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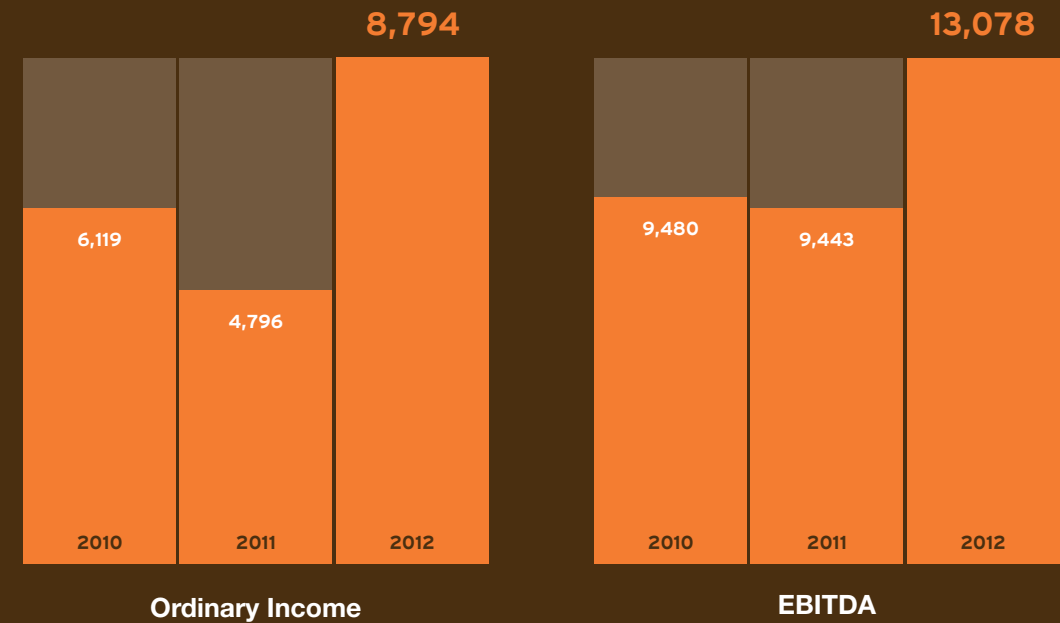
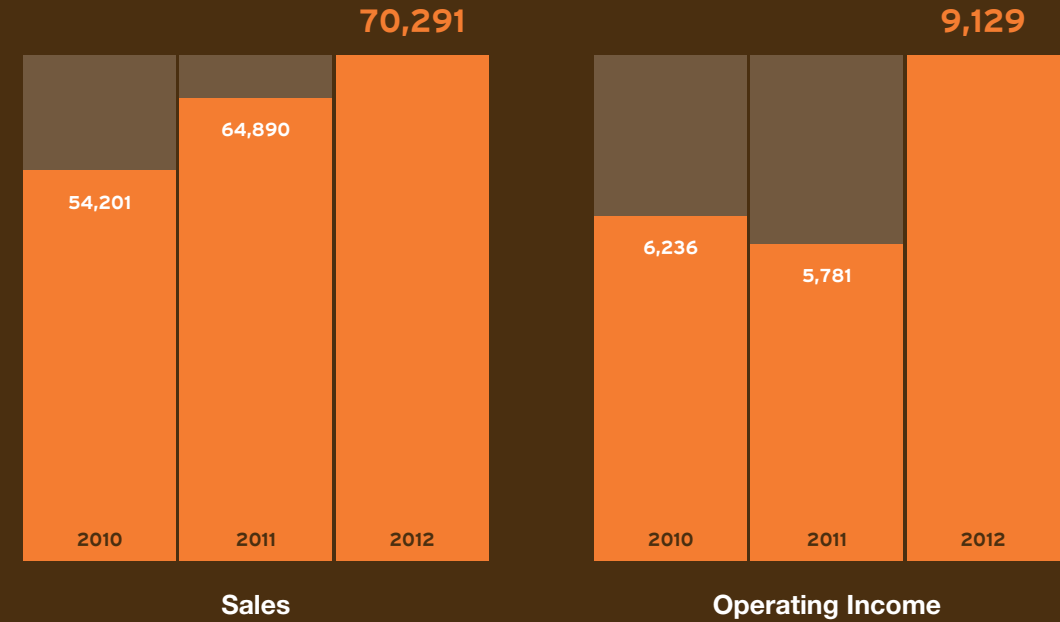
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GEARING FOR GROWTH

1

## FINANCIAL HIGHLIGHTS

Unit: KRW million | K-IFRS, Total on Consolidated Basis



(Earnings Before Interest, Taxes, Depreciation and Amortization)

2010-2011: Hankook Tire before spin-off  
 2012: Combined total of Hankook Tire sales and income before and after spin-off

Message from the CEO / Top Management / Organizational Structure

Mission & Vision / Global Presence

Business Portfolio / Affiliates

Stock Market Data

	2012	2011	2010	2009	2008
Year High (Unit: KRW)	50,400	50,000	34,450	25,950	14,350
Year Low (Unit: KRW)	40,100	27,650	20,000	11,200	9,800
High/Low	1.26	1.81	1.72	2.32	1.46
Fiscal Year-end Final Offering (Unit: KRW)	47,000	45,250	31,750	25,500	15,300
Annual KOSPI Floating Rate Index (Unit: %)	14.90	-10.98	21.88	49.65	-40.73
Total Number of Shares (Unit: Share)	123,852,681	152,189,929	152,189,929	152,189,929	152,189,929
Market Capitalization (Unit: KRW in Trillions)	5.61	6.89	4.83	3.88	2.33
Average Daily Trading Volume (Unit: Share)	607,600	1,002,988	721,002	1,061,162	973,816
Dividend per Share (Unit: KRW)	400	400	350	350	150

2008-2011: Hankook Tire before spin-off | Listed on the Korea Exchange (KRX) | Par Value: KRW500 | ISIN Code : KR700024002 | Total number of voting shares: 145,189,929  
 2012: Hankook Tire after spin-off | Listed on the Korea Exchange (KRX) | Par Value: KRW500 | ISIN Code : KR7161390000 | Total number of voting shares: 123,852,681

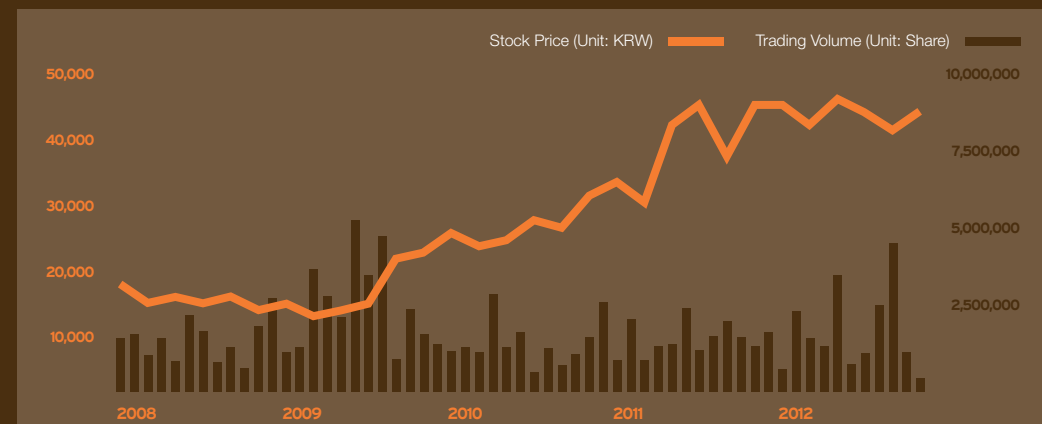
Data Per Share

2008-2009: K-GAAP | 2010-2012: K-IFRS

	2012	2011	2010	2009	2008
Net Income (Unit: KRW in Millions)	148,845	267,189	358,902	350,887	25,412
Earnings per Share (Unit: KRW)	1,202	1,840	2,472	2,417	173
Cash Dividend Rate (Unit: %)	33.28	21.74	14.16	14.48	85.70
Cash Dividend Yield (Unit: %)	0.86	0.90	1.07	1.43	0.98

2008-2011: Hankook Tire before spin-off  
 2012: Hankook Tire after spin-off

Stock Price Trends (Past 5 Years)

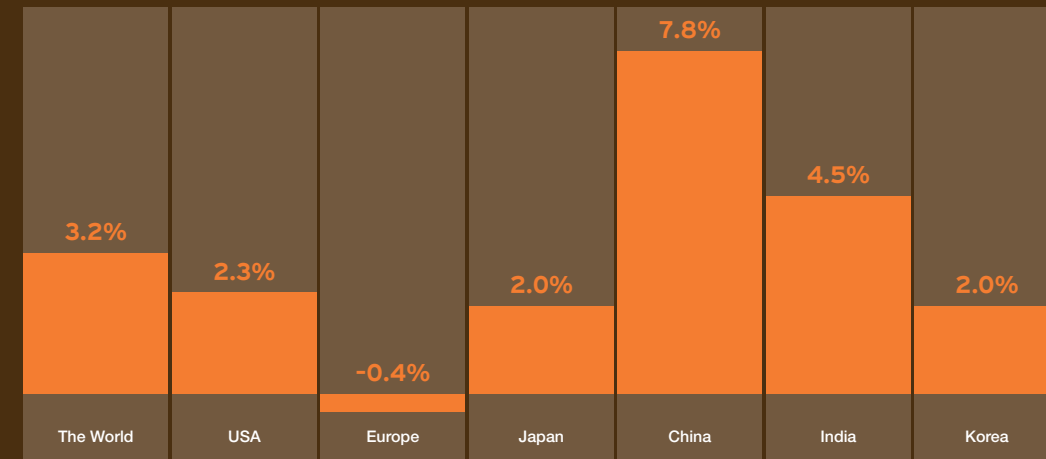


Before Aug. 29 2012: Hankook Tire before spin-off  
 Aug. 30-Oct. 2 2012: Trading suspension due to spin-off  
 After Oct. 4 2012: Hankook Tire after spin-off

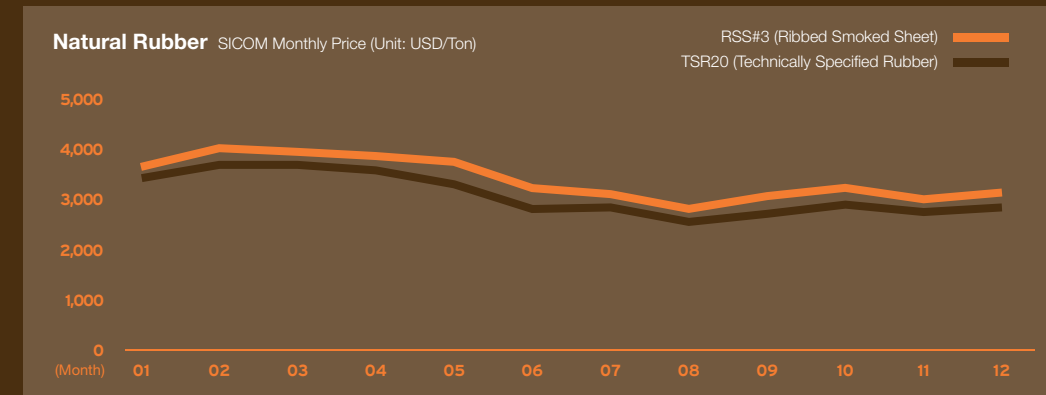
MARKET ANALYSIS

Global Economic Growth Rate in 2012

Source: IMF

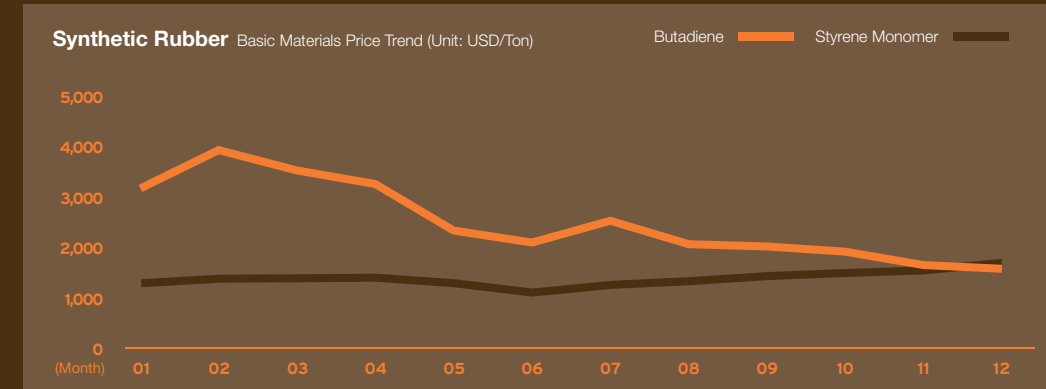


Raw Material Prices in 2012



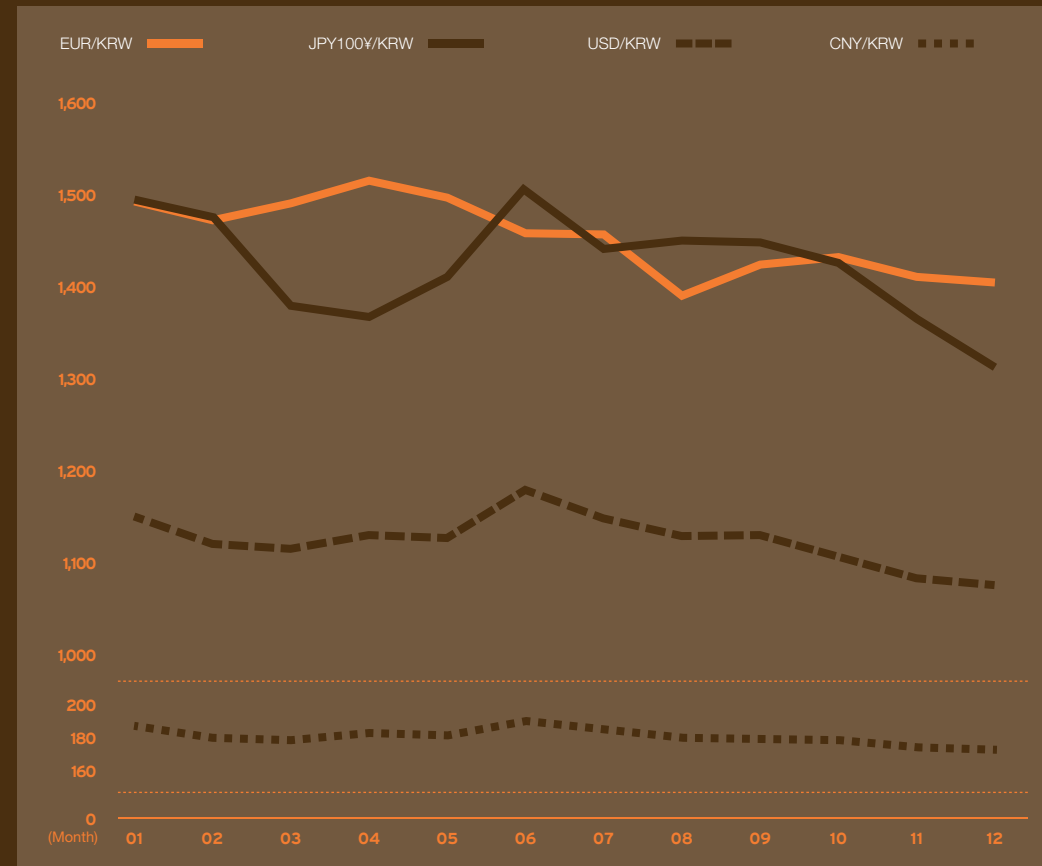
Note: Average price based on shipments in the next month

Source: BD-Platts CFR Taiwan Weekly Spot Price, SM-Platts FOB Korea



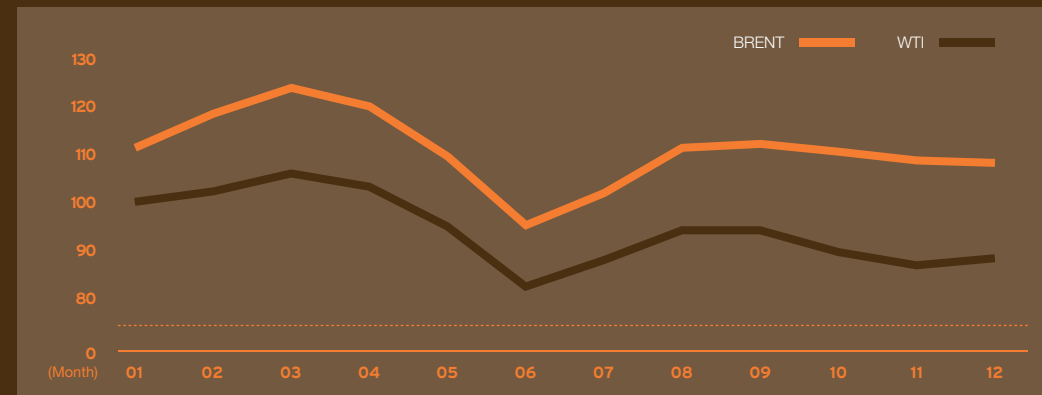
Exchange Rates in 2012

Unit: KRW | Source: Bank of Korea



Oil Prices in 2012

Unit: USD/bbl | Source: Monthly Trend



# COMPANY PROFILE

Message from the CEO / Top Management / Organizational Structure

Mission & Vision / Global Presence

Business Portfolio / Affiliates

## Message from the CEO



**We are building a sustainable business on the foundation of quality products and brand assets, while growing together with our stakeholders through prescient investments for the future.**

Dear valued customers and shareholders:

In 2012, the tire industry was locked in a battle for market dominance fiercer than ever: The industry had to weather a fiscal crisis in Europe and the US, high exchange rates across major currencies, and slowing economic growth in China and other emerging markets.

But in the same year, Hankook Tire passed a major milestone as a company. In September, management decided to split the company into two parts, Hankook Tire Worldwide and the newly-incorporated Hankook Tire, in a move to bolster its expertise in the tire business and ensure corporate governance and transparency, thereby laying the foundation for the company's advance to the next stage of excellence. This change allowed the company to focus its resources squarely on the tire business and hence boost its total sales by 8.32% to KRW7.291 trillion despite lingering economic gloom and escalating competition in the market.

It is a shared view among many economists that the world economy will fare better this year. Still, it will be a while until it fully recovers from the current sluggish growth pattern, while the competition in the global tire market will only deepen in the coming years. Top brands leading the industry are pushing ahead with new investments to keep followers at bay, while low-cost manufacturers, armed with competitive prices, are relentlessly inching onto our home turf.

The company will overcome these impending challenges and push ahead with sustainable development by setting quality and brand as its top priorities. Our past efforts have started to show tangible results with premium global auto brands now collaborating with us for the development of next-generation models. We will not be resting on our laurels though; we will strive to satisfy our customers with top quality products and services by putting unwavering efforts into R&D and quality assurance, while sharpening our marketing strategy with the aim of posting operating income of KRW931.5 billion on revenues of KRW7.3686 trillion by the end of 2013.

In a bid to achieve such ambitious goals, the company will start construction of a new main R&D center this year. Equipped with top-notch facilities and technology, it will soon rise as the company's global base for tire development and as a showcase for its technological excellence. The company will also stabilize newly-opened manufacturing plants in Chongqing, China, and Bekasi, Indonesia, and expand production capacity, thereby putting the finishing touches to new and robust production bases for the company's stable quantitative growth in the future. The company will also fulfill its duties as a responsible corporate citizen to promote shared growth with society as well as environmentally-friendly management. The company aspires to be remembered as one of the most trusted and respected players in the global tire industry.

We will be pushing ahead with unyielding efforts in the years ahead to rise as a company respected by customers and society. As we continue to flourish, we ask for your continued attention and support.

Thank you!

**SEUNG HWA SUH**  
Vice Chairman &  
Hankook Tire CEO

## Top Management

We have pushed diverse initiatives to reform the company from its core. These include: more active involvement by the board of directors in business operations; responsible management for enhancing business competency; and the split of the company in a bid to enhance transparency and accountability.

### Hankook Tire — Spin-off of Hankook Tire Worldwide

The company made a bold move on September 1, 2012 to ensure its transparency and sustainability by adopting a holding company equity structure. The management decided to split the company through equity spin-off. Hankook Tire Worldwide will direct subsidiaries' strategic goals and handle their business diversifications, while Hankook Tire, will run the existing tire business. This decision was reached in a series of resolutions made in a board of directors' meeting on April 25, 2012, and an extraordinary shareholders' meeting on July 27 in the same year. Upon completion of the restructuring of equity ownership, Hankook Tire Worldwide will own Hankook Tire and other affiliates as subsidiary companies.

The objectives and expected outcomes of the transition to the holding company equity structure are:

1. The spin-off is designed to enhance responsible management as we focus on the individual management basis of each business. It establishes the foundation for making the holding company responsible for managing investment-related operations, while the newly spun-off business focuses on the existing tire operation.
2. The spin-off provides an operational framework that guarantees a prompt and specialized decision-making process, optimized for the needs of different business divisions. The move is expected to enhance our competitive leadership in each business division, which can concentrate their resources on their respective businesses to create value.
3. Diversification of management risks and improved transparency strengthens our management efficiency, thereby maximizing shareholder value.
4. Additional operating profits earned through the specialization of each business division are reinvested in the respective core businesses, while the diversification of business operations allows for effective handling of the fast-changing management environment.

The newly spun-off Hankook Tire was listed on the Korea Exchange on October 4, 2012 through an applicable review process, and will continue to run our existing tire business while the erstwhile Hankook Tire, renamed Hankook Tire Worldwide, was listed on the market as a publicly-traded company on the same day.

## Top Management\*



- |  |   |  |  |
|--|---|--|--|
| 1 <b>YANG RAI CHO</b><br>Chairman of Hankook Tire Worldwide  | 2 <b>SEUNG HWA SUH</b><br>Vice Chairman and CEO of Hankook Tire   | 3 <b>HYUN SHICK CHO</b><br>President and CEO of Hankook Tire Worldwide                                   | 4 <b>HYUN BUM CHO</b><br>President and CMO/CSFO of Hankook Tire                                    |
| 5 <b>JIN WOOK CHOI</b><br>President and COO of Hankook Tire / Europe Regional Headquarters                 | 6 <b>CHUL KOO PARK</b><br>Executive Vice President and COO of Hankook Tire / Korea Regional Headquarters          | 7 <b>BYEONG JIN LEE</b><br>Senior Vice President and COO of Hankook Tire / America Regional Headquarters | 8 <b>SOO IL LEE</b><br>Senior Vice President and COO of Hankook Tire / China Regional Headquarters |
| 9 <b>JAE PYO LEE</b><br>Senior Vice President of Hankook Tire Worldwide / Business Infrastructure Division | 10 <b>JONG HO PARK</b><br>Senior Vice President of Hankook Tire Worldwide / Corporate Strategy & Finance Division | 11 <b>HO YOUL BAE</b><br>Senior Vice President of Hankook Tire/ Marketing Strategy Planning Division     | 12 <b>BYUNG IL WOO</b><br>Vice President of Hankook Tire / Global OE Division                      |
| 13 <b>KWON HO SONG</b><br>Senior Vice President of Hankook Tire / Production & Engineering Division        | 14 <b>SANG JU LEE</b><br>Senior Vice President of Hankook Tire / R&D Division                                     | 15 <b>DONG HWAN MOON</b><br>Vice President of Hankook Tire / Quality Division                            | * As of January 1, 2013  |

### Board of Directors

Transparent and advanced business management is a necessity for any global company. Most global corporations today use their boards of directors and other designated bodies, including audit committee, to protect shareholder interests and elevate the levels of transparency and professionalism within their organizations.

The board has three main functions: (1) to monitor top executives on behalf of the shareholders; (2) to offer advice on management issues to top executives; and (3) to grant top management access to the resources necessary for corporate success. Advanced global corporations have developed their business environments so that their boards can perform their proper roles of exercising control, providing service and accessing external resources.

Hankook Tire was one of Korea's first brands 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 controls top management so that sound corporate governance and reasonable and transparent management are maintained.

To enhance corporate transparency and reliability, the Hankook Tire board consists of two executive directors and three non-executive directors (NEDs). A constant effort is also made to ensure that the board's decision making remains effective and responsible in the best interests of the company by establishing the "Hankook Tire Board of Directors Administration Regulation."

