



Formula Technology



FY-2004



A red Formula 1 car is shown in motion on a racetrack, with a large crowd of spectators in the background under a blue sky with scattered clouds. The car is blurred to indicate speed.

with the Best Tire Performance and Formula Technology

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Dear Shareholders

Greetings to all the KUMHO TIRES customers and shareholders.

I would like to express my gratitude for your continued interest and support on KUMHO TIRES.

2004 was an eventful year filled with difficulties such as inflation and, demand contraction in the domestic market and oil price hike and currency exchange rate drop in the global economy. Many obstacles and challenges expected amid dynamic changes in environment both in Korea and abroad calls for a thorough preparation in 2005.

Employees and the management of KUMHO TIRES integrated their efforts to fully exploit their potentials to overcome all the adverse factors against advancement. The Company's structural capabilities were heightened in preparation for the new leap of external expansion and internal enhancement, bearing fruitful results.

First of all, KUMHO TIRES signed an MOU to build a new plant in Tianjin, China to expand production. The expansion is expected to heighten the company's competitive edge in the Chinese market where both demand and competition growths are high. It solidified the foundation for high-profit generation by increasing the market share in China. Procedural improvement of business realized the goal of establishing quality-oriented management system to strengthen the internal capabilities. KUMHO TIRES obtained the "ISO/TS 16949 (TS-2)" certification, which is an integrated international standard for automobile quality system, in December 2004. This achievement allowed application of the substantive and efficient quality oriented management system to all parts of the company. It positively contributed to heightening the corporate value and profitability by resulting in credible products and services for customers.

KUMHO TIRES properly answered the call for organizational transformation in growth based on external and internal business conditions by newly creating the vision of becoming the "World No.5 Tire Company" and the mission of "Maintaining the Operating Margin at 12% or Higher, Becoming the World No.8 Tire Company by 2009." 2005 will be the first year of "aggressive management" designed to facilitate KUMHO TIRES new leap forward. The Company's distinguished internal strength gained through efforts to establish trust-oriented culture and to foster valuable talents will set the basis for more aggressive management strategies. The Company will strive to enhance profitability and to grow in size in an attempt to materializing the vision of becoming the "World No.5 Tire Company." through following strategies:

- Maintain dominance in the high value-added market and develop next generation products
- Aggressive technology export to better the profitability
- External growth through construction of new plant units, off-takes, and strategic alliance

KUMHO TIRES will run a "strict performance -based assessment and compensation system" as a part of the output-oriented management foundation, which will drive the corporate culture of pursuing the highest value from excellence.

Respected customers and shareholders,

Last year, KUMHO TIRES concentrated on preparing the foundation for growth for the new leap to facilitate aggressive management. It greeted the coming of New Year with a determination to achieve the new mission and to materialize the vision through devotion and passion.

KUMHO TIRES, in the first year of aggressive management, will promote the "trust-oriented business" with more specific details in hand to strengthen the relationship of the Company with its customers. The corporate value will be heightened in its march towards the goal of becoming the "World No.5 Tire Company." Customers will be provided with the best products and services, employees will be treated based on trust and confidence, shareholders and investors will be rewarded with the maximization of corporate value, and society will be bettered based on the principle of sharing and contribution. The Company will strive to make "trust" the keystone in all business conducts. The KUMHO TIRES family promises to put forward the utmost effort to repay for your interest and support with the industry's best value and satisfaction.

I would like to thank everyone who has stood by KUMHO TIRES throughout its history and to ask for your continuous support.

Thank you.

