should analyze them from various aspects and associated units should collectively manage them properly.

Hankook Tire has been running a risk management system designed to minimize risks, enable rapid response when a crisis does occur, and thereby make sure that a small risk cannot transform into a big problem. We defined each type of risk to cover legal, financial, quality, industrial relations, occupational accident, and security issues, and classified them into four categories: strategic, operational, financial and other hazard risks. We monitor and manage risk in advance, diagnose possible hazards, respond to materialized risk, collect feedback on the effectiveness of following-up measures, and educate employees in order to reinforce our risk management capabilities.

The importance of managing non-financial risk is increasingly growing, while risk management activities were mainly focused on financial risk in the past. We believe that bolstering capabilities for managing non-financial risk, including corporate ethics, eco-friendliness and employee relations, will help us realize our vision of becoming a Global Leading Tire Company as well as to conducting sustainable management practices that care for society and the environment.

Strengthened Internal Communication

Effective communication between management and employees lubricates corporate operations. Hankook Tire is well aware of the importance of the communication and continues to perform various activities to bolster it.

Proactive Awards logo



2009 Proactive Awards presentation ceremony



Risk management training for employees



In 2009, we laid a foundation for improving internal communication by opening an in-house Global CEO website, and holding several Internal Relations (IR) programs to explain important management issues to our employees. From 2010, our aim is to "promote communication" by making sure employees participate more voluntarily.

We will share more important information on various aspects with employees and will continue to spread and impart corporate strategies to make sure every single person at Hankook Tire understands them. Performance goals can be achieved earlier than planned if all members of Hankook Tire pursue common goals and strategies. By doing so, employees will understand their work better and their morale will be boosted.

We will further promote the use of HANA so that all employees can express their opinions more freely and conveniently, and feedback on their opinions will be given. These activities will help us create a corporate culture where employees participate in communication voluntarily and spontaneously. Hence, bolstered communication will increase the effectiveness of our business management.

In Korea, the Daejeon Plant has the world's top-level output capacity and productivity, while the Geumsan Plant boasts a state-of-the-art automation system. We established two factories in the largest market of China, at Jiangsu and Jiaxing. Most recently, a plant has been secured in Hungary to provide greater access to the European market. These activities are a part of our effort to achieve balance in the global portfolio.

In addition to building plants worldwide to increase output, we are working on achieving the economy of scale at each plant. In 2009, we began construction of the third expansion at Geumsan and the second expansion of facilities at Hungary. Not satisfied with these results, we are considering establishing additional plants mainly in emerging markets, where tire demand is expected to increase continuously.

Moreover, we are aggressively seeking for new growth engines, both in and outside Korea, to further our stature.

We are seeking various methods of collaboration with raw material suppliers and companies that possess essential manufacturing technology. Moreover, we are weighing the effectiveness of entering various tire markets other than our present businesses areas. Tires for motorcycles, airplanes, bicycles or construction equipment might be the examples. In addition, we are considering expanding into various new lines of business.

Strengthened Sales Promotions

¹Hankook Tire sold more than 70 million tires in 2009, coming closer to the mid-term goal of selling 100 million units. To achieve the mid-term goal, we need to see further growth not just in Korea and China but in Europe, where we run a plant in

Hungary, as well as North America, the world's largest vehicle market. Of course, we need to increase our sales share in emerging markets as well.

To boost sales, we will strengthen our leadership in China and Korea. Our launch of the Smart brand was successful in meeting the increasing demand for economy tires in Korea. Thus, we will continue to implement sales policy that can lead the Korean market in terms of quality as well as quantity. In China, global major tire manufacturers are engaged in fierce competition. We will first focus on the OE segment to utilize its synergy effect on the RE tire market, while implementing distribution and pricing policies that are designed to increase sales in the burgeoning RE segment.

In Europe, starting from 2012, legislation will require tire makers to put a label on their products to display specifications, which will make competition among manufacturers even fiercer. Thus, our organizational units in marketing, quality control and other areas are working closely together to ensure outstanding product quality that can result in a surge in sales.

In the Middle East, Africa, and the Asia-Pacific, we continue to secure sales channels to boost our market share. We regard India, African and ASEAN countries as the future growth drivers. In these regions, we are focusing on localizing sales and logistics functions and bolstering distribution outlets.

These aggressive sales promotions will allow us to strengthen our posture on the global market.



Global Growth Acceleration Strengthened Global Production Capacity

The economy of scale is vital for tire manufacturers, as the tire industry is highly labor- and capital-intensive. Hankook Tire has worked hard to maximize the production volume of each plant to achieve the economy of scale and sustain a high-level growth. In addition, optimization of the global production and distribution portfolio is very important for securing a competitive advantage because logistics costs are very high in the business.

Internal Relations (IR) programs



¹

2009 Tire sales

70 million units

Driving Emotion

The sustainable management program at Hankook Tire is being changed systematically and strategically to advance the interests of all stakeholders. We are building a new system for integrating and overseeing CSR activities companywide, and infrastructure is being established for managing environmental, worker health and safety issues altogether.

We are committed to minimizing the environmental impact of all product-related processes. At the same time, our research is focused on developing technologies and products that are friendly to the environment. We have been making an extraordinary effort to lower energy consumption and reduce carbon emissions. Our Hankook Lifestyle of Health and Sustainability (H-LOHAS) program has been in effect since 2008, and we are engaged in various CSR activities covering scholarships, social welfare, and volunteer service in local communities. Of course, our great challenge is ongoing to make the world a better place for all.

Corporate Social Responsibility

086 Integrated CSR Management System

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- H-LOHAS
- Major Activities

093 Risk Management

- Operational Risk
- Financial Risk
- Legal Risk
- Fire Risk

820^{kg}

The amount of CO₂ saved when traveling 200,000km on entren tires instead of conventional tires = CO₂ absorbed by 146 trees each year

12,000^{tons}

The reduction in CO₂ emissions achieved annually by our switching to clean-burning LNG for fuel



entren is a next-generation, eco-friendly tire that takes advantage of Hankook Tire's technological support at every stage, from new product planning and research to production. New structural designs, production facility technologies, and fuel-saving rubber compounds have been applied to lower rolling resistance by 21 percent compared with conventional tires. This results in significant savings in fuel consumption as well as CO₂ emissions.

Integrated CSR Management System

We recognize our obligations as a corporate citizen and are pursuing a systematic CSR approach that maintains corporate activities in modern society while developing a sustainable organization. In 2009, the Environment, Health & Safety (EHS) Team was upgraded to the Corporate Social Responsibility (CSR) Team to integrate CSR activities companywide and satisfy all stakeholders. At the same time diverse efforts are being made to improve our ability to respond effectively to major CSR issues.

First, we have been building a closely-linked work system among organizational units that can naturally integrate CSR and sustainable management with employees' day-to-day work as well as overall corporate operations. Employee competencies with respect to CSR and sustainable management are being strengthened through training. We have researched and benchmarked the world's most prominent companies, studied international CSR guidelines and assessment indices (GRI, ISO 26000, UNGC, DJSI and FTSE4Good) and then developed a our own CSR assessment model.

Hankook Tire's integrated CSR assessment model is classified into 11 themes, 28 categories and 144 detailed standards. The Hankook Tire integrated CSR management standard assessment was launched in 2009, and annual audits are to be conducted hereafter. Corrective action for key CSR management issues identified by the annual audits will be taken strategically for each area.

In addition a new CSR Committee chaired by the Global CEO will be launched to integrate CSR activities with the existing management system. The Committee will examine major issues related to CSR practices companywide and then

make the most important decisions such as the direction in which corrective action is to proceed.

Rather than respond passively, we approach CSR and sustainable management proactively to help solve social, environmental and ethical problems. This allows us to establish relationships of trust with stakeholders and bolster corporate competitiveness. Therefore, we continue to upgrade our system to achieve better results.

In 2010 we will issue the first annual Hankook Tire CSR Report detailing CSR activity performance to date and future plans. The Report will serve as a positive communication channel to stakeholders, satisfying their right to know and offering a concrete promise of what is possible from systematic CSR activities.

Going forward, our CSR activities will be implemented companywide according to a policy that emphasizes stakeholder satisfaction, strategic integration with existing operations, a comprehensive risk management program and other CSR principles and operational directives. Such systematic CSR activities will create opportunities for sustainable business and improve the organizational culture. Ultimately, Hankook Tire will grow as a responsible corporate citizen that leading the way to sustainability not only in the tire industry but also in the transportation and mobility sectors.

Environmental Management

Hankook Tire's environmental management is aimed at minimizing the environmental impact of products, starting with preventing toxic substances from being released and reducing the amount of resources used. Our continuous effort takes into account all processes during the product lifecycle, from design and raw materials procurement, to production, use, recycling and waste disposal.

In 2009, we focused on three environmental management goals: (1) respond to global warming and mitigate climate change, (2) minimize the environmental load and further improve environmental performance, and (3) engage in ESH activities for the benefit of local communities.

WBCSD, TIPG activities

We have been an official member of the Tire Industry Project Group (TIPG), under the auspices of the World Business Council for Sustainable Development (WBCSD), since 2005. The tire makers in the TIPG are carrying out joint research on the potential environmental and health effects of materials used in tires and the particulate matter generated during normal vehicle use. Another study was conducted to produce a manual on building optimal systems for disposing of end-of-life tires (ELTs). The manual, which includes case studies from different countries, was recently completed and preparations are underway to distribute it industry-wide.

Research on the short-term health hazard of tire wear particles (TWP) on aquatic life of has also been finished. An additional study is now underway to evaluate the long-term dangers of TWPs on humans and aquatic organisms. Hankook Tire will continue to conduct diverse joint research projects with

the world's major tire makers to contribute to the environmental preservation and the health of humanity.

Integrated EHS Control System

Hankook Tire is working to establish an integrated Environment, Health, and Safety management system. The new system will increase the efficiency of data monitoring and management by setting standards in each of the three areas and by eliminating potential risk factors related to EHS. Once the project, initiated in April 2008, is completed in March 2011, computerized system will systemically manage previously scattered EHS information and data. The major advancements made in building the system in 2009 are as follows:

First, we have conducted a series of environmental impact assessments on production processes and the vicinity of plants. We identified the extent to which particulate matter and odor from our operations affect production processes as well as the surrounding area. In the future, we will continue the assessments and install state-of-the-art environmental protection systems to improve the environmental quality near our plants.

Second, we have been developing a program for promoting employee health. The program will analyze data on employees' regular physical examination results and work capabilities to detect possible health problems, identify people who need special health management, and provide special care programs for them to recover. In 2009, we worked on building the database, and the system will be fully operational from the second half of 2010.

Third, we have examined the work environment to discover

086



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Medical center at Daejeon Plant



Exercise room at the Geumsan Plant



areas where improvement can be made. Noise levels, air quality, materials being handled and other conditions at each production process have been examined to evaluate employee exposure and the severity of each factor. The data are organized into a work-exposure matrix. The database has enabled us to prioritize improvement projects, elevating the effectiveness of our ongoing efforts to enhance environmental quality.

The integrated EHS management system is not just a computerized procedure for data processing, but a comprehensive tool to evaluate and control our environmental impact on neighboring communities as well as to manage our work environment, occupational safety and employee health. The systemic EHS management scheme will help to improve employee health and the nearby environment as well.

Activities for Environment

Hankook Tire's production facilities are subject to internal pollution control regulations that are tougher than the nation's environmental laws. In 2009, two regenerative thermal and catalytic oxidizers were installed.

They enrich the odor-causing volatile organic compounds (VOCs) from waste gases released during the rubber compounding process and then burn them away with liquefied natural gas. Also in 2009, we completed a facility for turning 800 tons of wastewater into reusable water a day at the Daejeon Plant. As a result, we have reduced the volume of water resources used at the plant by about 260,000 tons a year.

The environment-friendly facilities at the Geumsan Plant are

open for public tours. Between 1998 and 2009, over 8,600 people including students, local residents, and environmental technology experts have toured the plant. The diverse tour program allows visitors to observe water purification with microorganisms, watch water quality testing, and listen to briefings on pollutant purification processes at the plant. The experience reminds students of the importance of a clean natural environment, and people involved in environmental technology can learn about the company's know-how.

EHS Activities for Communities

We are sharing EHS technology and know-how with small- and medium-sized enterprises (SMEs) in the local community. We are also active in community-level efforts for environmental preservation. Our "Adopt-a-Mountain and River" campaigns encourage each worksite to take responsibility for periodic cleanups of a local river and mountain in the vicinity. We regularly test streams near our operations and we take steps to improve the water quality. Our employees volunteer to pick up litter from nearby mountain areas. Many other programs related to environmental preservation are conducted on a regular basis.

Eco-Friendly Tire Development

"Kontrol Technology," our unique set of principles and philosophy regarding technology, is applied to all Hankook Tire products, from initial research to development and production. The name "Kontrol" is a combination of the "k" from "kinetic" with the word "control" to describe how tire movement can completely regulate the interaction between the driver and the vehicle, the vehicle and the road surface, and the road surface

and the driver. Our Kontrol Technology satisfies all four of the most important concerns for buyers of high quality tires: driving performance, driving safety, ride comfort and environmental friendliness. The last element is not just related to minimizing environmental stress but to increasing durability and product life and, therefore, reducing customer expenses.

We developed enfren, Korea's first fuel-efficient, environment-friendly tire that boast higher fuel efficiency than regular tires. The tire is in line with the Korean government's low-carbon green growth drive. enfren tires feature a combination of technologies such as a special silica compound and structural design efficiencies to reduce rolling resistance by 21 percent and to reduce fuel consumption by up to 16 percent. In addition, CO₂ emissions are slashed by 4.1g per kilometer traveled. Assuming a distance of 200,000km traveled over a ten-year period, the reduction in CO₂ comes to 820kg, which is equivalent to the amount absorbed by 146 trees in a year. We will remain committed to developing green products in the years to come.

Energy Conservation and GHG Reduction

Hankook Tire is committed to conserving energy as well as minimizing resource use. In 2009, we lowered our annual CO₂ emissions by 12,000 tons after changing the fuel for our boilers from bunker C oil to the cleaner-burning LNG. We are in the process of obtaining credits for 9,000 (out of the 12,000 tons) tons of CO₂ reduction by registering them to a government authorization program in 2010.

In addition, we carefully identify energy waste factors in production process and increase facility efficiency to reduce

energy and electricity consumption. Moreover, we are using cheap electricity during off-peak hours to raise energy use efficiency and lower costs. These efforts are in preparation for carbon credit transactions and mandatory GHG emissions reduction targets that will be imposed under future climate change pacts. In the first quarter of 2010, we will complete the GHG inventory and management system that quantifies the amount of emissions from major plants in Korea.



Factory tour at the Geumsan Plant



Adopt-a-Mountain and Adopt-a-River campaigns



Gain in fuel efficiency from using enfren tires

16%

Reduction in CO₂ emissions from using a set of enfren tires (assuming a distance of 200,000km traveled)

820_{Kg}

Reduction in CO₂ emissions from using LNG as boiler fuel

12,000_{tons}

Social Contributions

Hankook Tire fulfills corporate social responsibilities through diverse programs, and activities, including the operation of a non-profit welfare foundation. The Hankook Tire Welfare Foundation extends a helping hand to the underprivileged of society in an ongoing effort to realize the dream for a society where all members live happily together. In 2009, we also made our social contribution efforts more systematic and focused by convening all the people in the company who are engaged in social contribution activities. They assessed the current state of programs and discussed the direction in which the company should proceed in the future. Three major conclusions were drawn at the conference: (1) brand Hankook Tire's social contribution activities, (2) focus on specific themes and create identities for each activity, and (3) integrate the management of social contributions companywide.

The Hankook Lifestyle of Health and Safety (H-LOHAS) is being carried out as part of this overall effort. This internal EHS campaign embraces the three core values of engaging in environment-friendly economic activities, assuming unequivocal responsibilities for society, and respecting the dignity of all people. For the public at large, meanwhile, Hankook Tire supports scholarship programs, charity hospitals, orphaned teenagers who must care for siblings, social welfare organizations, a free lunch program, families in the "working poor" class, and projects in local communities.

H-LOHAS

H-LOHAS is a unique campaign initiated by Hankook Tire in 2008 to fulfill environmental and social responsibilities, thereby helping all people to live better, happier lives. Under the initiative, our employees are performing various activities in the

environmental preservation, social contribution, and life/health areas, including volunteer activities for the improvement of EHS conditions at worksites. Importantly, the H-LOHAS campaign is not a one-time event but rather is conducted regularly to protect worker health, improve work life, help out people in the community, and support children.

In 2008, the H-LOHAS campaign was launched in conjunction with vigorous promotional activities via diverse media, including H-LOHAS logo badges, stickers, posters, and banners at each worksite. In May of that year, H-LOHAS logo T-shirts and mugs were distributed to the employees prior to Hankook Tire Athletic Day, and employees voluntarily participated in a fund-raiser for the environmental cause.

Money from the environmental fund and 1,000 cans of Plant were donated to the Daejeon Chapter of the Environment Action Association on Water Day in 2009. In addition, all Hankook Tire employees, starting with the Global CEO, as well as employees of partner companies were encouraged to sign a convention pledging to take part in the H-LOHAS campaign, raise public environmental awareness, and improve Hankook Tire's corporate image and credibility.

At the same time, four different H-LOHAS posters featuring employee models were made with the themes of safety, health, sharing and the environment. The employee models include the Global CEO, who has demonstrated his commitment to the campaign. The posters were so popular that a new poster integrating the four posters was created in the latter half of 2008 and posted in the lobby of each worksite, delivering the hopeful message of H-LOHAS to visitors. Other promotional activities include the distribution of cell phone display cleaner

kits and plants in metal pots bearing the H-LOHAS logo, as well as a photo contest.

The successful launch of the H-LOHAS movement in 2008 enabled Hankook Tire to take the campaign outside the company, and the significance will be enhanced by media coverage. In 2010 employee family members and customers will be invited to share in these meaningful activities by taking part in a H-LOHAS "Slow Walking" campaign.

"Slow Walking" campaign is an organized, leisurely stroll down a road, allowing people to enjoy the beautiful natural scenery. Hankook Tire will select an especially scenic route and then invite professional announcers, employees, their family members, students from the schools that employees' children attend, and customers to all take part. The public H-LOHAS campaign should bolster the company's social contribution effort and brand image significantly. In the future H-LOHAS will be linked to sustainable practices.

Major Activities

Scholarship Program

Hankook Tire provides academic scholarships to promising high school and university students who lack the financial resources to pay for their education. Recipients are allowed to focus on their studies and to grow into healthy and productive members of society. We also support provide scholarships for outstanding athletes from the Daejeon area.

