

HANKOOK TIRE
2013
ANNUAL REPORT

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TIRE
ANNUAL
REPORT
2013

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BUSINESS HIGHLIGHTS

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Message from the CEO / Top Management / Organizational Structure

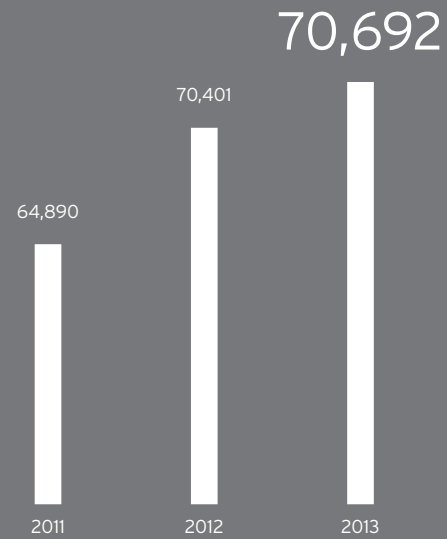
Mission & Vision / Global Presence

Business Portfolio / Affiliates

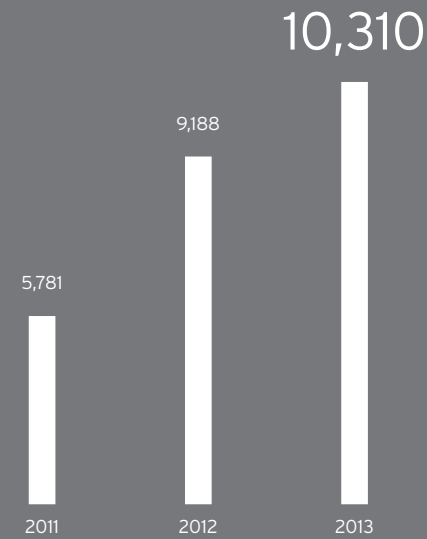
FINANCIAL HIGHLIGHTS

Unit: KRW in Hundred Millions
K-IFRS, Total on Consolidated Basis

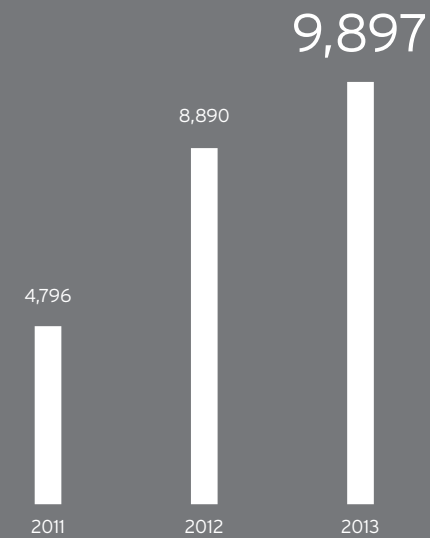
Sales



Operating Income



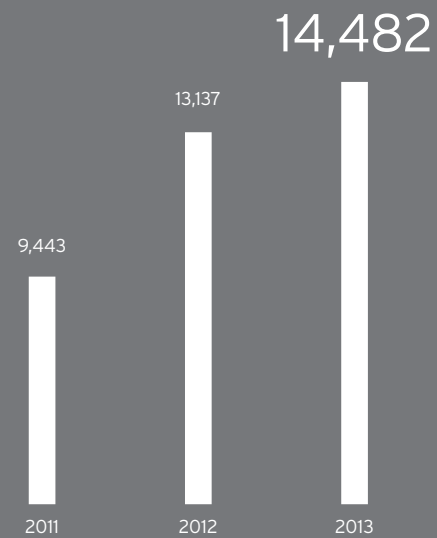
Ordinary Income



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

EBITDA

(Earnings Before Interest, Taxes, Depreciation and Amortization)