The NEDs at 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 non-executive 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, and they provide top management with valuable advice in support of decision-making.

#### Non-executive Directors (NEDs) of Hankook Tire (As of December 31, 2012)

GEUN HO CHO: BA in Law from Seoul National University / Head of the Prime Minister's Secretariat / Vice Minister of Science and Technology / Advisor of the Federation of the Korean Industries

CHOONG HWAN CHO: BA in Law from Seoul National University / Executive Director of Samsung C&T / Vice Chairman of Hankook Tire

SUNG PHIL HONG: Master's and PhD in Law from Seoul National University / Master's and PhD in Law from Yale Law School / Presently Professor of Law at Yonsei University Law School

#### Non-executive Directors (NEDs) of Hankook Tire Worldwide (As of December 31, 2012)

WON OH HWANG: BA in Economics from Seoul National University / Served as Head of the National Tax Tribunal under the Ministry of Finance / Served as President of Korean Minting and Security Printing Corp. (KOMSCO)

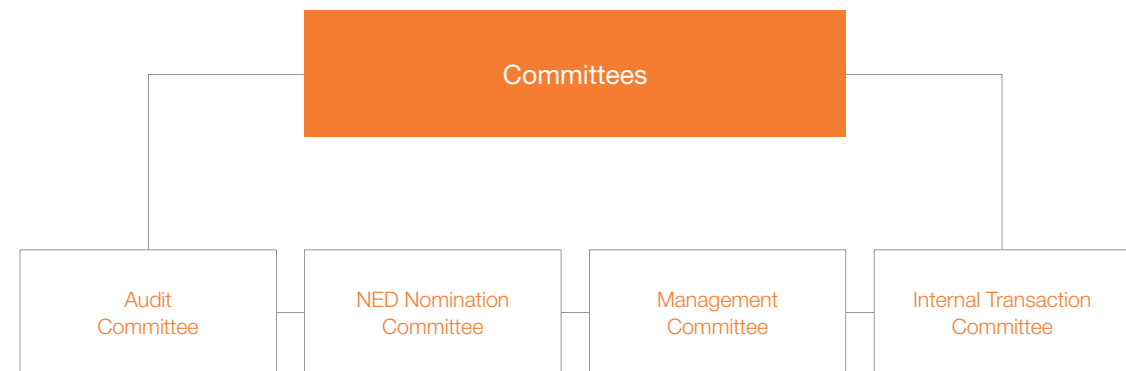
HAE YUNG MIN: BA in Economics from Seoul National University / Formerly Chairman of the Credit Finance Association

YONG SUNG LEE: BA in Economics from Seoul National University / Formerly Head of the Planning and Administration Office under the Ministry of Finance / Formerly Non-executive Director of Hynix Semiconductor Co., Ltd.

\* Conflict of interest with the six largest shareholders: N/A

### Roles and Composition of Committees

Hankook Tire has a variety of stringent internal regulatory systems in place to ensure transparent and reliable management performance. Towards this end, Hankook Tire has established committees under the board of directors to maximize the efficiency and professionalism of board operations. Part of the board's authority is delegated to these committees, made up of specialists who systematically examine and settle issues within their respective areas of expertise. Currently under the board are the Audit, NED Nomination, Management and Internal Transaction Committees, which are tasked with realizing transparent business performance.



#### Audit Committee

The Audit Committee was established by and operated under the board. Membership consists of three non-executive 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 committee members also assist in company audits, serving as overseers and regulators of top management. Hankook Tire's regulations regarding the Audit Committee allow it to request reports from executive directors or examine the company's financial standing at any time, helping to ensure transparency in business activities.

Hankook Tire has operational rules for the Audit Committee, which allows the committee access to business information necessary for its auditing activities. The committee meets regularly each quarter, and additional meetings may be called whenever necessary.

**NED Nomination Committee**

The NED Nomination Committee was established as a committee under the board to maximize the fairness and independence of the process to recommend candidates for the non-executive director position. The committee consists of five members; NEDs outnumber internal directors. This is yet another way in which Hankook Tire enhances transparency and fairness in the nomination process.

The committee abides by the stipulations on the establishment of the committee and related regulations in the Hankook Tire Articles of Incorporation. The NED nominations are confirmed by vote at the general shareholders' meeting.

**Management Committee**

In the ever-more competitive global business environment, fast and effective decision-making is essential. The Management Committee was established in 2008 under the board in order to reduce the number of board meetings and to streamline business management processes. This has helped to raise corporate professionalism and efficiency by accelerating the decision-making process.

The Management Committee deliberates and decides on general management and financial affairs, which are the most frequent activities of business management. With the committee playing this role, regular board meetings are freed for the discussion of the most important issues. This systematic support for board activities promotes managerial accountability 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 by the committee. According to regulations, if any of the resolutions passed by the Management Committee are vetoed during the ensuing board meeting, the issue is automatically disallowed.

**Internal Transaction Committee**

Being a listed company regulated by the ban on mutual investment, Hankook Tire is running an Internal Transaction Committee to monitor and supervise related transactions among affiliated parties. The committee conducts preliminary reviews and votes on internal transactions among affiliated parties as stipulated by the Monopoly Regulation and Fair Trade Act.

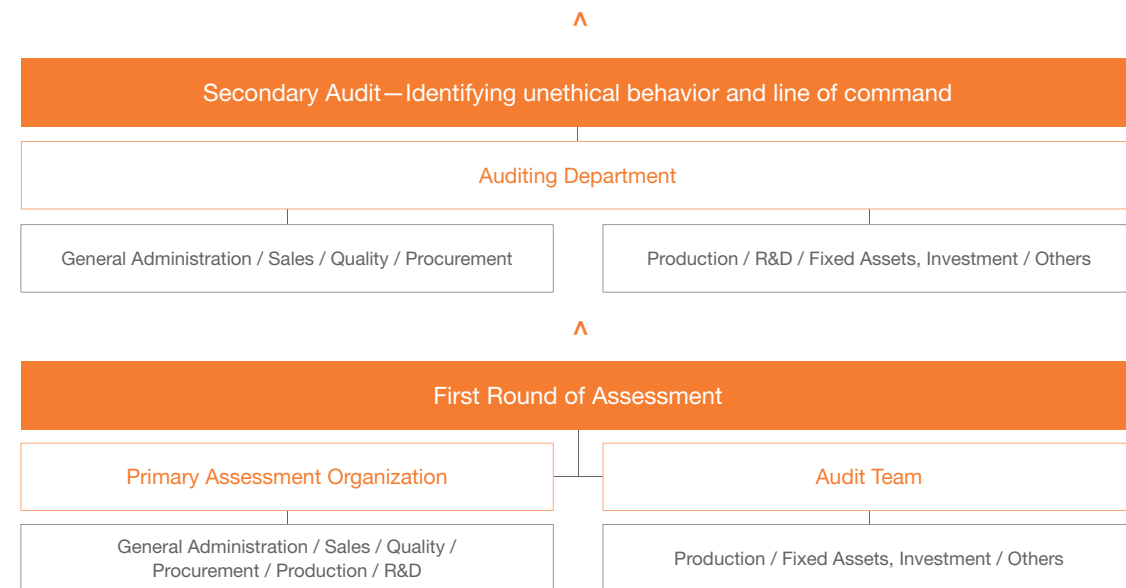
Building on the Articles of Incorporation, the company made stipulations on the establishment of the committee and related regulations about the Internal Transaction Committee. The committee can request the company provide related documents on the key contents of internal transactions, contract methods and rules on selecting trading partners and details of transaction conditions if it is necessary for the review and approval of each agenda.

**Performance Assessment System**

**Hankook Tire Performance Assessment System**

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

Monitoring Management Activities with Unified Performance Assessment Processes  
< Management Diagnosis Committee >



**Performance Assessment Process**

Hankook Tire has adopted a code of ethics to promote transparency and integrity in business, thereby ensuring stable profitability for shareholders over the long term. Various performance assessment activities by phases and periods are deployed to monitor manufacturing processes regularly, and to identify sources of waste. In addition to the activities of the Auditing Department, organizations with the task of conducting primary inspections on the plant floor are now engaged in strengthening assessment activities to prevent inefficiency throughout various management diagnosis programs.

Since 2008, our regular Management Diagnosis Committee (MDC) began to integrate all essential monitoring and assessment processes into a corporate-level system. The committee convenes each quarter. Moreover, the Hankook Tire Risk Monitoring System (HRMS) began operations from June 2011. This permanent warning system is set to prevent accidents. Information about potential problems identified by this system is used to improve processes after conducting additional analyses. Aside from regular MDC meetings, we hold ad hoc MDC meetings to review the effectiveness of follow-up measures after an initial committee audit. These committee activities strengthen management monitoring.



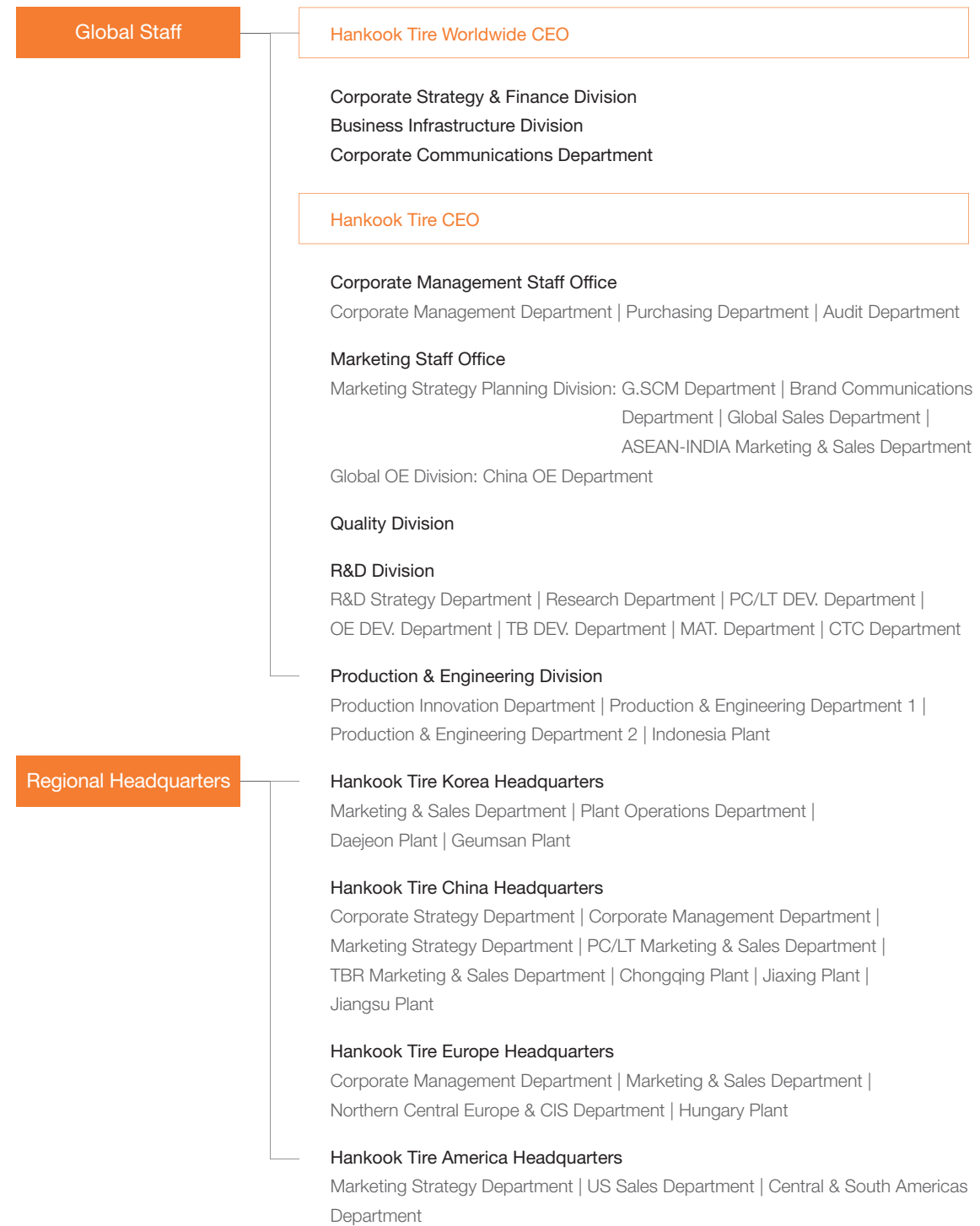
## Organizational Structure

**We revamped our organizational structure around our mid- and long-term visions so that we can implement related strategies effectively and efficiently. Balanced organizational management that values the organic integration and independence of each business division at the same time helps the company surge ahead in the global market.**

In 2012, Hankook Tire reorganized the erstwhile Hankook Tire as Hankook Tire Worldwide, the newly incorporated holding company, in an attempt to ensure management transparency and stability. Hankook Tire Worldwide will work as the shared service center for its affiliates, providing functional support in the area of business strategy, human resources and IT infrastructure. The company also reviews and implements the plan to diversify Hankook Tire's business portfolio by conducting feasibility studies on potential new businesses and strategic alliances. Meanwhile, the newly-incorporated Hankook Tire will strive to maximize profitability by focusing squarely on the tire business with more sophisticated strategies while performing its existing responsibilities, as before.

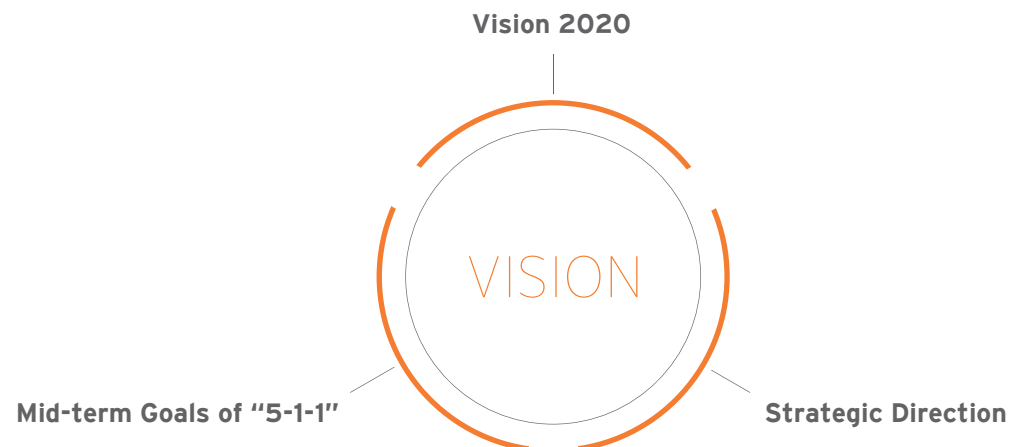
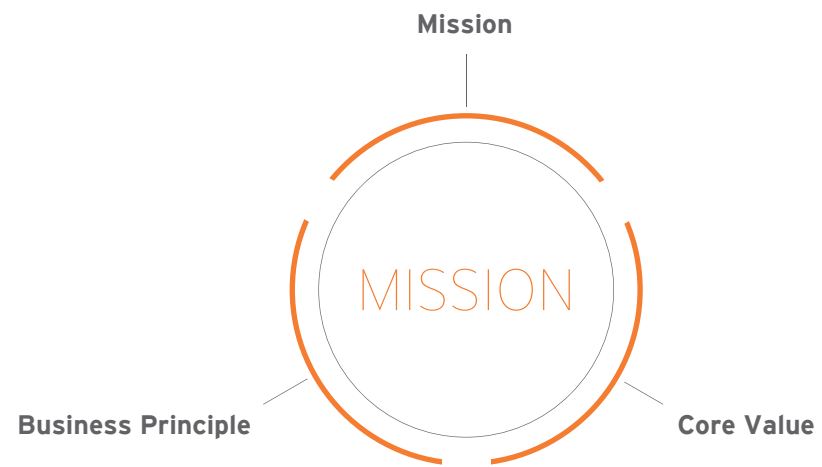
Hankook Tire, which includes Hankook Tire Worldwide, consists mainly of global staff and local headquarters. The company's global staff supports strategy formulation and the decision-making process of each business function, while each local headquarters takes full responsibility across the entire business process, from production to sales, in their respective regions. The partial reorganization of its business structure in 2012 readied the company for the optimal implementation of its mid- and long-term vision and resulting strategy: the company's quality division now reports directly to the Hankook Tire CEO to meet the goal of "Quality Level Up;" the China Technical Center belongs to the R&D division, a move designed to strengthen collaboration with overseas technical centers and promote specialization of respective R&D competence; and the Shandong and Malaysia sales subsidiaries were newly established to effectively serve emerging markets.

Hankook Tire Worldwide and Hankook Tire will work closely together in the future to realize an optimal organizational system that best suits the companies' strategic directions.



## Mission & Vision

We have established a framework for our mission and vision, redefining our core values and corporate direction. The mission framework is divided into three parts: the Mission, which demonstrates what core values Hankook Tire pursues; the Business Principle, which describes what Hankook Tire has to do; and the Core Value, which summarizes how our employees are to act. The vision framework consists of: Vision 2020; Mid-term Goals of "5-1-1" which define the status we aim to achieve in five to ten years; and Strategic Direction, which defines what steps we must take to attain these goals.



## Mission Framework

### Mission

#### Contribute to Advancements in Driving

Our mission is to inspire drivers to take on challenges and create new possibilities. We strive to help drivers enjoy their time on the road and be confident in the choices they make. To achieve this, we aim to keep introducing up-to-date technologies and solutions that meet tomorrow's criteria for safety, performance, excellence in quality, and other factors contributing to advancements in driving. Our priority as a business entity is to sustain profitable growth. We are committed to enhancing value for our business partners and shareholder as well as to expand opportunities for the growth and development of both our employees and the communities where we operate.

### Business Principle

In developing solutions that continue to generate healthy, sustainable growth, we abide by a set of principles. These serve as a reminder to honor our responsibilities to our customers, our partners, our communities and other stakeholders.

Placing customers first

Recognizing talent and potential

Promoting innovation at work

Respecting our environment

Creating lasting value and profitability for our shareholder

Safeguarding ethics and compliance with regulatory matters is paramount. By conducting our business ethically and striving to do the right things that generate trust in our brand, we are able to stand at the top of the recommendations from our shareholder and business partners. We will continue to uphold these principles with absolute integrity and do our best in all we can.

### Core Value

At Hankook Tire, we are bound together by proactive leadership, a standard which we all share and which provides a crucial blueprint for fulfilling our mission and vision. Proactive leadership is identified by four essential characteristics of passion, innovation, trust, and globalization. Each characteristic motivates us to self-evolve and take ownership of our tasks, fulfilling the roles we are given to the best of our abilities.

#### Proactive Leadership

We are passionate. We have a goal

We are innovative. We create possibilities

We are collaborative. We build trust

We are global. We share an open mind

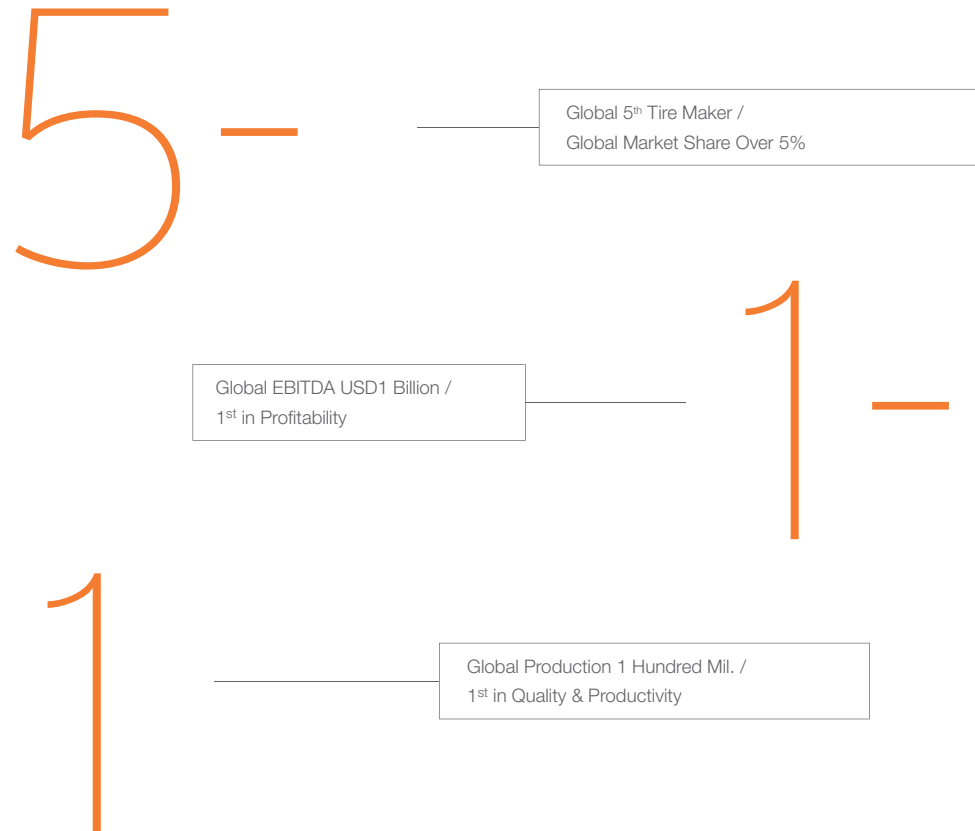
**Vision Framework**

**Vision 2020**

The vision for Hankook Tire is to become a “Leading Global Tire Company that Provides Customers with Value and Pleasure.” This is the status our entire organization strives to attain. We have established step-by-step goals for ourselves in order to achieve our vision by 2020.

**Mid-term Goals of “5-1-1”**

Our mid-term goals describe what we should achieve within the next three to five years in order to realize our envisioned future. These goals can be summarized as “5-1-1,” where each of the three numbers refers to two separate targets. The “5” stands for becoming the world’s fifth-largest tire maker and taking at least five percent of the global market share. The first “1” represents earning EBITDA of USD1 billion and achieving the industry’s highest profit rate, while the second “1” means producing 100 million tires annually and topping the industry in terms of quality and productivity.



**Strategic Direction**

The four strategic directions to help achieve the mid-term goals that are set to actualize our ultimate vision are as follows:

**1. Brand Value Up**

As we focus our marketing capability and resources on brand building, we will enter the tier of premium brands to expand our market share and improve our profitability. Banking on our optimal product portfolio, we will provide differentiated value to our customers. Through this, we will manage Hankook Tire’s brand as a base for continuing profit creation. In addition, we will enhance our distribution channels and integrate marketing strategies to upgrade our brand value.

**2. Quality Level Up**

The widespread disclosure of tire performance grades has elevated customer expectations for quality, and the performance assessment standards for automakers have been raised. Therefore, we pursue sustainable growth on the strength of outstanding quality. As for raw materials, the focus of our sourcing practices is on higher quality, not lower costs. On the operational management side, we have improved all manufacturing processes in order to optimize production volume and improve product line balance with the stabilization of product quality – always our top priority. We conduct planned maintenances and overhaul our facilities regularly. And we have developed product uniformity indicators in each production line as we pursue thorough quality control.