Programs for Public Health

- **Support for Charity Hospitals in Korea:** Hankook Tire provides financial support for Seong-ga Welfare Hospital (Seoul), St. Joseph Medical Clinic (Seoul), Migrant Workers'

Medical Clinic (Seoul), Seongsim Welfare Hospital (Daegu), and Ansan Vincent Hospital (Ansan)--institutions that offer free medical services to the socially underprivileged such as the homeless and ill wayfarers. The Hankook Tire Welfare Foundation continues to seek out charity hospitals around the country, donating KRW 100 million in 2009 to help them keep running.

- **Support for a Charity Hospital in Africa:** The company is contributing to the project to build a state-run charity hospital in Tanzania. This institution will promote better health among the low-income population in that country.

Support for Teenaged Breadwinners

The Hankook Tire Welfare Foundation helps to pay monthly living expenses for households headed by adolescents who have lost their parents from death or divorce; low-income, single-parent families; and families in which grandparents are the guardians of young children. Each February, recommendations for program recipients are received from administrative agencies. Those who are selected are able to finish their high school education.

Programs for Social Welfare Facilities

- **Provision of Supplies:** The company provides medication, school supplies and other items to nursing homes for the elderly and the disabled and study rooms offering after-school programs to children from low-income families.
- **Donation of Vehicles:** The Hankook Tire Welfare Foundation donates vehicles to social welfare facilities in the Daejeon area that visit homes of the people in need to offer social

090

H-LOHAS activity



091

Provision of supplies



Donation of vehicles to social welfare institutions



services. The donations are made through the Community Chest of Daejeon. Vehicles were supplied to a total of 40 locations in 2009 at a cost of KRW 380 million.

Provision of Lunches to Hungry Children

Hankook Tire pays the expenses to provide lunches during school vacations to needy elementary schoolchildren who live in the vicinities of the plants and the distribution centers in Daejeon, Geumsan, and Busan. A total of KRW 50 million is provided each year to this program, which helps to feed more than 500 children.

Support for Financially-strapped Households

The company helps pay the living expenses of families in South Chungcheong Province facing financial difficulties because the main breadwinner is unemployed, ill or missing. In addition, the plants at Daejeon and Geumsan host an annual festival to provide people who have little leisure time because of work with a chance to enjoy themselves with Hankook Tire employees and their families. A total of KRW 180 million has been provided so far to some 100 households through this program.

Support for Local Communities

Hankook Tire sponsors the Geumsan Ginseng Festival, Daejeon Athletic Championships and various cultural festivals in the South Chungcheong area to strengthen communication and goodwill with the public. In addition, our people take part in these festivals to get closer with their neighbors and hear what they have to say.



Risk Management

Operational Risk

Hankook Tire is minimizing operational risk through organizational units that monitor internal and external risk factors as well as strict adherence to preset guidelines. On the one hand, our Audit Team tracks operational risk factors inside the company to prevent losses from occurring. In addition, the Team conducts regular and special audits to minimize risk. On the other hand, the Corporate Strategy Planning Staff Office monitors the overall economic climate as well as the automotive and tire industries. The office also analyzes significant case studies from outside and provides that data (to help top management to decide risk management policy). Each team is provided with manuals on work procedures and regulations to minimize operational risk. All employees are also required to practice thorough operational risk management and damage control according to corporate guidelines.

Financial Risk

The global financial crisis that erupted in late 2008 has persisted despite governments' cooperation and self-rescue efforts. Although financial markets have stabilized, the real economy has yet to recover fully. Thus we can say a somewhat more conservative approach to financial risk management is better than assuming that the virtuous cycle of economic activity will stabilize financial markets. In 2010, the expected implementation of exit strategies by governments and a higher benchmark interest rate pose both risks and opportunities.

To minimize these risks, Hankook Tire is monitoring and managing its funding expenses and exposed currency position. We are upgrading our risk early warning system to be aware of financial market volatility quickly and maximize the effectiveness of top management's decision making. We take various forms

of communication, both internal and external, very seriously as a fundamental factor in risk management. In 2010, financial risk management at Hankook Tire can be summarized as "maximizing opportunities from a conservative standpoint."

Currency Risk

As of the end of 2009, Hankook Tire was transacting in twelve different currencies, including the US Dollar and Euro. We regularly calculate and assess the currency risk stemming from these activities, and then devise the appropriate risk aversion methods and standards. The Currency Management Committee, chaired by the Global CEO, convenes quarterly to decide the company's basic policy in this regard. Key internal methods for currency risk aversion include matching and netting foreign currency assets and liabilities. Externally, currency futures and derivatives are the main ways to hedge against currency risk. Our risk aversion strategy focuses mainly on establishing a natural hedge by matching assets and liabilities. When necessary, we do not rule out the use of artificial hedges such as financial products.

Liquidity Risk

We carefully monitor the borrowings, liquidity level, and short-/long-term cash flows of the Hankook Tire Global Headquarters in Korea as well as the subsidiaries located around the world. The enormous changes in global financial markets recently have prompted us to take a conservative management approach to ensure operational stability. Moreover, we continue to adopt efficient capital management tools as new financial systems and products are developed. These combined efforts are aimed

092

Support for financially-strapped families



093

Daejeon Plant



Geumsan Plant



at building a global cash management system that links each Regional Headquarters and affiliated company worldwide.

Legal Risk

Our Legal Affairs Team, which specializes in managing legal risk, retains domestic and foreign law firms, patent lawyers and labor attorneys to assist in drawing up and examining contracts for domestic and overseas business transactions. The Team and its retainers provide legal advice for various projects as well as legal issues that arise at various divisions in the course of doing business.

Other types of assistance include general legal research (laws and rulings related to company activities), dispute domestic and foreign lawsuits, arbitration resolution and joint projects with outside partners.

The Korean legal market began its first stage of opening to outside competition in 2009, and new law schools were opened in the country. These major changes did not significantly affect our legal risk management activities, however. The OE tire business (domestic and foreign), intellectual property rights, patent law (domestic and foreign), distributorships, the Korean Fair Trade Act, Unfair Competition Prevention Act, and Labor Relations Adjustment Act were all serious legal risk factors in 2009, but we responded well and were unaffected by any of them. The Legal Affairs Team also provided excellent support for mergers and acquisitions during the year.

Fire Risk

Hankook Tire is thoroughly prepared against the risk of fire. Rubber, which is the main raw material for tires, and many of the additives are highly flammable. Tires in production as well as finished products are highly vulnerable to fire.

A conflagration at a tire plant is very difficult to control or extinguish, and employees' lives as well as company assets are in grave danger. Therefore, Hankook Tire operates a very strict fire prevention system, while an early fire suppression system is also in place in case a fire actually starts. A rigorous program is also in place to maintain and manage these fire prevention and firefighting systems. The systems are continuously upgraded and reinforced as well to further their effectiveness. In 2009 the Global CEO personally directed that the fire-related systems at both domestic plants and the three overseas plants all be inspected to identify and address fire risk factors. A continuous response system was also put into place.

Fire Prevention Systems

Fire prevention systems are in place at all Hankook Tire plants. The Daejeon and Geumsan Plants operate their own fire brigades. With a twelve-person team (1 fire safety officer, 9 qualified firefighters and two medics) its own fire truck and ambulance. Also standing by at all times is a team of eight professional security personnel who work at the Disaster Control Center. The security people patrol the entire plant around the clock, looking for potential fire hazards before a problem occurs.

Areas that are most susceptible to fire danger are designated as Special Fire Prevention Zones, equipped with customized alarm and automatic fire extinguishing systems, and very strict fire prevention standards must be followed at all times. Any work that involves the handling of fire on the plant premises must be approved in advance, and fire prevention procedures must be confirmed before the work is allowed to

begin. Only those who have completed special safety training within the previous month may be on the crew that performs work involving fire.

Twenty-two of the 27 members of the fire brigade at the Jiangsu Plant, have professional experience in the firefighting and safety field. They have qualifications issued the Chinese firefighting authorities. In addition, the plant has tightened policies and regulations governing fire safety management, routine firefighting equipment maintenance, inspections of areas most vulnerable to fire, night fire patrols, and permission to perform work that involves fire.

Jiaxing Plant, meanwhile, maintains a team of thirteen fire patrolmen and one Fire Safety Officer. A public fire station is located just five minutes' away, ensuring extremely quick response, also the company fire brigade conducts regular fire drills.

The Hungary Plant is equipped with all the latest facilities. The firefighting system meets Europe's tough standards and is operated with the excellent management know-how of Hankook Tire. A Fire Safety Officer and patrol crew are on standby 24 hours a day, and any job at the site that involves the use of fire must be approved in advance. A fire station operated by the Hungarian government is also near the plant. The main panel of the company's firefighting system is directly linked to the fire station, and should the alarm go off, a crew from the fire station can be at the site where the alarm was triggered within 10 minutes. (This is part of a nationally-run emergency rescue system.) Numerous response scenarios have been devised in conformity with ISO 14001 system standards, while training and fire drills are conducted at the plant. In addition, joint fire safety

exercises between people from the plant and the government fire station are held regularly according to emergency response scenarios.

Fire Safety Programs

Hankook Tire has put a high priority on training for fire prevention and fire fighting. Fire drills are held at the Daejeon and Geumsan Plants at least once a month, using a special program developed in-house. The Fire Safety Officer randomly selects a spot where smoke is released, and workers of the plant are required to follow the procedures stipulated in case of an actual fire. This training familiarizes all employees with their respective roles and the actions they must perform in case of a fire. At the same time, they are made thoroughly aware of the need to prevent fire at all times. Details on sounding alarms and equipment operation are delivered for immediate response.

All newly hired workers at the Jiangsu Plant are required to attend eight hours of basic training on fire prevention and safety, while all works receive four hours of training in firefighting methods a year. The trainings improve employees' abilities to respond swiftly and appropriately in the event of a fire, and also raises the awareness of the ever-present danger of fire at the plant.

Jiaxing Plant also provides basic training on fire safety and prevention. A fire safety training facility has been installed, and a system is in place for qualifying workers as firefighters. A biannual firefighting competition is held, and employees can spend one day a year performing firefighter duties at the local fire station. The experience helps to reinforce the importance of fire safety. Capabilities to deal with a fire are also honed through

094

Fire station at the Geumsan Plant



095

Fire safety officers at the China RHQ

40
Persons

Hungary Plant



a comprehensive exercise using scenarios in virtual reality twice a year.

A company clinic works around the clock at the Hungary Plant, with a doctor on duty to oversee employee health programs. The fire prevention and firefighting systems are inspected regularly by an outside, government-approved agency. Plant processes that are most susceptible to fire are equipped with automated systems for immediately suppressing any fire outbreak, and a rooftop sprinkler system is in place.

Safety Assessment System

Regular inspections of all fire prevention and firefighting systems are established at the Daejeon and Geumsan Plants. The fire brigade members personally examine the fire safety facilities installed in the areas of each production process. In addition, an outside agency performs monthly inspections on the automated fire extinguishing system, and immediate corrective action is taken whenever a problem is discovered. Finally, the Fire Safety Officers from one plant inspect the systems at the other plant in the first half of each year as part of an ongoing effort to elevate overall fire safety.

Daily fire prevention activities at the Jiangsu Plant have been effectively reinforced. An automated fire extinguishing system has been installed, and Construction workers on site must obtain approval from a safety engineer before commencing any job (such as welding) that involves fire. In addition, regular audits of key areas in the plant help to reveal problems that require immediate attention. The floor plan for each production process area is laid out for maximum fire prevention, while signs are posted to indicate fire danger. Special care is also taken to

control flammable materials. These efforts have received high marks from the Chinese fire safety authorities.

An advanced automated fire alarm system is installed in the Jiangsu Plant. Steam distribution and sprinkler systems have also been put in areas that are particularly vulnerable to fire such as the rubber mixing process and automated warehouse. The automated alarm system collects air samples and uses infrared sensors as well as air pipes to detect the presence of fire as soon as it starts and then alerts the persons on fire safety patrol. Day-to-day maintenance and inspection of the fire prevention and firefighting systems have been stepped up, and a new program has been implemented to increase the accountability of the people doing the fire inspections.

The fire detection system was recently extended to all processes at the Jiaxing Plant, and a person is stationed in the Control Room to monitor the system at all times. Closed-circuit TV cameras are also used to monitor areas that are particularly vulnerable to fire danger.

At the Hungary Plant, the Environment and Safety Team and Plant Manager inspect the areas that pose the greatest fire danger in each process area. Corrective measures are being taken constantly to address (both real and potential) problems. All employees are required to attend fire prevention training upon entering the company, while the rest of the workforce must attend a fire safety class once a year.

Hankook Tire is taking thorough measures to reduce the risk of fire and minimize losses should a fire ever break out. The numerous programs ensure that all employees are highly aware of the fire danger and that fire safety becomes an integral part of the corporate culture.

Jiaxing Plant



Jiangsu Plant



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Financial Statements (Consolidated)

01. Consolidated Balance Sheets

December 31, 2009 and 2008

Korean won (in thousands)

Assets	2009	2008
Current assets		
Cash and cash equivalents (Note 13)	516,653,210	296,695,410
Short-term investment assets (Notes 3 and 5)	41,099,989	70,563,242
Trade receivables, net of allowance for doubtful accounts of KRW 14,887,101 thousand in 2009 and KRW 13,017,761 thousand in 2008 (Notes 13, 14 and 24)	715,525,712	750,387,334
Other accounts receivable, net of allowance for doubtful accounts of KRW 782,203 thousand in 2009 and KRW 824,842 thousand in 2008	52,820,027	71,127,021
Inventories (Notes 4 and 14)	895,305,350	1,246,785,386
Accrued income	3,366,300	1,638,083
Foreign exchange forward contracts (Note 11)	2,944,508	-
Current deferred income tax assets (Note 20)	10,448,470	13,906,330
Other current assets	129,987,606	83,610,583
Total current assets	2,368,151,172	2,534,713,389
Non-current assets		
Long-term financial instruments (Note 3)	51,292	26,500
Available-for-sale securities (Note 6)	11,032,786	8,787,718
Held-to-maturity securities (Note 6)	18,000,000	12,002,400
Investment securities accounted for using the equity method (Note 7)	3,474,410	3,003,050
Long-term loans	3,572,016	4,309,312
Other investments	7,437,925	7,274,532
Property, plant and equipment, net of accumulated depreciation (Notes 8, 11, 14 and 16)	2,426,193,329	2,661,338,488
Intangible assets, net of amortization (Note 9)	23,858,100	20,827,795
Non-current guarantee deposits	6,656,945	6,810,696
Non-current deferred income tax assets (Note 20)	133,245,931	115,291,796
Dishonored notes receivable, net of allowance for doubtful accounts of KRW 3,529,750 thousand in 2009 and KRW 2,234,624 thousand in 2008	1,256,654	423,445
Total non-current assets	2,634,779,388	2,840,095,732
Total assets	5,002,930,560	5,374,809,121

Continued

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Korean won (in thousands)

Liabilities and shareholders' equity	2009	2008
Current liabilities		
Trade payables (Note 13)	458,384,237	406,975,857
Short-term borrowings (Notes 8, 10, 13 and 14)	1,066,971,622	1,754,928,968
Current portion of long-term liabilities (Notes 8, 10, 13 and 14)	192,856,362	186,858,117
Other accounts payable (Note 23)	116,135,095	245,829,580
Accrued expenses	81,506,885	66,186,885
Income tax payable	83,492,351	97,816,764
Dividends payable	34,773	31,142
Advances from customers	25,146,555	20,995,726
Foreign exchange forward contracts (Note 11)	283,314	-
Other current liabilities (Note 14)	161,295,994	108,295,742
Total current liabilities	2,186,107,188	2,887,918,781
Long-term liabilities		
Debentures, net of present value discount of KRW 617,690 thousand in 2009 (Note 10)	199,382,310	-
Long-term borrowings (Notes 8, 10, 13 and 14)	389,133,177	620,409,784
Accrued severance benefits, net of National Pension Fund of KRW 1,759,866 thousand in 2009 and KRW 2,397,865 thousand in 2008, and severance insurance deposits of KRW 119,696,338 thousand in 2009 and KRW 98,580,880 thousand in 2008 (Note 2)	50,986,187	30,060,114
Long-term guarantee deposits payable	14,615,344	16,960,220
Other non-current liabilities (Notes 12, 13 and 14)	49,199,115	51,574,981
Total long-term liabilities	703,316,133	719,005,099
Total liabilities	2,889,423,321	3,606,923,880
Shareholders' equity		
Capital stock - common stock (Note 15)	76,094,965	76,094,965
Capital surplus (Note 16)	624,003,949	624,003,949
Capital adjustments (Note 15)	(58,462,239)	(58,462,239)
Accumulated other comprehensive income (Notes 6, 21 and 22)	118,567,374	123,570,284
Retained earnings (Note 17)	1,239,637,213	919,228,496
Minority interests	113,665,977	83,449,786
Total shareholders' equity	2,113,507,239	1,767,885,241
Total liabilities and shareholders' equity	5,002,930,560	5,374,809,121

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Income

For the years ended December 31, 2009 and 2008

Korean won (In thousands), except per share amounts

	2009	2008
Sales (Notes 19, 23 and 25)	5,145,135,732	4,461,209,330
Cost of sales (Notes 4, 9, 19 and 23)	3,626,695,677	3,395,034,205
Gross profit	1,518,440,055	1,066,175,125
Selling and administrative expenses (Notes 9 and 24)	898,235,392	857,391,457
Operating income	620,204,663	208,783,668
Non - operating income	251,131,118	351,705,998
Interest income	16,117,974	14,502,705
Dividend income	922,229	1,759,061
Commission income	1,554,901	848,800
Royalty fee income	583,513	464,830
Rental income	2,423,204	2,706,342
Gain on foreign currency transactions	167,776,434	232,591,876
Gain on foreign exchange translation	25,751,150	75,977,052
Reversal of allowance for doubtful accounts	-	95,953
Gain on disposal of available - for - sale securities	208,820	180,720
Gain on disposal of property, plant and equipment	3,498,012	1,643,393
Gain on valuation of investment securities accounted for using the equity method (Note 7)	440,125	577,223
Gain on foreign exchange forward transaction (Note 11)	3,290,783	10,035
Gain on valuation of foreign exchange forward contracts (Note 11)	2,541,115	-
Others	26,022,858	20,348,008
Non - operating expenses	359,152,236	479,759,231
Interest expense	84,661,714	82,053,596
Loss on foreign currency transactions	175,824,818	263,779,578
Loss on foreign exchange translation	25,328,854	82,706,457
Loss on valuation of short - term investments	22,512	217,473
Loss on disposal of available - for - sale securities	10,660	16,146
Impairment loss on available - for - sale securities	25,943	295,263
Loss on disposition of other investment assets	55,087	902
Loss on disposal of property, plant and equipment	31,128,111	4,338,308
Loss on disposal of intangible assets	-	4,081
Loss on valuation of investment securities accounted for using the equity method (Note 7)	1,929,496	-
Impairment loss on intangible assets (Note 9)	-	950,898
Loss on disposal of trade receivables	23,524,053	36,876,465
Loss on valuation of foreign exchange forward contracts (Note 11)	283,314	-
Loss on foreign exchange forward transaction	-	94,790
Donations	1,989,466	788,556
Loss on disposal of inventories	405,185	5,873,931
Others	13,963,023	1,762,787
Income before income tax	512,183,545	80,730,435
Income tax expense (Note 20)	136,515,232	57,187,479
Net income	375,668,313	23,542,956
The Parent Company interest	342,187,206	(20,152,604)
Minority interests	33,481,107	43,695,560
Net income per share (Note 21)		
Basic and Diluted earnings (loss) per share of the Parent Company	2,357	(137)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2009 and 2008