Stock Market Data

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-------------|-------------|-------------|-------------|-------------|
| Year High (Unit: KRW) | 66,000 | 50,400 | 50,000 | 34,450 | 25,950 |
| Year Low (Unit: KRW) | 43,200 | 40,100 | 27,650 | 20,000 | 11,200 |
| High / Low | 1.53 | 1.26 | 1.81 | 1.72 | 2.32 |
| Fiscal Year-end Final Offering (Unit: KRW) | 60,700 | 47,000 | 45,250 | 31,750 | 25,500 |
| Total Number of Shares (Unit: Share) | 123,875,069 | 123,875,069 | 152,189,929 | 152,189,929 | 152,189,929 |
| Market Capitalization (Unit: KRW in Trillions) | 7.62 | 5.61 | 6.89 | 4.83 | 3.88 |
| Average Daily Trading Volume (Unit: Share) | 371,923 | 607,600 | 1,002,988 | 721,002 | 1,061,162 |
| Dividend per Share (Unit: KRW) | 400 | 400 | 400 | 350 | 350 |

2009-2011: Hankook Tire before spin-off | Listed on the Korea Exchange (KRX) | Par Value: KRW500 | ISIN Code: KR700024002 | Total number of voting shares: 91,695,087
2012-2013: 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

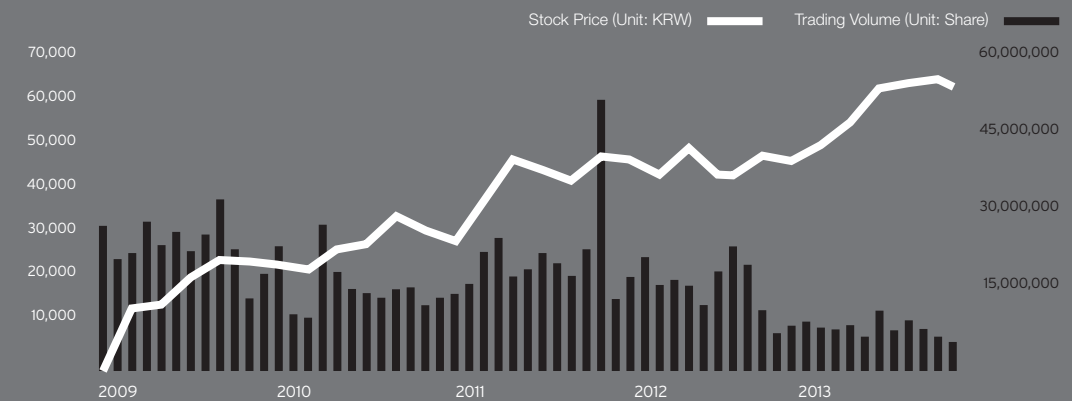
Data per Share

2009: K-GAAP | 2010-2013: K-IFRS

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|---------|---------|---------|---------|---------|
| Net Income (Unit: KRW in Millions) | 456,866 | 148,845 | 267,189 | 358,902 | 350,887 |
| Earnings per Share (Unit: KRW) | 3,689 | 1,202 | 1,840 | 2,472 | 2,417 |
| Cash Dividend Rate (Unit: %) | 10.80 | 33.28 | 21.74 | 14.16 | 14.48 |
| Cash Dividend Yield (Unit: %) | 0.82 | 0.86 | 0.90 | 1.07 | 1.43 |

2009-2011: Hankook Tire before spin-off
2012-2013: Hankook Tire after spin-off

Stock Price Trends (Past 5 Years)