**3. Global Operation Excellence**

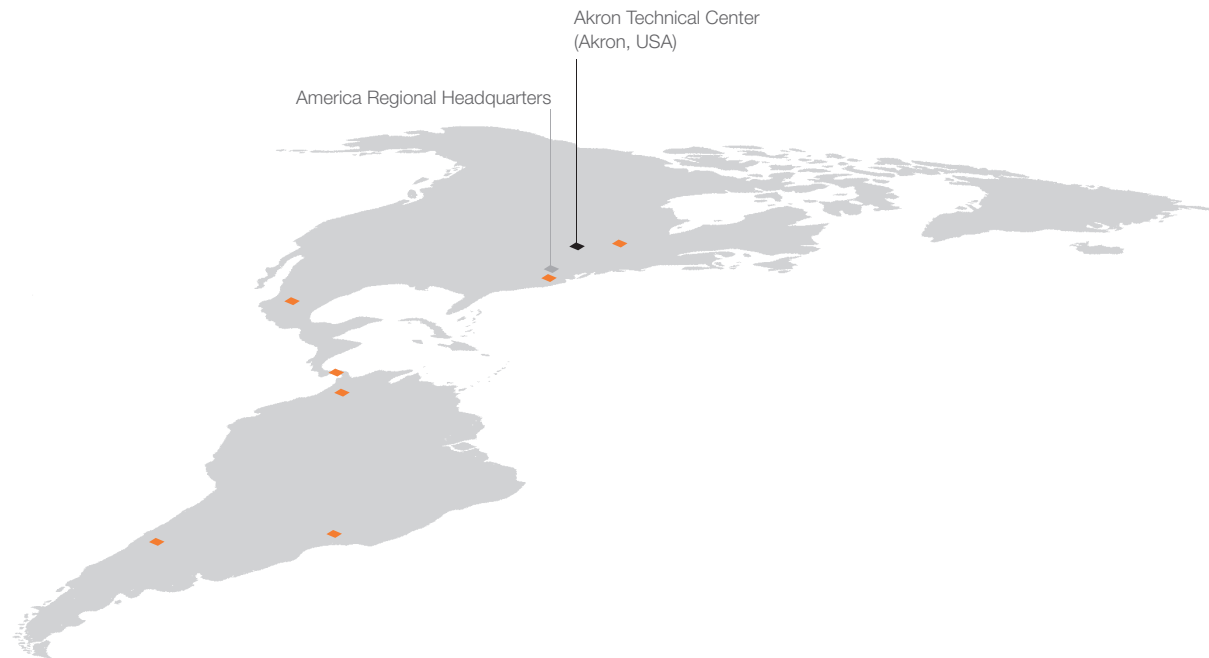
We will maximize business efficiency in preparation for uncertainties in the business environment. To optimize our global operations, we are seeking ways to use company resources as efficiently as possible, including cost and investment rationalization schemes. Moreover, the global supply chain management (SCM) project is in progress as part of efforts to optimize business processes. Innovations are also being made from the mid- and long-term perspectives to better manage potential risks and respond quickly and comprehensively when actual problems occur.

**4. Global Growth Acceleration**

Diversifying economy of scale is critical for the survival of tire manufacturers. Global tire brands are aggressively making new investments, while mergers and acquisitions occur frequently in this industry. These strategies are designed to continue sustainable growth in a highly competitive business environment, because the tire market has already matured in advanced economies. As such, our investment in expanding global production facilities continues, and relentless efforts are being made to raise our profitability.



## Global Presence



**Hankook Tire is committed to providing customers around the world with tires that ensure safe and comfortable driving, enhancing their lifestyles and pleasure.**

Hankook Tire has divided the global market into five regions. Building on a region-specific strategy, we are generating balanced growth in both advanced and emerging markets. Our sales network currently spans one sales subsidiary and 35 sales offices in Korea, where the global headquarters is located, along with locations in China (one sales subsidiary and 18 sales offices), Europe (nine sales subsidiaries and two sales offices), the Americas (three sales subsidiaries and four sales offices), and the Middle East/Africa/Asia Pacific (four sales subsidiaries and six sales offices). This network allows us to offer various products that meet the preferences of customers in different regions. In addition, we operate offices in Europe (Hannover, Germany) and North America (Detroit, the US) for the Original Equipment (OE) tire business. These offices maintain close ties with local automakers. Meanwhile, the Singapore subsidiary has been opened to respond quickly to various issues regarding the supply of raw materials.

In 2012, we opened sales subsidiaries in Malaysia and Turkey, and sales offices in China, which will serve as platforms to enhance our impact as a leading global tire company.

- Korea** | 1 Sales Subsidiary, 2 Plants, 35 Sales Offices, Main R&D Center, Academy House (6,597 employees)
- China** | 1 Sales Subsidiary, 3 Plants, 18 Sales Offices, China Technical Center (CTC) (9,130 employees)
- Europe** | 9 Sales Subsidiaries, 1 Plant, 2 Sales Offices, 1 OE Liaison Office, Europe Technical Center (ETC) (2,695 employees)
- Americas** | 3 Sales Subsidiaries, 4 Sales Offices, 6 Regional Offices, 1 OE Liaison Office, Akron Technical Center (ATC) (235 employees)
- Middle East, Africa, Asia-Pacific** | 4 Sales Subsidiaries, 1 Plant, 6 Sales Offices, Japan Technical Liaison Office (JTO) (1,080 employees)
- Total Employees** | 19,737 (As of December. 31 2012)



- Regional Headquarters** Korea, China, Europe and America
- Sales Subsidiaries & Sales Offices** Operating in 29 countries
- R&D Centers** Main R&D Center (Daedeok Innopolis, Korea), Akron Technical Center (Akron, USA), Europe Technical Center (Hannover, Germany), China Technical Center (Jiaxing, China), Japan Technical Liaison Office (Osaka, Japan)
- Plants** Korea (Daejeon, Geumsan), China (Jiaxing, Jiangsu, Chongqing), Hungary (Rácalmás), Indonesia (Bekasi)

## Business Portfolio

We are implementing a specialized brand strategy to provide integrated services designed to meet the diverse needs of global customers. We don't just sell tires; we deliver world-class quality and unmatched value to our customers with the goal of offering them the best possible driving experience.

### Brand Portfolio

Hankook Tire operates three global tire brands, catering to the diverse needs of global customers. The flagship, Hankook, is used worldwide, while Aurora, which mainly provides passenger car tires, and Kingstar, which focuses on economical tires, are brands exclusively for overseas customers.

#### Hankook

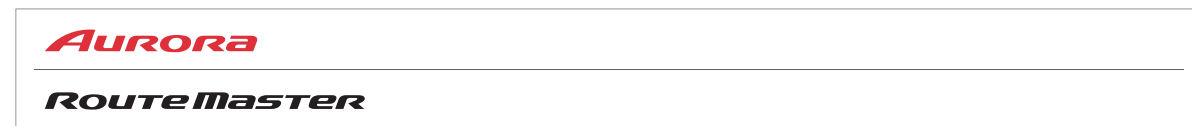
Our global flagship brand, Hankook, has several product brands that cover diverse segments in terms of applications and compatible vehicle types. These are: Ventus (product group for Ultra High Performance (UHP) and racing), Optimo (product group for premium sedan), Kinergy (global eco-friendly product line), enfren (Korea's first eco-friendly product line), Dynapro (product group for SUVs), Smart (economy product group sold inside Korea), and Vantra (product group for vans). In addition, winter tire lines are classified as Winter i\*pike (studded tires sold globally) and Winter i\*cept (studless tires sold globally). Our segmented product brands serve the needs of a wide range of customers around the world.

Leading industry trends, we launched a new eco-friendly line, Kinergy (standing for Kinetic + Energy), starting in European markets in 2010, followed by the introduction of the enfren eco line in 2012. The enfren eco was rated 1st class in the energy efficiency classification, in terms of rolling resistance. Our product development, reflecting global trends, will continue.



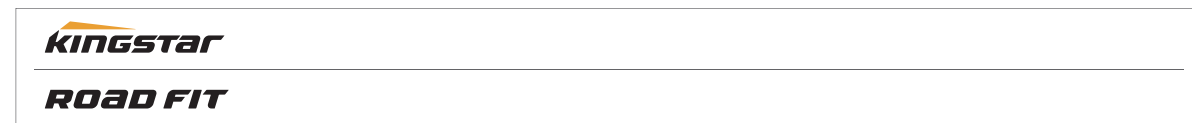
#### Aurora

Aurora, a brand for customers outside Korea, has a product-brand named Route Master, or "tires that are the masters of the road."



#### Kingstar

Kingstar is another brand exclusively sold outside Korea. This brand runs the Road Fit product brand, which stands for tires that deliver optimal on-road performance.



### Distribution Channel Portfolio

We have completed the construction of an integrated auto care service system centered on tires in a bid to serve our global customers better in a warm and friendly setting. Our Korea Regional Headquarters operates 1,185 service locations nationwide, leading the trend for integrated customer services in Korea. We provide customers in over 180 countries with quality products and outstanding services through our global sales network. Moreover, we continue to expand overseas retail channels.



#### T'Station – Korea's Top Premium Tire Shops

The T'Station network is our premium distribution channel designed to offer top-quality services at reasonable prices for exceptional customer satisfaction. This network has continued to expand since the first T'Station shop opened in July 2004, and a total of 450 shops were in operation as of the end of 2012. In 2013, we expect the 500th shop to open. T'Station shops are equipped with Radio Frequency Module (RFM) systems, 3D wheel aligners, Ultra High Performance (UHP) tire changers and other sophisticated equipment. The network of T'Station shops contributes to the promotion of the "Right Tire, Right Service" program, which is aimed at informing customers of the importance of tires for safe driving.



#### The Tire Shop – Discount Store for Hankook Tire

The Tire Shop is Hankook Tire's discount store chain created to respond to increasing demands for low- and medium-priced products. The shops aim to offer a full line of services including tire installation, tire change and wheel alignment services. As of the end of 2012, 223 locations were in operation in Korea.



**Hankook Masters - Overseas Retail Network**

We expanded the Hankook Masters Membership program, originally set up for European dealers, to include the Middle East and Asia-Pacific regions in 2011. This marked the first step to build an integrated overseas retail network. The Hankook Masters Membership network now encompasses more than 2,200 retail shops in major European countries as well as in Saudi Arabia, Australia, Indonesia, China, Thailand and elsewhere. The Red Hankook Membership program that we were running in Latin America has been gradually integrated with Hankook Masters Membership since the latter half of 2012. Major discount chains and automobile dealers are seeking to raise market share in the US and Canada. Responding to this trend, we are improving communications with these emerging channels. We are also engaged in various marketing and sales promotion activities customized for major local players in these channels in order to boost customer contact.



**TBX · Hankook Truck Masters - Distribution Network for Truck & Bus Radial Tires**

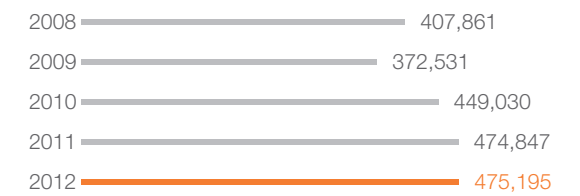
TBX is Hankook Tire's distribution network that specializes in the sale and retreading of truck & bus radials. As of the end of 2012, 610 locations were providing services with up-to-date equipment and dedicated professionals in Korea and China. In addition, we are running the Hankook Truck Masters network, which provides services exclusively for truck & bus radials in major European countries.

**Affiliates**

Hankook Tire is equipped with core infrastructures to deliver the best driving experience. Our affiliates include Korea's leading specialized companies for batteries, tire manufacturing machinery, brake systems, molds for tires and integrated IT services. This combination of assets is creating top-tier synergies.



ATLASBX Sales  
Unit: KRW million



2008~2009: K-GAAP | 2010~2012: K-IFRS, Consolidated Total

**ATLASBX Co., Ltd.**

ATLASBX was established in 1944 to make batteries for cars and trucks. Over the years, the company has continued to develop and introduce new products, 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 product lines and solidify the company's position as a top-tier battery maker. In 1994, it was listed on the KOSDAQ benchmark index, securing a channel to attract investment in the direct financial market. In 1999, the Jeonju Plant was established, 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. The company obtained QS 9000, ISO 9001 and ISO 14001 certifications in the late 1990s; in 2004, the ISO · TS 16949 certification was also acquired.

In 2007, ATLASBX became Korea's first battery maker to win the USD200 Million Export Tower award from the Korean government, and the USD300 Million Export Tower in 2008. In 2009, the company received the "R" Mark from the Ministry of Knowledge Economy for the first time among Korea's battery makers; this mark serves as testimony to outstanding product quality. The City of Daejeon also honored the company with its KRW400 Billion Sales Tower award in 2009, while the Ministry of Labor designated ATLASBX as an outstanding company for labor-management relations. Moreover, the Ministry of Knowledge Economy designated ATLASBX as the sole supplier of lead storage batteries for the ministry's Smart Grid pilot project. Thus, the groundwork has been laid for the company to grow as an environment-friendly energy specialist. In 2010, the company was named *Fortune* magazine's 2010 "Great Workplace in Korea," cementing its status as an industry forerunner. It was once again recognized as a leader in building harmonious and cooperative labor-management relationships when it received the Prime Minister's Prize in the 2011 Labor-Management Culture Awards.

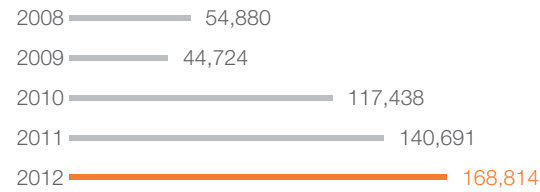
The company signed a contract in 2012 to supply Energy Storage System (ESS) to Japanese homes — a successful inroad into the fast-growing renewable energy business of the future. Thanks to its proactive entry into the energy storage business, the company is a pioneer in the next-generation energy area.

**Main Products**

Automotive Batteries | Taxi Batteries | Marine Batteries | Batteries for Farming Machines | Truck and Bus Batteries | AGM Batteries | Batteries for Imported Vehicles | Micro-HEV Batteries | Industrial Batteries | Batteries for Renewable Energy Storage



**Daehwa Engineering & Machinery Sales**  
Unit: KRW million



**Daehwa Engineering & Machinery Co., Ltd.**

Daehwa Engineering & Machinery was established in 1992 as a builder of essential machines used in tire manufacturing. The company's own research center developed in-house technologies including tire-building machines, curing presses, uniformity testers for mid-sized and large Truck & Bus Radial (TBR) tires, high-speed driving performance testers for Ultra High Performance (UHP) tires, and one-operator TBR tire-building machines that are now in operation at the Geumsan Plant. Daehwa Engineering & Machinery established a Chinese subsidiary as a platform to make inroads into overseas markets in 2004. In 2006, the company completed the development of a tire builder customized for the European market, and this machine has been installed in the Hankook Tire plant in Hungary. In 2007, the company 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.

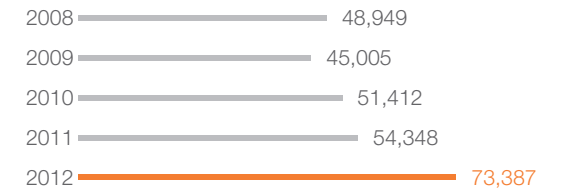
The company demonstrated its technological excellence with a series of successes in 2012, including the localization of plunger & bead unseat M/C technology and the development of a proprietary model for dynamic balance M/C.

**Main Products**

Steel Belt Cutter | Bead Winder M/C | Tire Building M/C | Curing Press | Uniformity Testing Device



**emFrontier Sales**  
Unit: KRW million



**emFrontier Inc.**

The Data Systems Division at the Hankook Tire Corporate Headquarters was spun off to create emFrontier in August 2000. This integrated IT service provider provides stable IT services to customers by presenting optimal IT management solutions, business ready infrastructure, and applications. The company builds and operates customers' IT systems, and has performed diverse projects in the private and public sectors as well as in the service and security segments. Average annual sales growth stands at 12%, more than double the IT industry average of 5.5%.

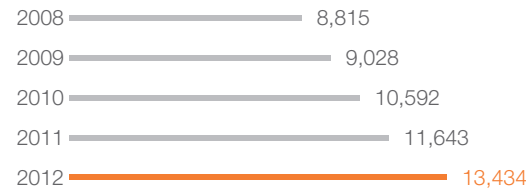
The company has remained an industry leader in other ways as well. The Korea Contents Association bestowed its Industrial Award on emFrontier in 2003, and the Institute for Information Technology Advancement presented the company with its Outstanding Supplier Award in 2005. The Ministry of Knowledge Economy designated emFrontier a "new software" developer in 2008. Moreover, the company developed its "air-WOS" warehouse optimization solution and its "air-WMS" warehouse management solutions based on its know-how and technology. These programs were awarded certificates for "Good Software," consolidating emFrontier's status as an industry leader. In the future, emFrontier will deepen its IT technology modeled solutions and services, banking on its 10 years of experience and technology. Through this, the company will grow as a total IT service facilitator that provides customers with new value from consulting to execution. By leveraging advanced expertise in its specialized areas, such as production and logistic solutions, on the strength of the company's industry-leading Radio Frequency Identification (RFID) technology and intellectual property rights management solution, the company will keep thriving as an outstanding partner that grows along with its customers by understanding their needs and providing optimized solutions.

**Key Services**

IT Sourcing | SI / Consulting | Enterprise Service



**FRIXA Sales**  
Unit: KRW million



**FRIXA Co., Ltd.**

Established in 1991, FRIXA is a world-leading brake specialist with a business portfolio that 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. FRIXA's products boast outstanding braking performance as well as exceptional heat resistance and durability, helping drivers drive safely. Moreover, technologies for lowering brake noise and removing particulate matter from wheels help drivers enjoy driving. FRIXA is the sole supplier of racing brake pads and disc rotors to Korean auto racing events, beating prestigious products from international makers. These items are also selling well in the UK, where automobile racing was born.

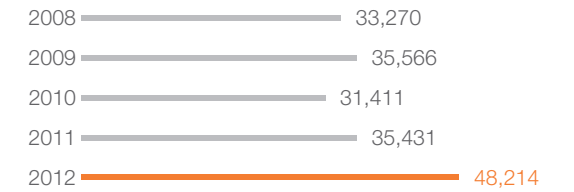
Collaborating with the Hankook Tire Main R&D Center, FRIXA will continue to develop new technologies and products. FRIXA products are sold through the Hankook Tire network, helping the company to increase sales volume consistently. FRIXA received the QS 9000 and ISO 9001 certification in 2004 as well as the TS 16949 in 2008, attesting to outstanding product quality that is internationally recognized. The company now exports to more than 20 countries. The company was recognized by the Ministry of Knowledge Economy for its continued achievement by receiving Export Tower awards for USD1 million in 2009 and USD3 million in 2012. The company received the Minister's Award in 2010 from the Ministry of Knowledge Economy for its unwavering support for government initiatives. The company values our precious natural environment and received the ISO 14001:2004, which is a global environment management certification, and is moving toward becoming an even more eco-friendly company. FRIXA went one step further for our customers in 2012 by successfully launching its barcode and QR code-scanning systems in a bid to improve customer convenience and revolutionize distribution channels.

**Main Products**

Racing Brake Pads & Disc Rotors | Brakes for S1 | Brakes for EVs | Brakes for Taxis & Ultra Taxis | Brakes for Industrial Uses | Brake Lining for Trucks & Buses | Custom Brake Pad & Shoe Assemblies



**MK Technology Sales**  
Unit: KRW million



**MK Technology Co., Ltd.**

MK Technology, established in 1973, has led Korea's tire mold-manufacturing industry. The product portfolio covers tire molds, containers for tire curing press machines, and precision parts for various areas. With its proprietary casting technologies and five-axis precision milling technologies, the company has been recognized for its technology prowess and has built partnerships with the tire-manufacturing industry's heavyweights in Japan, East Asia, Europe and the Americas. The company was acquired by Hankook Tire in November 2011. Since then, it has supported Hankook Tire in maintaining its market-leading position in Korea, and provided necessary facilities for new Hankook Tire plants overseas. Moreover, MK Technology is engaged in full-fledged efforts to further diversify markets.

The company's mold business unit won the ISO 9001 quality certificate in 1999. The MK Technology R&D Center was established in 2001, and has developed an engraving mold, a ventless puzzle mold and other products, and has applied for eight patents. As a result, MK Technology was awarded the INNO-BIZ certificate, which is given to innovative Korean small- and medium-enterprises, by the government in 2006. These upgraded technologies and product quality helped the company diversify its customer base and increase sales.

The company is now fully engaged in manufacturing precision parts for aerospace and defense use as well as for turbochargers. The company acquired the AS 9100 certificate in 2011, and adopted a 3D coordinate-measuring machine, so emerging as a dependable precision machining house. The company entered a strategic alliance with Korea Aerospace Industries and LG Electronics, under which it shares sophisticated quality control and manufacturing systems with those partners and maximizes synergies. The partnership contributes to produce quality airframe structural materials, core parts for state-of-the-art gas turbine engines and impellers for turbo compressors.

The company completed the construction of the Jiaxing Plant in China in 2004 as a part of efforts to increase responsiveness to rapidly changing overseas markets and to expand production capacity. The Chinese plant provides Hankook Tire's Jiaxing and Jiangsu Plants with tire molds. As of 2012, the company has a total of 12 patents in manufacturing and processing technologies, including Ventless and WAVE technology, as well as two new patents for tire mold processing technology it obtained through vigorous R&D efforts. The company will surge in the future by bolstering its technological competence and diversifying its market presence.

**Main Products**

Engraving Mold | Casting Mold | Tire-curing Press Container | Precision Parts



With a longer-term vision and perspective, we have been keenly seeking new sources of energy in 2012 to grow together with our stakeholders. The split of the company laid the foundation for transparent and accountable management in addition to providing a platform to attain global top-tier status in the future.

At the same time, we are making inroads into global markets with world-class quality through relentless development of innovative technologies. As a result, the company maintained steady growth throughout the year and received a series of certifications and awards for its quality and service around the world. Looking forward, we will make further leaps in the coming years as we make a series of investments to ensure our sustainable future growth both in terms of quality and quantity.



WHAT  
WE INVEST IN

We are a leading global tire company

zooming along the uphill curve

on a finely-aligned platform.



## DRIVING PERFORMANCE

Eight out of ten tires we produced in 2012 have been supplied to the global market, providing comfortable and dynamic driving experiences along highways and byways that crisscross some 180 countries, firmly cementing our reputation as a leading global tire company. Hankook Tire has been showing steady winning streaks in the Original Equipment (OE) and Replacement Equipment (RE) tire markets by pushing ahead with strategies custom-developed for each different market, and by building a fluid and organic sales network. We will keep expanding our horizons to the farthest limits of global motorways to provide optimal driving experiences.





We are enhancing our global competence

and brand value

# ENSURING COMPETENCE

Hankook Tire has, for years, crossed one technological hurdle after another in relentless efforts to sharpen global competence and build brand value. Our effort has paid off with spectacular results as the company's products have been recognized for their outstanding quality and technological excellence on international motor sports tracks, etching our name deeply into the collective consciousness of the global auto community.

by looking far ahead.



Hankook Tire has proved its world-class quality and technology through continued partnerships with premium auto brands such as Audi, BMW, Volkswagen, Chrysler, Toyota and Honda. The company will keep up its current winning streak through constant growth, serving as a reliable partner for the future development of the global auto industry.

# LEADING QUALITY



Rock-solid partnerships

with prestigious names in the global auto community

prove the world-class quality

of our products.

We are opening a sustainable future

built on the harmonious alignment of talent,

We find hope for a sustainable future in our warm and cheerful workplace, and in the domain of shared hearts giving to neighbors. We are enhancing the capabilities of our employees in the proactive culture unique to the company, and creating a better tomorrow through corporate citizenship that showcases our deep care for the environment and society.

company and society.

# BOLSTERING RELATIONSHIPS



With vigorous investments in the production base and R&D, Hankook Tire sought to improve quality and expand production capacity in 2012. Staying true to our corporate culture, we trained leaders with proactive minds, and fulfilled our duty as a responsible corporate citizen by actively participating in corporate social responsibility activities. Each and every member of Hankook Tire will keep pushing ahead until the company validates its standing as a leading global tire company.

DRIVING  
PERFORMANCE

**WIDER**  
**GROWING**

ENSURING  
COMPETENCE

We are enhancing our growth values  
on the global stage

# GROWING WIDER DRIVING PERFORMANCE

Hankook Tire's track record in discovering an opportunity in the crisis was proven once again in 2012. The company recorded 8.32% growth in sales in the midst of a challenging economic climate in the wake of fiscal crisis in the US and Europe, selling over 87 million tires in 180 countries. The 19% growth in Original Equipment (OE) tire sales, in particular, was a boon for the company, boosting its brand equity. Continued winning streaks in North America and Europe, coupled with a stunning achievement in China, helped us to elevate Hankook Tire's visibility in the global market.