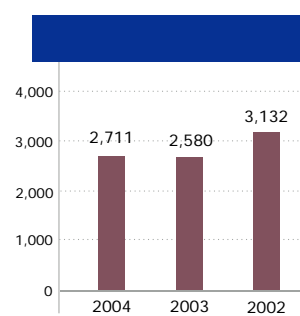
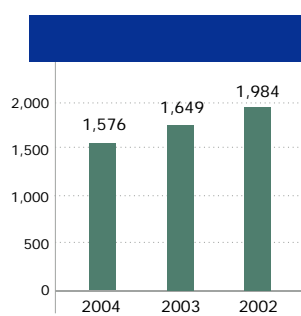
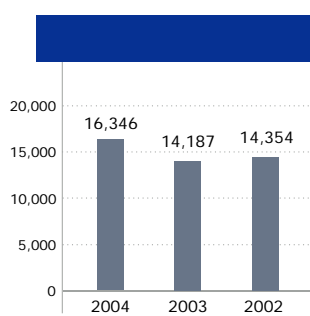


March 2005

KUMHO TIRE CO., INC.
CEO & President Oh Sae-chul

For the year ended December 31, 2004, 2003, 2002

| | 1,635 | 1,419 | 1,435 |
|--|-------|-------|-------|
| | 416 | 393 | 401 |
| | 158 | 165 | 198 |
| | 100 | 90 | 118 |
| | 271 | 258 | 313 |
| | | | |
| | 346 | 309 | 277 |
| | 1,310 | 1,274 | 891 |
| | 1,656 | 1,583 | 1,167 |
| | 1,039 | 1,033 | 780 |
| | 617 | 550 | 387 |











KUMHO TIRES is a Global player.

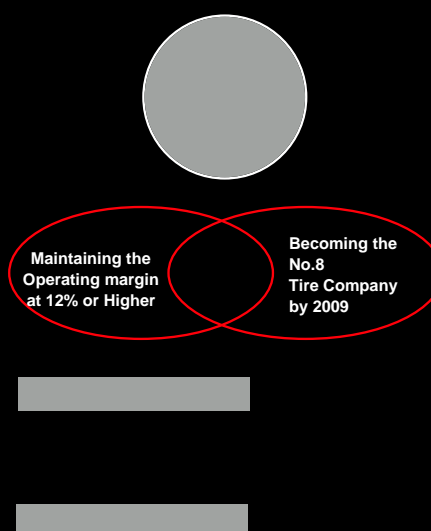
KUMHO TIRES is taking the great leap forward To become the "World No.5 Tire Company."