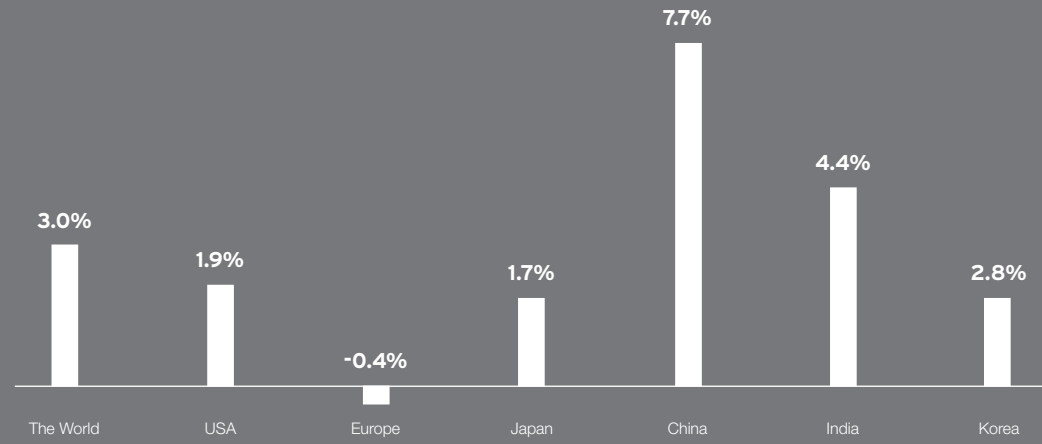


Before August 29, 2012: Hankook Tire before spin-off
August 30-October 2, 2012: Trading suspension due to spin-off
After October 4, 2012: Hankook Tire after spin-off

MARKET ANALYSIS

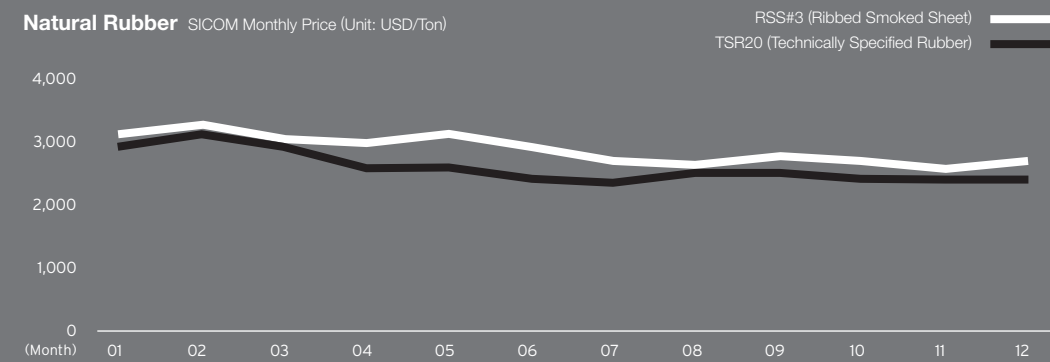
Global Economic Growth Rate in 2013

Source: IMF



Raw Material Prices in 2013

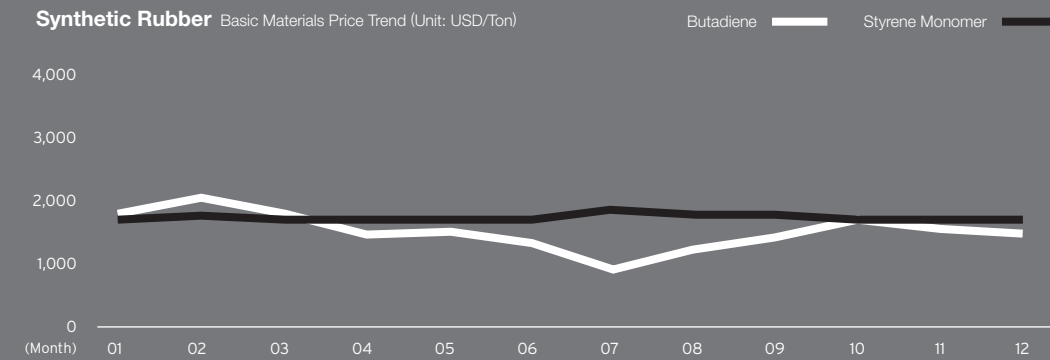
Natural Rubber SICOM Monthly Price (Unit: USD/Ton)