Hankook Tire Year-On-Year  
Sales Growth in 2012

8.32%

24.6%

Share of Ultra High Performance  
(UHP) Tires in Replacement  
Equipment (RE) Tire Sales

Year-On-Year Sales Growth of Ultra High Performance (UHP) Tires in 2012

28%  
Korea

21%  
China

17%  
Europe

26%  
Americas

18%  
Australia /  
Japan

82%  
Middle East /  
Africa

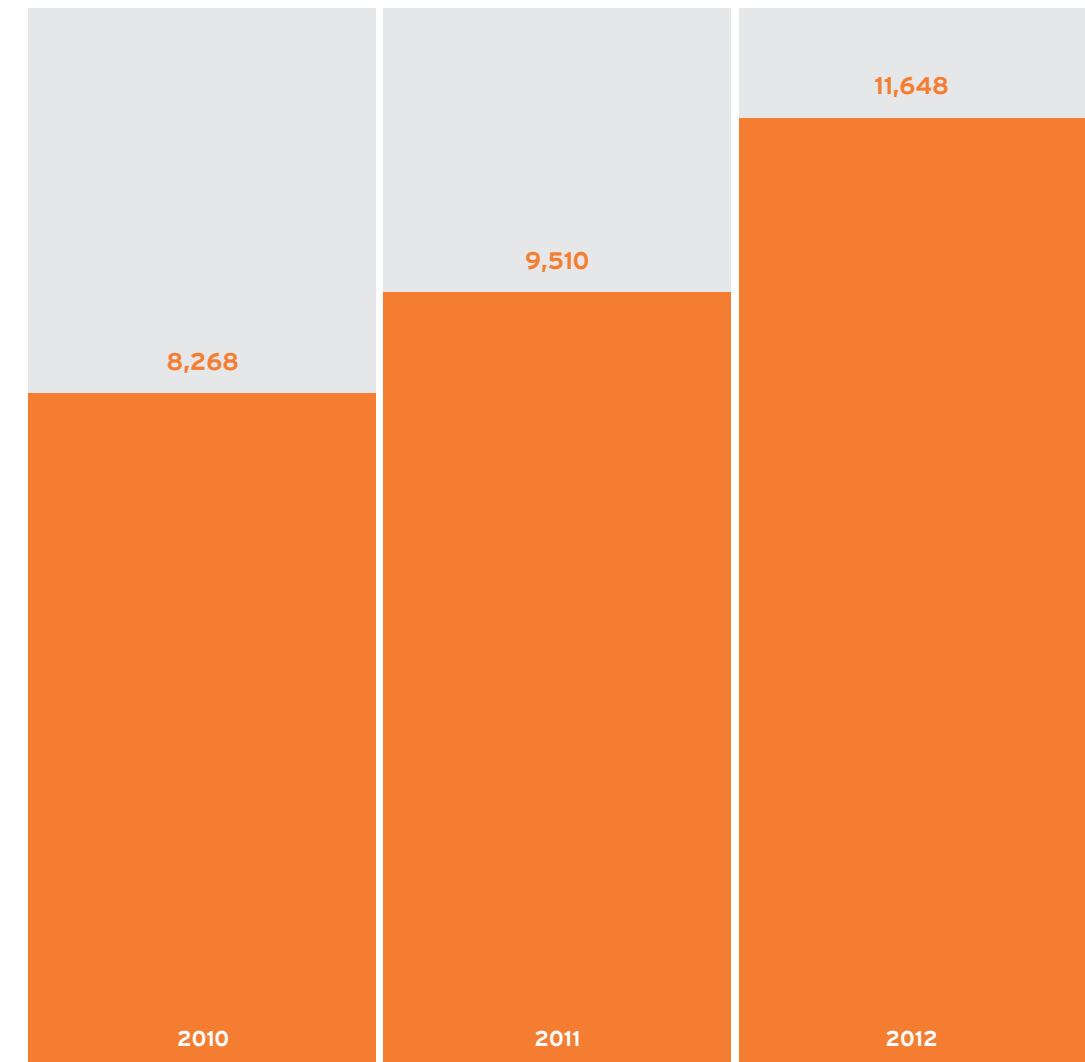
46 Performance Analysis  
by Region and Future  
Strategy

52 Performance Analysis in  
OE Tire Market and Future  
Strategy

54 Performance Analysis  
in RE Tire Market by  
Product Group

Sales Growth of UHP Tire in RE Tire Group for the Past 3 Years

Unit: x1,000





## Performance Analysis by Region and Future Strategy

The Korea Regional Headquarters differentiated its services by running a driving safety campaign that earned the trust of customers, was awarded various local certificates, and developed a premium product group – thereby strengthening its unrivaled market leadership in Korea.

### Korea



#### 2012 Results in Korea



Sales Growth of the UHP Tires  
Unit: x1,000

The Korean economy continued its sluggish growth trend in 2012 with 2% annual growth. Deteriorating outlooks across all industrial sectors cast a shadow across the country's economy with no prospect of any new growth engine emerging any time soon. In this environment, the Korean automotive market has contracted for the past three years in a row, with annual growth of approximately -1%. The local tire market slowed as well, posting approximately 1% annual growth in the same period. Yet despite these unfavorable conditions, the Korea Regional Headquarters maintained dominant market position and set "Marketing Innovation and Differentiation" as the key business goal for 2012. To this end, Korea regional headquarters established three action plans: maintaining first-rate brand equity; ensuring first-rate product competitiveness; and strengthening first-rate sales promotion activities with a new support system. Thanks to these concerted efforts, the company increased its sales by 4.2% year-on-year to KRW908 billion in 2012. The performance of the Korea Regional Headquarters is presented below:

First, we strengthened our No. 1 brand position by highlighting the awards and honors Hankook Tire has received, including the top place in local brand power surveys for 10 years straight, and by launching a year-long safety campaign for customers.

Second, we concentrated our marketing resources on ultra high-performance premium tires such as the Ventus S1 evo 2, increasing the sales of those products by 28%, year-on-year. The successful launch of the enfren eco line, a successor to the current enfren tire which is aimed at leading the segment for eco-friendlier tires, is gaining growing attention, not just in Korea but also in Europe and Japan, thanks to its proven world-class fuel efficiency, eco-friendliness and quality.

Third, we offered differentiated services to our customers including the expansion of the Smart Care Service. The new service initiative was designed to mitigate customer concerns over prices, and offer them a total care package for their automotive lifestyles. Coupled with such promotional efforts as Sale by Subscription and Smart Keeping Service, the Korea Regional Headquarters boosted the sales of winter season tires by a huge 103% year-on-year, despite unfavorable market conditions.

Competition in the domestic tire market is forecast to turn even fiercer in 2013. The Korea Regional Headquarters will maintain its unrivaled market leadership through proactive implementation of product strategies and enhanced retail networks. The launch of new models will enable us to take an early lead in Korea's fast-growing imported car replacement tire sector. Secondly, we will focus on strengthening our sales channels. We will increase the percentage of products sold through our franchise dealerships to reorganize and build robust sales channels as a safety net against external shocks. Moreover, we will expand "The Tire Shop" retail network throughout the nation as a specialist retail channel for economy lines, thereby improving responsiveness to the economical tire market.

### China



The China Regional Headquarters improved its operational competitiveness by increasing Original Equipment (OE) tire supply for premium auto brands, upgrading retail channels and expanding production capacity, as well as strengthening our premium brand image with the launch of a newly designed advertising campaign.

#### 2012 Results in China



Sales Growth of UHP Tires  
Unit: x1,000

China recorded 7.8% GDP growth for 2012 and is forecast to post 8.1% growth in 2013, a slight increase over the previous year. China is the world's largest auto market, with 13.2 million units sold in 2012, or an 8.4% increase year-on-year (according to the China Association of Automobile Manufacturers). As a result of proactive and systematic marketing programs, the China Regional Headquarters increased the total sales volume in China by 2.4% year-on-year, while the figure for Original Equipment (OE) tires boosted 12% over the same period. Along with the quantitative growth in sales, we achieved qualitative improvements in sales as well. The sales volume of Replacement Equipment (RE) and OE tires and Ultra High Performance (UHP) tires each increased by more than 20% year-on-year, with some meaningful results achieved as shown below:

First, the product competitiveness of OE tires was bolstered with the supply of the premium Ventus S1 evo 2 tires to Audi, a premium global auto brand. As the supply of Audi cars in China increased a outstanding 156% over the last year, our sales of premium tires in China are forecast to accelerate as well.

Second, we upgraded our retail channels. T'Station and Tire Town, the company's retailers of passenger car tires, were renamed Hankook Masters, as a specialized retail channel for premium models, whereas TBX, the company's truck and bus tire retail channel, was renamed Hankook Truck Masters. These rebrands reflect the kind of services that meet the high expectations local customers have about the premium brand. And the number of retail channels has increased by 250, to over 1,500.

Third, we expanded our production capacity. With the operation of the Chongqing Plant in November 2012, the company brought the total number of plants in China to three. The Chongqing Plant started as a dedicated production plant for Truck & Bus Radial (TBR) tires but will expand its production models to include Passenger Car Radial (PCR) tires in the future.

Finally, we upgraded our premium brand image through a new advertising campaign. A TV commercial campaign, "Globally Proven," ran in major cities in mainland China, mainly through the state TV broadcaster CCTV along with Below the Line promotions designed along the same conceptual lines to position Hankook Tire as a premium brand in China.

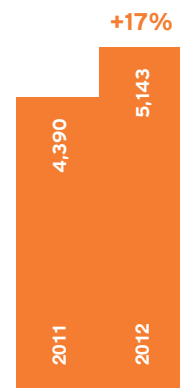
In 2013, Hankook Tire China Regional Headquarters will continue to expand our market presence in China. We will sharpen our sales competence through the expansion of premium retail channels in a bid to dominate the increasingly competitive RE tire market preemptively, while increasing the supply of premium tires in the OE tire market for new cars. In all, we will ensure that China remains our "second home market" by diversifying our product portfolio.

## Europe

The Europe Regional Headquarters continued to expand its market share in 2012 through improvements in productivity, development of competitive products and proactive marketing communication activities. The unwavering growth the company demonstrated despite the severe economic recession gripping Europe is boosting Hankook Tire's prospects of rising as the 1st tier brand in the region.



### 2012 Results in Europe



Sales Growth of UHP Tires  
Unit: x1,000

Unbalanced growth patterns have never been more pronounced across Europe than they were in 2012, amid the continued economic gloom overshadowing the region. The European Union recorded -0.2% growth; however, the CIS region posted relatively solid growth rates of around 3.4% (albeit, that is a slightly lower number than the previous year). About 11.8 million new cars were sold in the region in 2012, down by about 1 million units from the previous year, whereas the sales of truck and bus tires decreased by 18% in the same period. The Europe Regional Headquarters has steadily increased the company's market share despite the unfavorable economic environment, while pushing ahead with the following key sales strategies:

First, we improved productivity and boosted product competitiveness markedly, thanks to our local production base. The company completed a quality management system with facility expansion at the Hungary Plant, and was able to respond to customer demands more proactively by capitalizing on the advantages of the local production base. Our product competitiveness has been proven time and time again in many product comparison tests conducted by prestigious automobile magazines published in Europe. In 2012 alone, our tires were rated as "Very Recommendable" six times and "Recommendable" 17 times in a total of 26 comparison tests commissioned by leading trade magazines including *ADAC*, *Auto Bild* and *Auto Motor Und Sport*.

Second, the Europe Regional Headquarters boosted the company's brand recognition through a proactive marketing strategy. TV commercials were broadcasted in five countries in Western Europe and Russia, as well as in Hungary where we have a local production plant; we have been running a TV ad series entitled "Be One With It," since 2011. We plan to enhance our brand stature even more, and hence boost our sales through a new winter ad campaign launched in Sweden, our key strategic market in Northern Europe. We are also promoting the Hankook Tire brand across the European region by participating in diverse exhibitions and events.

Third, we took part in influential European motorsport events to attract the attention of male customers, the key buyers of tires. Some examples include Deutsche Tourenwagen-Meisterschaft (DTM), one of the most prestigious of all European auto races, for which Hankook Tire is an official supplier. The technical data our engineers have collected in the race is fed back into the product development process, improving the performance of our tires. Hankook Tire can also be seen in the Superstars International Series, an influential race in Europe. Furthermore, we started a three-year sponsorship for UEFA Europa League in 2012, which allowed us to expose our brand globally with billboards set up around soccer stadiums beginning with the round of 32.

In 2013, the Europe Regional Headquarters is hoping to expand investment in marketing to strengthen our current stature as the top 2nd-tier brand, and to position Hankook Tire among the 1st-tiers as early as possible. To this end, efforts will be made to raise public recognition through proactive marketing communications, while enhancing product competitiveness based on quality improvements. And we will strive to boost profitability by increasing the share of high-valued-added Ultra High Performance (UHP) tires in the sales mix.

## The Americas



The America Regional Headquarters recorded its biggest sales ever in the US market in 2012 by sharpening the brand's prestige through active marketing communications and through expansion of retail networks by diversification of distribution channels.

### 2012 Results in the Americas



Sales Growth of UHP Tires  
Unit: x1,000

While the US economy grew at 2.2% in 2012, the US automobile market performed beyond all expectations, seeing the largest number of car sales in five years. Stabilizing oil prices and an expansion of auto financing, coupled with growing demand for high-performance and high fuel-efficiency vehicles, boosted overall auto sales in America, with some 14.4 million automobiles sold, a 12.7% increase over the previous year.

Against this backdrop, Hankook Tire America recorded USD1.21 billion in revenues in 2012, our largest sales ever. Furthermore, the company recorded an 11% increase in the sales of Replacement Equipment (RE) tires thanks to its concerted efforts to ensure steady growth by concentrating on distribution channel optimization and effective consumer promotion of the Ventus V12 evo and other key strategic products. We were able to realize these impressive achievements thanks to the following strategies:

First, the Hankook Tire America Regional Headquarters diversified its sales brands and expanded retail sales through warehouses in an attempt to respond to sales offensives by low-price brands in time for the projected abolition of the safe-guard policy, which had imposed additional taxes on tires made in China, from September.

Second, we implemented marketing strategies to enhance the brand stature of Hankook Tire and its price position. Analysis of sale price fluctuations through price monitoring, coupled with pricing differentiation per distribution channel, helped us to improve our sales competency markedly in North America and Latin America, which has huge growth potential.

Third, we actively sought to expand distribution channels in Canada and develop new sales accounts in Latin America. In Canada, we opened a new retail account in the west to expand warehouse sales in the State of Ontario and in Vancouver, and at the same time continued to diversify distribution channels in the east. In Latin America, we sought to minimize sales instability arising from external situations by actively developing new sale accounts. The efforts have paid off with some impressive results: Sales in emerging markets increased a staggering 254% in 2012 thanks to the accelerated development of new accounts in key target countries such as Mexico.

In the Americas, the race for market dominance is forecast to intensify due to such issues as the abolition by the US government of protective trade practices against goods made in China, decreasing demand for tires in the US market and growing trade barriers in Latin America. To lay the foundation for quantitative and qualitative growth along with a great leap forward in the future, the America Regional Headquarters will concentrate its resources on the following strategies in 2013:

First, we will expand our sales network and stabilize sales performance. In the US, we will seek balanced growth by expanding sales in metropolitan areas and in the southeastern region, which

offers substantial sales potential. To this end, we will keep expanding our support to retail shops we have been operating since 2012 and strengthen channel management programs at each stage of the distribution process. In Canada, we will strive to boost sales through warehouse outlets in a bid to increase sales revenue in mid- and large-size wholesale shops in the east, and develop new distribution channels. In Mexico and Brazil, the key emerging markets in Latin America, we will diversify our sales portfolio, which is currently concentrated on a few sales accounts, by supporting new sales accounts operating in areas where we have no or limited presence. Moreover, we aim to grow sales revenue by stabilizing our supply chain by building new warehouses in Mexico, and improving the satisfaction level of our retailers. In Colombia, one of our key markets in the region, we will upgrade our office to a subsidiary to concentrate on stabilizing sales performance by minimizing sales fluctuations according to the external situation.

Second, we will strive to enhance our price position in the market. In the US, we plan to run the manufacturer's recommended price system, targeting key retailers. This provides a foothold for shared growth for both Hankook Tire and retailers by enabling the two parties to agree on optimal consumer prices.

Third, we will step up our efforts in marketing communications. Currently, we are implementing sports marketing activities, which include Major League Baseball in the US and ice hockey in Canada. We will expand our marketing scope to the digital domain, based on the company's social media platform set up in 2012.

Fourth, we will enhance our logistic services. We need to bolster our logistics system in the US due to increasing requests for small-size shipping or frequent shipping by retailers. The five warehouses supplying tires to over 300 wholesalers and 4,000 retail stores scattered across the US will be required to maintain an adequate amount of inventory to improve the rate of filled vacancy and shave off shipping time, thereby improving overall customer satisfaction with our services.

**Hankook Tire achieved remarkable growth in the Middle East, Africa and Asia-Pacific regions through its concerted efforts including expansion of the Original Equipment (OE) tire business as well as upgrades and diversification of distribution channels.**

**2012 Results in the Middle East, Africa and Asia-Pacific Region**



Sales Growth of UHP Tires in the Middle East and Africa  
Unit: x1,000



Sales Growth of UHP Tires in Australia and Japan  
Unit: x1,000

**The Middle East, Africa and Asia-Pacific**



In 2012, Middle Eastern and African countries posted a steady average growth of 5.2%. In the Asia-Pacific region, Australia posted growth of 3.3% despite brisk business in the mining sector, due to the protracted recession in Europe and falling raw materials prices, while Japan grew by 2% thanks to a temporary increase of demand during the reconstruction binge in the wake of the Tohoku earthquake and tsunami. Hankook Tire realized brisk business in the Middle Eastern, African and Asia-Pacific regions by preemptively responding to changing market situations, thereby raising the value of brand assets and bolstering competence in the sales and marketing of its products.

First, we posted sales larger than the annual sales target for each country of the region by focused strategies tailored for key regional centers. The vigorous sales of Original Equipment (OE) tires boosted sales of high value-added premium Ultra High Performance (UHP) tires as well, helping us to post 18% growth year-on-year in Australia and Japan, and fully 82% growth in the Middle East and Africa.

Second, we expanded customer contacts by improving local sales channels and by diversifying the distribution network. In the Middle East and Africa, we expanded the retail presence of the Hankook Masters franchise, which was launched in 2011, to the United Arab Emirates, Egypt and Sudan. In Australia, the company's key strategic market, we opened our third warehouses in each of the states of New South Wales, Queensland and Victoria. And we posted 20% sales growth year-on-year in Japan as a result of a strategic alliance with Yellow Hat, an automotive parts and car accessory sales chain in the country, and thanks to the development of new retail accounts.

We are working on the following strategies for the year 2013 to expand our market share in Australia and Japan, the company's key strategic markets, and identify new growth engines in the Middle East and Africa:

First, we will maintain brisk growth trends by bolstering retail channels in our key strategic markets. In Australia and Japan, we aim to boost sales by diversifying distribution channels. We will do this by expanding retail sales through warehouses and intensifying promotional efforts targeted at local retailers. In the Middle East and in African countries where we introduced the Hankook Masters franchise, we will be striving to expand our presence by focusing sales resources on the key regional bases.

Second, we will prioritize our efforts on emerging countries which are forecast to rise as blue-ocean markets in the long term. In the Asia-Pacific region, we will focus on Indonesia, where we built a production plant in late 2012, while in North Africa, we aim to seal our market stature as a premium tire brand by promptly responding to demands for reconstruction. And we will keep on implementing aggressive marketing programs in sub-Saharan Africa to exploit new demand and bolster the recognition of the Hankook Tire brand.

## Performance Analysis in OE Tire Market and Future Strategy

The world's premium auto brands are paying renewed attention to Hankook Tire. The company posted 8.32% growth in sales revenue in 2012. Of that, a 19% increase, year-on-year, in Original Equipment (OE) tire sales played a critical role. In an attempt to keep up current vigorous sales in the coming years, Hankook Tire has set the following goals: expand alliances with premium auto brands; expand businesses in emerging markets; strengthen R&D competence in eco-friendly and safety technology; and continue marketing communications to create business partnerships.

Expanding the sales of Original Equipment (OE) tires for new cars that are rolling off the production lines of global auto brands is an attractive opportunity for the company to publicize the excellence of its products and enhance awareness among global customers in a cost-effective way.

The remarkable growth of OE tires sales for new cars that we saw in 2011 was repeated in 2012. US auto sales recovered, posting double-digit growth year-on-year, despite a complicated economic situation which was caused by the federal fiscal crisis. And the company's sales of OE tires for new cars in the US market posted an impressive 18% growth.

We also recorded significant growth in China based on our years of experience and sales knowhow. We posted more than 16% growth year-on-year, cementing our unrivaled leadership in the local market. The impressive performance in China is significant in that we achieved it in the midst of sluggish sales by Japanese auto manufacturers, a global economic recession and contracting demand in the market after years of rapid growth of the local automotive industry.

The European automotive industry posted minus growth, year-on-year, due to the challenging economic situation following the Eurozone fiscal crisis. Hankook Tire was able to record over 20% growth in 2012, however, thanks in part to its entry into the premium OE tire market for new cars. We supplied tires for the BMW 3 Series models while expanding our supply to existing partners including Volkswagen and Audi.

The Korean automotive market recorded minus growth last year due to contracting sales in the midst of a flagging economy and deteriorating consumer sentiment, which also negatively affected our sales of OE tires for new cars. This resulted in a similar sales amount to 2011.

Forecasting the outlook for the economy in 2013 is a daunting challenge for the company, but there still is a glimmer of hope for the industry, as the US and Chinese economies have started to show signs of moderate recovery. The importance of emerging markets, in particular, is projected to grow in the coming years while the global auto industry is expected to become increasingly polarized and fragmented.



Sales Growth of OE Tires



OE Tires Partners

Building on our performance in 2012, Hankook Tire will implement the following strategies for our OE tire business to respond to the rapidly changing business environment and to maintain our growth momentum:

First, we will dramatically expand the supply volume of OE tires for new cars by strengthening our alliance with premium global auto brands. We continued to increase our supply volume of OE tires to global automakers, including the Korean makers Hyundai and Kia, as well as to global makers Volkswagen, GM and Ford. Moreover, we started our supply of OE tires to premium auto brands from 2008 and expanded our partnerships as we provided OE tires for the Audi A3 sedan, the Ford Lincoln MKT crossover SUV, and the BMW Mini and BMW New 1 Series models. We will be significantly raising the proportion of the premium OE tire segment in our sales mix as we are in discussion with many global automakers to supply our tires to their top models.

Second, we will be expanding the OE tire business for new cars in emerging markets including the ASEAN region. Starting with Indonesia, where we have been running a production plant since late 2012, we will expand the share of Thailand and other ASEAN countries in our sales mix. We will also strengthen business partnerships with Japanese auto makers, which are key players in the region's automotive market.

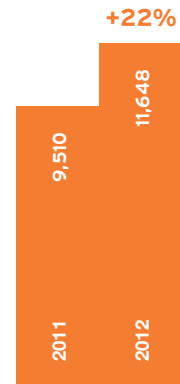
Third, our R&D focus will be on developing new technologies to meet the demands of the global auto market. We will focus on developing eco-friendly technologies in order to respond to regional differences in technological development—as demonstrated in the tire labelling system currently effective in the European Union—and to increasingly heated competition for the development of next-generation technology. To this end, we will push ahead with the development of eco-friendly technology such as low noise and low rolling resistance tires for higher fuel efficiency, as well as the development of tire safety technology. These are the issues drawing growing interest among global customers. We will also upgrade our capabilities to develop key production technologies and new materials for the development of run-flat and sealant tires.

Fourth, we will continue to expand our communication initiatives to strengthen partnerships and promote cooperation with a range of global automakers. We will publicize our quality products and technological prowess, and build networks with global automakers by participating in major regional trade shows and world class motor sport events. Technology sharing workshops and collaboration with automakers for the development of new technologies will offer further chances for Hankook Tire to form win-win relationships with leading auto brands.



## Performance Analysis in RE Tire Market by Product Group

The sales of Ultra High Performance (UHP) tires among the Replacement Equipment (RE) tire product group increased by 22% in 2012, which is the result of the world-class quality of our products being recognized by customers.