Korean won (in thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	Total
As of January 1, 2008	76,094,965	620,789,043	(10,388,821)	2,209,507	980,082,361	40,558,185	1,709,345,240
Cumulative effects of adoption of revised accounting standard	-	3,214,906	(2,008,925)	-	3,233,430	-	4,439,411
Retained earnings after adjustments	76,094,965	624,003,949	(12,397,746)	2,209,507	983,315,791	40,558,185	1,713,784,651
Cash dividends	-	-	-	-	(37,047,482)	-	(37,047,482)
Retained earnings after appropriations	76,094,965	624,003,949	(12,397,746)	2,209,507	946,268,309	40,558,185	1,676,737,169
Net income	-	-	-	-	(20,152,604)	43,695,560	23,542,956
Changes in equity according to transition of consolidated group	-	-	68,459	10,762	(6,887,209)	-	(6,807,988)
Acquisition of treasury stock	-	-	(46,997,839)	-	-	-	(46,997,839)
Other capital adjustments	-	-	(327,138)	-	-	-	(327,138)
Other capital adjustments transferred to loss on valuation of available-for-sale securities	-	-	1,192,025	-	-	-	1,192,025
Gain on valuation of available- for-sale securities	-	-	-	(4,386,032)	-	(803,959)	(5,189,991)
Gain in translation of foreign operations	-	-	-	125,736,047	-	-	125,736,047
As of December 31, 2008	76,094,965	624,003,949	(58,462,239)	123,570,284	919,228,496	83,449,786	1,767,885,241
As of January 1, 2009	76,094,965	624,003,949	(58,462,239)	123,570,284	919,228,496	83,449,786	1,767,885,241
Cash dividends	-	-	-	-	(21,778,489)	(3,150,658)	(24,929,147)
Retained earnings after appropriations	76,094,965	624,003,949	(58,462,239)	123,570,284	897,450,007	80,299,128	1,742,956,094
Net income	-	-	-	-	342,187,206	33,481,107	375,668,313
Gain (Loss) on valuation of available-for-sale securities	-	-	-	2,138,644	-	(114,258)	2,024,386
Capital adjustments change due to investment securities accounted for using the equity method	-	-	-	488	-	-	488
Gains on valuation of foreign exchange forward contracts (Note 11)	-	-	-	305,771	-	-	305,771
Loss in translation of foreign operations	-	-	-	(7,447,813)	-	-	(7,447,813)
As of December 31, 2009	76,094,965	624,003,949	(58,462,239)	118,567,374	1,239,637,213	113,665,977	2,113,507,239

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

Korean won (in thousands), except per share amounts

	2009	2008
Cash flows from operating activities:		
Net income	375,668,313	23,542,956
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	486,089,873	497,095,696
Provision for severance benefits	55,853,847	22,374,241
Depreciation	373,937,331	411,900,328
Amortization of intangible assets	4,115,993	4,201,767
Provision for doubtful accounts, net	5,541,194	2,408,986
Sales damage expense	2,310,006	5,287,628
Amortization of discounts on debentures	241,810	38,096
Loss (gain) on valuation of inventories	(8,559,599)	79,284
Loss on disposal of inventories	405,185	5,873,931
Loss on valuation of short-term investments	22,512	217,473
Impairment loss on available-for-sale securities	25,943	295,263
Loss on disposal of intangible assets	-	4,081
Impairment loss on intangible assets	-	950,898
Loss on disposition of other investment assets	55,087	902
Loss on disposal of trade receivables	23,524,053	36,876,465
Amortization present value discount	-	(1,265)
Loss on foreign currency transactions, net	6,946,192	41,470
Loss (gain) on foreign exchange translation, net	(859,127)	3,873,840
Gain on disposal of available-for-sale securities, net	(198,160)	(164,574)
Loss on disposal of property, plant and equipment, net	27,630,099	2,694,915
Loss (gain) on valuation of investment securities accounted for using the equity method, net	1,489,371	(577,223)
Loss (gain) on foreign exchange forward transaction, net	(3,290,783)	84,755
Gain on valuation of foreign exchange forward contracts, net	(2,257,801)	-
Others, net	(843,280)	634,435
Changes in operating assets and liabilities:	249,863,530	(535,116,499)
Decrease (increase) in trade receivables	(13,187,262)	75,305,960
Decrease (increase) in inventories	291,544,918	(370,662,564)
Decrease (increase) in other accounts receivable	13,223,361	(53,982,195)
Increase in accrued income	(1,741,632)	(757,725)
Increase in other current assets	(47,434,485)	(29,862,095)
Increase in deferred income tax assets	(17,627,674)	(54,189,923)
Decrease (increase) in dishonored notes receivable	(2,291,075)	3,450,639
Increase (decrease) in trade payables	131,187,585	(188,155,299)
Increase (decrease) in other accounts payable	(123,541,304)	30,667,586
Increase in accrued expenses	9,550,878	1,365,517
Increase (decrease) in income tax payable	(11,303,281)	45,609,420
Increase in dividends payable	3,632	6,745
Increase in advances from customers	4,183,480	4,972,877
Increase in other current liabilities	55,090,370	20,509,105
Decrease in long-term guarantee deposits payable	(2,360,491)	(820,064)
Payment of severance benefits	(14,296,244)	(21,636,969)

Continued

	2009	2008
Decrease (increase) in severance insurance deposits	(20,605,010)	3,074,902
Decrease in contributions to the national pension fund	127,552	204,353
Decrease in other non-current liabilities	(659,788)	(216,769)
Net cash provided by (used in) operating activities	1,111,621,716	(14,477,847)
Cash flows from investing activities:		
Acquisition (disposal) of short-term financial instruments, net	27,765,893	(11,702,853)
Disposal of available-for-sale securities, net	399,179	4,668,051
Acquisition of held-to-maturity securities, net	(5,997,600)	(11,999,844)
Withdrawal of long-term financial instruments	-	8,000
Decrease in other investments	-	33,228
Increase in currency futures	3,288,550	-
Acquisition of investment securities accounting for using the equity method	(1,960,105)	-
Extension of long-term loans, net	(38,267)	(689,193)
Disposal (acquisition) of other investments, net	(116,073)	25,856
Decrease (increase) in guarantee deposits	175,417	(1,564,149)
Acquisition of property, plant and equipment, net	(258,072,565)	(332,999,447)
Acquisition of intangible assets	(516,176)	(408,610)
Net cash used in investing activities	(235,071,747)	(354,628,961)
Cash flows from financing activities:		
Proceeds from long-term borrowings	(5,230,241)	60,753,871
Debentures issuance	199,140,500	-
Proceeds from short-term borrowings, net	(634,047,214)	626,051,286
Repayment of current portion of long-term debts	(186,222,761)	(146,511,904)
Payments of dividends	(24,929,147)	(37,551,587)
Acquisition of treasury stock	-	(46,997,839)
Net cash provided by (used in) financing activities	(651,288,863)	455,743,827
Effect of change in consolidated subsidiaries	71,512	3,553,053
Effect of exchange rate on cash and cash equivalents	(5,374,818)	28,374,045
Net increase in cash and cash equivalents	219,957,800	118,564,117
Cash and cash equivalents at the beginning of the year	296,695,410	178,131,293
Cash and cash equivalents at the end of the year	516,653,210	296,695,410

See accompanying notes to consolidated financial statements.

01. General Information

A ■ Parent Company

Hankook Tire Co., Ltd. (Parent Company, the "Company") was incorporated in May, 1941 to manufacture and sell tires, tubes and alloy-wheels. In 1968, the Company offered its shares for public ownership and all of the Company's shares were registered with the Korea Exchange. The Company's headquarter is located in Gangnam - Gu, Seoul and two manufacturing factories are in Daejeon and Geumsan.

The authorized number of the Company's common shares is 250 million with a par value of KRW 500 per share. As of December 31, 2009, the capital stock of the Company is 76,094,965 thousand (common shares: 152,190 thousand) and the Company's shareholders as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)
Cho, Yang Rai	24,335,507	16.0	23,808,097	15.6
Compagnie Financiere Michelin	15,195,587	10.0	15,195,587	10.0
Cho, Hyun Bum	10,798,251	7.1	10,798,251	7.1
Cho, Hyun Shick	8,817,786	5.8	8,817,786	5.8
Others (*)	93,042,798	61.1	93,570,208	61.5
Total	152,189,929	100.0	152,189,929	100.0

(*) Including 7 million shares in treasury stock as of December 31, 2009 and 2008, respectively.

B ■ Consolidated Subsidiaries

1) ATLASBX Co., Ltd.

The company was incorporated in November 1944 to manufacture and sell battery. In 1994, the company offered its shares for public ownership and all of the company's shares were registered with the Korea Stock Exchange. The company's headquarter and manufacturing factories are located in Daejeon. As of December 31, 2009, the capital stock of the company is KRW 9,150,000 thousand and the parent company has 31.13% ownership interest.

2) Daehwa Eng' & Machinery Co., Ltd.

The company was incorporated in February, 1992 to manufacture and sell tire and tube manufacturing machine. The company's headquarter and manufacturing factories are located in Daejeon. As of December 31, 2009, the capital stock of the company is KRW 2,000,000 thousand and the parent company has 95% ownership interest.

3) emFrontier Inc.

The company was incorporated in August 2000 to provide e-business, system management and service. The company's headquarter is located in Gangnam - Gu, Seoul. As of December 31, 2009, the capital stock of the company is KRW 2,000,000 thousand and the parent company has 50% ownership interest.

4) Hankook Tire China Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2009, the capital stock of the company is RMB 1,515,974 thousand by several paid in capital increase and the parent company and Hankook Tire America Corp. has a total of 100% ownership interest.

5) Jiangsu Hankook Tire Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2009, the capital stock of the company is RMB 1,575,974 thousand by several paid in capital increase and the parent company, Hankook Tire America Corp. and Hankook Tire China Co., Ltd. has a total of 100% ownership interest.

6) Hankook Tire China Regional Headquarter

The company was incorporated to sell products which Hankook Tire China Co., Ltd. and Jiangsu Hankook Tire Co., Ltd. manufacture in China. As of December 31, 2009, the capital stock of the company is RMB 22,000 thousand and Hankook Tire China Co., Ltd. and Jiangsu Hankook Tire Co., Ltd. has a total of 100% ownership interest.

7) Hankook Tire Japan Corp.

The company was incorporated in 1994 to sell products of the parent company in Japan. As of December 31, 2009, the capital stock of the company is JPY 20,000 thousand and the parent company has 100% ownership interest.

8) Hankook Tire America Corp.

The company was incorporated in 1981 to sell products of the parent company in America. As of December 31, 2009, the capital stock of the company is USD 8,000 thousand by several paid in capital increase and the parent company has 100% ownership interest.

9) Hankook Tire Canada Corp.

The company was incorporated in 1993 to sell products of the parent company in Canada. As of December 31, 2009, the capital stock of the company is CAD 50 thousand and the parent company has 100% ownership interest.

10) Hankook Tyre U.K. Ltd.

The company was incorporated in 1993 to sell products of the parent company in U.K. As of December 31, 2009, the capital stock of the company is GBP 25 thousand and the parent company has 100% ownership interest.

11) Hankook Reifen Deutschland GmbH

The company was incorporated in 1995 to sell products of the parent company in Germany. As of December 31, 2009, the capital stock of the company is EUR 128 thousand and the parent company has 100% ownership interest.

12) Hankook France SARL

The company was incorporated in 1996 to sell products of the parent company in France. As of December 31, 2009, the capital stock of the company is EUR 1,191 thousand and the parent company has 100% ownership interest.

13) Hankook Tire Netherlands B.V

The company was incorporated in 1996 to sell products of the parent company in Europe. As of December 31, 2009, the capital stock of the company is EUR 1,594 thousand and the parent company has 100% ownership interest.

14) Hankook Tire Espana S.A.

The company was incorporated in 1999 to sell products of the parent company in Spain. As of December 31, 2009, the capital stock of the company is EUR 60 thousand and the parent company has 100% ownership interest.

15) Hankook Tire Europe Holdings B.V

The company was incorporated in 2006 to operate controlling structure effectively in Europe. As of December 31, 2009, the capital stock of the company is EUR 39,025 thousand and the parent company has 100% ownership interest.

16) Hankook Tire Italia SARL

The company was incorporated in 1997 to sell products of the parent company in Italy. As of December 31, 2009, the capital stock of the company is EUR 21 thousand by several paid in capital increase and Hankook Tire Europe Holdings B.V. has 100% ownership interest.

17) Hankook Tire Hungary, Ltd.

The company was incorporated in 2005 to manufacture and sell tire. As of December 31, 2009, the capital stock of the company is HUF 9,187,730 thousand through the series of increases in paid in capital and Hankook Tire Europe Holdings B.V. has 100% ownership interest.

18) Hankook Tire Budapest Kereskedelmi Kft

The company was incorporated in 2007 to sell products of the Parent Company in Hungary. As of December 31, 2009, the capital stock of the company is HUF 3,000 thousand and Hankook Tire Europe Holdings B.V. has 100% ownership interest.

C Changes of Scope in Consolidation

Location	Subsidiary	Changes	Description
Korea	Ocean Capital Investment (L) Limited	Exclusion	Liquidation in 2009

D Details of Investments in Subsidiaries

As of December 31, 2009 are as follow:

Subsidiaries	Parent company		Subsidiaries		Total		Location	Fiscal year end	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			
						Ownership percentage			
ATLASBX Co., Ltd.	2,848,685	31.13	-	-	2,848,685	31.13	31.13	Korea	Dec. 31
Daehwa Eng' & Machinery Co., Ltd.	380,000	95	-	-	380,000	95	95	Korea	Dec. 31
emFrontier Inc.	2,000,000	50	-	-	2,000,000	50	50	Korea	Dec. 31
Hankook Tire China Co., Ltd.	(*)	96.15	(*)	3.85	(*)	100	100	China	Dec. 31
Jiangsu Hankook Tire Co., Ltd.	(*)	34.67	(*)	65.33	(*)	100	100	China	Dec. 31
Hankook Tire China Regional Headquarter	-	-	(*)	100	(*)	100	100	China	Dec. 31
Hankook Tire Japan Corp.	400	100	-	-	400	100	100	Japan	Dec. 31
Hankook Tire America Corp.	1,600	100	-	-	1,600	100	100	America	Dec. 31
Hankook Tire Canada Corp.	50,000	100	-	-	50,000	100	100	Canada	Dec. 31
Hankook Tyre U.K. Ltd.	25,000	100	-	-	25,000	100	100	U.K.	Dec. 31
Hankook Reifen Deutschland GmbH	(*)	100	-	-	(*)	100	100	Germany	Dec. 31
Hankook France SARL	(*)	100	-	-	(*)	100	100	France	Dec. 31
Hankook Tire Netherlands B.V.	(*)	100	-	-	(*)	100	100	Netherlands	Dec. 31
Hankook Tire Espana S.A.	(*)	100	-	-	(*)	100	100	Espana	Dec. 31
Hankook Tire Europe Holdings B.V.	390,253	100	-	-	390,253	100	100	Netherlands	Dec. 31
Hankook Tire Italia SARL	-	-	(*)	100	(*)	100	100	Italia	Dec. 31
Hankook Tire Hungary Ltd.	-	-	(*)	100	(*)	100	100	Hungary	Dec. 31
Hankook Tire Budapest Kereskedelmi Kft	-	-	(*)	100	(*)	100	100	Hungary	Dec. 31

(*) Certain subsidiaries did not issue shares.

E Detail of Goodwill

Goodwill of KRW 2,879,327 thousand had increased, but total amount had been amortized before prior year and as of December 31, 2009, the ending balance of goodwill is nil.

F The Summary of Financial Information of Subsidiaries

Subsidiaries	Korean won (in thousands)				
	Assets (*1)	Liabilities (*1)	Capital (*1)	Sales (*1)	Net income (loss) (*1)
ATLASBX Co., Ltd.	223,967,249	67,090,313	156,876,936	372,530,548	46,913,648
Daehwa Eng' & Machinery Co., Ltd.	47,340,301	31,566,153	15,774,148	44,724,189	(2,391,007)
emFrontier Inc.	27,547,443	16,069,140	11,478,303	45,004,582	1,581,279
Hankook Tire China Co., Ltd. (*2)	989,459,115	471,192,319	518,266,796	623,615,831	52,782,345
Jiangsu Hankook Tire Co., Ltd. (*2)	843,140,898	527,703,908	315,436,990	701,137,412	5,787,798
Hankook Tire China Regional Headquarter (*2)	150,802,867	191,256,180	(40,453,313)	786,029,606	(21,181,956)
Hankook Tire Japan Corp. (*2)	27,084,665	25,691,636	1,393,029	68,763,839	661,908
Hankook Tire America Corp. (*2)	362,666,048	285,483,717	77,182,331	872,337,543	11,599,695
Hankook Tire Canada Corp. (*2)	57,770,713	51,853,797	5,916,916	104,267,719	2,039,270
Hankook Tyre U.K. Ltd. (*2)	83,003,788	78,504,996	4,498,792	170,794,365	1,029,418
Hankook Reifen Deutschland GmbH (*2)	169,955,294	163,363,621	6,591,673	340,584,252	2,329,180
Hankook France SARL (*2)	32,261,367	28,936,157	3,325,210	70,058,178	339,159
Hankook Tire Netherlands B.V. (*2)	63,270,519	58,583,069	4,687,450	178,109,336	332,128
Hankook Tire Espana S.A. (*2)	26,828,077	24,571,926	2,256,151	64,229,962	574,221
Hankook Tire Europe Holdings B.V. (*2)	242,423,159	41,743	242,381,416	-	(93,500)
Hankook Tire Italia SARL (*2)	59,996,106	59,124,127	871,979	94,782,622	682,706
Hankook Tire Hungary Ltd. (*2)	667,614,887	590,995,260	76,619,627	311,566,293	7,701,531
Hankook Tire Budapest Kereskedelmi Kft (*2)	22,963,175	22,510,274	452,901	57,494,612	729,656

(*1) Above summary of financial information of subsidiaries is before elimination of inter-company transactions and adjustment of the differences in accounting policy between the Company and consolidated subsidiaries.