Note: Average price based on shipments in the next month

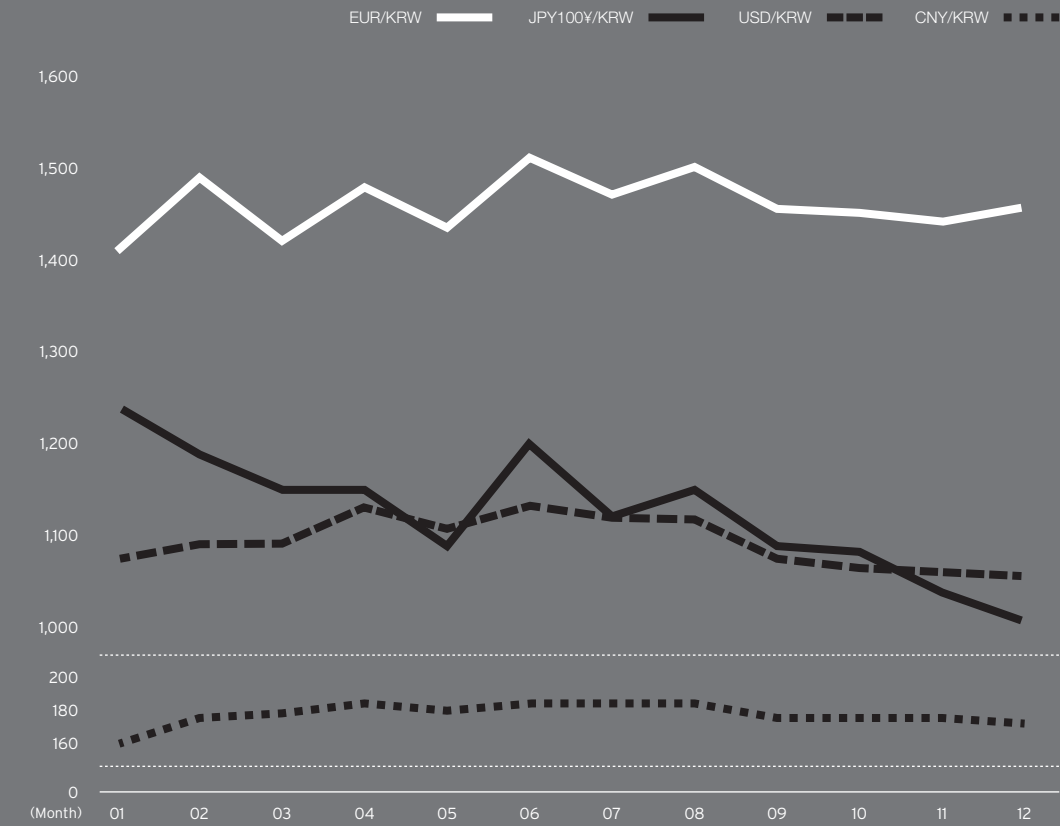
Synthetic Rubber Basic Materials Price Trend (Unit: USD/Ton)