Share Growth of UHP Tires in RE Tire Group  
Unit: x1,000



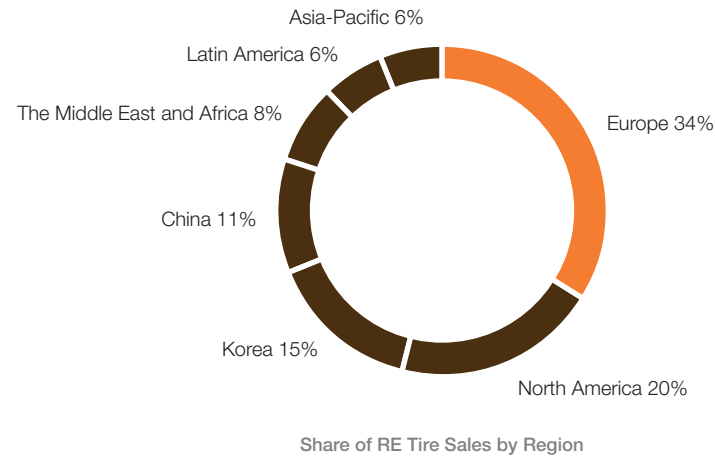
Sales Growth Rate of UHP Tires in RE Tire Group

Hankook Tire sold some 87 million tires in 2012. By region, the Korean market accounted for 15% of our Replacement Equipment (RE) tire sales which, in turn, accounted for 63% of entire sales. The other regions include China (11%), Europe (34%), North America (20%), Latin America (6%), the Middle East and Africa (8%), and the Asia-Pacific (6%). What is notable is that Europe and North America, the most advanced markets in the world, together accounted for more than 50% of total RE tire sales for four years in a row, serving as a main driver for the growth of Hankook Tire.

By product line, more than 47.28 million Passenger Car Radial (PCR) tires were sold in 2012, up 1.2% from 2011. As in the total sales figure, Europe and North America collectively accounted for the majority of total sales at 56%, driving overall sales.

The sales volume for Ultra High Performance (UHP) tires among the RE tire group rose by 22% year-on-year, reaching the 11.65 million mark, while its share in total sales rose from 20.4% in 2011 to 24.6% in 2012. Whereas 71% of total RE tire sales were made in Europe and North America, the 27% sales growth in the North American market contributed most to enhanced profitability.

Meanwhile, the regional proportions for replacement Truck & Bus Radial (TBR) tires in 2012 were as follows: Korea (21%), China (19%), Europe (21%), North America (14%), Latin America (10%), the Middle East & Africa (10%), Asia-Pacific (3%) and ASEAN-India (2%). What is notable in 2012 is that RE TBR sales grew by 24% in North America and 31% in the Middle East and Africa, respectively, driving overall sales growth.



Share of RE Tire Sales by Region

Our technological research creates quality products that captivate the hearts of consumers far and wide

# GROWING WIDER ENSURING COMPETENCE

Our firm confidence in the quality of our products and services stems from our world-class production facilities and solid R&D competence. In 2012, we added new production plants in China and Indonesia, bringing the total number of plants to seven worldwide. This finalizes our ambitious goal to build a global mass-production network. Under the leadership of the Main R&D Center in Korea, with its cutting-edge equipment and excellent research staff, our five technical centers located in each key regional base are striving to develop tires with product attributes and quality optimized for the climate and requirements of the respective regions.



7 production plants in Korea, China, Hungary and Indonesia

5 technical centers in Korea, the US, Germany, China and Japan

5% of entire employees

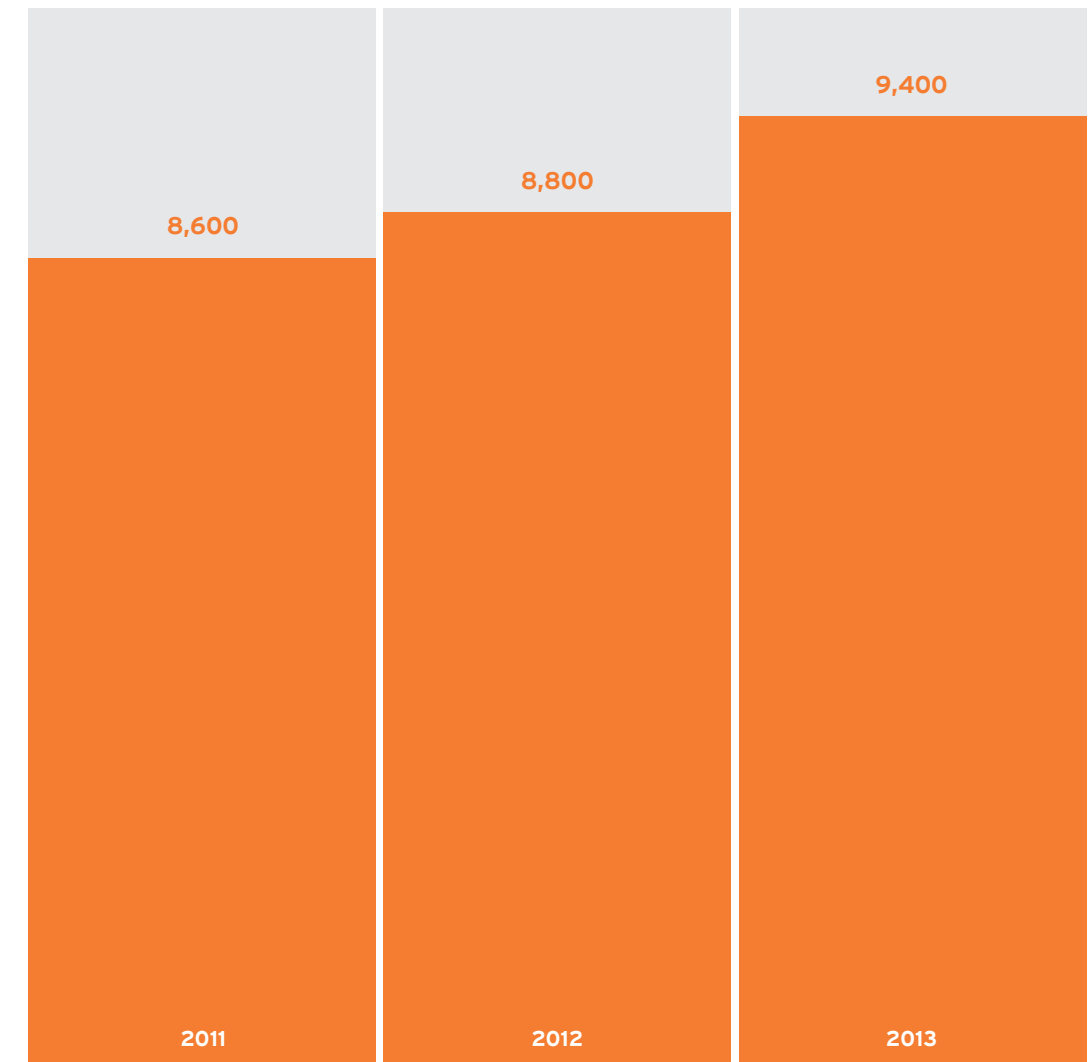
58 Ensuring Global  
Competence

60 Steady Investment  
in R&D

62 Marketing  
Communications

### Global Production Target for the Past 3 Years

Unit: x10,000



## Ensuring Global Competence

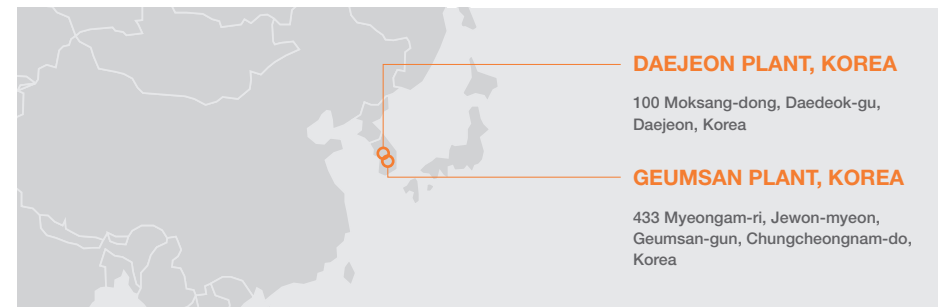
Our entry to the club of world-class tire producers was enabled with the expansion of our global production network and our quality assurance system. The seven production plants operating in Korea, China, Hungary and Indonesia are the centerpiece of our efforts to expand the company's global production capacity. Meanwhile, 'Quality Level Up,' a company-wide strategy designed to assure premium product and service quality, is boosting our brand equity.

### Global Production Target in 2013

94  
(E) Millions

## Expansion of Global Production Capacity

Despite 2012's stagnant world economy, we drove forward and expanded our global production network by starting commercial manufacturing of tires for Truck & Bus Radial (TBR) and Passenger Car Radial (PCR) at the Chongqing Plant in China and at the Bekasi Plant in Indonesia, ensuring steadfast production at seven locations worldwide. The Chongqing Plant is expected to play a key role in cementing our unrivaled market leadership in China, while the Bekasi Plant is projected to help us expand the company's production base and sales network in the ASEAN region. The Bekasi Plant, located amid a source of natural rubber, will play a critical role in the long term growth of the company due to its easy access to raw materials. In 2013, the company is expected to produce a total of 94 million tires, thereby expanding our sales and market share significantly. We will keep expanding the global production network in the future, further entrenching our market leadership and competence as a world-class company.



## Global Quality Assurance System

We updated our company's strategic direction by including a goal for "Quality Level Up" in 2012, in a bid to ensure quality management. Our efforts have been rewarded with some impressive results: quality uniformity throughout the entire operation has improved significantly, and the company has been certified for its competence in environmentally-friendly quality management in the tire labelling system. The details of the company's quality assurance strategy and its results are shown below:

We enhanced our quality assurance system while at the same time expanding the coverage of quality uniformity requirements from the raw material processing stage up to the quality up our vendors. We are building an innovative quality assurance infrastructure and improving quality uniformity across the manufacturing process through continuous investments that ensure the perfection of finished products. Meanwhile, our production plants have completed the building of a test infrastructure that enables us to effectively respond to tire labelling system demands. The infrastructure includes: unified quality standards designed to ensure consistent quality ("One Quality") across our global business operations, and systematic plant evaluations through which we are striving to level up quality standards across the board. As a result of our continued efforts, the company was able to respond preemptively to the European tire labelling system and was also granted a matching efficiency label in Korea, befitting our status as the only European Tire and Rubber Manufacturers' Association (ETRMA) member in the country. We also extended our track record of winning various awards in 2012 by receiving the top award in the Korea Standard Quality Excellence Index (for the fourth year in a row), the Excellent Quality, Competitive Company Award (for the third straight year) and the Grand Prix in the Korea New Growth Management Awards.

Second, we established a quality assurance system for premium Original Equipment (OE) tires that satisfies the most stringent demands of premium auto brands. We also expanded our sales of run-flat tires, imbued with sophisticated technology, all in a bid to enhance our market competence by using excellent quality as a marketing weapon. We expanded the provision of OE tires for new cars and markedly improved our corporate brand image through our efforts for improved quality.

Finally, we are instilling a "quality-first" culture in the company through continuous education and training on quality assurance in a bid to focus on qualitative growth in 2013. At the same time, we aim to introduce a more advanced manufacturing quality assurance system this year to grow further ahead on the strength of this robust infrastructure. Through these concerted efforts across business operations, we intend to ensure world-class quality and technological competence, so elevating our status to the level enjoyed by the most prestigious auto brands in the global market.

## Steady Investment in R&D

Behind the core competence of our tires lies world-class technology. Hankook Tire has spared no expense in investing in R&D to produce top quality tires. Staffed with highly-skilled designers and researchers, and through continued hire of top R&D talent, the state-of-the art research centers located in five key regions, along with the New R&D Center, are strengthening our global research competence.

### Expansion of Technology Center



In the 1970s, we started our research and development in the Yeongdeungpo Laboratory in Seoul with 35 workers. In 1982, we ramped up our R&D activities with the opening of the Main R&D Center in Daejeon. Currently, we maintain five technology centers in China, Germany, Japan, Korea and the US.

Our five technology centers around the world are working to develop tires that are optimized for use in the weather and road conditions of each country. These efforts have allowed us to launch premium tires, including Ultra High Performance (UHP) models that have scored high in tests by leading automotive magazines and global racing competitions. We are also focusing our resources on developing eco-friendlier, next-generation tires.

We are planning to establish Korea's largest tire research center inside the Daedeok Science Complex to develop original technologies that can put us ahead of our competition and prepare for the fast growing demand for R&D activities. Designed in close collaboration with Foster + Partners, the architectural firm founded by world-renowned architect Sir Norman Foster, the 700,000m<sup>2</sup> center will be built as a high-tech research center that harmonizes a cutting-edge facility with sensuous design. Equipped with a highly sophisticated smart ICT system and future-oriented R&D facilities, the New R&D Center will grow as a center of global tire research and development.

#### Main R&D Center

Daedeok Research Complex, Daejeon, Korea | Founded in 1982

#### New R&D Center

Daejeon, Korea | Completion and Relocation by 2015

#### Akron Technical Center (ATC)

Akron, USA | Founded in 1992

#### Europe Technical Center (ETC)

Hannover, Germany | Founded in 1997

#### China Technical Center (CTC)

Jiaxing, China | Founded in 1998

#### Japan Technical Liaison Office (JTO)

Osaka, Japan | Founded in 2002

### Securing Outstanding Research Staff



We believe that a company's best asset is its people. Building on this principle, we support our employees to nurture their talents and to grow as experts. This enables the simultaneous growth of both company and employees.

We are doing our best to hire and develop outstanding R&D talent. To attract the best, we hold regular recruiting events and implement activities for linking schools and the company. With these efforts, we are employing new and experienced workers for R&D positions, and are expanding to hire more people with masters and doctoral degrees around the world.

The newly recruited researchers must all take a basic technology training program and complete a project to learn tire development processes. Once they are assigned to a department, they are required to devise a career development plan based on a systematic competency analysis program. The results of these analyses will be taken into account to determine the kind of training needed for individual researchers, such as leadership training, mandatory courses, special training for tire R&D and six-month on the job training programs that help them improve their competencies from early on. Reinforcing the official OJT, senior researchers act as mentors for newly-recruited personnel, helping them to become accustomed to Hankook Tire's corporate culture and build relations with colleagues.

We provide special job training, customized for each job, to bring on the best technical specialists. Outstanding performers are given training opportunities at research institutes inside and outside Korea. Various internal and external training sessions, and a job rotation system, also allow researchers to achieve their career goals. They attend technology seminars and conferences, both at home and abroad, to widen their perspectives. Meanwhile, global skills are enhanced through courses on foreign language and culture as well as assignments in overseas offices.



## Marketing Communications

In 2012, we engaged in a wide range of brand marketing activities, designed to promote the “Hankook” brand to consumers globally. These activities were customized depending on our brand status in each market and on local customer characteristics and included such diverse activities as participation in leading motor sports events and motor shows as well as sports sponsorships and advertisements.



Hankook Tire’s marketing communication programs help promote our brand image among consumers, dealers, and industry insiders, encouraging their loyalty while building the foundation for sales growth. In particular, our “Kontrol Technology” theme has been used in various marketing activities to enhance brand awareness and preferences while exposing our products’ superior technology in a natural manner. The stature of our brand as a global player is being reinforced through our participation in various motor sports events such as Deutsche Tourenwagen-Meisterschaft (DTM) in Germany, Super GT in Japan, and Superstars International Series. We also took part in trade shows such as the International Automobile Ausstellung (IAA), the Shanghai/Beijing International Automobile Exhibition, the Tokyo Auto Salon, the Moscow International Automobile Salon, the Dubai International Motor Show, the SEMA Show and the Essen Reifen Show.

We began a “Be One With It” global campaign in major European and American markets and in the Middle East to enhance our brand recognition among local consumers in those regions. Furthermore, we started an official sponsorship of the UEFA Europa League in 2012, which generated a favorable response as the program was well customized for local consumer tastes.

In China, we focused on building a highly differentiated brand image by launching the “Globally Proven” campaign, conveying our prestigious status in the world market to Chinese customers.

In Korea, we built on the “Driving Emotion” campaign to launch a new advertising campaign called “It Is” in 2012. The new campaign was designed to show our confidence as the industry leader, and was executed successfully, reinforcing our leadership in the Korean market.

We also unveiled new billboards promoting our brand in key landmarks around the world including Times Square in New York City, while continuing our advertising campaign through top television channels including the Discovery Channel and Eurosport, all in a bid to expand contacts with global customers.



Deutsche Tourenwagen-Meisterschaft, German



International Automobile Ausstellung, German



UEFA Europa League Sponsorship



“Be One With It” Global Campaign

LEADING  
QUALITY

DEEPER  
GROWING  
DEEPER

BOLSTERING  
RELATIONSHIPS

As a global market leader, we are proud to push ahead with the development of the world's best technology

**GROWING DEEPER**  
**LEADING**  
**QUALITY**

We are continuing our growth and balancing it between quality and quantity, in the midst of the continued economic downturn in the wake of the global fiscal crisis. We are providing an unprecedented level of satisfaction to our global customers and partners by introducing a series of Ultra High Performance (UHP) premium tires to the market on the strength of our world-class technology.



**enfren eco**

Top mark on the rolling resistance coefficient and runner-up on braking safety on a wet surface by Korea Energy Management Corp. "AAA" rating on the rolling resistance coefficient by Japan's Tire Fair Trade Commission

68 Kontrol  
Technology

69 New Product  
Development and  
Launches

71 Quality Warranty  
and Service

72 Strengthening  
Automotive  
Partnerships

Results of Performance Assessment Tests in Summer Tire Tests by  
Global Automotive Magazines in 2012

Unit: Piece

Total: **20** Tests



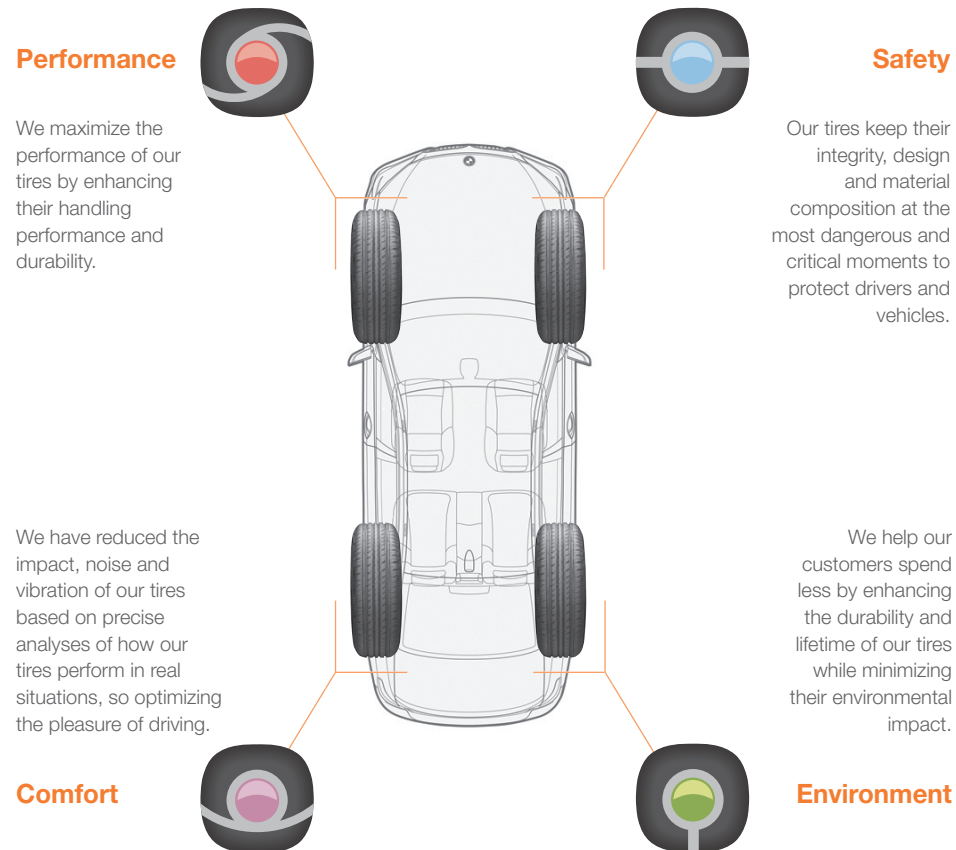
## Kontrol Technology

**Kontrol Technology, Hankook Tire's proprietary technology, is the key to producing the best tires—from research and development to production. We provide the best possible driving experience through the innovations realized with Kontrol Technology.**

### Our Original Technology Philosophy

Kontrol Technology is not just technical: It is a philosophy and a set of principles—applied throughout research, development and production—developed by Hankook Tire to ensure controlled driving experiences. The “K” denotes “kinetic.” It reflects our philosophy that the tire in motion can control the interaction between the driver and the automobile, between the automobile and the road, and between the road and driver for the best performance. In other words, tires must be able to control the movement of a car under any conditions – be it the world’s most demanding racing competitions or driving children to school on a rainy day. We provide the ultimate driving experience by optimizing tires’ key quality criteria such as performance, safety, ride comfort and eco-friendliness. Banking on our technological innovations to lead tire trends, we are committed to developing high-quality tires which can attract customers worldwide.

# Kontrol TECHNOLOGY



## New Product Development and Launches

**Based on our unrivaled leadership in Korea and on our position as the 7th largest tire manufacturer globally, we are doing our utmost to develop the tires of the future. By capitalizing on the multifaceted and organic network of technical centers we have built so far, we are ramping up our efforts to develop and launch innovative new tires that will open up a whole new horizon of driving for our customers.**

### PCR·LTR

Hankook Tire is striving to develop high-performance and eco-friendly tires which will lead our sustainable growth. As a result of these efforts, our Ventus S1 evo 2 were rated the No.1 tire in the high-performance tire segment in tests conducted by German magazine *Gute Fahrt*, while our Ventus Primo 2 was rated the top product in tests performed by a North European magazine. With the tire labelling system being introduced in Europe, we are fully ready to lead the eco-friendly tire market by launching top-class products. We will defend our firm market leadership in the premium tire segment for luxury sedans in 2013 by launching the high-performance tire Ventus S1 noble 2 in Korea and North America, while demonstrating the high level of Hankook Tire's eco-friendly technology to the world through more robust product management of our Kinergy Eco and enfren eco line-ups.

In addition, we are continuing our quest to become a leading global tire company by providing more competitive products. To make this happen, we are investing heavily in the development of tires featuring outstanding durability and higher fuel economy through lower rolling resistance (LRR) and better grip in the wet. With the EU-Korea and Korea-US Free Trade Agreements in effect, the volume of imported cars sold in Korea is steadily increasing. To respond proactively to the fast-growing market in imported cars, we are focusing our resources on selling different types of tires to meet all imported car specifications.

Going forward, we will do our best to strengthen our product portfolio, ranging from passenger car tires to Ultra High Performance (UHP) tires for premium sedans and sports cars, to meet the diverse needs of our customers and make driving a safer and more pleasant experience.

### enfren eco



enfren eco

We launched the enfren eco in April 2012 in an effort to address growing demands for eco-friendly products. An improved model based on the earlier enfren line-up, which was launched in 2008, the enfren eco demonstrates an eco-friendliness that meets international standards and delivers excellent driving performance at the same time. Themed after green leaves, the enfren eco was reinforced in the center—which maintains even contact pressure distribution on road surfaces—with a more rigid center rib. Also, its shoulder was enhanced with a noise care block for quieter driving and improved handling around corners, while the adoption of optimized kerfs realizes uniform wear on the tires. Through such innovations, Hankook Tire's benchmark eco-friendly tire received the top mark (based on the rolling resistance coefficient) in the grading of tire energy efficiency, as tested by the Korea Energy Management Corp. in January 2012. Also, the enfren eco became the first imported tire to receive the top ("AAA") rating under the tire labeling system for measuring tire energy efficiency by Japan's Tire Fair Trade Commission. enfren eco can be installed on most of the passenger cars sold in Korea, and has been highlighted for having opened a new, eco-friendly market segment.



**ventus S1 noble 2**

### Ventus S1 noble 2

First unveiled in the 2012 SEMA Show, the Ventus S1 noble 2 is a high-performance tire targeted at high-performance, premium automobiles. The model was launched simultaneously in the Korean and the US markets in 2013. The Ventus S1 noble 2 improves high-speed driving performance and ride comfort markedly with the adoption of asymmetric tread patterns, and is drawing global attention for its innovative technology and performance.

The Ventus S1 noble 2 was able to improve energy efficiency with the adoption of a fuel-efficient silica compound while at the same time enhancing braking performance on wet surfaces, thereby ensuring driving safety. The advanced 3D kerfs technology applied to the tire improves its driving performance both on dry and wet surfaces without necessarily deteriorating steering maneuverability. The world-class technology and performance of the tire was proven again when it was supplied as the Original Equipment (OE) tires for such premium models as the Lincoln MKZ, the Ford Edge and the Hyundai Genesis.