(*2) Assets, liabilities and equity of the overseas subsidiaries have been translated at the exchange rate in effect at the end of the fiscal year and revenue, gains and losses have been translated at the weighted average rate for the year.

G Adjustment due to Subsidiaries' Accounting Policies

Korean won (in thousands)

Subsidiaries	Net asset value before adjustments	Adjustments	Net asset value after adjustments	Reason for adjustments
Jiangsu Hankook Tire Co., Ltd.	315,436,990	(141,769,272)	173,667,718	Depreciation method & others
Hankook Tire China Co., Ltd.	518,266,796	(112,469,340)	405,797,456	Depreciation method & others
Hankook Tire Hungary Ltd.	76,619,627	(86,307,906)	(9,688,279)	Depreciation method & others
Total	910,323,413	(340,546,518)	569,776,895	

02. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in preparing its consolidated financial statements are summarized below.

A Basis of Financial Statement Presentation

The Company and consolidated subsidiaries maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company and consolidated subsidiaries that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

B Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, except for companies with total assets of less than KRW 10,000 million at the end of the preceding fiscal year. Under Korean GAAP, control is presumed when the Company is the largest shareholder and owns more than 30 percent of the voting shares. Investments in affiliates in which a consolidated entity is able to exercise significant influence over the operation and financial policies of a non-consolidated company are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than twenty percent of the investee's voting shares unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than KRW 10,000 million, are not material, investments in affiliates can be excluded from using the equity method.

The investment account of the Company and corresponding equity accounts of subsidiaries are eliminated at the dates the Company obtained control over the subsidiaries. The difference between the investment cost and the fair value of the Company's portion of assets acquired less liabilities assumed of a subsidiary is accounted for as goodwill or negative goodwill. Goodwill is amortized on a straight-line basis over its useful life, not exceeding ten years. When the shareholders' equity of the subsidiary after the date of acquisition of control over a subsidiary is changed due to a reduction in capital stock, increase in capital stock and others, the minority interest is calculated on the basis of the changed shareholders' equity of the subsidiary.

When the Company acquires additional interests in a subsidiary after obtaining control over the subsidiary, the difference between incremental price paid by the Company and the amount of incremental interest in the shareholders' equity of the subsidiary is reflected in the capital surplus. In case a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stock of subsidiaries to non-subsidiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as capital surplus.

If negative consolidated capital surplus is incurred, it is charged to related consolidated capital surplus first, and remaining amount is recorded as consolidated capital adjustment.

Profits and losses on inter-company sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. Unrealized gains and losses arising from sales by a controlling company to its subsidiary (downstream sales) are eliminated entirely and charged (credited) to controlling interest, and unrealized gains and losses arising from sales by a subsidiary to

its controlling company or from transactions among subsidiaries (upstream sales) are eliminated entirely and allocated to controlling interest and minority interests.

The accounting methods adopted by the Company and its subsidiaries for similar transactions and circumstances are generally the same. The fiscal year of the consolidated subsidiaries is the same as that of the Company. Differences in accounting policy between the Company and consolidated subsidiaries are adjusted in the consolidation.

Assets and liabilities of the overseas subsidiaries have been translated at the exchange rate in effect at the end of the fiscal year and equity accounts have been translated at historical rates. Revenue, expenses, gains and losses have been translated at the weighted average rate for the year. Translation adjustments are accounted for as a separate component of equity as "accumulated other comprehensive gain (loss)" in the consolidated financial statements.

Minority interests represent the share in net operation results and net assets of a subsidiary other than controlling interest. When net loss attributable to minority shareholders exceeds the minority interests, the excess is charged to the equity of the controlling company. When the subsidiary subsequently generates income, such income is added to the equity of the controlling company until the minority interests' net loss charged to the controlling company has been fully recovered.

C Adoption of Statements of Korea Accounting Standards ("SKAS")

A) Recent Changes in Korean Accounting Standards

Korea Financial Accounting Standards, SKAS, Interpretation on Korea Financial Accounting Standards, Opinion on Application of Accounting Standards and Opinion on Financial Reporting Practice (collectively referred to as "KFAS and others") that were issued or amended by the Korea Accounting Institute and the Financial Supervisory Service for the year ended December 31, 2008 and adopted by the Company for the year ended December 31, 2009 are summarized below.

SKASs/Opinion	Key requirements
SKAS No. 25 Consolidated Financial Statements	If negative consolidated capital surplus is incurred, it is first charged to related consolidated capital surplus, and remaining amount is recorded as consolidated capital adjustment.
Opinion on Application of Accounting Standards 06-2, Accounting for Recognition of Deferred Tax Related to Investments on a Subsidiary	Temporary differences related to investments in subsidiary, equity method investee or joint venture are not classified by origin but are treated as a lump-sum difference in considering whether to recognize deferred tax assets or liabilities. However, temporary differences arising from certain transactions under SKAS No. 16, such as elimination of inter-company transactions through equity method, income (loss) is treated as separate differences.

As a result of adopting the amended SKAS No. 25 above, the financial statements as of December 31, 2007, which are presented for comparative purpose, are restated. Accordingly, capital surplus increased by KRW 3,214,906 thousand, capital adjustments and retained earnings decreased by KRW 2,008,925 thousand and KRW 1,205,981 thousand, respectively, as of December 31, 2007.

The Company prepared its 2007 financial statements in accordance with KAI Opinion 06-2, newly published by Korea Accounting Institute in 2007, in which the Company does not recognize deferred income tax by the source of accumulated temporary difference incurred.

Due to adoption of new KAI Opinion 06-2 in 2008, retained earnings before appropriations increased by KRW 4,439,411 thousand as of December 31, 2008.

D Change Accounting Policy on Inventories

The Company changed its accounting policy of determining the cost of inventories from the yearly weighted-average method to the monthly weighted-average method in 2008. The Company believes that the monthly weighted-average method is more effective in matching revenue and costs. The effects of the change are as follows:

Korean won (In thousands)

Descriptions	Accounting policy before change	Accounting policy after change
Inventories at the end of period	1,215,909,948	1,246,785,386
Operating income	177,323,355	208,783,668
Income before income tax	49,854,997	80,730,435
Net income	1,158,263	23,542,956
The parent company interest	(42,537,298)	(20,152,604)
Minority interests	43,695,560	43,695,560
Basic and diluted earning per share	(289)	(137)

E Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and short-term financial instruments with original maturities of less than ninety days, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

F Allowance for Doubtful Accounts

The Company and its subsidiaries provide an allowance for doubtful accounts based on management's estimate of the collectability of receivables and prior years' collection experience.

G Transfer or Discounting of Accounts Receivable

The Company and its subsidiaries transfers or discounts certain accounts or notes receivable to financial institutions and accounts for the transactions as a disposal of the receivables if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the disposal of the receivables are classified as other expenses.

H Inventories

Inventories are stated at the lower of cost or net realized value, with cost being determined using the following methods.

	Costing method
Finished goods and work-in-process	Weighted-average method
Raw materials, merchandise and supplies	Moving-average method
Materials-in-transit	Specific identification method

Investments in Securities other than those Accounted for Using the Equity Method

A) Classification of securities

At acquisition, the Company and its subsidiaries classify securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company and its subsidiaries have the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as current assets, whereas available-for-sale and held-to-maturity securities are classified as non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the end of the reporting period, which are classified as current assets.

B) Valuation of securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is included in current operations.

However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at each end of the reporting period. The fair value of non-marketable securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each period end date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company and its subsidiaries estimate the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in accumulated other comprehensive income (loss). Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in accumulated other comprehensive income (loss) and amortized over the remaining term of the securities using the effective interest method.

C) Entrusted assets to investment advisory companies

The Company and its subsidiaries classify entrusted assets to investment advisory companies into one of the two categories: trading or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Available-for-sale securities are those that were acquired to hedge market interest change by entrusted investments and advanced redemption risk of bonds and to hedge risk against foreign exchange.

Investments Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. Differences between the initial purchase price and the Company and its subsidiaries' initial proportionate ownership of the net book value of the investee are amortized over five years using the straight-line method. Under the equity method, the change in the Company and its subsidiaries' portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company and its subsidiaries' net income (loss), retained earnings, capital adjustments and accumulated other comprehensive income (loss), in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings, changes in capital surplus, capital adjustments and accumulated other comprehensive income (loss).

1) Application of goodwill

The difference between the fair value of the consideration given and the net fair value of the identifiable assets and liabilities acquired is recognized as goodwill or negative goodwill, which is amortized using the straight-line method for 10 years or reversed using the straight-line method based on the weighted average useful life among discernable non-monetary assets of the investees.

2) Elimination of inter-company transactions' unrealized gain (loss)

- A) Unrealized profit arising from sales by the Company and its subsidiaries to the investees is proportionately eliminated. However, unrealized profit arising from sales by the Company to its subsidiaries is fully eliminated.
- B) Unrealized profit arising from sales by the investees to the Company and its subsidiaries is proportionately eliminated.

3) Translation of overseas affiliates' financial statements

For overseas affiliates whose financial statements are prepared in foreign currencies, assets and liabilities are translated at the exchange rate at the balance sheet date, shareholder's equity is translated at the historical exchange rate and the items in the statement of income are translated at the weighted average exchange rate for the reporting period. Net translation adjustments are recorded as a component of shareholders' equity.

4) Impairment losses

If the amount recoverable from an investment in an associate (hereinafter referred to as the recoverable amount) is less than its carrying amount, the Company and its subsidiaries consider recognition of an impairment loss. Pursuant to Korea Accounting Standards for investments in securities, the Company and its subsidiaries determine whether there is objective evidence that impairment loss has been incurred, and when such evidence exists, impairment loss is recognized in accordance with Korea Accounting Standards for impairment losses. The recoverable amount is determined as the higher of value in use or expected amount of net cash inflows from disposal of the investment in the associate. If there is any amount of unamortized investment difference when the Company and its subsidiaries recognize impairment loss on an investment in an associate, the remaining balance of the investment difference is reduced first. If the recoverable amount of an investment in an associate increases after recognizing an impairment loss, the amount of increase is recognized as current income to the extent of the impairment loss previously recognized.

5) Discontinuance of equity method

The Company and its subsidiaries discontinues the equity method of accounting for investments in equity method investees when the Company and its subsidiaries' share of accumulated losses equals the costs of the investments and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods that the equity method was suspended.

K ■ Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, (except for assets revalued upward in accordance with the Asset Revaluation Law of Korea), net of accumulated depreciation. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to property, plant and equipment.

Upon the application of SKAS No. 7 - Capitalization of Borrowing Costs, interest costs incurred in connection with the purchase or construction of investment assets and property, plant and equipment are capitalized as part of the cost of such assets. Due to this application, the capitalized financing costs amount to KRW 4,572,555 thousand and KRW 4,696,267 thousand in 2009 and 2008, respectively. As a result, net income in 2009 and 2008 increased by KRW 3,456,997 thousand and KRW 3,404,793 thousand, respectively.

Depreciation is computed using the declining-balance method (except for buildings and structures of which the straight-line method is used) based on the estimated useful lives of the assets as follows:

Assets	Useful lives (Years)
Building	2 - 60
Structures	2 - 50
Machinery and equipment	2 - 15
Vehicles	2 - 19
Tools, furniture and fixtures	2 - 30

The Company and its subsidiaries assess any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence or rapid declines in market value. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss.

If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

L ■ Intangible Assets

Intangible assets, consisting of industrial property rights and other intangible assets, are recorded at cost, net of accumulated amortization, which is computed using the straight-line method over following estimated useful lives:

Assets	Estimated useful lives (Years)
Industrial property rights	5 - 20
Other intangible assets	2 - 50

The Company and its subsidiaries assess the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets, net of accumulated amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

M ■ Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loans (borrowings) transactions are stated at present value, if the difference between nominal value and present value is material. The difference between nominal value and present value is presented as present value discount. The present value discount is amortized using the effective interest method, and the amortization is included in interest expense or interest income.

N ■ Foreign Currency Transactions and Translation

The Company and its subsidiaries maintain its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at each end of the reporting period. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services, Ltd., which was KRW 1,167.60 and KRW 1,257.50 to USD 1.00 at December 31, 2009 and 2008, respectively, and translation gain or losses are reflected in current non-operating income (expense).

O ■ Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries, based on their length of service and rate of pay at the time of termination.

The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to KRW 172,442,391 thousand and KRW 131,038,859 thousand as of December 31, 2009 and 2008, respectively. Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables are presented as a deduction from accrued severance benefits.

The Company and its subsidiaries have purchased individual severance indemnity insurance with Samsung Life Insurance Co., Ltd. and other insurance companies. The insurance deposits in which the beneficiary is a respective employee are presented as deduction from accrued severance benefits.

Actual payments of severance indemnities amounted to KRW 14,296,244 thousand and KRW 21,636,969 thousand in 2009 and 2008, respectively.

P Provisions

Provisions are recognized when the Company and its subsidiaries have a present obligation as a result of a past event or transaction, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. Accordingly, the Company and its subsidiaries provided provisions for product warranties and products liability (Notes 12 and 14).

Q Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

R Revenue Recognition

Revenue from sale of goods is recognized when the Company and its subsidiaries have transferred significant risks and rewards of goods to the buyer.

S Income Tax Expense and Deferred Income Taxes

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the

deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

T Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company and its subsidiaries may undertake in the future, actual results may be differ from those estimates.

03. Restricted Financial Instruments

Deposits with withdrawal restrictions as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

Accounts	2009	2008	Description
Short-term investment assets	5,589,103	600,000	Fledged
Long-term financial instruments	26,500	26,500	Guarantee deposits for checking accounts
Total	5,615,603	626,500	

04. Inventories

Inventories as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

	Acquisition cost		Inventory valuation		Inventory valuation reserve		Loss (Gain) on valuation of inventories	
	2009	2008	2009	2008	2009	2008	2009	2008
Finished goods	312,789,352	571,954,786	308,948,942	561,220,481	3,840,410	10,734,305	(6,893,895)	(1,151,799)
Work-in-process	39,536,608	37,695,792	39,536,608	37,695,792	-	-	-	-
Raw materials	124,976,984	158,716,731	124,836,170	156,910,213	140,814	1,806,518	(1,665,704)	1,231,083
Supplies	20,061,000	25,834,935	19,681,816	25,455,751	379,184	379,184	-	-
Materials in transit	402,301,814	465,503,149	402,301,814	465,503,149	-	-	-	-
Total	899,665,758	1,259,705,393	895,305,350	1,246,785,386	4,360,408	12,920,007	(8,559,599)	79,284

For the years ended December 31, 2009 and 2008, the Company recognized gain (loss) on valuation of inventories amounting to KRW (8,559,599) thousand and KRW 79,284 thousand, respectively, which are added to cost of sales.

05. Short-term Investment Assets

Short-term investment assets as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

Accounts	2009		2008	
Short-term financial instruments	34,485,631		37,046,121	
Trading securities	98,751		82,516	
Short-term loans	6,515,607		33,434,605	
Total	41,099,989		70,563,242	

06. Securities

A Available-for-Sale Securities

Available-for-sale securities as of December 31, 2009 and 2008 are as follows:

Accounts	2009		2008	
Equity securities	3,449,742		3,722,921	
Debt securities	50,810		-	
Entrusted assets to investment service companies	7,532,234		5,064,797	
Total	11,032,786		8,787,718	

Valuation of equity securities as of December 31, 2009 and 2008 is as follows:

Korean won (In thousands)

	2009		2008	
Acquisition cost	35,207,471		36,891,842	
Unrealized gain (loss)	(2,479,941)		(302,531)	
Accumulated loss on impairment	(29,277,788)		(32,866,390)	
Book value	3,449,742		3,722,921	

Fair value of equity securities are KRW 5,108,479 thousand and KRW 4,547,652 thousand as of December 31, 2009 and 2008, respectively.

Valuation of equity securities as of December 31, 2009 and 2008 is as follows:

Korean won (In thousands)

Descriptions	Face value		Book value	
	2009	2008	2009	2008
Government and public bonds	50,810	-	50,810	-

The Company and its subsidiaries have entered into discretionary asset management contracts with investment trust management Company (FWS Investment Advisory Corporation), in order to manage cash equivalent, available-for-sale securities, derivatives and repurchase agreements amounting to KRW 1,096,102 thousand, KRW 5,241,521 thousand, KRW (25,609) thousand and KRW 1,220,220 thousand, respectively, as of December 31, 2009.

The Company recorded loss on valuation of the entrusted assets amounting to KRW 2,469,502 thousand as accumulated other comprehensive loss as of December 31, 2009.

B Held-to-maturity Securities

Korean won (In thousands)

Description	2009		2008	
	Acquisition cost	Carrying book value	Acquisition cost	Carrying book value
Privately placed bond	16,000,000	16,000,000	10,000,000	10,000,000
Subordinated bank debentures	2,000,000	2,000,000	2,000,000	2,000,000
Government and public bonds	-	-	2,400	2,400
Total	18,000,000	18,000,000	12,002,400	12,002,400

C Maturity of Debt Securities

The annual maturities of debt securities as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

	Available-for-sale		Held-to-maturity	
	2009	2008	2009	2008
Less than 1 year	-	-	-	-
More than 1 year - 5 years	50,810	-	18,000,000	10,002,400
More than 5 years	-	-	-	2,000,000
Total	50,810	-	18,000,000	12,002,400

07. Investment Securities Accounted for using the Equity Method

1) Investment securities accounted for using the equity method as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

Company	Percentage of ownership (%)		Acquisition cost		Book value	
	2009	2008	2009	2008	2009	2008
Hankook Tyre Australia Pty., Ltd. (*1)	100	100	1,554,999	68,649	-	68,649
Hankook Tire Netherlands Sales B.V. (*1)	-	100	-	24,966	-	24,966
Hankook Tire Europe GmbH (*1)	100	100	30,716	30,716	30,716	30,716
Haryang Tire Sales Corp. (*1)	100	50.01	150,000	75,150	150,000	75,150
FRIXA Co., Ltd.	100	100	2,030,670	2,030,670	3,243,694	2,226,346
ATLASBX Motors sports Co., Ltd.	100	-	50,000	-	50,000	-
Others (*1)	-	100	-	128,450	-	-
			3,816,385	2,358,601	3,474,410	3,003,050

(*1) Investments in non-marketable equity securities, in which the Company's interest is 20% or more, have been recorded at cost as the total assets of each investee is less than KRW 10 billion, and differences between investments using the equity method and cost accounting methods were not significant. In addition, equity securities of Hankook Tire Australia Pty., Ltd. are accounted for using the equity method in 2009, since difference between using the equity and cost accounting method has become significant increasing their investments by KRW 1,486,350 thousand.