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



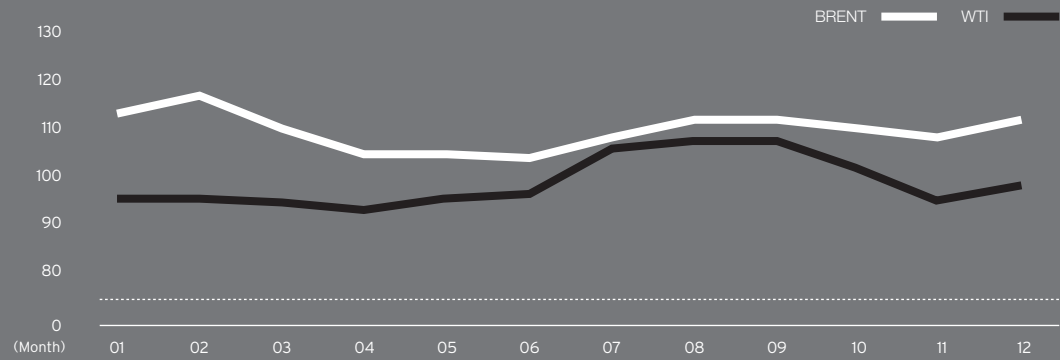
Exchange Rates in 2013

Unit: KRW | Source: Bank of Korea



Oil Prices in 2013

Unit: USD/bbl | Source: Monthly Trend



2013 NEWS HIGHLIGHTS

1. Gaining Traction in the Premium Auto Segment



On September 2, 2013, Hankook Tire hosted “HANKOOK TIRE PRESS DAY 2013.” While unveiling its Original Equipment (OE) tires supply results to premium auto brands, the company announced its goal of becoming a global top-tier company. Hankook Tire has achieved a “grand slam” performance by supplying OE tires to three prestige German auto brands. It has especially added the new Mercedes-Benz S-Class flagship, the BMW 5-Series, and the Audi brand onto its portfolio. Leveraging its excellent quality management technology, the company also continues to expand the supply of OE tires to Japan’s Honda Civic, Toyota Corolla and Nissan Altima.

2. Announcement of Plan to Build a New Plant in the US



On October 14, 2013, Hankook Tire signed a Memorandum Of Understanding (MOU) with the State of Tennessee to build a new plant in the US at the Wilma Rudolph Event Center in Tennessee. The company will invest USD800 million in the US, making it the eighth global manufacturing plant of Hankook Tire. It expects to break ground on the new plant by the end of 2014. Hankook’s global tire production capacity will be increased by 11 million after the completion of the new plant in 2016. Through this, Hankook Tire will provide top-tier products and services to the US, the world’s largest tire market.

3. Announcement of Plan to Build a Hankook Tire Test Engineering Center



On September 12, 2013, Hankook Tire and Sangju-si, located in Southeast Korea, signed an MOU to build a Hankook Tire Test Engineering Center. The company will invest USD240 million by 2020 in this center, which will be Korea’s largest proving ground equipped with state-of-the-art R&D facilities. Covering a total area of 132 hectares, the Hankook Tire Test Engineering Center will be another key asset driving the company’s future-oriented tire technology development.

4. Securing Key Global Footprint by Completion of the Indonesia Plant



Hankook Tire opened its seventh global production plant in Indonesia. On September 17, 2013, the company held a grand opening ceremony in Bekasi, West Java, Indonesia. Susilo Bambang Yudhoyono, president of Indonesia, company executives including Seung Hwa Suh, vice chairman & CEO, and a number of Indonesian suppliers participated in the event. A total of USD353 million was invested in the first phase, and the Indonesia plant is poised to produce 6 million tires a year including Passenger Car Radial (PCR) tires, Ultra-High-Performance (UHP) tires and Light Truck Radial (LTR) tires in this modern manufacturing facility. This will optimize Hankook Tire’s production and distribution system for the Southeast Asian, North American and Middle Eastern markets.

5. Establishment of the Donggeurami Volunteering Teams



In May 2013, Hankook Tire established the Donggeurami Volunteering Teams to consolidate a socially responsible corporate culture while commemorating the company’s 72nd anniversary. The teams form part of Hankook Tire’s deep-rooted “Proactive Culture,” which supports employees in innovation and self-growth. The Donggeurami Volunteering Teams, previously a voluntary social contribution organization operated by the Daejeon and Geumsan plants, have now been expanded to cover the company level. The teams are expanding a “Sharing Culture” with a range of programs including: Tuieum Bus to grant disadvantaged neighbors the chance to enjoy cultural experiences; vehicle and tire support to social welfare organizations; and baby stroller and bike support to children of low-income families.

6. Included in the 2013 Dow Jones Sustainability Indices Asia Pacific



On October 30, 2013, Hankook Tire was selected as Korea’s first tire company in the 2013 Dow Jones Sustainability Indices for the Asia-Pacific region. Co-developed by S&P Dow Jones Indices in the US and RobecoSAM, a Swiss organization for sustainable investing, the DJSI is a global index evaluating companies’ general management, including financial performance, social contribution activities, ethics management and environmental management.