### Winter i\*Pike RS



**Winter i\*Pike RS**

Hankook Tire is poised to launch the Winter i\*Pike RS, which is a winter season stud tire, by the second half of 2013. Aimed squarely at Scandinavia and Russia, the tire provides maximal driving performance on snowy and icy road surfaces. Structural design including 3D kerfs technology that optimizes friction between tires and surfaces while minimizing vibration of blocks, improves driving safety. The Husky Slit groove design of the Winter i\*Pike RS, which was inspired by the paw of the Siberian husky, improves braking on ice and snow with enhanced grip on slippery surfaces in the winter season. On top of the advanced technology developed for the Winter i\*Pike RS, the tire applies stud pins developed in collaboration with Turvanasta, a Finnish developer of winter tires, providing superb driving performance even in the most treacherous winter climates.

### Dynapro HP2



**Dynapro HP2**

A high performance on-road tire for SUVs launched in Europe in 2012 and targeted at the global market, the Dynapro HP2 guarantees more dynamic driving experience for drivers. Our representative tire for SUVs that delivers optimal performance in diverse driving conditions, the Dynapro HP2 is opening a new chapter in the premium tire market for SUVs. Its profile is optimized to meet the characteristics of SUVs and its reinforced center block provides even contact pressure distribution on the road and unmatched handling, even when it is subject to powerful lateral forces from multiple directions. The wide 4-channel groove design applied to the tire's tread drains water efficiently, ensuring safe driving on wet surfaces. Hankook Tire will spare no effort in developing and commercializing innovative new tires that can nimbly adapt to any driving condition through unwavering investment in R&D.

#### Tire Labeling System

The tire labeling system assigns a rating between one (highest) and five (lowest) to rolling resistance and wet grip performance. Consumers are then better able to select replacement tires that will save on fuel. Generally, a car's fuel mileage improves as its tires' rolling resistance against the road surface decreases.

## Quality Warranty and Service

**Hankook Tire is providing optimized total services to customers by establishing a systematic quality warranty management system. To this end, we are setting a new standard for the industry with the highest quality and services. At the same time, we are expanding our worldwide service infrastructure.**

### New Quality Warranty Management System

Hankook Tire's new Quality Warranty Management System advances warranty systems beyond mere risk prevention.

Customer quality requirements are accurately ascertained from the product planning stage and then reflected in product design. Advanced quality assurance methods are employed in every process, from raw material procurement to the shipping of finished products. As such, we are leading quality satisfaction as we reinforce the quality warranty system and the focused management of vulnerable spots in each production line.

In 2012, we expanded global production networks and set a goal of "Global One Quality" to minimize quality differences among production sites and to produce products of consistent quality. To this end, a new quality warranty framework was established and communicated throughout all production plants worldwide. In 2013, we will continue to provide first-rate services to global customers by expanding the number of regions to which we dispatch our service specialists. Looking forward, we will realize supreme customer satisfaction in the future on the strength of our world-class quality warranty management system.

### Support for Activities to Improve Quality Satisfaction Level

Hankook Tire is committed to enhancing driver satisfaction with a range of supporting services.

First, we are building and expanding a global service network. We improved our regional service levels in the Americas, China, Europe and Korea and dispatched dedicated service engineers to emerging markets in the Africa, Asia-Pacific and Middle East regions. Furthermore, we increased the number of locally-hired service engineers to build service infrastructure befitting our reputation as a global company.

Second, we are training service engineers to enhance their quality. The skills of after-sales service providers are being raised through mandatory training sessions each year that provide them with better service information and tire technology knowledge. In particular, we are developing education programs to nurture local experts. Also, the locally-hired specialists are sent to our main head office where they are trained in more enhanced skills and knowledge, thereby providing top quality services across our global footprint.

Third, we implement regular market research to ascertain quality assurance systems. Thorough research results comprise the critical information required to provide the quality and the services that customers want. We have built a database on markets based on this research; in turn, this accumulated data is further analyzed for clues that will be reflected in new tire and service development. Standout services are being provided as we launch products to meet customers' demand in their tire products.

Finally, a Global Safety Campaign is underway to educate drivers on the importance of tire maintenance and tire safety. Safety wall posters and warranty leaflets have been distributed throughout the Asia-Pacific, Latin America and the Middle East, enhancing customers' mindfulness about safety. In Korea, we are expanding the number of mobile services (12 times per year) we offer to customers in remote islands beginning with Ulleungdo, off Korea's east coast. In 2012, we added four more complementary auto maintenance services for the disabled, in close collaboration with the Korea Polytechnics automobile department.

## Strengthening Automotive Partnerships

Hankook Tire is expanding its automotive partnerships around the world. By supplying tires to premium auto brands, which in turn enhances the competitive leadership of their new cars, we are underpinning our status as a trusted partner of major players in the global automotive industry.

### Leading the Future of the Automotive Industry



The last and most critical element of an automobile that decides its final driving performance, the tire is key as driving is, ideally, an enjoyable experience that stimulates emotion. The demand for optimal performance and safety is why global automotive brands are applying exceedingly stringent standards when they select tire suppliers. The importance of tires is growing even more in the wake of an increasingly competitive global race to design new cars, which require ever-higher levels of quality competency and adequate reflection of consumer tastes. Hankook Tire is responding to the demands of the Original Equipment (OE) tire market for new cars by developing tires optimized to the features of individual automobiles.

We realize the best partnerships with world-leading automotive brands by securing core capabilities for future car technology, building on our far-reaching global network and continued R&D investment. In addition, we are concentrating our efforts on communication to strengthen affiliation and collaboration with global automotive brands. We are also pushing ahead with diverse strategic marketing activities, including participation in world-renowned exhibitions, motor sport events and technology exchange sessions to enhance partnerships with premium automotive brands and to promote the technology excellence of Hankook Tire.

Since the first partnership we formed with Korean automotive companies in 1955, we have expanded our business turf, partnering with premium global brands in Asia, Europe and North America. We will be joining hands with premium automotive brands all over the world on the strength of our top quality and advanced technology to advance the future of the automotive industry.

By incubating top talent and operating in harmony with society, Hankook Tire opens up the prospect for a sustainable future

# GROWING DEEPER BOLSTERING RELATIONSHIPS

Each and every one of some 20,000 Hankook Tire employees around the world is being trained in the ideal of proactive leadership. Bolstered by a systematic framework of integrated Corporate Social Responsibility (CSR), the company is opening up the prospect for a sustainable future where corporate citizens and society grow together in harmony.



76 Corporate Social  
Responsibility  
Activities

78 Proactive  
Culture

80 Proactive  
Leadership

81 Risk  
Management

### Volunteer Activities of Hankook Tire Employees in 2012

Unit: Person | Project | Hour



## Corporate Social Responsibility Activities

Guided by our corporate philosophy to deliver value and joy to people, we are implementing diverse, caring and sincere CSR activities. We are realizing the social values supported by all stakeholders of Hankook Tire while fulfilling our duty as an honorable and global corporate citizen.

### CSR Budget in 2012

Korea (including the funds for Hankook Tire Sharing Foundation)  
KRW 3,223,613,884

Europe (including Hungary)  
EUR 128,731

China  
CNY 3,672,926

Indonesia  
USD 30,085

## Declaration

Hankook Tire aims to develop Corporate Social Responsibility (CSR) as a firmly ingrained element of corporate culture, making it part of the everyday work of our employees. We will do our best in the coming years to provide top values to our stakeholders through company-wide integrated management of CSR activities while at the same time striving for the sustainable development of the automotive industry.

## CSR Responsibility and Organization

Hankook Tire organizes and administers its CSR management under a CSR team in the management infrastructure division. Composed of nine subcommittees, the CSR Steering Committee shares its goals and achievements by promoting communication between each subcommittee and CSR team, while striving to enhance implementation of CSR activities.

## CSR Report Publication

Hankook Tire has been publishing an annual Corporate Social Responsibility Report in a bid to set up proactive communication channels with its stakeholders. The report allows the company to record its CSR achievements every year, and present future plans and pledges with our stakeholders. Our effort was recognized by the global business community when we were awarded the top prize in the Automotive and Parts Industry and Global CSR Report segment in the 2011/2012 LACP Vision Awards hosted by the League of American Communications Professionals, a global marketing research institute.

While Hankook Tire's initial CSR Reports focused mostly on domestic CSR activities, the latest CSR Report includes endeavors at overseas operations, illustrating the global reach of our commitment.

To ensure company-wide implementation of CSR activities, Hankook Tire established the CSR Strategy Committee and 9 CSR Steering Subcommittees, which are convened by the CEO. Its annual achievements are reported directly to top management. We are also formulating more advanced strategic guidelines through rigorous checks and examinations to ensure that the activities of each subcommittee meet our CSR principles.

Hankook Tire has also developed its unique CSR Steering Wheel. We strive to meet the expectations of stakeholders through concentrated management of CSR Focus Areas, derived from significance evaluation.

The entire publication process of this report is confirmed by an independent assurance provider and rigorously engages diverse stakeholders to ensure the completeness, reliability and stakeholder relevance of its contents.

## Social Contribution Activities

Today's management environment makes it urgent for companies to deliver social and environmental value on top of economic performance. A global company with over 70 years of history under its belt, Hankook Tire encourages each worksite to carry out its own social contribution programs voluntarily. We established the Hankook Tire Sharing Foundation for effective, ongoing and rewarding company-wide philanthropic activities. Our value creation for society is multifaceted. For example, we support social welfare facilities and organizations, scholarships and educational initiatives, public health programs and employee volunteering. In addition to offline programs, we co-operate a website for donations called Dream Full (www.dreamfull.or.kr) in collaboration with Leftovers Love Sharing Community, a local NGO.

### Key Social Contribution Activities in 2012

- Volunteer Service by Employees**  
 More than 3,200 Hankook Tire employees and their family members have gotten involved in community services, enhancing our CSR efforts. Activities include neighborhood clean-up campaigns, home repair for seniors who live alone, visits to low-income households and social welfare facilities, and cultural events for underprivileged children.  
 \* Accumulated total in 2012: 3,237 persons, 221 projects, 996.5 hours (Total man hours: 16,308 hours)
- Joint Operation of Online Donation Site**  
 Hankook Tire co-operates a website called Dream Full (www.dreamfull.or.kr) in collaboration with a local NGO, enabling our employees and people interested to make charitable donations online. The proceeds are used to provide needy children with opportunities to get a proper education and develop both spiritually and mentally.  
 \* Newly subscribed members: 7,958 (Accumulated total: 9,966)  
 \* Total numbers of donations: 29,455 (Accumulated total: 53,019)  
 \* Total donations: KRW349,135,572 (Accumulated total: KRW897,245,011)
- Vehicle Support for Social Welfare Facilities and Organizations**  
 We design and implement CSR activities that meet our identity as a participant in the automotive industry. Hankook Tire provides vehicles to various facilities and organizations in an attempt to raise the quality of the services that can be provided.  
 \* A total of 40 vehicles was provided in 2012 (Accumulated total: 187)
- Tire Support for Social Welfare Facilities and Organizations**  
 We replace tires of commercial vehicles driven by social welfare facilities in Korea free of charge to improve their operational efficiency, an apt service befitting our corporate mission statement—Contribute to Advancement in Driving.  
 \* A total of 398 institutions was supplied with tires in 2012 (Accumulated total: 1,539 institutions)
- Monetary Support to Community Chest of Korea**  
 We participated in Hope Sharing 2013 hosted by the Community Chest of Korea to assist people in need such as underprivileged children, the elderly and the disabled.  
 \* A total of KRW1 billion was donated (Cash KRW740 million + Value in Kind KRW260 million)



Hope Sharing Campaign



Sharing of Backpacks Filled with Hope



Vehicle Support for Social Welfare Facilities



## Proactive Culture

We have grown on the spirit of our proactive culture. This culture is unique to Hankook Tire and is the driving force behind the company's rapid growth as a global tire brand. We are opening up a sustainable future together with creative and passionate minds who bloom in a corporate culture that is conducive to the development of employees' inner potential.



Proactive Friday



Proactive 1 Grand Prix



Proactive Awards

### Proactive Culture: Deep-rooted Spirit of Hankook Tire

The company's remarkable accomplishments today were achieved thanks to the unwavering enthusiasm and dedication of our employees. The path of Hankook Tire's growth since 1941 follows in the footsteps left by each and every one of our employees who embraced the company's founding spirit and lent their hands to pioneer new paths. We were able to instill this proactive culture deep into our corporate veins thanks to the efforts of our proactive leaders. We believe that only through the individual growth and development of each and every employee can the company open a sustainable future on the global stage. Rooted firmly in a culture that allows employees to realize their maximum potential, we will keep writing business success stories in the future.

### Proactive Working

Hankook Tire is pursuing a workplace environment where creative minds can sharpen their job expertise on their own. We have eliminated unnecessary meetings and reporting requirements so that employees can concentrate on their work more effectively, while promoting a proactive working culture that boosts the creative spirit of employees.

#### Full Day Investment in Creative Activities on Proactive Friday

Once a month, our employees are freed from their regular duties and spend the day on self-regulated activities that can bring out their own initiative. Freed from the pressure of a performance-driven work environment, employees can relax while nurturing their inner selves for new ideas and enhancing communication among peers.

#### Innovation Becomes Daily Routine with Proactive 1 Grand Prix

The Proactive 1 Grand Prix is an intranet system via which employees can submit innovative ideas to advance the company, regardless of their given task.

#### Proactive Awards for Workplace Synergy

The annual Proactive Awards were established to reward persons and teams that put proactive leadership into action and deliver impressive performances.

## Proactive Communication

Corporate heads and employees join hands to shape the company's future together. Hankook Tire implements proactive communication across the company to promote transparent sharing of management information and strategies with employees, and to reflect employee feedback.

### HANA: Hankook Tire's Agora for Better Alternatives through Open Communication

Our employees are allowed to freely express their opinions on HANA, the company's intranet communication blog, where everyone is welcome to freely express his or her ideas and opinions as a proud member of Hankook Tire.

### Management Debriefing Session: First Step for Transparent Management

We hold a quarterly management debriefing session where details of the company's current business performance are open to investors as well as to all members of Hankook Tire. A team of company executives visits key plants and operations every quarter and answers questions from employees.



Management Debriefing Session



Circle Daycare Center

### Work & Life Balance

We pay careful attention to our employees to provide diverse benefits in a healthy and safe work environment. We provide various supports so that employees can pursue happiness by balancing work and life.

#### Circle Daycare Center for Work & Life Balance

We are running a Circle Daycare Center to help our employees concentrate on their work, freed from the worries of childbirth and childcare.

#### Company Hobby Clubs for Personal Development

We are promoting internal communication among employees by proactively supporting independent hobby clubs and societies in an effort to help staff exploit their untapped potential and develop their professional competitive edges.

## Proactive Leadership

**At Hankook Tire, we are bound together by proactive leadership, an ideal talent standard that helps us to challenge the new and at the same time to share and develop our own opinions for building crucial blueprints to fulfill our mission and vision. We encourage our employees to take ownership of their tasks, fulfilling their own growth and performance to the best of their abilities.**

### We Pursue Proactive Leadership

The core value of Hankook Tire shared and implemented by company members to realize its mission and vision, proactive leadership is intended to suggest directions for achieving independent personal growth and outstanding performance by conducting businesses with clear ownership of respective roles. The four key characteristics of proactive leadership are:

#### We are passionate. We have a goal

Passion plays a large role in our work. When we have passion about what we do and a clear goal, we can do it best and enjoy doing it more. Passion also helps us to focus on our goals and priorities, proactively carrying out each of our responsibilities with leadership.

#### We are innovative. We create possibilities

We define innovation as the act of challenging new possibilities and on-going progress. Our forward-oriented approach allows us to redefine the present. It also helps us reach the next level, individually and collectively.

#### We are collaborative. We build trust

When diverse talent and potential combine, powerful accomplishments can be achieved. Proactive leadership is best practiced when we respect and leverage the strengths of colleagues and partners. We constantly encourage one another to utilize creativity, perspective, intellect, resources, and shared principles, building trust and understanding in each other.

#### We are global. We share an open mind

Culturally diverse backgrounds and perspectives are powerful advantages that allow us to bring multiple skills to bear, think cross-culturally and adapt quickly. Diversity helps us recognize different local and global standards. This means we can come together as a single global community to respect and embrace differences with understanding, enthusiasm and knowledge.

## Risk Management

**Companies can contribute to the stabilization of society by anticipating impending risks and responding to them proactively. Hankook Tire considers diverse risks from multiple perspectives and provides effective responses, thereby fostering sustainable growth of stakeholders, employees, the corporation and society.**

### Operational Risk

To ensure stable growth shared with our customers and stakeholders, Hankook Tire has established company-wide risk management guidelines that empower the entire workforce to perform rigorous pre- and post-event risk management by identifying, assessing and monitoring risks that could potentially undermine our business operations. We have identified ten important risks that need to be addressed urgently by breaking them down to those in need of company-wise handling, and to internal and external risk categories. With regard to handling key risks, we established a system that helps us identify risks in a timely manner by monitoring them regularly through company-wide sharing of information. The key risks identified are then narrowed down and managed through two-way communication between management and employees, while the company responds to them rigorously by consistently educating employees on risk issues. Each of our business divisions follows its own business management manual and code to reduce the particular risks associated with its business to the minimum. Company-wide, we operate internal and external control institutions and faithfully comply with our risk management guidelines.

When risks arise, we form task forces representing the relevant divisions to respond through facilitated, company-wide communication. Moreover, we try to forestall internal operational risks in advance by both regular and ad hoc audits. We manage external risks with steady monitoring of the economic environment and the automotive and tire industries, and analyze significant cases of relevance.

### Financial Risk

In 2012, the world economy was dominated by economic contractions and deepening uncertainty triggered by the Eurozone fiscal crisis. This crisis continues to linger. A global contraction in consumer spending and a currency war among leading economies threaten economic stability at home and abroad, forcing companies to walk a treacherous path bristling with risks and management challenges. Mindful of this challenging reality, Hankook Tire focuses on sustaining stable growth by continuing investment in overseas expansion to create future growth momentum while maintaining a conservative approach to risk management. In order to minimize our exposure to financial risks, we are stepping up the monitoring and management of financial costs and positioning in foreign exchange markets. In addition, we are upgrading our system for financial market trend reporting to detect volatility in the financial markets early on, thus improving top management's decision-making efficiency. We also share market information with internal and external stakeholders and partners through steady communications.

### Currency Risk

Hankook Tire carries out transactions in 22 currencies, including the US dollar and euro. To mitigate risks associated with currency exchange, we make it a rule to conduct every transaction in local currencies including export and import payments, operating transactions, bank deposits and loans. We also hedge risks against each currency on the principle that incoming and outgoing currency should be identical, while suppressing occurrence of exchange positions. Exchange positions exceeding present limits are managed according to the exchange risk management regulation, which contains stipulations on the definition of exchange risk, governing body, management process and hedge ratio. As the top decision-making body regarding currency risk, the Currency Risk Management Committee, presided over by the Hankook Tire CEO, is convened quarterly to build response strategies for currency risk per region and per currency. While the currency risk management strategy of Hankook Tire focuses on natural hedging through assets-liabilities matching, we do not exclude artificial hedging using financial products within the limit of approval, if necessary.

**Liquidity Risk**

Hankook Tire monitors the borrowing, liquidity levels, and the short- and long-term cash flows of the headquarters, as well as overseas affiliates, continuously. We periodically predict future cash flows to manage liquidity risks in advance. We also concentrate on conservative liquidity management during periods of intensified volatility in financial markets to maintain operational stability. We completed the liquidity management process for our overseas operations by adopting consolidated financial systems such as Cash Pooling. This helps us minimize liquidity risks, mitigate the burden of fund management and reduce financial expenses through sharing of funds between the affiliates with limited funds and affiliates with surplus funds. By expanding on this scheme, we are building a Global Cash Management System that manages company-wide cash flows, including those of regional head offices and worldwide subsidiaries, in an integrated manner.

**Fire Risk**

Hankook Tire reduces fire risk by making steady investments in fire prevention and fire-fighting facilities, in addition to holding fire drills. In 2010, we assessed the fire and explosion risk of our domestic plants, and devised a plan for investment in areas of improvement. In Phase 1, we invested KRW1.31 billion in 2011, and reduced our Fire & Explosion Index (F&EI) by 23.9% in 2012 by investing another KRW0.96 billion in Phase 2. Efforts to reduce fire risk were expanded to overseas worksites. We assess the fire safety state of our plants in Hungary and China jointly by forming a team of fire risk assessment professionals every year. With these results, we continue to manage improvements.

To prevent fire incidents, we manage Special Fire Prevention Zones, designated in accordance with the characteristics of fires that could occur in each step of the manufacturing process. We also manage preapproval systems for high fire risk jobs such as welding and cutting to remove risks. In 2012, we established the Severe Industrial Accident Management Manual, which forecasts potential damage to neighboring areas through damage prediction, and which alerts us of impending danger.

**Legal Risk**

Hankook Tire manages legal risks by seeking legal advice on the drafting and reviewing of contracts and other legally sensitive issues related to diverse projects as well as to the day-to-day business of operational divisions. We also provide full-pledged support for the resolution of legal disputes such as litigations, arbitrations and more at home and abroad.

The consolidated total assets of Hankook Tire affiliates finally added up to pass the limit specified by the Fair Trade Commission in 2012, making the company a business group subject to limitations on mutual investment as of April 12 2012. As a result, we declared the status of mutual investments and debt guarantees among Hankook Tire affiliates to the Fair Trade Commission and implemented follow-up measures, thereby fulfilling the legal duties required for a business group with mutual investments among its affiliates. Upon designation, other regulations including restrictions on equity acquisitions between affiliates, bans on debt guarantees and obligations to make public announcements on items specified in the regulation have begun to be applied in earnest. Meanwhile, Hankook Tire Worldwide takes responsibility for performing report-related tasks for all affiliates. We have eliminated any potential issue that could pose a risk by complying with regulations through a rigorous screening process.

With the amendment of the Commercial Law which suggests “the election of a compliance officer for listed companies with over KRW500 billion in total assets,” the company appointed a qualified executive through voting in a board meeting. There is no punitive measure specified in the Commercial Law for companies that fail to appoint a dedicated compliance officer, but we went ahead with the appointment in order to take a proactive approach to social expectations about transparent corporate management.

-23.9%

Reduction in Fire and  
Damage Risk Index in 2012

**FINANCIAL  
REPORT**

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  - 1. Purpose
  - 2. Primary Business
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## I Company Overview

### 1. Purpose

1. Manufacture, recycling, processing and sale of automotive tires, tubes and parts;
2. Manufacture and sale of rubber products and special chemical products;
3. Technology services related to the manufacture of a variety of tires and other rubber products;
4. Manufacture and sale of storage batteries;
5. Manufacture and sale of automotive parts;
6. Maintenance and repair of automobiles;
7. Manufacture, assembly, lease and sale of machinery, industrial equipment and components;
8. Housing business as well as the sale and rental of residential buildings;
9. Development, sale, purchase and rental of real estate;
10. Transportation, transportation-related services, storage and warehousing;
11. Import and export business as well as wholesale and retail;
12. Manufacture and sale of new materials and non-metal products;
13. Manufacture, assembly and sale of transportation equipment and parts;
14. Collection and disposal of wastes;
15. Gas stations;
16. Educational services;
17. Internet business as well as information and communications business;
18. Sports facilities, golf facilities and comprehensive leisure business;
19. Sale of intangible assets including knowledge and information held by the Company as well as services related to the business;
20. Electronic commerce and related services;
21. Development, manufacture and sale of fuel cell separator plates as well as related research services;
22. And any and all other businesses incidental to any of the foregoing.