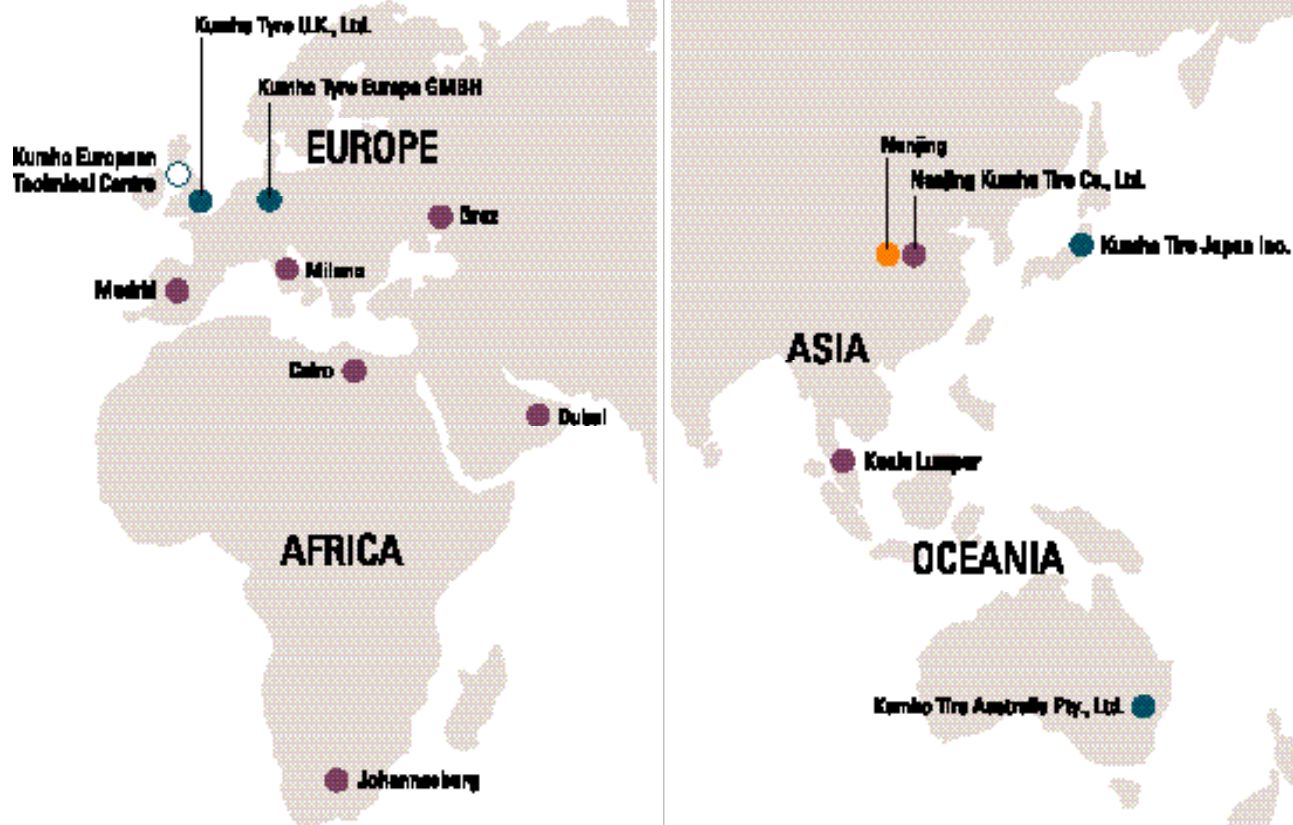
KUMHO TIRES newly established the vision of becoming the "World No.5 Tire Company" and the mission of "Maintaining the Operating margin at 12% or Higher, Becoming the World No.8 Tire Company by 2009." 2005 will be the first year of "aggressive management" designed to facilitate KUMHO TIRES' new leap forward. The Company's distinguished internal strength gained through efforts to establish trust culture and to foster valuable talents will set the basis for more aggressive management strategies. The Company will strive to realize the goals of profitability betterment and external growth in an attempt to materializing the vision of becoming the "World No.5 Tire Company."

KUMHO TIRES is upholding business ethic to build internal and external trust on the company and brand image through open management.

The Company is following the strategy for external growth and profitability betterment by effective management in dominating the niche market and sales of high value-added goods based on timely and well-informed decisions. CDS-based multifunctional human resources training, continuous R&D investment for UHP tire and future technology, technology export promotion, and KPI-run CEO management and future corporate value improvement are KUMHO TIRES' efforts for excellence. KUMHO TIRES strives to improve the profitability with an emphasis on trust in business.

KUMHO TIRES continues its march in the international market.