2) The changes in the investment securities accounted for using the equity method for the years December 31, 2009 and 2007 consist of the following:

Korean won (In thousands)

	2009	2008
Beginning balance	3,003,050	3,184,005
Changes of scope in consolidation	-	(113,173)
Acquisition	1,960,105	-
Gain on valuation	440,125	-
Loss on valuation	(1,929,496)	577,223
Others	626	(645,005)
Ending balance	3,474,410	3,003,050

3) The summarized financial information of investees

Korean won (In thousands)

Investee	Assets	Liabilities	Net assets	Sales	Net income (loss)
Hankook Tyre Australia Pty., Ltd.	26,531,130	24,588,943	1,942,187	44,329,077	631,828
Hankook Tire Europe GmbH	6,270,426	4,749,824	1,520,602	16,963,787	807,308
Haryang Tire Sales Corp.	1,731,019	2,364,726	(633,707)	776,524	(130,719)
FRIXA Co., Ltd.	7,175,150	3,931,456	3,243,694	9,027,611	440,125
ATLASBX Motor Sports Co., Ltd.	50,000	-	50,000	-	-
Total	41,757,725	35,634,949	6,122,776	71,096,999	1,748,542

08. Property, Plant and Equipment

1) As of December 31, 2009 and 2008, the published value of the Company and its subsidiaries' land are KRW 515,586,310 thousand and KRW 516,568,642 thousand, respectively, based on the disclosed public land price announced by the Korean Government.

2) The changes in property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows:

2009

Korean won (In thousands)

	Beginning balance	Change of scope in consolidation	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	353,662,511	-	-	-	-	(1,723,445)	351,939,066
Buildings	926,076,228	-	4,092,734	(1,226,014)	(29,657,662)	15,225,637	914,510,923
Structures	71,683,146	-	619,677	(233,507)	(5,447,312)	(2,654,433)	63,967,571
Machinery and equipment	997,250,607	-	34,729,634	(36,614,355)	(248,367,159)	110,042,547	857,041,274
Vehicles	6,604,879	-	3,349,171	(2,519,620)	(4,576,317)	3,944,037	6,802,150
Tools, furniture and fixtures	171,157,465	-	59,371,397	(3,060,100)	(85,888,881)	6,524,647	148,104,528
Machinery in transit	15,100,322	-	36,034,881	-	-	(48,931,393)	2,203,810
Construction in progress	119,803,330	-	135,898,568	-	-	(174,077,891)	81,624,007
Total	2,661,338,488	-	274,096,062	(43,653,596)	(373,937,331)	(91,650,294)	2,426,193,329

2008

Korean won (In thousands)

	Beginning balance	Change of scope in consolidation	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	347,010,905	(2,749,315)	3,199,353	(104,950)	-	6,306,518	353,662,511
Buildings	764,549,268	(6,547,041)	29,417,557	(2,590,934)	(27,688,580)	168,935,958	926,076,228
Structures	68,352,115	(1,333,975)	364,902	(549,317)	(5,413,503)	10,262,924	71,683,146
Machinery and equipment	830,817,708	(13,849,942)	63,798,697	(4,284,952)	(282,446,515)	403,234,579	997,250,607
Vehicles	8,171,805	(110,835)	1,138,623	(972,218)	(5,233,006)	3,610,510	6,604,879
Tools, furniture and fixtures	165,889,713	(4,405,805)	62,783,896	(3,044,161)	(91,118,724)	41,052,546	171,157,465
Machinery in transit	9,844,562	-	22,778,552	-	-	(17,522,792)	15,100,322
Construction in progress	188,199,664	-	158,388,452	-	-	(226,784,786)	119,803,330
Total	2,382,835,740	(28,996,913)	341,870,032	(11,565,500)	(411,900,328)	389,095,457	2,661,338,488

As of December 31, 2009, a certain portion of the Company's land, buildings and equipment pledged as collateral for long-term and short-term debt obligations (Note 14). Also, the property, plant and equipment are insured by general insurance (Note 14).

3) Capitalization of Borrowing Costs

Recalculated items in the non-consolidated balance sheet as of December 31, 2008, after reflecting the effects of the adoption of SKAS No. 7, are as follows:

Korean won (In thousands)

	Capitalized	Expensed	Difference
Property, plant and equipment			
Acquisition cost	4,976,751,219	4,972,178,664	4,572,555
Carrying book value	2,426,193,329	2,421,620,774	4,572,555
Shareholders' equity (*1)	2,113,507,239	2,110,041,242	3,466,997

Recalculated items in the non-consolidated statement of income for the year ended December 31, 2009, after reflecting the effects of the adoption of SKAS No. 7, are as follows:

	Korean won (In thousands)		
	Capitalized	Expensed	Difference
Interest expense	84,661,714	89,234,269	(4,572,555)
Net income (*1)	375,668,313	372,202,316	(3,465,997)

(*1) Calculated by using the effective tax rate

09. Intangible Assets

1) Intangible assets as of December 31, 2009 and 2008 consist of the following

	Korean won (In thousands)					
	Acquisition cost		Accumulated amortization and impairment loss		Book value	
	2009	2008	2009	2008	2009	2008
Industrial rights	4,799,489	4,774,815	2,816,617	2,955,511	1,982,872	1,819,304
Other intangible assets	50,646,751	50,155,249	28,771,523	31,146,758	21,875,228	19,008,491
Total	55,446,240	54,930,064	31,588,140	34,102,269	23,858,100	20,827,795

Impairment loss on intangible assets amounting to KRW 950,898 thousand is included for the year ended December 31, 2008.

2) The changes in intangible assets for the years ended December 31, 2009 and 2008 are as follows:

	Korean won (In thousands)					
	Beginning balance	Change of scope in consolidation	Acquisition/ Disposal	Amortization	Others	Ending balance
2009						
Industrial rights	1,819,304	-	24,674	(710,816)	849,710	1,982,872
Other intangible assets	19,008,491	-	491,502	(3,405,177)	5,780,412	21,875,228
Total	20,827,795	-	516,176	(4,115,993)	6,630,122	23,858,100
2008						
Industrial rights	858,604	(15,454)	23,996	(487,037)	1,439,195	1,819,304
Other intangible assets	18,655,820	(377,080)	380,533	(3,714,730)	4,063,948	19,008,491
Total	19,514,424	(392,534)	404,529	(4,201,767)	5,503,143	20,827,795

Ordinary research and development expenses amounting to KRW 98,859,538 thousand and KRW 94,775,055 thousand are included in selling and administrative expenses for the years ended December 31, 2009 and 2008, respectively.

10. Borrowings and Debentures

1) Short-term borrowings as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)				
	Lender	Annual interest rate (%)	2009	2008
Foreign trade financing	BOC and others	0.24 - 4.42	129,049,253	92,024,432
Borrowings	The Korea Development Bank and others	0.95 - 7.11	551,932,109	702,369,432
Bank overdrafts	Unicredit Bank and others	2.22 - 6.45	8,242,567	157,730,712
Usance borrowings	Woori Bank and others	2.04 - 3.27	115,099,870	331,225,143
Other	Woori Bank and others	7.20	262,647,823	471,579,249
Total			1,066,971,622	1,754,928,968

2) Long-term borrowings as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)				
	Lender	Annual interest rate (%)	2009	2008
Long-term borrowings in Won	The Korea Development	6.05	30,000,000	-
Long-term borrowings in foreign currency	Bank and others	1.12 - 5.03	551,989,539	797,267,901
Sub - total			581,989,539	797,267,901
Less: Current portion				
Current portion of long-term borrowings in Won			11,250,000	-
Current portion of long-term borrowings in foreign currency			181,606,362	176,858,117
Sub - total			192,856,362	176,858,117
Non-current portion of long-term borrowings in Won			18,750,000	-
Non-current portion of long-term borrowings in foreign currency			370,383,177	620,409,784
Long-term borrowings			389,133,177	620,409,784

Long-term borrowings in foreign currency as of December 31, 2009 and 2008 amount to USD 472,756 thousand and USD 634,010 thousand (including current portion of long-term borrowings in foreign currency), respectively.

3) Debentures as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)					
Description	Issue date	Maturity date	Annual interest rate (%)	2009	2008
The 7th Privately placed debenture	'06.11.27	'09.11.27	-	-	10,000,000
The 79th-1 debenture payable	'09. 2.23	'11. 2.23	5.43	50,000,000	-
The 79th-1 debenture payable	'09. 2.23	'12. 2.23	6.34	70,000,000	-
The 80th debenture payable	'09. 3.19	'12. 3.19	5.90	80,000,000	-
Discount on debentures				(617,690)	-
Sub - total				199,382,310	10,000,000
Less: Current portion				-	10,000,000
Current portion of debenture				-	10,000,000
Non-current portion of debenture				200,000,000	-
Discount on debentures				(617,690)	-
Total				199,382,310	-

4) Long-term borrowings and debentures as of December 31, 2009 will mature as follows:

Korean won (In thousands)				
Description	Total	2010	2011	2012 thereafter
Long-term borrowings	581,989,538	192,856,362	272,778,948	116,354,228
Debentures	200,000,000	-	50,000,000	150,000,000
Total	781,989,538	192,856,362	322,778,948	266,354,228

11. Derivatives

Derivatives of which cash flow hedge accounting is not applied

The Company entered into currency forward contracts to hedge against the currency risk of trade receivables in foreign currency in 2009.

Outstanding currency forward contracts as of December 31, 2009 are as follows (Won in thousands):

Korean won (In thousands)				
Contractor	Forward exchange sold	Sold amount	Fair market value	Gain on valuation
ING	USD 42,500	50,608,565	51,411,870	803,305
ANZ	USD 35,000	42,065,050	43,147,174	1,082,124
SC Korea First Bank	USD 28,000	31,186,850	33,552,051	365,201
Hana Bank	USD 1,039	1,213,619	1,220,790	7,171
Total	USD 106,539	127,074,084	129,331,885	2,257,801

As of December 31, 2009, the Company recorded gain and loss on valuation of foreign exchange forward contracts amounting to KRW 2,541,115 thousand and KRW (283,314) thousand, respectively, and recorded realized gains amounting to KRW 3,290,783 thousand.

1) Derivatives of which cash flow hedge accounting is applied

The Company entered into currency forward contract to hedge against the currency risk of forecasted transaction in relation to trade receivables in foreign currency in 2009.

Outstanding currency forward contracts as of December 31, 2009 are as follows (Won in thousands):

Korean won (In thousands)				
Contractor	Forward exchange sold	Sold amount	Fair market value	Gain (loss) on valuation
ANZ	EUR 4,500	7,656,075	7,753,380	97,305
SC Korea First Bank	EUR 9,000	15,408,630	15,714,717	306,087
Total	EUR 13,500	23,064,705	23,468,097	403,392

The Company recorded gain on valuation of foreign exchange forward contracts amounting to KRW 403,392 thousand (net of tax effect of KRW 305,771 thousand) as of December 31, 2009.

12. Other Non-current Liabilities

1) Details of other non-current liabilities as of December 31, 2009 and 2008 are as follows:

Korean won (In thousands)		
	2009	2008
Product liability reserve	11,676,000	12,575,000
Warranty reserve	37,523,115	37,206,702
Others	-	1,793,279
Total	49,199,115	51,574,981

2) Details of changes in non-current liabilities for the year ended December 31, 2009 are as follows:

Korean won (In thousands)					
	Beginning balance	Increase	Decrease	Others	Ending balance
Product liability reserve	12,575,000	-	-	(899,000)	11,676,000
Warranty reserve	37,206,702	2,310,006	-	(1,993,593)	37,523,115
Others	1,793,279	-	(843,279)	(950,000)	-
Total	51,574,981	2,310,006	(843,279)	(3,842,593)	49,199,115

3) The expected period, of which the warranty reserve will be used, is as follows:

Korean won (In thousands)	
Year	
2010.01.01 - 2010.12.31	12,577,594
2011.01.01 - 2011.12.31	10,545,717
2012.01.01 - 2012.12.31	7,694,678
2013.01.01 - 2013.12.31	5,029,210
2014.01.01 - 2014.12.31	2,180,205
Sub-total	38,027,404
Less: Present value discount	(504,289)
Total	37,523,115

13. Monetary Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

Account		Foreign currencies		Korean won (In thousands)	
		2009	2008	2009	2008
Assets					
Cash and cash equivalents	AED	37,132	-	11,803	-
	BRL	48,000	-	32,212	-
	CLP	3,260,606	-	7,499	-
	COP	27,616,635	-	15,741	-
	EUR	5,361,573	12,624,899	8,976,774	22,424,598
	MXN	10,060	-	899	-
	RUB	21,900,000	-	843,588	-
	SAR	46,094	-	14,349	-
	SGD	11,087	-	9,216	-
	THB	1,894,333	-	66,340	-
	USD	49,535,283	86,256,027	57,837,397	108,466,954
Trade receivables	AUD	20,630,295	1,547,995	21,559,896	1,346,756
	CAD	1,510,696	-	1,672,325	-
	CHF	1,684,742	60,320	1,897,744	71,840
	EUR	12,485,306	6,893,348	20,903,897	12,244,103
	GBP	1,610,546	1,244,323	3,024,170	2,261,744
	JPY	127,232,360	56,076,181	1,606,716	781,640
	NZD	1,650,864	923,910	1,394,584	671,877
	SEK	9,390,855	13,137,402	1,531,648	2,137,849
	NOK	21,003,587	-	4,231,383	-
	RUB	231,768,646	-	8,927,728	-
	USD	150,502,825	30,230,795	175,727,098	38,015,225
Liabilities:					
Trade payables	USD	125,129,694	133,423,297	146,101,431	167,779,796
	EUR	327,821	215,327	548,864	382,468
	AUD	80,962	80,962	84,610	70,437
	GBP	-	31,148	-	56,616
	NZD	6,560	6,560	5,542	4,770
	SEK	826,805	-	134,852	-
	NOK	229,745	-	46,284	-
	CHF	118,486	-	133,466	-
Short-term borrowings	EUR	-	569,592	-	1,011,721
	USD	214,865	110,256,744	250,876	138,647,856
Long-term borrowings	EUR	54,000,000	93,000,000	90,411,120	165,188,460
Other non-current liabilities	USD	10,000,000	10,000,000	11,676,000	12,575,000

14. Commitments and Contingencies

1) As of December 31, 2009, certain portion of the Company and consolidated subsidiaries's land and buildings pledged as collateral for borrowings are summarized as follows (In thousands):

Creditor	Pledged assets	Pledged amount	
		KRW, USD, RMB, GBP (In thousands)	
The Korea Development Bank and others	Land, buildings, machinery and equipments	KRW	313,310,560
		USD	470,945
		RMB	788,674
		GBP	5,700

2) As of December 31, 2009 inventories and property, plant and equipment are insured against fire and other casualty losses up to approximately KRW 7,207,140,470 thousand.

The Company is insured against future claims that may be brought against it under the Product Liability Act in Korea, which was effective July 1, 2002, which penalizes a manufacturer or seller when a product is defective and causes injury or damage to a person or property. The beneficial interest of insurance is pledged as collateral for the Company's borrowings (The Korea Development Bank: KRW 122,000,000 thousand and USD 110,000 thousand, Woori Bank: KRW 144,149,000 thousand and USD 43,200 thousand). In addition, vehicles are insured by a general and liability insurance policy, and the Company has directors' and officers' liability insurance of up to KRW 10,000,000 thousand.

3) The Company and local subsidiaries' outstanding notes receivable were discounted or assigned amounting to KRW 10,991,817 thousand and KRW 8,690,366 thousand as of December 31, 2009 and 2008, respectively. The Company and local subsidiaries are contingently liable for outstanding balance of trade receivable discounted or assigned to financial institutions, amounting to KRW 339,485,460 thousand (equivalent to USD 290,755 thousand) and KRW 540,560,447 thousand (equivalent to USD 429,869 thousand) as of December 31, 2009 and 2008, respectively.

4) As of December 31, 2009, the Company has purchase agreements on raw rubber materials with several suppliers, which are usually renewed annually. In addition, as of December 31, 2009, the Company has a long-term contract with EmFrontier Inc., one of its affiliated companies, to receive maintenance service for the Company's information system.

5) As of December 31, 2009, the Company has technical assistance and export agent agreements with Jiangsu Hankook Tire Co., Ltd., Hankook Tire China Co., Ltd. and Hankook Tire Hungary Ltd. In accordance with the agreements, the Company receives royalties and commissions at a fixed rate.

6) The Company and its subsidiaries is named as a defendant in various legal actions arising from normal business matters, including product liability. As of December 31, 2009, the outcome of these matters is uncertain. The estimated loss of KRW 11,676,000 thousand expected with respect to the litigations was appropriated as product liability allowance. The lawsuit with respect to SHIN-DORIM site was decided at Seoul Central District Court on October 15, 2008 in favor of the plaintiff. The settlement of claim amounting to KRW 1,793,279 thousand of principal and accrued interest was recorded in other non-current liabilities as of December 31, 2008. With respect to the stated incident, on December 7, 2009, Seoul High Court ruled the decision by mediation that the Company pays KRW 950,000 thousand and the plaintiff waives the remaining claims. Consequently, the Company, on December 30, 2009, paid to the plaintiff KRW 950,000 thousand and reversed the remaining other non-current liabilities.

The Company was named as a defendant in lawsuits filed at the fifth Commercial Court of First Instance of Izmir in Turkey by BMC Sanayi ve Ticaret A.S, on December 24, 2007. The plaintiffs seek claims for cancellation of Distributorship Agreement on June 1, 2005. The aggregate amount of claims relating to these lawsuits was USD 3,359 thousand. The Court transferred to the Commercial Court of First Instance for lack of

jurisdiction and the first debate date was held on April 6, 2009. On July 2, 2009, the Istanbul 9th Commercial Court of First Instance judged that Turkey has no jurisdiction over the stated trial and judging that the dispute should be resolved through the commercial arbitration of The Korean Commercial Arbitration Board in accordance with the contract signed between the Company and the plaintiff in 1991, the court ruled the decision rejecting the plaintiff's claims. In response to this decision, BMC Sanayi ve Ticaret A.S. submitted an appeal, and the Company is not able to predict the ultimate results.

7) The bankruptcy of a subsidiary

On April 3, 2008, ASA Co., Ltd., which was subsidiary of the Company, applied to the Daejeon District Court for permission of recovery process. On April 3, 2008, the court decided to start the recovery process. But, on July 3, 2008, as a result of investigation, the court sentenced ASA Co., Ltd.'s bankruptcy. Accordingly, the Company could not exercise significant influence for ASA Co., Ltd., and the Company reclassified investment securities accounted for using the equity method to available-for-sale securities. In 2009, ASA Co., Ltd. has completed the sale of its assets.