### 2. Primary Business

Manufacture, recycling, processing and sale of automotive tires, tubes and parts

### 3. Business Sites and Plants

Name of Business Site/Plant	Main Business Activity or Product	Location
Headquarters	Sales and administration	133 Teheran-ro (Yeoksam 1-dong), Gangnam-gu, Seoul, Korea
Daejeon Plant	Tire manufacturing	100 Moksang-dong, Daedeok-gu, Daejeon, Korea
Geumsan Plant	Tire manufacturing	340 Geumsan-eup, Geumsan-gun, Chungcheongnam-do, Korea
Main R&D Center	Technology research	23-1 Jang-dong, Yuseong-gu, Daejeon, Korea
57 sales offices and distribution centers in Korea, including the Gangnam Office	Tire sales	294-20 Jamsil-dong, Songpa-gu, Seoul, Korea and other locations
11 overseas subsidiaries and sales offices including the Bangkok Office	Tire sales	11th Floor, Two Pacific Place Building, 142 Sukhumvit Road, Bangkok 10110
Overseas technology centers and technology offices (ATC and others)	Technology research	3535 Forest Lake Drive Uniontown, Ohio 44685 and other locations

### 4. Employees

Directors	Regular Employees	Temporary Employees	Total
30	2,035	4,630	6,695

(As of December 31, 2012. The numbers above include expatriates but not the employees of Hankook Tire Worldwide.)

5. Organizational Chart

Global Staff



Regional Headquarters



6. Stock Information

① Type and Number of Shares Issued

In thousands of Korean Won, except number of shares and percentage data

Type of Stock	Number of Shares	Amount	Ratio	Remarks
Registered common stock	123,875,069	61,937,535	100%	-
<b>Total</b>	<b>123,875,069</b>	<b>61,937,535</b>	<b>100%</b>	<b>-</b>

② Changes in Capital Stock

In thousands of Korean Won, except number of shares

Date	Type of Stock	Number of Shares	Capital Increase (Decrease) Amount	Capital Stock after Capital Increase (Decrease)	Description
September 1, 2012	Registered common stock	123,875,069	61,937,535	61,937,535	Newly established through spin-off

③ Stock Administration

<b>Closing Date</b>	December 31				
<b>Book Closure Period</b>	January 1 through January 31	<b>Record Date</b>	December 31		
<b>Announcement</b>	www.hankooktire.com, Seoul Economic Daily				
<b>Type of Stock</b>	Registered common stock				
<b>Stock Administration Agency</b>	<b>Name of Agent</b>	Korea Securities Depository			
	<b>Administrative Office</b>	34-6 Yeouido-dong, Yeongdeungpo-gu, Seoul, Korea			

7. Debenture Information

In thousands of Korean Won

Type	Issue Date	Issue Amount	Annual Interest Rate	Balance	Maturity Date	Guarantor
Non-guaranteed Debenture No. 81-1	February 21, 2012	80,000,000	3.84%	80,000,000	February 21, 2015	Shinhan Investment Corp.
Non-guaranteed Debenture No. 81-2	February 21, 2012	70,000,000	4.06%	70,000,000	February 21, 2017	Shinhan Investment Corp.
<b>Total</b>		<b>150,000,000</b>		<b>150,000,000</b>		

## II Progress and Results of Operations

### 1. Business Overview

See the CEO Message.

### 2. Production Status by Main Business Units or Products

In thousands of Korean Won, except quantity data

Business Unit/Product	Production Status	Actual Production	
		Quantity (2012)	Value (2012)
Tires		15,081,276	873,771,784
<b>Total</b>		<b>15,081,276</b>	<b>873,771,784</b>

### 3. Sales Performance

In thousands of Korean Won

Type of Sales	Sales Status	Year 2012	
Finished Goods	Tires	Domestic sales	374,227,629
		Exports	890,467,051
		<b>Subtotal</b>	<b>1,264,694,680</b>
Trading Goods	Tires, tubes, batteries, etc.	Domestic sales	71,034,843
		Exports	28,659,900
		<b>Subtotal</b>	<b>99,694,743</b>
Services	Research services, etc.	Domestic sales	0
		Exports	0
		<b>Subtotal</b>	<b>0</b>
Engineering Services	Vehicle maintenance and repairs, etc.	Domestic sales	212,459
		Exports	0
		<b>Subtotal</b>	<b>212,459</b>
Leases	Office rentals, etc.	Domestic sales	773,756
		Exports	0
		<b>Subtotal</b>	<b>773,756</b>
<b>Total</b>		<b>Domestic sales</b>	<b>446,248,687</b>
		<b>Exports</b>	<b>919,126,951</b>
		<b>Subtotal</b>	<b>1,365,375,638</b>

### 4. Major Facility Constructions, Expansions and Financing

#### ① Expansions

In thousands of Korean Won

Site	Investment Purpose	Investment Duration	Investment Size
Hankook Tire Korea Headquarters	Maintenance and repairs	September 2012-December 2012	107,151,350
Daejeon Plant and Geumsan Plant	Molds	September 2012-December 2012	27,180,000
	Facility expansions	September 2012-December 2012	63,340,000
(Hankook Tire Korea Headquarters)	Projects	September 2012-December 2012	7,190,000
	Restructuring	September 2012-December 2012	60,785,000
<b>Total</b>			<b>265,646,350</b>

#### ② Funds Required and Financing Details

In thousands of Korean Won

Classification	Funding Source	Amount	Remarks
Domestic Funds	Facility funds	-	-
	Corporate bonds	-	-
	Internal funds	265,646,350	-
	Total domestic funds	265,646,350	-
Overseas Funds	Loans in foreign currencies	-	-
	Internal funds	-	-
	Total overseas funds	-	-
Investment Total	Total funds raised	265,646,350	-

### III Information on Parent Company, Subsidiaries and Business Combination

1. Status of the Parent Company Not Applicable

#### 2. Status of the Subsidiaries

Subsidiary		Relationship with the Company				
Company Name	Location	Capital Stock	Primary Business	Shareholding (shares)	Ownership (%)	Business Relationship
Daehwa Engineering & Machinery Co., Ltd.	1-11, Daehwa-dong, Daedeok-gu, Daejeon, Korea	KRW 2,000,000,000	Machinery manufacturing	380,000	95.00	Equipment sales
Hanyang Tire Sales Co. Ltd	1343-2, Seocho 1-dong, Seocho-gu, Seoul, Korea	KRW 150,000,000	Tire sales	30,000	100.00	Tire sales
Hankook Tire America Corp.	1450 Valley Road, Wayne, New Jersey 07470, USA	USD 8,000,000.00	Tire sales	1,600	100.00	Tire sales
Hankook Tyre U.K. Ltd.	Fawsley Drive, Heartland Business Park, Daventry Northamptonshire, NN11 8UG, U.K	GBP 25,000.00	Tire sales	25,000	100.00	Tire sales
Jiangsu Hankook Tire Co., Ltd.	No.1 South Hantai Road, Huaian E.D.Z, Jiangsu, China	CNY 1,575,973,631.23	Tire manufacturing	(*)	34.67	Tire sales
Hankook Tire China Co., Ltd.	Dong Fang Lu, Jiaxing E.D.Z, Zhejiang, China	CNY 1,535,016,855.83	Tire manufacturing	(*)	96.20	Tire sales
Shanghai Hankook Tire Sales Co., Ltd. (Formerly: Hankook Tire China Regional Headquarters)	10th Floor, Guangqi Building, #1001, Qinzhoubei Road, 200233, Shanghai, China	CNY 22,000,000.00	Tire sales	-	-	Tire sales
Hankook Tire Netherlands B.V.	Koerilenstraat2-6, 3199LR, Distripark Maasvlakte, Rotterdam, the Netherlands	EUR 1,593,676.12	Tire sales	(*)	100.00	Tire sales
Hankook Tire Japan Corp.	7th Floor, Naniwasuji Chuo Bldg. 2-2-2, Chome Nishihomachi, Nishi-Ku, Osaka, Japan	JPY 20,000,000.00	Tire sales	400	100.00	Tire sales
Hankook Tire Canada Corp.	30 Resolution Drive, Brampton Ontario, L6W OA3, Canada	CAD 50,000.00	Tire sales	50,000	100.00	Tire sales
Hankook Reifen Deutschland GmbH	Siemens Strasse 5A, 63263 Neu-Isenburg, Germany	EUR 127,822.97	Tire sales	(*)	100.00	Tire sales

Subsidiary		Relationship with the Company				
Company Name	Location	Capital Stock	Primary Business	Shareholding (shares)	Ownership (%)	Business Relationship
Hankook France SARL	Central Parc 2, 115 (4EME ETAGE) Boulevard Stalingrad 69100 Villeurbanne, France	EUR 1,190,561.27	Tire sales	(*)	100.00	Tire sales
Hankook Tire Italia SRL	Centro Direzionale Colleoni, Palazzo Liocorno 2, Ingresso 2 (Piano 2) Via Paracelso, 420041 Agrate Brianza (MI), Italy	EUR 20,800.00	Tire sales	(*)	-	Tire sales
Hankook Espana S.A.	Avda. De La Industrias, No 4 Edificio 3, 2d Parque Empresarial Natea, 28108 Alcobendas Madrid, Spain	EUR 60,101.21	Tire sales	(*)	100.00	Tire sales
Hankook Tyre Australia Pty. Ltd.	Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia	AUD 1,575,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Hungary Ltd.	H-2459 Rácalmás, Hankook Ter 1, Hungary	HUF 11,087,730,000.00	Tire manufacturing	(*)	100.00	Tire sales
Hankook Tire Europe Holdings B.V.	Beech Avenue 102, 1119 PP Schiphol-Rijk, the Netherlands	EUR 39,025,300.00	Holding company	390,253	100.00	Others
Hankook Tire Budapest Kereskedemi Kft	IP West Building, Budafoki ut 91-93 H-1117 Budapest, Hungary	HUF 3,000,000.00	Tire sales	(*)	-	Tire sales
Hankook Tire Europe GmbH	Siemensstrasse 5A, 63263 Neu-Isenburg, Germany	EUR 25,000.00	Service	(*)	-	Service
Hankook Tire RUS LCC.	2/4, Luznetskaya Nabereznaya, Block 4, Moscow, 119270, Russia	RUB 6,000,000	Tire sales	(*)	-	Tire sales

Subsidiary		Relationship with the Company				
Company Name	Location	Capital Stock	Primary Business	Shareholding (shares)	Ownership (%)	Business Relationship
Hankook Tire DE Mexico, S.A. DE C.V.	Paseo De La Reforma #199, Piso 5, Oficina # 502, Colonia Cuauhtemoc (Entre Rio Marne Y Rio Neva) C.P.06500, Mexico D.F	MXN 3,600,000.00	Tire sales	9,999	99.99	Tire sales
Chongqing Hankooktire Co., Ltd.	No.146 Dongfeng Road, Jiangbei Zone, Chongqing, China 401133	CNY 642,826,000.00	Tire manufacturing	(*)	100.00	Tire sales
PT. Hankook Tire Indonesia	JL.INTL II Block C5 No.6-7 Lantai 1 Hyundai International Industri Estate, Lippo Cikarang, Bekasi	USD 132,999,000.00	Tire manufacturing	132,999	99.99	Tire sales
MKT Holdings Co., Ltd	45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea	KRW 2,260,000,000	Holding company	226,452	50.10	Others
MK Technology Corp.	45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea	KRW 7,006,800,000	Mold manufacturing	-	-	Mold sales
MK Mold (Jiaxing) Co., Ltd	No. 676 Changsheng East Road Edz Jiaxing, Zhejiang Province, China	KRW 15,949,250	Mold manufacturing	-	-	Mold sales
Hankook Tire Singapore PTE., Ltd	#11-05. Clifford Centre@24 Raffles Place, Singapore, 048621	USD 700,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Malaysia Sdn. Bhd.	22-08, Menara 1mk, Kompleks 1 Mon't Kiara No.1, Jalan Kiara, Mon't Kiara 50480 Kuala Lumpur	USD 400,000.00	Tire sales	1,000,000	100.00	Tire sales

Note: (\*) indicates that share certificates were not issued.

As of December 31, 2012

### 3. Interlocking Directors between Parent and Subsidiary Companies

Director Holding Multiple Positions		Interlocked Company		
Name	Position	Company Name	Position	Remarks
CHANG HWAN KANG	Executive Vice President	Daehwa Engineering & Machinery	Auditor	Non-executive
	Executive Vice President	MKT Holdings	Director	Non-executive
HAN JUN KIM	Deputy Managing Director	MK Technology	Auditor	Non-executive
BYEONG SAM MIN	Senior Vice President	Daehwa Engineering & Machinery	Director	Non-executive
JONG HO PARK	Senior Vice President	MKT Holdings	Director	Non-executive
YONG JIN AHN	Deputy Managing Director	Daehwa Engineering & Machinery	Director	Non-executive
SUN KI YOON	Deputy Managing Director	MK Technology	Director	Non-executive

## IV Business Results and Financial Status for the Past Three Years

In thousands of Korean Won

### 1. Business Results

	Year 2013 (1st Fiscal Year)
<b>I. Sales</b>	<b>1,365,375,638</b>
<b>II. Cost of Goods Sold</b>	<b>955,580,970</b>
<b>III. Gross Profit</b>	<b>409,794,668</b>
Selling expenses	148,827,673
Administrative expenses	76,744,334
Research and development expenses	43,434,906
<b>IV. Operating Income</b>	<b>140,787,755</b>
Other income	129,503,812
Other expenses	60,174,017
Financial income	12,056,836
Financial expenses	26,493,839
<b>V. Net Income before Income Tax</b>	<b>195,680,548</b>
<b>VI. Income Tax Expense</b>	<b>46,835,978</b>
<b>VII. Net Income</b>	<b>148,844,570</b>
<b>VIII. Other Comprehensive Income</b>	<b>-20,074,160</b>
1. Items that will not be reclassified subsequently to net income	-19,844,362
Actuarial gains (losses)	-26,179,898
Income tax effect of other comprehensive income	6,335,535
2. Items that will be reclassified to net income when specific conditions are met	-229,798
Gain (loss) on valuation of cash flow hedging derivatives	-303,164
Income tax effect of other comprehensive income	73,366
<b>IX. Total Comprehensive Income for the Year</b>	<b>128,770,410</b>
<b>X. Earnings per Share (in Korean Won)</b>	
Basic and diluted earnings per share	1,202



## 2. Financial Status

In thousands of Korean Won

Year 2012 (1st Fiscal Year)	
<b>Assets</b>	
<b>I. Current Assets</b>	<b>1,993,640,133</b>
Cash and cash equivalents	300,402,754
Short-term financial instruments	169,981,600
Trade and other accounts receivable	1,066,282,884
Inventories	443,023,392
Other financial assets	713,931
Other current assets	13,235,572
<b>II. Non-current Assets</b>	<b>2,381,300,644</b>
Long-term financial instruments	13,000
Available-for-sale financial assets	388,000
Investments in subsidiaries	793,707,063
Property, plant and equipment	1,462,033,968
Investment property	49,684,509
Intangible assets	9,149,126
Other financial assets	66,174,710
Other non-current assets	150,268
<b>Total Assets</b>	<b>4,374,940,777</b>
<b>Liabilities</b>	
<b>I. Current Liabilities</b>	<b>1,443,342,925</b>
Trade and other accounts payable	626,926,860
Short-term borrowings	726,583,278
Current tax liabilities	37,257,081
Other financial liabilities	303,164
Other current liabilities	52,272,542
<b>II. Non-current Liabilities</b>	<b>282,915,184</b>
Long-term borrowings	203,836,404
Severance benefit obligations	14,748,640
Deferred income tax liabilities	25,262,745
Provisions	35,215,632
Other financial liabilities	3,851,763
<b>Total Liabilities</b>	<b>1,726,258,109</b>
<b>Shareholders' Equity</b>	
<b>I. Capital Stock</b>	<b>61,937,535</b>
<b>II. Other Paid-in Capital</b>	<b>2,457,974,724</b>
<b>III. Retained Earnings</b>	<b>129,000,207</b>
<b>IV. Other Components of Equity</b>	<b>-229,798</b>
<b>Total Shareholders' Equity</b>	<b>2,648,682,668</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,374,940,777</b>

## V Future Challenges for the Company

See the CEO Message.

## VI Directors and Auditors

Executive / Non-executive	Name	Position	Key Responsibility	Transactions with the Company	Remarks
Executive	SEUNG HWA SUH	Representative Director, Vice Chairman (inside director)	Chief Executive Officer	-	-
Executive	HYUN BUM CHO	President (inside director)	Chief Executive Officer	-	-
Non-executive	GEON HO CHO	Audit Committee Chairman (outside director)	Auditor	-	-
Non-executive	CHUNG HWAN CHO	Audit Committee Member (outside director)	Auditor	-	-
Non-executive	SEONG PHIL HONG	Audit Committee Member (outside director)	Auditor	-	-

## VII Major Shareholders

As of December 21, 2012

Shareholder Name	Shareholding (shares)	Ownership (%)	Transactions with the Company	Remarks
YANG RAI CHO and others	50,562,104	40.82%	-	-
National Pension Service	8,532,260	6.89%	-	-
Saudi Arabian Monetary Agency	3,290,214	2.66%	-	-
New World Fund, Inc.	2,506,780	2.02%	-	-
Vanguard Emerging Markets Stock Index Fu	1,440,189	1.16%	-	-

## VIII Investments in Other Companies

Other Companies (Investee)	Investor	Investment in Other Companies		Investment by Other Companies in the Company	
		Shareholding (shares)	Ownership (%)	Shareholding (shares)	Ownership (%)
Daehwa Engineering & Machinery Co., Ltd.	Hankook Tire Co., Ltd.	380,000	95.00	-	-
Hanyang Tire Sales Co., Ltd.	Hankook Tire Co., Ltd.	30,000	100.00	-	-
Hankook Tire America Corp.	Hankook Tire Co., Ltd.	1,600	100.00	-	-
Hankook Tyre U.K. Ltd.	Hankook Tire Co., Ltd.	25,000	100.00	-	-
Jiangsu Hankook Tire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	34.67	-	-
	Hankook Tire China Co., Ltd.	(*)	64.86	-	-
	Hankook Tire America Corp.	(*)	0.47	-	-
Hankook Tire China Co., Ltd.	Hankook Tire Co., Ltd.	(*)	96.20	-	-
	Hankook Tire America Corp.	(*)	3.80	-	-
Hankook Tire DE Mexico, S.A. DE C.V.	Hankook Tire Co., Ltd.	9,999	99.99	-	-
	Hankook Tire America Corp.	1	0.01	-	-
Shanghai Hankook Tire Sales Co., Ltd. (Formerly: Hankook Tire China Regional Headquarters)	Hankook Tire China Co., Ltd.	(*)	66.00	-	-
	Jiangsu Hankook Tire Co., Ltd.	(*)	34.00	-	-
Hankook Tire Netherlands B.V.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Japan Corp.	Hankook Tire Co., Ltd.	400	100.00	-	-
Hankook Tire Canada Corp.	Hankook Tire Co., Ltd.	50,000	100.00	-	-
Hankook Reifen Deutschland GmbH	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook France SARL	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Italia SRL	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Espana S.A.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tyre Australia Pty. Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Hungary Ltd.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Budapest Kereskedelmi Kft	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Budapest Kereskedelmi Kft., Sp.zo.o. Polish Subsidiary	Hankook Tire Budapest Kereskedelmi Kft	(*)	100.00	-	-
Hankook Tire RUS LLC.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Europe GmbH	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Europe Holdings B.V.	Hankook Tire Co., Ltd.	390,253	100.00	-	-
Chongqing Hankooktire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
PT. Hankook Tire Indonesia	Hankook Tire Co., Ltd.	132,999	99.99	-	-
MKT Holdings Co., Ltd	Hankook Tire Co., Ltd.	226,452	50.10	-	-
MK Technology Corp.	MKT Holdings Co., Ltd	7,006,800	100.00	-	-
MK Mold (Jiaxing) Co., Ltd	MKT Holdings Co., Ltd	(*)	100.00	-	-
Hankook Tire Singapore PTE., Ltd	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Malaysia Sdn. Bhd.	Hankook Tire Co., Ltd.	1,000,000	100.00	-	-
Daehwa Eng & Machinery Jiaxing Co.,Ltd.	Daehwa Eng & Machinery	(*)	15.00	-	-

Note: (\*) indicates that share certificates were not issued.

## IX Major Creditors

As of December 31, 2012 / In thousands of Korean Won

Creditor Name	Credit Amount	Shareholding (Shares)	Ownership (%)	Remarks
Woori Bank	800,000	-	0.00%	-
Shinhan Investment Corp.	150,000,000	20,959	0.02%	-
<b>Total</b>	<b>150,800,000</b>	<b>20,959</b>	<b>0.02%</b>	<b>-</b>

## X Subsequent Events

The Company has provided payment guarantees related to financing for its specially-related entities by the resolution of the Board of Directors and the resolution of the Management Committee, which were held after the Closing Date (December 31, 2012). Details are as follows:

In thousands of US dollars

Debtor	Financial Institution	Amount Borrowed	Amount Guaranteed	Period of Guarantee	Remarks
Hankook Tire Singapore PTE., Ltd.	Bank of America N.A.	20,000	20,000	One year from the first withdrawal date	Interests, default interests and incidental expenses included
Hankook Tire Singapore PTE., Ltd.	Deutsche Bank AG	30,000	30,000	One year from the first withdrawal date	
Hankook Tire Singapore PTE., Ltd.	CitiBank N.A.	50,000	50,000	One year from the first withdrawal date	

## XI Other Important Events

Not Applicable.

## XII Audit Committee's Report

The Audit Committee of Hankook Tire Co., Ltd. has completed an audit of the Company's accounting records and business operations for its first fiscal year that started on September 1, 2012 and ended on December 31, 2012 and the results are as follows:

### 1. Audit Methodology Overview

Accounting ledgers, related documents, financial statements and supplementary schedules were closely reviewed for the purpose of the accounting audit. The Committee made comparisons, performed due diligence, called on relevant personnel, raised inquiries and took other appropriate audit procedures, if deemed necessary. To audit business operations, the Committee Members attended Board of Directors' meetings and other important meetings; asked directors for operational reports if found necessary; read and closely reviewed documents related to key business processes and took other appropriate measures.

### 2. Statement of Financial Position, Income Statement and Cash Flow Statement

Hankook Tire's property, profits and losses as well as cash flows are accurately presented in its statement of financial position, income statement and cash flow statement according to relevant laws and regulations as well as its Articles of Incorporation.

### 3. Statement of Appropriations of Retained Earnings

The Statement of Appropriations of Retained Earnings is in line with relevant laws and regulations as well as the Company's Articles of Incorporation. It also presents the Company's financial status and other conditions appropriately.

### 4. Operating Reports

Operating reports accurately capture the Company's circumstances according to relevant laws and regulations as well as its Articles of Incorporation.

February 26, 2013

**GEON HO CHO**

Chairman of the Hankook Tire  
Audit Committee



## XIII Independent External Auditor's Report

To the Shareholders and  
the Board of Directors of Hankook Tire Co., Ltd.:

We have audited the accompanying statement of financial position of Hankook Tire Co., Ltd. as of December 31, 2012 and the related statements of comprehensive income, changes in equity and cash flows for the four-month reporting period from September 1, 2012 (Date of Foundation) until December 31, 2012. The Company's management is responsible for the preparation and fair presentation of the financial statements, and our responsibility is to express an opinion on these financial statements based on our audits.

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, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for the four-month reporting period starting September 1, 2012 and ending December 31, 2012 in conformity with the Korean International Financial Reporting Standards.

March 14, 2013  
CEO **JAE SOOL LEE**  
Deloitte Anjin LLC  
23 Yeouido-dong, Yeoungdeungpo-gu,  
Seoul, Korea

This report is effective as of March 14, 2013, the audit report date. Certain subsequent events or circumstances may have occurred between the audit report date and the time of reading this report. Such events or circumstances could have a material impact on the accompanying financial statements and may result in modifications to the auditor's report.

## XIII Independent External Auditor's Report

### To the Shareholders and the Board of Directors of Hankook Tire Co., Ltd.:

We have audited the accompanying consolidated financial statements of Hankook Tire Co., Ltd. and subsidiaries (collectively, the "Group"). The consolidated financial statements consist of the consolidated statement of financial position as of December 31, 2012, and the related consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the four-month reporting period starting September 1, 2012 (Date of Foundation) and ending December 31, 2012. The Group's management is responsible for the preparation and fair presentation of the consolidated financial statements, and our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, with regard to some of the subsidiaries that account for 51.9% of the Group's aggregate assets as of December 31, 2012 and 62.9% of the total sales revenue of the consolidated companies that close the fiscal year on the same date, we used reports of other auditors as a basis for our opinion.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits as well as the other auditors' reports provide reasonable bases for our opinion.

In our opinion based on our audits and the other auditors' reports, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and the results of its operations and its cash flows for the four-month reporting period starting September 1, 2012 and ending December 31, 2012 in conformity with Korean International Financial Reporting Standards.