Overseas Network

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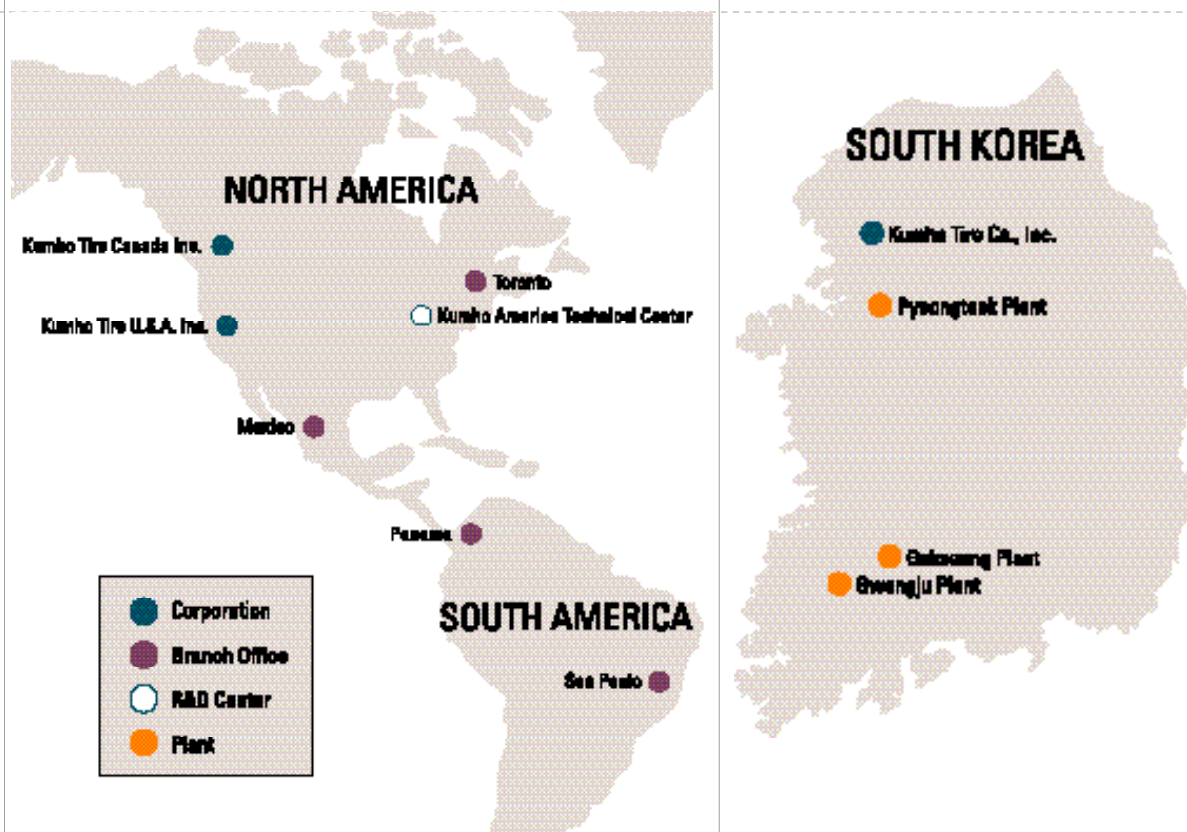
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Domestic Network

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GOKSEONG-GUN, CHOLLA NAM-DO, KOREA
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KOREA
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FAX : 82-31-680-5789

2000s

1990s

1980s

1970s

1960s



| | 768 | 3,992 | 97 | 4,857 |
|--|-----|-------|-----|-------|
| | 124 | 86 | 25 | 235 |
| | 892 | 4,078 | 122 | 5,092 |

| | 50,000,000 | 250,000,000 | 100% |
|--|------------|-------------|------|

| | 32,384 | 1,147,122 |
|--|--------|-----------|
| | 1,890 | 1,633 |
| | | 1,148,755 |

| | | 31,752 | 1,522,113 |
|--|--|--------|-----------|
| | | 2,644 | 66,318 |
| | | 34,396 | 1,588,431 |
| | | | 46,161 |
| | | 34,396 | 1,634,592 |

| | | 2004.01~2004.12 | 51,797 | : 106,309 |
|--|--|-----------------|---------|-----------|
| | | | 24,807 | |
| | | | 5,967 | |
| | | | 17,526 | |
| | | | 6,212 | |
| | | | 106,309 | |

| | | | 627,650 | | | 67.0% | |
|--|--|--|---------|--|---------|--------|--|
| | | | 1,074 | | 2,100 | 100.0% | |
| | | | 20 | | 19,998 | 100.0% | |
| | | | 10,100 | | 101,000 | 100.0% | |
| | | | 54 | | 537 | 100.0% | |
| | | | 100 | | 100,000 | 100.0% | |
| | | | 40,000 | | 40,000 | 100.0% | |
| | | | 500 | | 500,000 | 100.0% | |