15. Capital Stock

	Korean won (In thousands), Except number of shares	
	2009	2008
Authorized (shares)	250,000,000	250,000,000
Par value	500	500
Outstanding (shares)		
Ordinary share	152,189,929	152,189,929
Capital stock		
Common stock	76,094,965	76,094,965

As of December 31, 2009, the Company holds seven million shares in treasury, amounting to KRW 57,318,201 thousand, to stabilize the market price of its shares of stock, and records treasury stock as a capital adjustment.

16. Asset Revaluation

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment on January 1, 1981, January 1, 1998 and July 1, 2000. As a result of the revaluation, the Company recognized revaluation increments amounting to KRW 574,589,549 thousand and recorded a revaluation reserve amounting to KRW 456,473,224 thousand, net of asset revaluation tax, recorded as capital surplus.

17. Retained Earnings

Retained earnings as of December 31, 2009 and 2008 consist of following

	Korean won (In thousands)	
	2009	2008
Statutory reserves		
Legal reserve	40,978,989	40,823,323
Voluntary reserves		
Reserve for financial structure improvements	19,320,000	19,320,000
Reserve for business rationalization	47,702,465	47,702,466
Reserve for export losses	4,770,000	4,770,000
Reserve for technology development	4,350,000	4,350,000
Reserve for overseas market development	7,369,667	7,369,667
Dividend equalization reserve	285,500,000	282,700,000
Reserve for officer's retirement benefits	64,013,000	64,013,000
Other voluntary reserve	442,227,969	421,393,394
Sub - Total	875,253,101	851,618,527
Unappropriated retained earnings	323,405,123	26,786,646
Total	1,239,637,213	919,228,496

A) Legal reserve

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

B) Reserve for financial structure improvements

In accordance with the provisions of the Financial Control Regulations for the companies listed on the Korea Exchange, the Company is required to appropriate, as a reserve for the improvement of financial structure, an amount equal to a minimum of 10% of its net income, plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until shareholders' equity is equal to 30% of total assets. This reserve is not available for the payment of dividends but may be transferred to capital stock through an appropriate resolution by Board of Directors or used to offset accumulated deficit, if any, with the ratification of the Company's majority shareholders. However, as the Financial Control Regulations was abolished in prior year, the reserve for financial structure improvements and the reserve for financial structure improvements was transferred to voluntary reserves.

18. Dividends

The Company declared cash dividends amounting to KRW 50,816,475 thousand (KRW 350 per share) and KRW 21,778,489 thousand (KRW 150 per share) for the years ended December 31, 2009 and 2008, respectively.

19. Sales and Cost of Sales

Details of sales and cost of sales for the years ended December 31, 2009 and 2008 are as follows:

	Korean won (In thousands)	
	2009	2008
Sales		
Sales of finished goods	5,307,032,234	4,537,384,186
Other sales	22,862,446	28,878,295
Sales discount	(56,454,625)	(38,504,038)
Sales incentive	(128,304,323)	(66,549,113)
Total	5,145,135,732	4,461,209,330
Cost of sales		
Cost of finished goods sold	3,573,323,636	3,303,967,428
Cost of other goods sold	72,831,129	99,993,608
Valuation loss on inventories, net	(8,559,599)	79,284
Customs duties reimbursed	(10,899,489)	(9,006,115)
Total	3,626,695,677	3,395,034,205

20. Income Tax Expense and deferred Tax Assets

1) Income tax expense for the years ended December 31, 2009 and 2008 are as follows:

	Korean won (In thousands)	
	2009	2008
Current income tax of parent company	103,731,709	80,138,496
Changes in deferred income taxes	(2,510,577)	(11,926,321)
Charges in deferred income tax directly adjusted in equity	(525,010)	(18,929,692)
Income tax expense of the parent company	100,696,122	49,282,483
Income tax expense of consolidated subsidiaries and others	35,819,110	7,904,996
Income tax expense	136,515,232	57,187,479

2) The components of temporary differences and deferred income tax assets (liabilities)

The changes in accumulated temporary difference for the year ended December 31, 2009 is as follows:

	Korean won (In thousands)	
Descriptions	2009	2008
Parent Company		
Beginning balance of accumulated temporary difference, net	150,892,074	150,892,074
Changes in the current year, net	20,085,833	20,085,833
Ending balance of accumulated temporary difference, net	170,977,907	170,977,907
Exclusion from temporary difference due to uncertainty of realization	(127,053,460)	(127,053,460)
Sub-total, net	43,924,447	43,924,447

Continued

Descriptions	2009	2008
Statutory tax rate	24.2%	22%
Deferred income tax assets of parent company	25,425,987	25,425,987
Deferred income tax assets of consolidated subsidiaries and others	118,268,414	118,268,414
Ending balance of deferred income tax assets in consolidation	143,694,401	143,694,401
Current deferred income tax assets	10,448,470	10,448,470
Non-current deferred income tax assets	133,245,931	133,245,931

3) The effective income tax rate for the years ended December 31, 2009 and 2008 is as follows:

	Korean won (In thousands)	
Description	2009	2008
Income tax expense	136,515,232	57,187,479
Income before income tax	512,183,545	80,730,435
Effective income tax rate	26.7%	70.8%

4) Income tax refunds and additional income tax for prior years

A) Income tax refunds

The Tax Office imposed corporate income tax amounting to KRW 19,785,256 thousand with respect to 1999-2003 taxable income in regular tax audits in 2004. The Company paid additional tax in full but appealed judgment to the National Tax Tribunal ('NTT'). According to the resolution on the appeal to NTT on February 28, 2007, the Company was refunded KRW 7,804,921 thousand and KRW 1,182,116 thousand for the years ended December 31, 2008 and 2007, respectively, which was recorded in income tax expense, respectively.

B) Additional income tax for prior years

The Company received official document from Seoul National Tax Service for summon with respect to research facilities investment tax credit for 2004-2007. The Company calculated tax regarding to this summon document and paid additional tax amounting to KRW 302,362 thousand and reflected as income tax expense in 2008.

The Company received official document from Seoul National Tax Service for summon with respect to collateral of overseas subsidiaries in 2007. The Company calculated transfer-pricing taxable adjustment regarding to this summon document and paid additional tax amounting to KRW 821,465 thousand and reflected as income tax expense in 2007.

21. Earnings per Share

	Korean won (In thousands), Except per share amounts	
	2009	2008
Net income (loss)/Ordinary income (loss)	342,187,206	(20,152,604)
Weighted average number of common shares outstanding	145,189,929 shares	146,889,741 shares
Basic and diluted earnings (loss) per share (In Korean Won)	2,357	(137)

22. Statements of Comprehensive Income

Other comprehensive income for the years ended December 31, 2009 and 2008 is as follows:

	Korean won (In thousands)	
	2009	2008
Net income	375,668,313	23,542,956
Cumulative effects of adoption of revised accounting policies	-	3,233,430
Other comprehensive income (loss)	(5,117,169)	113,869,610
Comprehensive income	370,551,144	140,445,996
Parent Company interest	337,184,296	97,554,395
Minority interests	33,366,848	42,891,601

23. Related Party Transactions

1) Major receivables, payables and transactions between the Parent Company and consolidated subsidiaries (or other related parties) as of December 31, 2009 and 2008 and for the years then ended are as follows:

	Korean won (In thousands)	
	2009	2008
Trade receivables	322,590,127	132,442,502
Trade payables	49,005,240	52,200,136
Sales and others	1,092,945,715	1,020,727,926
Purchases and others	186,283,363	269,923,151

2) Major receivables, payables and transactions between consolidated subsidiaries and their related parties as of December 31, 2009 and 2008 and for the years then ended are as follows:

	Korean won (In thousands)	
	2009	2008
Trade receivables	470,364,902	393,499,171
Trade payables	470,364,902	393,499,171
Sales and others	1,459,962,900	1,136,239,197
Purchases and others	1,459,962,900	1,136,239,197

3) The Company has provided guarantees with respect to financing by its overseas subsidiaries for the years ended December 31, 2009 and 2008. Such guarantees are as follows:

	Korean won (In thousands)	
	2009	2008
Jiangsu Hankook Tire Co., Ltd.	235,425,300	226,930,817
Hankook Tire Hungary, Ltd. (*1)	489,868,240	521,687,892
Hankook Tire China Co., Ltd.	188,715,000	142,658,572
Other overseas affiliated companies	65,931,740	23,033,239
Total	979,940,280	914,310,520

(*1) The above guarantee amount includes direct suretyship provided to the Hungarian government as follows

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

The Company has entered into a subordination agreement in relation to the borrowings of Hankook Reifen Deutschland GmbH and Hankook Tire Italia SARL as of December 31, 2009 as follows:

Creditor bank	Description		
	Korea Exchange Bank (Deutschland) AG	Shinhan Bank (Deutschland) GmbH	Korea Exchange Bank (Deutschland) AG
Borrowings	EUR 22,000,000	EUR 9,500,000	EUR 6,000,000
Subsidiaries	Hankook Reifen Deutschland GmbH	Hankook Reifen Deutschland GmbH	Hankook Tire Italia SARL
Description	The Company's accounts receivable from Hankook Reifen Deutschland GmbH and Hankook Tire Italia SARL is subordinated by the borrowings from those banks.		

24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

	Korean won (In thousands)	
	2009	2008
Wages	117,260,400	100,535,222
Provision for severance benefits	8,648,742	7,094,670
Employee benefits	18,498,310	18,339,289
Subcontractor expenses	29,569,472	26,339,125
Advertisement	107,136,100	94,262,590
Provision for doubtful accounts	5,541,194	2,504,940
Depreciation	39,029,005	37,417,498
Fees and charges	56,960,008	50,144,852
Transportation	236,209,178	267,049,109
Warranty	26,659,181	27,005,027
Ordinary development	96,171,663	85,846,237
Others	156,552,139	140,852,898
Total	898,235,392	857,391,457

25. Segment Information

Sales information of the Parent Company by geographical segment for the years ended December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

Market	2009		2008	
	Amounts	Ratio	Amounts	Ratio
North America	554,488,353	19.7%	498,794,542	18.9%
South and Central America	153,615,075	5.5%	203,298,189	7.7%
Asia, except Korea	460,762,992	16.4%	459,440,690	17.4%
Europe	618,338,606	22.0%	490,693,760	18.6%
Local export	177,072,785	6.3%	238,740,609	9.0%
Domestic	847,582,542	30.1%	753,268,662	28.4%
Total	2,811,860,353	100.0%	2,644,236,452	100.0%

26. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2009 and 2008 are as follows:

Korean won (In thousands)

	2009	2008
Transfer to current-portion of long-term liabilities from long-term debts	192,856,362	186,858,117
Reclassification of machinery-in-transit and construction-in-progress to specific property, plant and equipment accounts	223,009,284	244,307,578

27. Subsequent Events

The Company has provided guarantees with respect to financing for its oversea subsidiary based on the decision of the board of directors on January 18, 2010 and February 17, 2010, and the decision of the management committee on February 9, 2010.

Lender	Bank	Agreement	Outstanding	Period of guarantee
Hankook Tire China Co., Ltd.	Standard Chartered Bank (China) Limited	USD 60,000,000	USD 60,000,000	2010.02.01~2011.01.31
Hankook Tire Hungary Ltd.	Unicredit Bank Hungary Zrt.	EUR 50,000,000	EUR 50,000,000	2010.02.17~2011.11.15
Jiangsu Hankook Tire Co., Ltd.	Woori Bank (Shanghai)	USD 10,000,000	USD 10,000,000	2010.02.09~2010.12.17

28. K-IFRS ADOPTION PLAN AND IMPLEMENTATION:

In accordance with the Roadmap for IFRS Adoption announced in March 2007, the Company is required to present financial statements prepared in accordance with K-IFRS starting from 2011. From 2008, the Company has begun preparation for the IFRS adoption and is currently processing, in phases, preliminary analysis of the effects, establishment of accounting policies and financial reporting system, and parallel application of the financial reporting systems under the current accounting standards and K-IFRS.

The Company established an overall implementation plan for the preliminary analysis of its effect and preparation for IFRS adoption in 2008, and is currently in process of establishing accounting policies and financial reporting system. In addition, the Company plans to stabilize its financial reporting system through parallel application of the current accounting standards and K-IFRS starting from 2010 and disclose its financial statements in accordance with K-IFRS starting from 2011.

As a result of the preliminary analysis of the effects of the differences between current accounting standards and K-IFRS, the Company anticipates that the accounting treatment of items such as post-employment benefits, future sales discount to customers based on certain percent of sales, changes of consolidation scope and others will have effects on its financial information.

Corporate Governance

01. Overview of Corporate Governance including Board of Directors

■ Matter to Board of Directors

| 1 | Board of Directors

A. Composition

The Board of Directors is comprised of 7 directors including 3 regular directors and 4 NEDs.

B. Key activities of the Board of Directors

No.	Date	Agenda	Result	Note
09-The 1st regular BOD meeting	Jan.19, 2009	FY2008 year-end separate financial reporting	Approved	-
		FY2008 year-end financial statement reporting(consolidated)	Approved	-
		Reporting on HR&organization in 2009	Approved	-
		Approval of financial statements and operating report for 55th term	Approved	-
09-The 1st ad-hoc BOD meeting	Feb.09, 2009	79th issuance of unsecured debentures	Approved	-
09-The 2nd ad-hoc BOD meeting	Feb.25, 2009	Convocation of 55th annual shareholder's meeting	Approved	-
		Approval of financial statements for 55th term	Approved	-
		Approval of transactions among affiliated persons	Approved	-
		FY2008 H2 internal accounting management system operations	Approved	-
		Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-
09-The 3rd ad-hoc BOD meeting	Mar.06, 2009	Approval of subordination agreement related to Italian subsidiary's borrowings	Approved	-
		80th issuance of unsecured debentures	Approved	-
09-The 4th ad-hoc BOD meeting	Mar.20, 2009	Extension of loan term and change in conditions	Approved	-
		Payment guarantee for Jiangsu subsidiary's borrowings	Approved	-
		Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-
09-The 5th ad-hoc BOD meeting	Apr.10, 2009	Extension of loan term and change in conditions	Approved	-
		Payment guarantee for Australia subsidiary's borrowings	Approved	-
		Capital increase of holding company in Europe	Approved	-
		Loan supply to Jiangsu subsidiary's local financing	Approved	-
09-The 5th ad-hoc BOD meeting	Apr.20, 2009	FY2009 Q1 financial reporting	Approved	-
		FY2009 Q1 financial statement reporting(consolidated)	Approved	-
		Extension of Hungary Suretyship Agreement	Approved	-
09-The 6th ad-hoc BOD meeting	May.29, 2009	Approval of building a distribution center	Approved	-
09-The 3rd regular BOD meeting	Jul.16, 2009	FY2009 H1 financial reporting	Approved	-
		FY2009 H1 financial statement reporting(consolidated)	Approved	-
09-The 7th ad-hoc BOD meeting	Oct.08, 2009	Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-
		Payment guarantee for Jiangsu subsidiary's borrowings	Approved	-
09-The 4th regular BOD meeting	Oct.19, 2009	FY2009 Q3 financial reporting	Approved	-
		FY2009 Q3 financial statement reporting(consolidated)	Approved	-
		FY2009 H1 internal accounting management system operation	Approved	-
09-The 8th ad-hoc BOD meeting	Nov.30, 2009	Open, Close and relocation of sales offices	Approved	-
		Open of sales offices	Approved	-
09-The 9th ad-hoc BOD meeting	Dec.22, 2009	Payment guarantee for Jiangsu subsidiary's Standby L/C open	Approved	-
10-The 1st regular BOD meeting	Jan.15, 2010	FY2009 year-end separate financial reporting	Approved	-
		FY2009 year-end financial statement reporting(consolidated)	Approved	-
		Reporting on HR&organization in 2010	Approved	-
		Report on mid-to long-term companywide extension	Approved	-
		Approval of financial statements and operating report	Approved	-

Continued

No.	Date	Agenda	Result	Note
10-The 1st ad-hoc BOD meeting	Jan.28, 2010	Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-
10-The 2nd ad-hoc BOD meeting	Feb.17, 2010	Extension of credit limits	Approved	-
		Payment guarantee for Hungary subsidiary's borrowings	Approved	-
		Adjustment of NEDs' pay	Approved	-
10-The 3rd ad-hoc BOD meeting	Feb.25, 2010	FY2009 H2 internal accounting management system operation	Approved	-
		Convocation of 56th annual shareholder's meeting	Approved	-
		Approval of financial statements for 56th term	Approved	-
		Approval of transactions among affiliated persons	Approved	-
		Designation and change of manager in Hankook Tire sales offices	Approved	-
10-The 4th ad-hoc BOD meeting	Mar.15, 2010	Payment extension for Jiangsu subsidiary's Standby L/C open	Approved	-
		Extension of credit limits	Approved	-

C. Non-executive directors(NEDs) participation in Board of Directors meeting

No.	Date	No. of NEDs attending the meeting	Note
09-The 1st regular BOD meeting	Jan. 19, 2009	4(4)	-
09-The 1st ad-hoc BOD meeting	Feb. 09, 2009	4(4)	-
09-The 2nd ad-hoc BOD meeting	Feb. 25, 2009	4(4)	-
09-The 3rd ad-hoc BOD meeting	Mar. 06, 2009	4(4)	-
09-The 4th ad-hoc BOD meeting	Mar. 20, 2009	4(4)	-
09-The 5th ad-hoc BOD meeting	Apr. 10, 2009	4(4)	-
09-The 2nd regular BOD meeting	Apr. 20, 2009	4(4)	-
08 - The 6st ad - hoc BOD meeting	May. 29, 2009	4(4)	-
09-The 3rd regular BOD meeting	Jul. 16, 2009	3(4)	-
09-The 7th ad-hoc BOD meeting	Oct. 08, 2009	4(4)	-
09-The 4th regular BOD meeting	Oct. 19, 2009	4(4)	-
09-The 8th ad-hoc BOD meeting	Nov.30, 2009	4(4)	-
09-The 9th ad-hoc BOD meeting	Dec. 22, 2009	4(4)	-
10-The 1st regular BOD meeting	Jan. 15, 2010	3(4)	-
10-The 1st ad-hoc BOD meeting	Jan. 28, 2010	3(4)	-
10-The 2nd ad-hoc BOD meeting	Feb. 17, 2010	3(4)	-
10-The 3rd ad-hoc BOD meeting	Feb. 25, 2010	3(4)	-
10-The 4th ad-hoc BOD meeting	Mar. 15, 2010	4(4)	-

Note) Number in the parenthesis represents the total number of NEDs.