March 14, 2013  
CEO **JAE SOOL LEE**  
Deloitte Anjin LLC  
23 Yeouido-dong, Yeoungdeungpo-gu,  
Seoul, Korea

This report is effective as of March 14, 2013, the audit report date. Certain subsequent events or circumstances may have occurred between the audit report date and the time of reading this report. Such events or circumstances could have a material impact on the accompanying consolidated financial statements and may result in modifications to the auditor's report.

## XIV Financial Statements

As of December 31, 2012 / In Korean Won

### 1. Statement of Financial Position

Hankook Tire Co., Ltd.

	Year 2012 (1st Fiscal Year)
<b>Assets</b>	
<b>Current Assets</b>	<b>1,993,640,133,393</b>
Cash and cash equivalents	300,402,754,208
Short-term financial instruments	169,981,600,000
Trade and other accounts receivables	1,066,282,884,003
Inventories	443,023,392,060
Other financial assets	713,931,158
Other current assets	13,235,571,964
<b>Non-current Assets</b>	<b>2,381,300,643,599</b>
Long-term financial instruments	13,000,000
Available-for-sale financial assets	388,000,000
Investments in subsidiaries	793,707,062,806
Property, plant and equipment	1,462,033,968,352
Investment property	49,684,508,829
Intangible assets	9,149,125,799
Other financial assets	66,174,709,736
Other non-current assets	150,268,077
<b>Total Assets</b>	<b>4,374,940,776,992</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	<b>1,443,342,924,445</b>
Trade and other accounts payable	626,926,859,594
Short-term borrowings	726,583,277,927
Current tax liabilities	37,257,081,213
Other financial liabilities	303,163,629
Other current liabilities	52,272,542,082
<b>Non-current Liabilities</b>	<b>282,915,184,156</b>
Long-term borrowings	203,836,403,858
Severance benefit obligations	14,748,639,941
Deferred income tax liabilities	25,262,745,059
Provisions	35,215,632,158
Other financial liabilities	3,851,763,140
<b>Total Liabilities</b>	<b>1,726,258,108,601</b>
<b>Shareholders' Equity</b>	
Capital stock	61,937,534,500
Other paid-in-capital	2,457,974,724,126
Retained earnings	129,000,207,796
Other components of equity	(229,798,031)
<b>Total Shareholders' Equity</b>	<b>2,648,682,668,391</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,374,940,776,992</b>

## 2. Statement of Comprehensive Income

Hankook Tire Co., Ltd.

For the year ended December 31, 2012 / In Korean Won

Year 2012 (September 1 – December 31)	
<b>I. Sales</b>	<b>1,365,375,637,517</b>
<b>II. Cost of Goods Sold</b>	<b>955,580,969,693</b>
<b>III. Gross Profit</b>	<b>409,794,667,824</b>
<b>IV. Selling Expenses</b>	<b>148,827,673,422</b>
1. Salaries and wages	16,478,696,242
2. Severance benefits	1,451,256,684
3. Transportation expense	14,287,725,336
4. Ship transportation expense	39,669,730,221
5. Advertising expense	69,911,649,910
6. Other export expenses	2,706,327,843
7. Packaging expense	1,893,509,745
8. Sales damage expense	2,357,316,986
9. Overseas market development expense	71,460,455
<b>V. Administrative Expenses</b>	<b>76,744,333,561</b>
1. Salaries and wages	6,036,453,368
2. Severance benefits	851,859,916
3. Contractor services	12,392,422,932
4. Welfare expense	4,748,300,823
5. Utility expense	410,035,144
6. Supplies expense	647,197,406
7. Repair expense	1,336,750,571
8. Test and analysis expense	574,530,174
9. Overseas subsidiary maintenance expense	2,085,413,165
10. Travel expense	2,017,620,804
11. Training expense	308,470,986
12. Communication expense	547,106,908
13. Entertainment expense	1,071,890,149
14. Vehicle maintenance expense	821,629,610
15. Publication expense	106,539,051
16. Fees and charges	10,837,120,792
17. Rents paid	1,387,273,863
18. Depreciation expense	7,111,156,090
19. Depreciation expense for investment property	82,200,494
20. Amortization expense	661,690,659
21. Insurance premiums	1,159,599,368
22. Taxes and dues	3,652,741,559
23. Reversal of bad debt expense	(1,623,970,139)
24. Miscellaneous expenses	109,444,015
25. Meeting expense	72,968,613

In Korean Won

Year 2012 (September 1 – December 31)	
26. SSC service fees	5,961,405,809
27. Brand royalties	13,376,481,431
<b>VI. Ordinary Research and Development Expenses</b>	<b>43,434,905,850</b>
<b>VII. Operating Income</b>	<b>140,787,754,991</b>
<b>VIII. Other Non-operating Income</b>	<b>129,503,811,803</b>
1. Rental income	251,068,649
2. Loyalty income	43,878,268,973
3. Commission income	9,637,586,621
4. Gain on retirement of property, plant and equipment	574,816,174
5. Gain on foreign exchange forward contracts	11,021,017
6. Gain on insurance settlements	70,435,706
7. Miscellaneous income	2,498,372,389
8. Gain on foreign currency transactions	55,518,077,573
9. Gain on foreign currency translations	17,064,164,701
<b>IX. Other Non-operating Expenses</b>	<b>60,174,016,542</b>
1. Loss on inventory shrinkage	59,060
2. Loss on retirement of property, plant and equipment	1,106,784,475
3. Transfer to other provisions	3,519,613
4. Loss on sale of accounts receivable	215,253,195
5. Loss on foreign exchange forward contracts	219,159,700
6. Donations	1,129,760,000
7. Miscellaneous loss	506,050,774
8. Loss on foreign currency transactions	39,090,678,065
9. Loss on foreign currency translations	17,902,751,660
<b>X. Financial Income</b>	<b>12,056,836,295</b>
1. Interest income	4,765,413,265
2. Gain on foreign currency transactions	1,226,741,733
3. Gain on foreign currency translations	6,064,681,297
<b>XI. Financial Expenses</b>	<b>26,493,838,700</b>
1. Interests paid	6,450,007,216
2. Bonds interests	1,862,326,401
3. Loss on foreign currency transactions	11,766,766,242
4. Loss on foreign currency translations	6,353,857,136
5. Loss on disposal of AFS securities	3,901,653
6. Amortization of bond discounts	56,980,052
<b>XII. Net Income Before Income Tax Expense</b>	<b>195,680,547,847</b>
<b>XIII. Income Tax Expense</b>	<b>46,835,977,619</b>
<b>XIV. Net Income</b>	<b>148,844,570,228</b>

### 3. Statement of Changes in Equity

Hankook Tire Co., Ltd.

For the four-month period ended December 31, 2012 / In Korean Won

	Capital Stock	Other Paid-in Capital			Retained Earnings	Other Components of Equity		Total
		Additional Paid-In Capital	Other Capital Surplus	Treasury Stock		Cash Flow Hedge Reserve		
<b>Balance at September 1, 2012</b>	<b>61,937,534,500</b>	<b>2,459,062,741,931</b>	-	-	-	-	<b>2,521,000,276,431</b>	
Total Comprehensive Income	-	-	-	-	129,000,207,796	(229,798,031)	128,770,409,765	
Net Income	-	-	-	-	148,844,570,228	-	148,844,570,228	
Actuarial gain or loss	-	-	-	-	(19,844,362,432)	-	(19,844,362,432)	
Cash Flow Hedge Reserve	-	-	-	-	-	(229,798,031)	(229,798,031)	
Acquisition of Treasury Stock	-	-	-	(1,088,017,805)	-	-	(1,088,017,805)	
<b>Balance at December 31, 2012 (end of year)</b>	<b>61,937,534,500</b>	<b>2,459,062,741,931</b>	<b>-</b>	<b>(1,088,017,805)</b>	<b>129,000,207,796</b>	<b>(229,798,031)</b>	<b>2,648,682,668,391</b>	

In Korean Won

Year 2012 (September 1 – December 31)	
<b>XV. Other Comprehensive Income</b>	<b>(20,074,160,463)</b>
1. Items that will not be reclassified subsequently to net income	(19,844,362,432)
Actuarial gains (losses)	(26,179,897,668)
Income tax effect of other comprehensive income	6,335,535,236
2. Items that will be reclassified to net income when specific conditions are met	(229,798,031)
Gain (loss) on valuation of cash flow hedging derivatives	(303,163,629)
Income tax effect of other comprehensive income	73,365,598
<b>XVI. Total Comprehensive Income for the Year</b>	<b>128,770,409,765</b>
<b>XVII. Basic and Diluted Earnings per Share</b>	<b>1,202</b>

### 4. Cash Flow Statement

Hankook Tire Co., Ltd.

For the year ended December 31, 2012 / In Korean Won

Year 2012 (September 1 – December 31)	
<b>I. Cash Flows from Operating Activities</b>	<b>419,631,357,361</b>
<b>1. Cash Generated from Operating Activities</b>	<b>423,129,440,541</b>
A. Net Income	148,844,570,228
B. Adjustments	131,347,861,836
Income tax expense	46,835,977,619
Interest income	(4,765,413,265)
Interest expense	8,369,313,669
Gain on foreign currency translations	(23,128,845,998)
Loss on foreign currency translations	24,256,608,796
Loss on sale of trade receivables	215,253,195
Loss on disposal of AFS financial assets	3,901,653
Gain on retirement of property, plant and equipment	(574,816,174)
Loss on retirement of property, plant and equipment	1,106,784,475
Loss on valuation of inventories	2,724,819,620
Reversal of loss on valuation of inventories	(745,443,126)
Loss on inventory shrinkage	59,060
Reversal of allowance for doubtful accounts	(1,623,969,943)
Depreciation expenses	64,295,701,806
Depreciation expense for investment property	82,200,494
Amortization expense	665,307,770
Sales damage expense	2,357,316,986
Welfare expense	(158,047,697)
Severance benefits	11,427,633,283
Transfer to other provisions	3,519,613
C. Changes in Operating Assets and Liabilities	142,937,008,477
Decrease in short-term financial assets	4,460,088,329
Decrease in trade receivables	112,049,406,650
Increase in other receivables	(28,484,701,112)
Decrease in accrued income	54,916,386,279
Decrease in advances paid	754,906,160
Decrease in prepaid expenses	5,654,412,047
Increase in payment guarantees	(6,308,155)

In Korean Won

	Year 2012 (1st Fiscal Year)
Decrease in inventories	21,226,906,775
Increase in security deposits paid	(2,067,914,950)
Increase in trade payables	13,143,953,586
Increase in other payables	33,649,923,248
Decrease in accrued expenses	(21,768,839,541)
Increase in advances received	14,699,644,692
Decrease in withholdings	(13,354,177,690)
Decrease in unearned income	(712,053,391)
Decrease in defined benefit obligations	(571,179,818)
Increase in plan assets	(46,520,895,190)
Increase in security deposits received	71,222,250
Decrease in foreign exchange forward contracts	(266,077,956)
Sales damage payments	(3,937,693,736)
<b>2. Interest Received</b>	<b>4,701,775,169</b>
<b>3. Interest Paid</b>	<b>(7,731,118,498)</b>
<b>4. Income Tax Paid</b>	<b>(468,739,851)</b>
<b>II. Cash Flows from Investing Activities</b>	<b>(142,881,065,348)</b>
Acquisition of AFS financial assets	(122,665,000)
Proceeds from disposal of AFS financial assets	118,763,347
Acquisition of subsidiary, net of cash acquired	(31,401,990,000)
Acquisition of property, plant and equipment	(115,094,026,847)
Proceeds from sales of property, plant and equipment	3,211,015,514
Acquisition of other financial instruments	(622,209,666)
Disposal of other financial instruments	1,030,047,304
<b>III. Cash Flows from Financing Activities</b>	<b>(292,390,044,059)</b>
Decrease in short-term borrowings	(291,302,026,254)
Acquisition of treasury stock	(1,088,017,805)
<b>IV. Increase in Cash and Cash Equivalents</b>	<b>(15,639,752,046)</b>
<b>V. Transfer of Cash and Cash Equivalents due to Spin-Off</b>	<b>316,491,503,200</b>
<b>VI. Effect of Exchange Rate Changes on Cash and Cash Equivalents in Foreign Currencies</b>	<b>(448,996,946)</b>
<b>VII. Cash and Cash Equivalents, at End of the Year</b>	<b>300,402,754,208</b>

### 5. Statement of Appropriation of Retained Earnings (Draft)

Hankook Tire Co., Ltd.

	Year 2012 (September 1 – December 31)
<b>1. Unappropriated Retained Earnings</b>	<b>129,000,207,796</b>
Actuarial gains (losses)	(19,844,362,432)
Net income	148,844,570,228
<b>2. Transfer from Voluntary Reserve</b>	<b>0</b>
<b>Total</b>	<b>129,000,207,796</b>
<b>3. Appropriations of Retained Earnings</b>	<b>75,495,179,640</b>
Dividend equalization reserve	10,000,000,000
Reserve for retirement bonuses for directors	1,000,000,000
Voluntary reserve	10,000,000,000
Legal reserve	4,954,107,240
Cash dividends (dividend per share (pay out ratio): KRW400 (80%) for Year 2012)	49,541,072,400
<b>4. Unappropriated Retained Earnings to be Carried Forward to Subsequent Year</b>	<b>53,505,028,156</b>

For the year ended December 31 /  
Scheduled date of appropriation: March 22, 2013 / In Korean Won

## 6. Consolidated Statements of Financial Position

Hankook Tire Co., Ltd. and Subsidiaries

As of December 31, 2012 / In Korean Won

	End of Year 2012
<b>Assets</b>	
<b>Current Assets</b>	<b>3,336,866,821,429</b>
Cash and cash equivalents	485,612,511,828
Short-term financial instruments	194,283,137,919
Trade and other accounts receivable	1,184,405,376,494
Inventories	1,391,723,116,441
Other financial assets	1,718,889,591
Other current assets	79,123,789,156
<b>Non-current Assets</b>	<b>3,845,587,622,547</b>
Long-term financial instruments	94,549,542
Available-for-sale financial assets	2,776,458,300
Property, plant and equipment	3,571,590,661,633
Investment property	50,113,340,579
Intangible assets	116,615,826,494
Other financial assets	14,216,852,881
Other non-current assets	2,461,283,362
Deferred income tax assets	87,718,649,756
<b>Total Assets</b>	<b>7,182,454,443,976</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	<b>2,991,072,223,760</b>
Trade and other accounts payable	939,616,370,694
Short-term borrowings	1,933,292,680,006
Current tax liabilities	59,237,168,731
Other financial liabilities	303,163,629
Other current liabilities	58,622,840,700
<b>Non-current Liabilities</b>	<b>969,896,599,121</b>
Long-term borrowings	883,936,980,077
Severance benefit obligations	16,223,863,028
Provisions	65,883,992,876
Other financial liabilities	3,851,763,140
<b>Total Liabilities</b>	<b>3,960,968,822,881</b>
<b>Shareholders' Equity</b>	
<b>Equity Attributable to Owners of the Parent</b>	<b>3,212,069,426,504</b>
Capital Stock	61,937,534,500
Other paid-in-capital	2,992,377,720,089
Retained earnings	211,566,946,419
Other components of equity	(53,812,774,504)
<b>Non-controlling Interests</b>	<b>9,416,194,591</b>
<b>Total Shareholders' Equity</b>	<b>3,221,485,621,095</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>7,182,454,443,976</b>

## 7. Consolidated Statements of Comprehensive Income

Hankook Tire Co., Ltd. and Subsidiaries

For the year ended December 31, 2012 / In Korean Won

	Year 2012 (September 1 – December 31)
<b>I. Sales</b>	<b>2,317,223,403,934</b>
<b>II. Cost of Goods Sold</b>	<b>1,561,773,167,029</b>
<b>III. Gross Profit</b>	<b>755,450,236,905</b>
Selling expenses	230,195,507,876
Administrative expenses	169,104,209,121
Research and development expenses	47,558,338,001
<b>IV. Operating Income</b>	<b>308,592,181,907</b>
Financial income	13,767,112,258
Financial expenses	50,928,603,584
Other non-operating income	110,828,639,619
Other non-operating expenses	88,730,974,075
<b>V. Net Income Before Income Tax Expense</b>	<b>293,528,356,125</b>
<b>VI. Income Tax Expense</b>	<b>62,514,281,431</b>
<b>VII. Net Income</b>	<b>231,014,074,694</b>
<b>VIII. Other Comprehensive Income</b>	<b>(74,106,830,623)</b>
Items that will not be reclassified subsequently to net income	(20,122,474,886)
Actuarial gains (losses)	(26,536,452,099)
Income tax effect of other comprehensive income	6,413,977,213
Items that will be reclassified to net income when specific conditions are met	(53,984,355,737)
Gain (loss) on valuation of AFS financial assets	(36,522,301)
Cash flow hedge reserve	(303,163,629)
Gain (loss) on overseas operations translations	(52,643,140,238)
Income tax effect of other comprehensive income	(1,001,529,569)
<b>IX. Total Net Comprehensive Income</b>	<b>156,907,244,071</b>
<b>X. Net Income Attributable to</b>	
Owners of the Parent	231,568,970,640
Non-controlling interests	(54,895,946)
<b>XI. Total Net Comprehensive Income Attributable to</b>	
Owners of the Parent	157,754,171,915
Non-controlling interests	(846,927,844)
<b>XII. Earnings per Share</b>	
<b>Basic and Diluted Earnings per Share</b>	<b>1,870</b>



## 8. Consolidated Statements of Changes in Equity

	Capital Stock	Other Paid-In Capital		Retained Earnings
		Additional Paid-in Capital	Treasury Stock	
<b>I. Balance at September 1, 2012 (Date of Foundation)</b>	<b>61,937,534,500</b>	<b>2,993,465,737,894</b>	-	-
Total Comprehensive Income	-	-	-	211,566,946,419
Net Income	-	-	-	231,568,970,640
Gain (loss) on Valuation of AFS Financial Assets	-	-	-	-
Cash Flow Hedge Reserve	-	-	-	-
Gain (loss) on overseas operations translations	-	-	-	-
Actuarial Gain (loss)	-	-	-	(20,002,024,221)
Acquisition of Treasury Stock	-	-	(1,088,017,805)	-
<b>II. Balance at December 31, 2012 (end of year)</b>	<b>61,937,534,500</b>	<b>2,993,465,737,894</b>	<b>(1,088,017,805)</b>	<b>211,566,946,419</b>

For the four-month period ended December 31, 2012 / In Korean Won

Other Components of Equity			Attributable to Owners of the Parent	Non-controlling Interests	Total
Gain (loss) on Valuation of AFS Financial Assets	Gain (loss) on Overseas Operations Translations	Cash Flow Hedge Reserve			
-	-	-	<b>3,055,403,272,394</b>	<b>10,263,122,435</b>	<b>3,065,666,394,829</b>
(38,289,151)	(53,544,687,322)	(229,798,031)	157,754,171,915	(846,927,844)	156,907,244,071
-	-	-	231,568,970,640	(554,895,946)	231,014,074,694
(38,289,151)	-	-	(38,289,151)	277,852	(38,011,299)
-	-	(229,798,031)	(229,798,031)	-	(229,798,031)
-	(53,544,687,322)	-	(53,544,687,322)	(171,859,085)	(53,716,546,407)
-	-	-	(20,002,024,221)	(120,450,665)	(20,122,474,886)
-	-	-	(1,088,017,805)	-	(1,088,017,805)
<b>(38,289,151)</b>	<b>(53,544,687,322)</b>	<b>(229,798,031)</b>	<b>3,212,069,426,504</b>	<b>9,416,194,591</b>	<b>3,221,485,621,095</b>

### 9. Consolidated Statements of Cash Flows

Hankook Tire Co., Ltd. and Subsidiaries

For the year ended December 31, 2012 / In Korean Won

	Year 2012 (September 1 – December 31)
<b>I. Cash Flows from Operating Activities</b>	<b>491,865,108,390</b>
<b>1. Cash Generated from Operating Activities</b>	<b>532,976,441,347</b>
A. Net Income	231,014,074,694
B. Adjustments	249,108,582,297
Income tax expense	62,514,281,431
Interest Income	(4,997,221,543)
Interest Expense	24,403,520,173
Gain on foreign currency translations	(38,033,435,939)
Loss on foreign currency translations	39,408,915,036
Loss on disposal of AFS financial assets	3,901,653
Loss on valuation of inventories	4,736,879,048
Loss on disposal of inventories	822,816,882
Loss on sale of trade receivables	807,918,706
Reversal of bad debt expense	(2,053,664,108)
Gain on retirement of property, plant and equipment	(614,706,305)
Loss on retirement of property, plant and equipment	4,014,334,781
Depreciation expense	133,335,873,431
Depreciation expense for investment property	82,200,494
Amortization expense	1,748,435,347
Transfer to other provisions	3,519,613
Sales damage expense	10,550,351,330
Welfare expense	(158,047,697)
Severance benefits	12,532,709,964
C. Changes in Operating Assets and Liabilities	52,853,784,356
Decrease in short-term financial assets	54,805,341,273
Decrease in trade receivables	152,383,308,348
Increase in other receivables	(30,441,484,238)
Decrease in accrued income	54,164,180,745
Increase in advances paid	(3,995,993,082)
Increase in prepaid expenses	(7,122,872,018)
Decrease in prepaid value added tax	6,453,864,996
Increase in payment guarantees	26,701,573
Increase in inventories	(36,066,013,569)
Increase in security deposits paid	(2,151,320,539)
Decrease in other current assets	2,321,615,696

In Korean Won

	Year 2012 (September 1 – December 31)
Decrease in other non-current assets	5,523,228,192
Decrease in trade payables	(77,794,775,480)
Increase in other payables	145,074,038,036
Increase in income tax payable	15,240,192,570
Decrease in accrued expenses	(107,211,929,982)
Decrease in advances received	(25,214,105,338)
Decrease in withholdings	(26,360,280,833)
Decrease in unearned income	(4,521,324,932)
Decrease in other current liabilities	(2,843,360,345)
Increase in other non-current liabilities	281,720,112
Decrease in defined benefit obligations	(979,041,380)
Decrease in plan assets	(49,402,536,743)
Increase in security deposits received	71,222,250
Decrease in derivatives	(266,077,956)
Sales damage payments	(9,120,513,000)
<b>2. Interest Received</b>	<b>6,908,763,589</b>
<b>3. Interest Paid</b>	<b>(24,468,238,401)</b>
<b>4. Income Tax Paid</b>	<b>(23,551,858,145)</b>
<b>II. Cash Flows from Investing Activities</b>	<b>(200,627,660,229)</b>
Acquisition of AFS financial assets	(129,789,400)
Proceeds from disposal of AFS financial assets	118,763,347
Purchases of Property, plant and equipment	(207,041,832,104)
Proceeds from sale of Property, plant and equipment	9,409,430,212
Acquisition of intangible assets	(3,311,353,157)
Proceeds from disposal of other financial instruments	327,120,873
<b>III. Cash Flows from Financing Activities</b>	<b>(369,275,270,028)</b>
Increase in short-term borrowings	400,037,510,637
Long-term borrowings taken out	11,098,801,658
Decrease in short-term borrowings	(779,323,564,518)
Acquisition of treasury stock	(1,088,017,805)
<b>IV. Increase in Cash and Cash Equivalents</b>	<b>(78,037,821,867)</b>
<b>V. Transfer of Cash and Cash Equivalents due to Spin-off</b>	<b>569,258,142,120</b>
<b>VI. Effect of Exchange Rate Changes on Cash and Cash Equivalents in Foreign Currencies</b>	<b>(5,607,808,425)</b>
<b>VII. Cash and Cash Equivalents, End of Period</b>	<b>485,612,511,828</b>



## CORPORATE INFORMATION

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 \* Investor Reports and Public Disclosures are available at the IR Center of our web site.

**2013 IR Schedule**

February		Announcement of 4Q 2012 earnings results and 2013 earnings target
March		1st general shareholders' meeting
April		Announcement of 1Q 2013 earnings results
May		Overseas NDR (Europe)
July		Announcement of 2Q 2013 earnings results
October		Announcement of 3Q 2013 earnings results

\* The company plans to attend other small scale IR meetings and road shows.  
 \* IR schedule may change according to circumstances of the corporation.

**Prepared by**

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