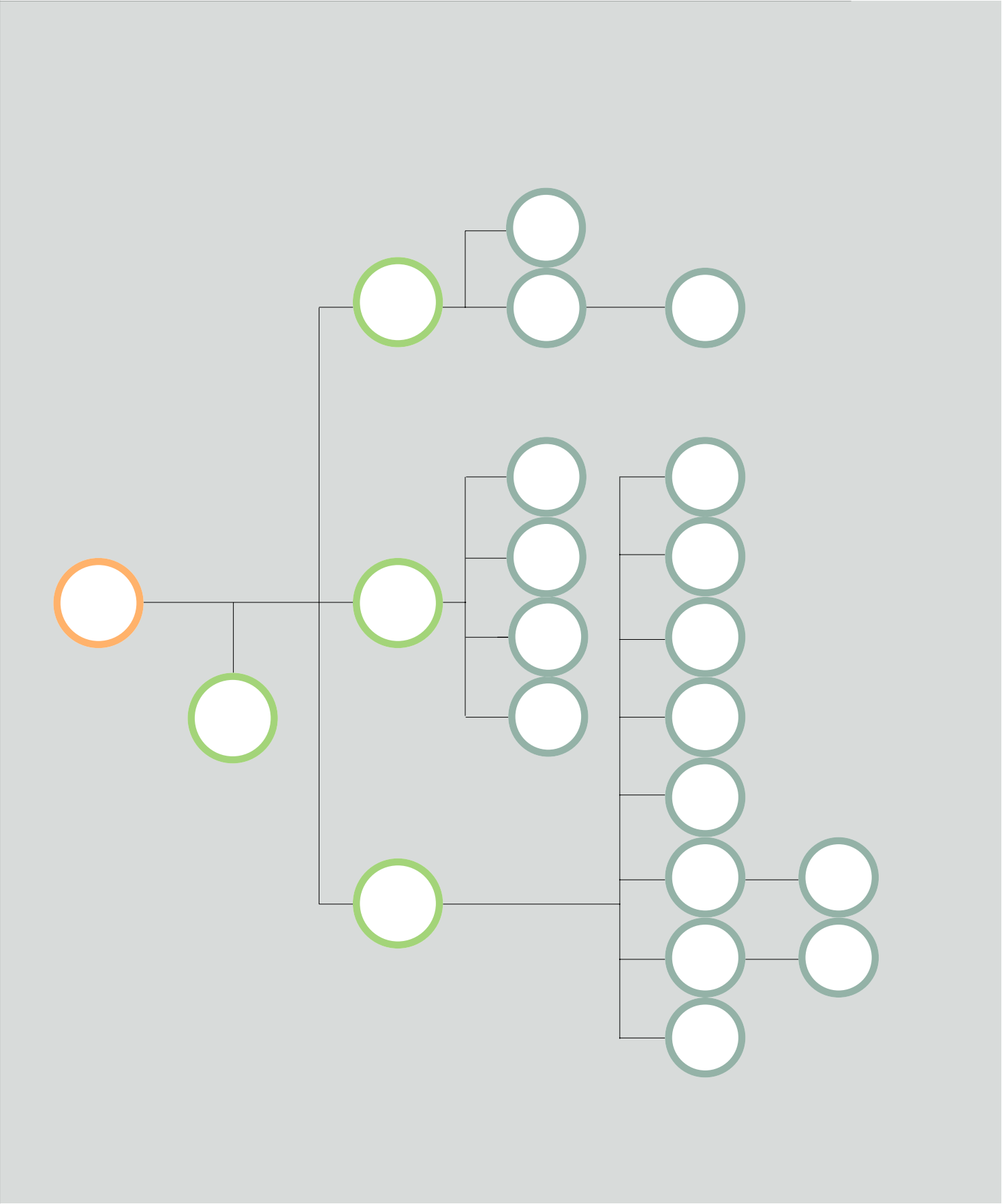
| | 2004.1.1~2004.12.31 | Ref. | 2003.7.1~2003.12.31 | Ref. |
|--|---------------------|--------|---------------------|--------|
| | 1,634,592 | 100.0% | 729,760 | 100.0% |
| | 1,218,596 | 74.6% | 531,058 | 72.8% |
| | 415,996 | 25.4% | 198,703 | 27.2% |
| | 258,422 | 15.8% | 119,652 | 16.3% |
| | 157,573 | 9.6% | 79,050 | 10.8% |
| | 46,852 | 2.9% | 13,727 | 1.9% |
| | 79,534 | 4.9% | 35,765 | 4.9% |
| | 124,891 | 7.6% | 57,012 | 7.8% |
| | 24,509 | 1.5% | 7,154 | 1.0% |
| | 100,383 | 6.1% | 49,858 | 6.8% |