2 | Committees under the Board of Directors

A. Composition of committees under the Board of Directors(Dec.31, 2009)

Board of Directors is comprised of 3 committees, including Audit committee, NED recommendation committee, Management committee.

1) Audit committee: please refer to "02. Matters related to the audit system" below.

2) NED Recommendation committee

Name of committee	Member	Name	Objective and authority	Note
NED Recommendation Committee	Currently the CEO of Hankook Tire	Suh, Seung Hwa Kim, Hwi Joong	Recommend candidates of NEDs	-
	Currently an NED of Hankook Tire	Hwang, Won Oh Min, Hae Yung Lee, Yong Sung		

3) Management committee

Name of committee	Member	Name	Objective and authority	Note
Management committee	Registered director of Hankook Tire	Suh, Seung Hwa	Deliberation and resolutions on general management	-
		Kim, Hwi Joong Cho, Yang Rai	Deliberation and resolutions on finance, etc.	

Note) Decisions by the Management Committee shall be overruled when related laws and regulations require BOD decisions.

B. Activities of Committees under the Board of Directors

1) Audit Committee: Please refer to "02. Matters related to the audit system" below.

2) NED Recommendation committee

Name of committee	Date of meeting	Agenda	Approved	Name of NEDs
NED Recommendation committee	Feb. 27, 2009	Recommendation of NED	Yes	Min, Hae Yung <small>(Attendance Rate 100%)</small> Hwang, Won Oh <small>(Attendance Rate 100%)</small>
				Agreed or disagreed
				Agreed

Note) This represents 56th term (Jan.01, 2009 - Dec.31, 2009). Since the agenda of Feb.27, 2009 was the recommendation of Min, Hae Yung, his attendance was not calculated in the attendance rate.

3) Management committee

Committee name	Date of meeting	Agenda	Result	Note
Management committee	Jan.19, 2009	Flotation of new borrowings	Approved	-
		Extension of loan term	Approved	-
		Agreement on facility renovation investment limit	Approved	-
	Feb.16, 2009	New credit deal	Approved	-
	Feb.26, 2009	Payment guarantee for Jiangsu subsidiary's local financing	Approved	-
	Mar.02, 2009	Capital increase for Australian subsidiary's operating funds	Approved	-
	Apr.03, 2009	New payment guarantee for Hanam subsidiary by local financing	Approved	-
		New payment guarantee for Chinese subsidiary by head office	Approved	-
	Apr.20, 2009	Extension of credit limits	Approved	-

Continued

Committee name	Date of meeting	Agenda	Result	Note
Management committee	May.25, 2009	Extension of credit limits	Approved	-
	Jun.08, 2009	Extension of credit limits	Approved	-
	Jun.16, 2009	Approval of subordination agreement related to German subsidiary's borrowings	Approved	-
		Payment guarantee for Jiaying subsidiary by head office	Approved	-
	Jun.29, 2009	Payment guarantee for France subsidiary by head office	Approved	-
		Increase of credit limit	Approved	-
	Jul.06, 2009	Increase of credit limit	Approved	-
	Jul.17, 2009	Purchase of directors & officers(D & O) liability insurance policy	Approved	-
	Jul.27, 2009	Extension of credit limits	Approved	-
		Payment guarantee for Jiangsu subsidiary by head office	Approved	-
		Payment guarantee for UK subsidiary by head office	Approved	-
		Aug.24, 2009	Increase of credit limit	Approved
	Aug.27, 2009	Capital increase of holding companies in Europe	Approved	-
	Oct.06, 2009	Extension of credit limits	Approved	-
		Supply of LOC, Priority Agreement for Canada subsidiary	Approved	-
		Payment guarantee for Japanese subsidiary by head office	Approved	-
		Nov.16, 2009	Payment guarantee for Jiangsu subsidiary by head office	Approved
	Dec.14, 2009	Payment guarantee for Hungarian subsidiary's local financing by head office	Approved	-
	Dec.28, 2009	Extension of credit limits	Approved	-
		Payment guarantee for Jiangsu subsidiary by head office	Approved	-
	Payment guarantee for Italian subsidiary by head office	Approved	-	
	Jan.28, 2010	Agreement on facility renovation in Geumsan Plant (OTR building, TBR)	Approved	-
Feb.09, 2010	Approval of subordination agreement related to Italian subsidiary's borrowings	Approved	-	
	Payment guarantee for Jiangsu subsidiary by head office	Approved	-	
Mar.05, 2010	Extension of export insurance contract related to NEGO	Approved	-	
	Capital increase of holding companies in Europe	Approved	-	

3 | Independence of Board Directors

A. Notification of director candidates' profile before general shareholders' meeting and recommendation from shareholders

1) On February 25, 2009, reference documents on various management objectives were notified through the "Notice to Convene General Meeting of Shareholders".

A) Candidate's name, date of birth, person who recommends, relationship with major shareholder, whether the person is the candidate for NED or not

Name of candidate	Date of birth	Candidate for NED?	Relationship with major shareholder	Recommended by
Min, Hae Yung	Oct. 29, 1937	Yes	None	NED Recommendation committee
Total(1)person				

B) Candidate's major occupation, profile and transactions with Hankook Tire for the past three years

Name of candidate	Major occupation (Current)	Profile	Transactions with Hankook Tire for the past three years
Min, Hae Yung	NED of Hankook Tire	· 1960 Graduated from department of economics of Seoul National University · 1980 Director of Tariff, Ministry of Finance · 1998 Chairman of the Credit Finance Association · NED Recommendation committee	None

2) On February 25, 2009, reference documents on various management objectives were notified through the "Notice to Convene General Meeting of Shareholders".

A) Candidate's name, date of birth, person who recommends, relationship with major shareholder, whether the person is the candidate for NED or not

Name of candidate	Date of birth	Candidate for NED?	Relationship with major shareholder	Recommended by
Chang, Sun Kon	Sep.13, 1925	Yes	None	NED Recommendation committee
Total 1) person				

B) Candidate's major occupation, profile and transaction with Hankook Tire for the past three years

Name of candidate	Major occupation (Current)	Profile	Transaction with Hankook Tire for the past three years
Chang, Sun kon	NED of Hankook Tire	-1969 Completed Korea University Business School courses -1970 CEO of Hankook Tire Co.,Ltd. -1979 CEO Dongshin Petrochemical Co.,Ltd.	None

B. NED Candidate Recommendation Committee

Name	NED	Note
Suh, Seung Hwa	Yes	-
Kim, Hwi Joong	Yes	-
Min, Hae Yung	No	-
Lee, Yong Sung	No	-
Hwang, Won Oh	No	-

D. Profile of NEDs

Name	Profile	Relationship with major shareholder	Recommended by	Transaction with Hankook Tire	Note
Cho, Yang Rai	1956 Graduated from Gyonggi High school	Major shareholder	BOD	None	-
	1962 Graduated from Univ. Of Alabama				
	1969 Executive Director of Hankook Tire				
	1979 President & CEO of Hankook Tire				
	1980 Chairman of Hankook Tire				
Suh, Seung Hwa	1967 Graduated from Bosung High school	None	BOD	None	-
	1971 Graduated from Department of Political Science and Diplomacy of Hankook University of Foreign Studies				
	2006 Executive vice president of Europe RHQ				
Kim, Hwi Joong	1963 Graduated from Seoul High school	None	BOD	None	-
	1971 Graduated from Department of Applied Chemistry of Seoul National University				
	1974 MSC of polymer science & Engineering, university of Akron, U.S.A				
	2003 CTO of Hankook Tire Co.,LTD				
Chang, Sun Kon	1969 Completed Korea University Business School courses	None	NEDs	None	-
	1970 CEO of Hankook Tire Co.,Ltd.				
	1979 CEO Dongshin Petrochemical Co.,Ltd				

02. Matters Related to the Audit System

1 | Audit Committee

A. Composition of Audit Committee

Hankook Tire establishes separately Audit Committee. Audit Committee is comprised of three directors, all NEDs.

B. Establishment and composition of the Audit Committee composed of auditors

Establishment of Audit Committee: Hankook Tire added to its Articles of Incorporation new provisions on establishing the Audit Committee through a resolution at the 47th ordinary general shareholders' meeting and established an Audit committee as prescribed under Article 415-2 of the Commercial Act. Composition, etc. of the Committee are as below.

1) Composition

- ① Audit Committee members shall be appointed by the resolution of a general shareholders' meeting.
- ② The Committee shall be comprised of at least three members of the Board.
- ③ Persons falling under any of the sub-paragraphs of Article 415(2)2 of the Commercial Act shall not exceed 1/3 of the total members of the Committee.
- ④ In case the requirement stated in the foregoing paragraph 3 is no longer met for a reason such as resignation, death, etc. of a member who is an NED, the first general shareholders' meeting held after this reason arises shall ensure that such requirement is met.

2) Responsibility and authority

- ① Audit Committee shall carry out audits on accounting and business operation of the Company.
- ② Audit Committee may request directors to make reporting on the business operation of the Company or examine the Company's financial status at any time.
- ③ In addition to the responsibility and authority stated in the foregoing paragraph 1 and 2, the Audit Committee shall perform duties as prescribed under relevant laws or the Articles of Incorporation and those delegated by the Board of Directors.

3) Making a resolution

- ① The passage of a resolution by the Audit Committee shall require the presence of the majority of its members and the consent by the majority of those present. The Committee may allow the whole or part of the members to take part in making a resolution by communication means that transmit and receive video and voice simultaneously without being present at a meeting in person. In this case, such members shall be deemed to be present at the meeting in person.

4) Chairperson

- ① A Chairperson who will represent the Audit Committee shall be elected by the Committee among NEDs. Election of a Chairperson shall require the presence of the majority of Committee members and the resolution by the majority of those present. Several members may be elected as Co-Chairpersons to represent the Committee.
- ② The Chairperson generally manages operation of the Audit Committee and may divide duties among members for efficient operation of the Committee.
- ③ In the event that the Chairperson is unable to carry out his/her duty, his/her duty shall be carried out by the member appointed by the Committee.

5) Types of Audit Committee meetings

- ① Meetings of the Committee shall be comprised of ordinary and extraordinary meetings.
- ② An ordinary meeting shall be held once a quarter in principle. Provided, however, that there are any unavoidable circumstances, the Chairperson may postpone or suspend the ordinary meeting.
- ③ An extraordinary meeting may be held from time to time when necessary.

6) Convocation authority

- ① Audit Committee meeting shall be convened by the Chairperson.
- ② Each member may request the Chairperson to convene a meeting by presenting agendas and the reason for the request. In the event that the Chairperson does not convene a meeting without any justifiable reason, the member who made such a request may convene a meeting.

7) Convocation procedure

- ① Audit Committee meeting schedule shall be notified to each member at least a week before the meeting.
- ② When unanimously agreed upon, an Audit Committee meeting may be held at any time without following the procedure stated in the foregoing paragraph 1.

8) Agenda

Agenda to be submitted to a meeting of the Committee for consideration shall be as follows:

- ① Matters related to general shareholders' meetings
- ② Matters related to directors and the Board of Directors
- ③ Matters related to auditors

9) Minutes

- ① The Audit Committee shall keep meeting minutes regarding decisions made by the Committee.
- ② Meeting minutes shall contain records, such as agendas submitted, how the meeting proceeded, the result of the meeting and the name of those opposed to the passage of an agenda along with the reason. The minutes shall be signed or signed and sealed by members present at the meeting.

C. Establishment of internal control mechanism to ensure Audit Committee members (auditors) access to management data of the Company necessary for audits

Internal control mechanism aimed at ensuring members' access to such data In order to make it easier for the members to have access to management data necessary for audits, "Audit Committee Operation Policy", an internal regulation was established to form the basis of the members' activities. Under this policy, the members of the Committee may request directors to make reporting on business operation of the Company or examine the Company's financial status at any time.

D. Profile of Audit Committee members (auditors)

Name	Work experience	Relationship with Major shareholder	Recommended by	Note
Hwang, Won Oh	1960 Graduated from Department of Economics of Seoul National University 1981 Completed tax courses in the Southern California Graduate School of in the US 1990 – 1991 Head of the National Tax Tribunal under the Ministry of Finance 1991 – 1992 Standing member of Securities and Exchange Commission 1992 – 1995 President of Korea Minting and Security Printing Corporation (KOMSCO) 1995 – 1996 Chief director of KMSPC (Non-standing) 1996 – 1998 Invited Professor of College of Economics and Commerce of Daejeon University	None	NEDs	-

Continued

Name	Work experience	Relationship with Major shareholder	Recommended by	Note
Min, Hae Yung	1960 Graduated from Department of Economics of Seoul National University 1985 – 1988 Vice-minister of Political Affairs 1 1989 – 1995 Chief director of Korea Technology Credit Guarantee Fund 1998 – 2000 Chairman of the Credit Finance Association	None	NEDs	-
Lee, Yong Sung	1960 Graduated from Department of Economics of Seoul National University 1988 Head of the Planning and Administration office under the Ministry of Finance 2001 NED of Hynix Semiconductor Co., Ltd. 1999 – Now NEW of Hyundai Research Institute	None	NEDs	-

E. Key activities of the Audit Committee (Auditors)

Meeting	Date	Agenda	Result	Name of NEDs		
				Min, Hae-Yung <small>(Attendance rate 100%)</small>	Lee, Yong Sung <small>(Attendance rate 100%)</small>	Hwang, Won Oh <small>(Attendance rate 100%)</small>
09-1st regular meeting	Jan.19, 2009	·FY2008 year-end separate financial reporting	Approved	Yes	Yes	Yes
		·FY2008 year-end financial reporting(consolidated)	Approved	Yes	Yes	Yes
		·FY2008 Q4 audit report	Approved	Yes	Yes	Yes
09-2nd regular meeting	Apr.20, 2009	·FY2009 Q1 separate financial reporting	Approved	Yes	Yes	Yes
		·FY2009 Q1 financial reporting(consolidated)	Approved	Yes	Yes	Yes
		·FY2009 Q1 audit report	Approved	Yes	Yes	Yes
09-3rd regular meeting	Jul.16, 2009	·FY2009 H1 separate financial reporting	Approved	Yes	Yes	Yes
		·FY2009 H1 financial reporting(consolidated)	Approved	Yes	Yes	Yes
		·FY2009 Q2 audit report	Approved	Yes	Yes	Yes
09-4th regular meeting	Oct.19, 2009	·FY2009 Q3 separate financial reporting	Approved	Yes	Yes	Yes
		·FY2009 Q3 financial reporting(consolidated)	Approved	Yes	Yes	Yes
		·FY 2009 H1 internal accounting management system operation	Approved	Yes	Yes	Yes
		·FY2009 Q3 audit report	Approved	Yes	Yes	Yes
		·FY2009 Q4 audit report	Approved	Yes	Yes	Yes
10-1st regular meeting	Jan.15, 2010	·FY2009 separate financial reporting	Approved	Yes	Yes	Yes
		·Approval of financial statements and operating report for 55th term	Approved	Yes	Yes	Yes
		·FY2009 financial reporting(consolidated) Appointment of external auditors	Approved	Yes	Yes	Yes
		·FY2009 Q4 audit report	Approved	Yes	Yes	Yes

03. Matters Related to Shareholders' Exercising Voting Rights

A. Accumulative voting

Not adopted

B. Voting in paper form or Voting in electronic form

Voting in paper form was adopted → It was resolved at the general shareholders' meeting held on March. 17, 2000

C. Key activities of the Audit Committee (auditors)

N/A

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04. Matters Related to Affiliated Companies

A. Affiliated Companies of the Hankook Tire Group

Company name	Affiliated company	Ownership (%)	Note
Hankook Tire Co., Ltd.	ATLASBX Co. Ltd.	31.13	-
	Daehwa Eng' & Machinery Co., Ltd.	95.00	-
	emFrontier Inc.	50.00	-
	Hanyang Tire Sales Corp.	50.00	-
	Hankook Tire America Corp.	100.00	-
	Hankook Tire Canada Corp.	100.00	-
	Hankook Tyre U.K. Ltd.	100.00	-
	Hankook Tire Japan Corp.	100.00	-
	Hankook Tire Europe Holdings B.V.	100.00	-
	Hankook Reifen Deutschland GmbH	100.00	-
	Hankook Tire France S.A.R.L.	100.00	-
	Hankook Tire Netherlands B.V.	100.00	-
	Hankook Espana S. A.	100.00	-
	Hankook Tyre Australia Pty., LTD.	100.00	-
	Hankook Tire China Co., Ltd.	96.15	-
Jiangsu Hankook Tire Co., Ltd.	34.67	-	
ATLASBX Co., Ltd.	FRIXA Co., Ltd.	100.00	-
	ATLASBX Motor Sports CO., Ltd	100.00	-
Daehwa Eng' & Machinery Co., Ltd	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	15.00	-
Shinyang Corp.	Daehwa Eng' & Machinery Jiaxing Co., Ltd.	85.00	-
Hankook Tire America Corp.	Hankook Tire China Co., Ltd.	3.85	-
	Jiangsu Hankook Tire Co., Ltd.	0.47	-
Hankook Tire China Co., Ltd.	Jiangsu Hankook Tire Co., Ltd.	64.87	-
	Hankook Tire China Regional Headquarters	66.00	-
Jiangsu Hankook Tire Co., Ltd.	Hankook Tire China Regional Headquarters	34.00	-
Hankook Tire Europe Holdings B.V.	Hankook Tire Italia S.R.L.	100.00	-
	Hankook Tire Hungary LTD.	100.00	-
	Hankook Tire Europe GmbH	100.00	-
	Hankook Tire Budapest Kereskedelmi Kft	100.00	-

Note 1) As of December 31,2009.

Note 2) Shinyang Corp., FWS Asset Management Co.,Ltd., Anoten WTE Co.,Ltd., H2 WTE Co.,Ltd are "the affiliated companies related to Monopoly Regulation and Fair Trade Act" and Hankook Tire does not own any shares.

Note 3) OCEAN CAPITAL INVESTMENT (L) LIMITED, Hankook Tire Netherlands Sales B.V., Shanghai Smile Automobile Service Co.,Ltd. excluded from affiliates list.

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05. Matters Related to directors and employees

A Directors' Compensation

1 | Information on compensation paid to directors (including NEDs) and Audit Committee members (auditors)

Korean won (in millions)

Classification	Total amount paid	Amount approved at general shareholders' meetings	Fair value (total amount) of		
			Relative	stock options granted	Note
Standing directors	2,068	5,700	-	-	-
Registered directors	96				

* Based on registered directors and compensation during their terms of office

2 | Status of stock options granted and exercised: None as of December 31, 2009

B Purchase of Directors and Officers Liability Insurance Policy

1 | Overview

As of December 31, 2009

Korean won

Name of insurance	Insurance premium paid		Maximum indemnification limit	Note
	Amount paid for the current year	Cumulative amount paid(including the amount paid for the current year)		
Directors and Officers Liability Insurance (D&O Insurance)	19,500,000	19,500,000	10,000,000,000	Jul. 27, 2009-Jul. 26, 2010

* The total amount of insurance premium was paid on July 27, 2009, and the insurance policy is effective for a year.