COMPANY PROFILE



Message from the CEO

Dear valued customers and shareholders:

2013 was no easy year. The global economic slowdown in Europe, the US and in emerging markets applied heavy pressure to the achievement of managerial goals in companies across the world. But this did not stop us. Hankook Tire beat the odds and delivered a classic performance, racking up total sales of KRW7.069 trillion and KRW1.031 trillion in operating income – a 12.2 percent increase over 2012's figures.

It was down to our endless efforts to enhance brand value and to our aggressive investments in R&D and quality management. Our dreams of supplying Original Equipment (OE) tires to major premium auto brands were realized, proving beyond any doubt that our products fulfill the most demanding technology requirements. This buy-in from the world's best-of-breed carmakers has sent Hankook's brand value soaring in the global market. Furthermore, our high-value-added Ultra-High-Performance (UHP) tires saw major increases in the Replacement Equipment (RE) tire market – another factor which strongly contributed to our business performance in 2013.

And 2013 was not simply about business results. We were proud to be recognized as a socially responsible company by being chosen as one of the 2013 Dow Jones Sustainability Indices Asia Pacific companies.

In 2014, the global economy is expected to recover mainly in advanced markets including the US and European countries. However, emerging markets are forecast to slow down due to the tapering program in the US. Competition in the tire industry will be more intense than ever as high-end brands implement aggressive investments to check the progress of late movers while low-end brands chase the frontrunners fiercely. Things will not be easy, but at Hankook Tire, we are not scaling back our ambitions.

In 2014, we will expand and bolster our OE tire supply to premium auto brands. We will also enhance our profitability in the RE tire market by boosting our leadership in the premium and mainstream segments of the global auto market. Next, we will implement investment plans for R&D facilities, step-by-step. As presented in our blueprint in 2013, we will streamline preparations for the building of a new R&D center equipped with cutting-edge facilities and an optimal research environment. We held a groundbreaking ceremony for a new R&D center on June 10, 2014. Furthermore, we will focus on securing industry leadership via the building of the Hankook Tire Test Engineering Center, a proving ground for super-high-speed driving tests.

To ensure that our growth is sustainable, we will build on our foundation of qualitative competency and growth. Our US plant, slated to begin construction in the second half of 2014, is a fine example. This will grant us

a strategic platform in the world's largest auto market. The building of the US plant – our eighth production facility – will complete Hankook Tire's global footprint and consolidate our status as a top-tier global player. At the same time, we will continue to expand existing production facilities, including the Hungary plant and the Chongqing plant in China. To grow in terms of quality and quantity, we will ensure our investments are implemented successfully in a two- to three-year time frame. With this action plan clearly emplaced, we will achieve our goals, one-by-one.

At Hankook Tire, we have defied a difficult business environment by growing and achieving better performances, thanks to all our employees' efforts. Looking forward, we will enhance our quality and brand value while providing new value and pleasure to our customers. And that is not all. In addition to being a leading global tire company, we are fully committed to being a socially responsible company that is both liked and respected worldwide.

Sincerely yours.

SEUNG HWA SUH
Vice Chairman & CEO



Top Management

Hankook Tire practices rational decision-making and business operations based on transparent and responsible management.

Top Management



YANG RAI CHO
Hankook Tire Worldwide
Chairman



SEUNG HWA SUH
Hankook Tire
Vice Chairman
CEO



HYUN SHICK CHO
Hankook Tire Worldwide
President



HYUN BUM CHO
Hankook Tire
President
CMO / CCMO



CHUL KOO PARK
Hankook Tire
Executive Vice President
COO / Korea Headquarters



SOO IL LEE
Hankook Tire
Senior Vice President
COO / China Headquarters



HO YOUL BAE
Hankook Tire
Senior Vice President
COO / Europe Headquarters



BYEONG JIN LEE
Hankook Tire
Senior Vice President
COO / America Headquarters



JAE PYO LEE
Hankook Tire Worldwide
Senior Vice President /
Business Infrastructure Division