| | 2004.12.31 | 2003.12.31 | Ref. |
|--|------------|------------|------|
| | 345,744 | 309,180 | |
| | 1,310,552 | 1,273,669 | |
| | 1,656,296 | 1,582,850 | |
| | 559,658 | 426,034 | |
| | 479,060 | 606,349 | |
| | 1,038,718 | 1,032,383 | |
| | 250,000 | 250,000 | |
| | 250,000 | 250,000 | |
| | 125,240 | 49,858 | |
| | -7,662 | 610 | |
| | 617,578 | 550,467 | |
| | 1,656,296 | 1,582,850 | |

| | 25,000,000 | 50.0 % | | |
|--|------------|---------|--|--|
| | 15,000,000 | 30.0 % | | |
| | 1,500,000 | 3.0 % | | |
| | 1,000,000 | 2.0 % | | |
| | 1,000,000 | 2.0 % | | |
| | 1,000,000 | 2.0 % | | |
| | 500,000 | 1.0 % | | |
| | 500,000 | 1.0 % | | |
| | 500,000 | 1.0 % | | |
| | 500,000 | 1.0 % | | |
| | 3,500,000 | 7.0 % | | |
| | 50,000,000 | 100.0 % | | |

| | | | 67.0% | | | |
|--|--|---------|--------|--|--|--|
| | | 2,100 | 100.0% | | | |
| | | 19,998 | 100.0% | | | |
| | | 101,000 | 100.0% | | | |
| | | 537 | 100.0% | | | |
| | | 100,000 | 100.0% | | | |
| | | 40,000 | 100.0% | | | |
| | | 500,000 | 100.0% | | | |

| | 174,714 | 1,500,000 | 3.0 % |
|--|---------|-----------|-------|
| | 67,251 | - | - |
| | 64,939 | - | - |
| | 78,875 | - | - |
| | 46,875 | - | - |
| | 5,000 | - | - |
| | 42,216 | - | - |
| | 35,631 | - | - |
| | 33,351 | - | - |
| | 27,500 | - | - |
| | 12,000 | - | - |
| | 588,352 | 1,500,000 | 3.0 % |





| | |
|-----------|-----------|
| 9,012 | 11,522 |
| 594 | 1,344 |
| 30 | 11 |
| 182,555 | 161,278 |
| 27,230 | 18,090 |
| 291 | 336 |
| 33 | 33 |
| 2,248 | 1,425 |
| 6,890 | 7,007 |
| 7 | - |
| 116,854 | 108,134 |
| 345,744 | 309,180 |
| 107 | 34 |
| 106,327 | 69,822 |
| 25,598 | 21,666 |
| 96 | 503 |
| 7,126 | - |
| 1,113 | - |
| 3,641 | 4,576 |
| 1,041,004 | 1,044,724 |
| 125,540 | 132,344 |
| 1,656,296 | 1,582,849 |
| 132,589 | 116,801 |
| 137,136 | 121,588 |
| 120,609 | 26,305 |
| 94,281 | 106,139 |
| 48,356 | 36,030 |
| 15,181 | 11,718 |
| 3,175 | 2,096 |
| 5,992 | 5,356 |

| | 2,339 | - |
|--|-----------|-----------|
| | 559,658 | 426,033 |
| | 317,709 | 446,980 |
| | 138,609 | 138,106 |
| | 22,742 | 21,263 |
| | 1,038,718 | 1,032,382 |
| | | |
| | 250,000 | 250,000 |
| | 250,000 | 250,000 |
| | 2,500 | - |
| | 122,740 | 49,858 |
| | (7,662) | 609 |
| | 617,578 | 550,467 |
| | 1,656,296 | 1,582,849 |