2 | Basis for purchasing D&O insurance policy and related procedures

They were resolved at the Board of Directors' meeting held on July 17, 2009 (Agenda: Subscription of D&O Insurance)

3 | Insured person

All the directors (officers) of the Company (including any retired directors, directors newly appointed during the term of the D&O Insurance, any deceased directors and their inheritors or companies that manage inherited property, and any bankrupt directors and their trustees)

4 | Damages or expenses covered by indemnification

A. Damages paid by the insured (including defense costs)

B. Expenses paid by the insured

- ① Expenses which are deemed necessary or useful for prevention or reduction of losses
- ② Defense costs paid under prior consent of the Company
- ③ Cooperation expenses for complying with demands from the insurer

5 | Exclusions from indemnification by the insurer

- ① Any claim arising out of illegally acquired personal interest by the insured
- ② Any claim arising out of a criminal act of the insured
- ③ Any claim arising out of a wrongful act committed by the insured who recognizes that such act violates relevant laws
- ④ Any claim arising out of remuneration (or bonuses, etc.) paid in violation of relevant laws to the insured
- ⑤ Any claim arising out of the insured's sales and purchase of stocks, corporate bonds, etc. issued by the Company making illegal use of information which is not made public
- ⑥ Any claim arising out of benefits provided to political organizations, public officials or officers or employees of the Company's clients
- ⑦ Any claim arising out of an act committed or a suit filed before the inception date of the insurance
- ⑧ Any claim for damages arising out of pollutants emitted, discharged, leaked, overflow or released and costs for removing pollutants
- ⑨ Any claim for damages arising out of any accident involving nuclear reaction, nuclear radiation, and other hazardous properties of nuclear materials
- ⑩ Any claim for injury done to human body or property, invasion of privacy, libel, slander, penalties, etc.
- ⑪ Any claim brought by any other insured person, company or subsidiary
- ⑫ Any claim brought by a person owning 15% or more of the stocks issued by the Company
- ⑬ Any claim arising out of an act carried out in the capacity of an officer of a corporation or organization other than the Company

Proposed Resolution

01. Resolutions Of Shareholders Meeting

Date	Item	Resolution
The 56th annual shareholder's meeting (Mar. 26, 2010)	1. Approval of balance sheet, income statement of appropriations of retained earnings (draft)	·Approved ·Cash dividend of KRW 350 (1.4% of market price)
	2. Amendment of Articles of Incorporation	·Notice will be reported on the homepage of Hankook Tire (http://www.hankooktire.com). ·When appointing external auditors, it will be reported to general BOD meeting or noticed by paper or electronic document to shareholders or noticed on homepage of the company.
	3. Appointment of NED to serve as Audit Committee member	·Yang-Rae Cho, Sung-Hwa, Suh, Sun-Gon, Chang reappointed. ·Hyun-Shik, Cho newly appointed.
	4. Approval of directors' compensation limit	·Directors' compensation limit for 2010 shall be KRW 5.7 billion; specifics shall be delegated to BOD.
The 55th annual shareholders' meeting (Mar. 20, 2009)	1. Approval of balance sheet, income statement, and statement of appropriations of retained earnings (draft)	·Approved ·Cash dividend of KRW 150 (1.0% of market price)
	2. Amendment of Articles of Incorporation	·Domestic and overseas operations, including sales offices, sales offices, local subsidiaries, and plants, may be established by resolution of the BOD or one of its committees. ·Notice of meeting may be substituted by notice on electronic notification system operated by the Financial Supervisory Service or the Korea Exchange, in addition to announcements in newspapers. ·Reorganized provisions following enactment of Financial Investment Services and Capital Markets Act.
	3. Appointment of NED to serve as Audit Committee member	·Min, Hae yung reappointed as NED (Audit Committee member).
	4. Approval of directors' compensation limit	·Directors' compensation limit for 2009 shall be KRW 5.7 billion; specifics shall be delegated to Board of Directors.

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02. Resolution Of Board Of Directors

Please refer to 01.- A - 1 - B. Key activities of the Board of Directors in Corporate Governance.

03. Dividend And Other Matters

A Dividend Information for the Past Three Fiscal Years

Item		FY 2009	FY 2008	FY 2007
Face value per share (KRW)		500	500	500
Current net income (Million won)		350,887	25,412	162,306
Earning per share (KRW)		2,417	173	1,095
Total cash dividend (Million won)		50,816	21,778	37,047
Total stock dividend (Million won)		-	-	-
Cash dividend rate (%)		14.48	85.70	22.83
Cash dividend rate (%)	Common stock	1.43	1.01	1.30
	Preferred stock	-	-	-
Stock dividend yield (%)	Common stock	-	-	-
	Preferred stock	-	-	-
Cash dividend per share (KRW)	Common stock	350	150	250
	Preferred stock	-	-	-
Stock dividend per share (Number of stocks)	Common stock	-	-	-
	Preferred stock	-	-	-

Note) No quarterly/interim dividends in the current fiscal year

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Summary of Key Reports

Audit Committee's Audit Report

The Audit Committee of Hankook Tire Co. Ltd. carried out auditing on the Company's accounting and business operation from January 1, 2009 to December 31, and reports the results as following:

A Overview of Audit Methodology

As for the audit on accounting, ledgers, relevant documents, financial statements and supplementary schedules were closely reviewed. The committee made comparisons, performed due diligence, called on relevant personnel, raised inquiries and took other appropriate audit procedures, if found necessary. To audit business operation, audit committee members attended the Board of Directors' meeting and other important meetings, asked directors for an update, if found necessary, read and closely reviewed documents related to key business and took other appropriate measures.

B Balance Sheet, Income Statement and Cash Flow

Hankook Tire's assets, P&L and cash flow were accurately recorded in its balance sheet, income statement and cash flow according to relevant laws and the Articles of Incorporation.

C Statement of Appropriations of Retained Earnings

The statement of appropriations of retained earnings is in line with relevant laws and the Articles of Incorporation. In addition, it reflects the Company's financial status and other conditions.

D Operating Report

Operating report accurately captures the Company's circumstances according to relevant laws and the Articles of Incorporation.

February 25, 2010

Hwang, Won Oh (Signature)



Chairman of Hankook Tire Audit Committee



Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Hankook Tire Co., Ltd.(the "Company") and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries including ATLASBX Co., Ltd., of which statements reflect 30.1% and 29.8% of consolidated total assets as of December 31, 2009 and 2008, respectively, and 46.1% and 45.2% of consolidated total sales for the years ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. and its subsidiaries as of December 31, 2009 and 2008, and the results of their operations, changes in its shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

March 25, 2010

Deloitte Anjin LLC

Notice to Readers

This report is effective as of March 25, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Auditor's Opinion on Internal Control Mechanism

A Overview of Internal Control Mechanism

| 1 | Hankook Tire has the following internal control mechanism and functions

A. Board of Directors

Board of Directors shall supervise individual director's execution of duties.

B. Audit committee

Audit committee shall supervise individual director's execution of duties. To this end, it may ask a director to submit reports on business operation or investigate the Company's operation and financial status.

C. Internal audit department

Internal audit department performs audit on various teams. The Business Diagnosis Team conducts regular audit and ad-hoc audit based on Hankook Tire's "Internal Audit Policy".

D. Other internal control mechanism

- ① Domestic subsidiaries' business performance management: Corporate Management Team²
- ② Due diligence on domestic sales offices: KOR)Marketing Team
- ③ Overseas sales company & offices' performance management: Global Sales Operations Team
- ④ Regular inventory check: Production Management Team
- ⑤ Internal quality assurance: Quality Management Team
- ⑥ Internal environment assessment: Environment & Safety Team of each plant
- ⑦ Operation of internal accounting management system: Accounting Team

| 2 | The board consists of seven directors including four NEDs.

| 3 | Appointment of the standing auditor and guaranteeing the employment status of Audit Team staff

1) Audit committee members of Hankook Tire are appointed based on Article 415 (2) of the Commercial Act and Article 44 of the Company's Articles of Incorporation (Any shareholder who holds more than 3/100 of the total outstanding shares shall not exercise his/her vote in respect of the shares exceeding the ratio).

2) Auditor shall be consulted before releasing or transferring staff in and out of the Audit Team in order to guarantee the employment status of Audit Team staff.

B Operation of Internal Control Mechanism

| 1 | Operation cycle

- ① Regular & ad-hoc audit: 10 times a year
- ② Domestic subsidiaries' business diagnosis: 1 time a year
- ③ Domestic subsidiaries' performance management: 1 time a month
- ④ Due diligence on domestic sales offices: 14 sales offices a year
- ⑤ Overseas sales company's performance management: 1 time every quarter
- ⑥ Overseas sales office's performance management: 1 time a month
- ⑦ Regular inventory check: 1 time a year
- ⑧ Internal quality assurance: 1 time a year
- ⑨ Internal environment assessment: 1 time a year
- ⑩ Report on the operation of internal accounting management system: 4 times a year

| 2 | Audit results

Issues pointed out during the audit are immediately reported to the personnel with authority as specified in the 'Authority Policy', and follow-up measures are taken according to operational procedures of each internal audit mechanism.

C Auditors' Opinion on Internal Control Mechanism Operation

| 1 | Auditors concluded that the internal control mechanism of Hankook Tire Co., Ltd. operated effectively in the fiscal year ended December 31, 2009.

| 2 | Material weakness of the internal control mechanism has not been found.

Audit committee member Hwang, Won Oh
 Audit committee member Min, Hae Yung
 Audit committee member Lee, Yong Sung

Other Information

01. Major Management and Other Contracts

A Long-term Purchasing Contracts for Raw Materials

- 1) Counterparties: Sri Trang and others
- 2) Contract times and periods: March 2009 and April 2009 - March 2010 (to be renewed annually)
- 3) Purpose and details: Procurement of natural rubber
- 4) Terms of payment: Letters of credit
- 5) Other important matters: No relevant data

B Discretionary Assets Management Contract

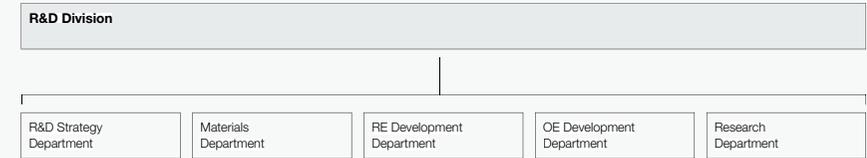
- 1) Counterparty: FWS Investment Advisory Corporation
- 2) Contract times and periods: July 19, 2007 – July 18, 2010 (To be renewed annually)
- 3) Purpose and details: Profit taking through asset management
- 4) Terms of payment: Commissions
- 5) Other important matters: Contract can be adjusted or terminated by written notice one month before expiry date
- 6) Risk management : After the end of trading every day, check the breakdown of trading and use, if important changes of profit, ask explanation from FWS Co., Ltd.

C Asset Transfer Contract

- 1) Counterparty: Daehwa Engineering & Machinery
- 2) Contract times and periods: February 12, 2008, February 2008 - April 2009
- 3) Purpose and details: Contract for asset transfer of bead manufacturing facilities
- 4) Contract amount: KRW 4,618 million

02. R&D Activities

1 | R&D organization



2 | R&D expenses

Korean won (In thousands)

Source	56th	55th	54th	Note
Raw materials	-	-	-	-
Personnel	32,703,045	26,671,823	26,397,696	-
Depreciation	11,300,186	10,410,147	11,221,164	-
Consignment service fee	-	-	-	-
Other	51,266,652	48,764,267	45,624,856	-
Total R&D expenses	95,269,883	85,846,237	83,243,716	-
Account settlements				
Selling and administrative expenses	95,269,883	85,846,237	83,243,716	-
Manufacturing expenses	-	-	-	-
Development expenses (intangible assets)	-	-	-	-
R&D expenses / Sales ratio (Total R&D expenses ÷ Sales × 100)	3.4%	3.2%	3.7%	-

Note 1) Based on Korea region

03. Matters Related to Other Investment Decisions

A Legal Risk

Legal risk is on the rise, both qualitatively and quantitatively. In 2009, we were faced with legal risk in various areas, including the original equipment (OE) business (domestic and overseas), intellectual rights, product liability (both domestic and overseas), franchises, the Fair Trade Act, and the Unfair Competition Prevention Act.

Legal risk management is undertaken by our Legal Affairs Team, which works to prevent legal problems that can arise during our business activities. It does this by hiring specialists, including domestic and international law firms, patent attorneys, and certified public labor attorneys. In addition, it is tasked with post-remedial operations, supporting the institution of lawsuits through speedy procedures when conflicts arise.

The team's duties include the preparation and examination of domestic and overseas business-related contracts, offering advice on legal matters for various projects and our ongoing business operations, examining legal information (including corporate activities-related laws, regulations, and judicial precedents), supporting the settlement of disputes (including the arbitration of both lawsuits at home and abroad), and external cooperation.

B Integrated EHS Control System

Hankook Tire is working to establish an integrated Environment, Health, and Safety (EHS) management system. The new system will increase the efficiency of data monitoring and management by setting standards in each of the three areas. EHS computerized system will systemically manage previously scattered EHS information and data. The major advancements made in building the system are as follows:

- First, to improve environment-friendly work environment during production process;
 - Second, to minimize potential risk factors;
 - Third, to analyze data on employees' regular physical examination results and work capabilities to detect possible health problems;
 - Fourth, to manage systemically chemical materials;
 - Last, to reduce environmental load and assess the air quality of neighboring community.
- First of all, the integrated EHS management system makes the company's environment-friendly management strategy more effectively bolster the competitiveness and the company will continue to upgrade advanced Environment, Health and Safety system.

04. Credit Ratings

Data	Rating target: securities, etc.	Credit rating	Credit agency	Credit rating categories	Rating classification
Jun. 04, 2008	Corporate bonds	AA-	Korea Ratings	(AAA-D)	Regular rating
Jun. 04, 2008	Corporate credit rating	AA-		(AAA-D)	Main rating
Feb. 12, 2009	Corporate bonds	AA-		(AAA-D)	Main rating
Feb. 27, 2009	Corporate bonds	AA-		(AAA-D)	Main rating
Jul. 01, 2009	Corporate bonds	AA-		(AAA-D)	Regular rating
Jun. 04, 2008	Corporate bonds	AA-	Korea Investors Service	(AAA-D)	Regular rating
Jun. 04, 2008	Corporate credit rating	AA-		(AAA-D)	Main rating
Dec. 26, 2008	Corporate credit rating	AA-		(AAA-D)	Regular rating
Feb. 13, 2009	Corporate bonds	AA-		(AAA-D)	Main rating
Feb. 27, 2009	Corporate bonds	AA-		(AAA-D)	Main rating
Jul. 31, 2009	Corporate bonds	AA-		(AAA-D)	Regular rating

Ratings definition

Rating agency	Rating target: Securities	Credit rating	Rating definition	Note
Korea Ratings	Commercial paper	A1	An obligor rated "A1" has an extremely strong capacity to timely meet its financial commitments.	Ratings between A2 and B categories can be designated with a plus (+) or minus (-) sign according to their relative status within each generic rating category
		A2	An obligor rated "A2" has a strong capacity to meet its financial commitments, although its redemption stability is somewhat weaker than that of an obligor in the A1 category.	
		A3	An obligor rated "A3" has an adequate capacity to meet its financial commitments, although its redemption stability is weaker than that of obligors in the upper rating categories.	
		B	An obligor rated "B" has the capacity to timely meet its financial commitments. However, its redemption stability contains speculative characteristics, so that it is susceptible to short-term changes in its business and economic environments.	
	C	An obligor rated "C" is speculative to a high degree.		
	D	An obligor rated "D" is in default.		
	Bonds/Corporate credit ratings	AAA	An obligor rated "AAA" has an unquestionable capacity to redeem its financial obligations and holds an extremely low investment risk.	
AA		An obligor rated "AA" has a satisfactory capacity to redeem its financial obligations, although its solvency is relatively weaker than that of obligors in the AAA category.		
A		An obligor rated "A" has a satisfactory capacity to redeem its financial obligations, although it is somewhat more susceptible to the adverse effects of changes in its business and economic environments than obligors in the AA rating categories.		
Continued				

Rating agency	Rating target: Securities	Credit rating	Rating definition	Note	
Korea Ratings		BBB	An obligor rated "A" has a satisfactory capacity to redeem its financial obligations, although it is somewhat more susceptible to the adverse effects of changes in its business and economic environments than obligors in the AA ratings categories.		
		BB	An obligor rated "BB" has the capacity to redeem its financial obligations. However, its redemption stability contains speculative characteristics that cannot be guaranteed in the long term.		
		B	An obligor rated "B" is speculative in meeting its financial commitments. Adverse circumstantial changes are likely to impair its capacity to pay interest.		
		CCC	An obligor rated "CCC" is highly speculative in meeting its financial commitments.		
		CC	An obligor rated "CC" is more speculative than an obligor in the CCC category.		
		C	An obligor rated "C" has a high default risk and no capacity for redemption.		
		D	An obligor rated "D" is in default.		
		A1	Capacity for timely payments is the strongest and hardly likely to be adversely affected by foreseeable events.		The ratings from 'A2' to 'B' may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major categories.
		A2	Capacity for timely payments is strong, but not as great as A1 ratings in terms of the margin of safety.		
		A3	Capacity for timely payments is adequate but likely to be impaired by drastic changes in circumstances and economic conditions		
Korea Investors Service	Commercial paper	B	Capacity for timely payments is doubtful and speculative, as it is more likely to be impaired by adverse changes in circumstances and economic conditions		
		C	Capacity for timely payments and safety is very vulnerable to near-term adverse changes in financial and economic conditions and is very speculative		
		D	In default		
		AAA	Capacity for timely payments is extremely strong.		The ratings from 'AA' to 'B' may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major categories.
		AA	Capacity for timely payments is very strong, but somewhat less than "AAA."		
		A	Capacity for timely payments is strong, but somewhat susceptible to external changes in the future.		
		BBB	Capacity for timely payments is adequate, but more likely to be weakened by future market changes.		
		BB	Capacity for timely payments faces no immediate problems, but is speculative in terms of its future stability		
		B	Capacity for timely payments is poor and speculative.		
		CCC	Contains the possibility of default.		
CC	Contains more possibilities of default.				
C	Highly likely to default.				
D	In default.				
Corporate bonds	Corporate credit rating	AAA	Capacity for timely payments is extremely strong.		
		AA	Capacity for timely payments is very strong, but somewhat less than "AAA."		