| | | |
|--|-----------|---------|
| | | |
| | 1,634,592 | 729,760 |
| | 1,218,596 | 531,057 |
| | 415,996 | 198,703 |
| | 258,423 | 119,653 |
| | 157,573 | 79,050 |
| | 4,349 | 2,157 |
| | - | 2,520 |
| | 11,753 | 3,060 |
| | 11,018 | 4,614 |
| | 13,532 | 173 |
| | 4,194 | 755 |
| | 202 | - |
| | 541 | - |
| | 723 | - |
| | 540 | 448 |
| | 46,852 | 13,727 |
| | 46,189 | 24,159 |
| | 999 | - |
| | 7,407 | 2,416 |
| | 2,429 | 2,434 |
| | - | 16 |
| | 2,466 | 1,043 |
| | 13,891 | 4,946 |
| | 1,077 | 342 |
| | 120 | 226 |
| | 350 | - |
| | 2,339 | - |
| | 2,267 | 183 |
| | 79,534 | 35,765 |
| | 124,891 | 57,012 |
| | 24,509 | 7,154 |
| | 100,382 | 49,858 |
| | 2,008 | 997 |
| | 2,008 | 997 |

| | |
|----------|----------|
| | |
| 100,382 | 49,858 |
| 778 | 599 |
| 106,354 | 44,201 |
| 70,049 | 25,084 |
| 7,129 | 3,538 |
| 2,466 | 1,043 |
| 2,429 | 2,433 |
| 120 | 226 |
| 350 | - |
| - | 16 |
| 5,686 | 2,728 |
| 2,339 | - |
| 999 | - |
| (13,532) | (173) |
| - | (2,520) |
| (4,194) | (755) |
| 93 | - |
| 181,066 | 76,420 |
| (22,568) | (58,697) |
| (18,171) | (3,459) |
| - | (29) |
| (822) | (113) |
| 111 | (4,669) |
| (8,840) | (2,407) |
| 935 | (4,576) |
| 22,640 | (30,020) |
| 1,157 | (455) |
| 636 | (1,283) |
| (11,565) | 46,628 |
| 12,325 | 10,337 |
| 3,463 | 11,718 |
| (35,472) | (21,633) |
| 98 | - |
| 1,479 | 514 |
| (34,173) | (20,977) |
| (88,767) | (79,121) |

| | 192,681 | 47,157 |
|--|-----------|-----------|
| | 57 | 124 |
| | 10,938 | - |
| | 375 | - |
| | 18,284 | 3,177 |
| | (10,188) | (1,344) |
| | (19) | (27) |
| | (73) | (3) |
| | (3,933) | (355) |
| | (1,205) | - |
| | (119,189) | (88,992) |
| | (325) | (283) |
| | (331) | (128) |
| | (45,775) | (66,693) |
| | (151,384) | (154,524) |
| | 13,185 | 483,210 |
| | (31,992) | (414,080) |
| | - | (180,000) |
| | (25,000) | - |
| | (43,807) | (110,870) |
| | (2,510) | (218,237) |
| | 11,522 | 229,759 |
| | 9,012 | 11,522 |

| | 22,358 | - |
|--|---------|--------|
| | 100,382 | 49,858 |
| | 122,740 | 49,858 |
| | 2,750 | 2,500 |
| | 27,500 | 25,000 |
| | 30,250 | 27,500 |
| | 92,490 | 22,358 |



KUMHO TIRE CO., INC.
Board of Directors

| | |
|---|---------------------------------|
| Chairman of the board of directors Park, Sam Koo | Directors Oh, Sae Chul |
| Directors Oh, Nam Soo | Directors Yu, Sun Joon |
| Directors Kim, Sung Joong | Directors J. Roberto C. Delgado |
| Directors Chang, Sun Il | |

정인영