JONG HO PARK
Hankook Tire Worldwide
Senior Vice President /
Corporate Strategy &
Finance Division



KWON HO SONG
Hankook Tire
Senior Vice President /
Production & Engineering Division



SANG JU LEE
Hankook Tire
Senior Vice President /
R&D Division



HYONG NAM KIM
Hankook Tire
Senior Vice President /
Purchasing Division



DONG HWAN MOON
Hankook Tire
Senior Vice President /
Quality Division



BYUNG IL WOO
Hankook Tire
Vice President /
Global OE Division

• As of January 1, 2014

Board of Directors

Transparent and advanced business management is essential for any global company. Most global corporations today use their boards of directors and other designated bodies, including audit committees, 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 has been 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, 2013

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

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

SEONG 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, 2013

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

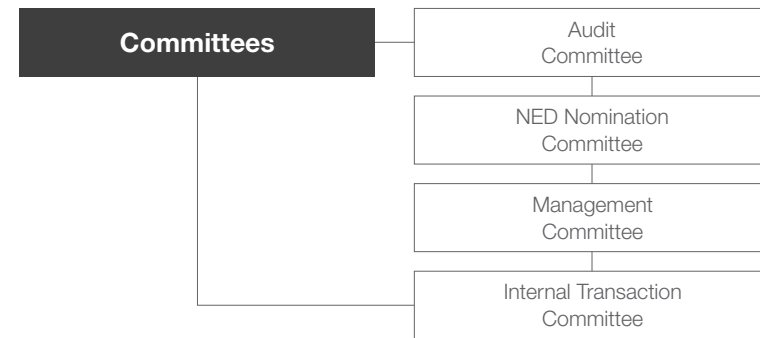
HAE YUNG MIN: BA in Economics from Seoul National University / Formerly Chairman of Credit Finance Association

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

• Conflict of interest with the 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 auditory 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 non-executive director positions. 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 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.

Internal Transaction Committee

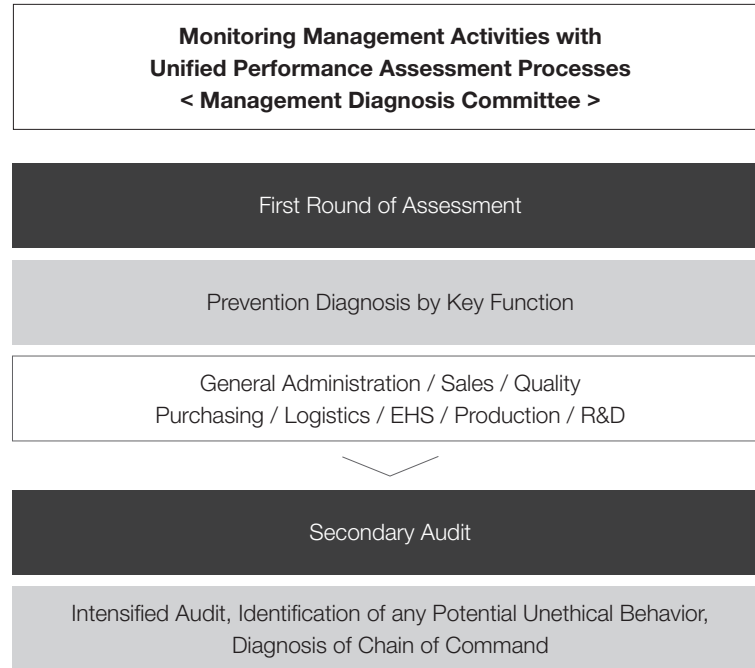
Being a listed company regulated by the ban on mutual investment, Hankook Tire is running an Internal Transaction Committee to monitor and supervise related transactions among affiliated parties. The committee conducts preliminary reviews and votes on internal transactions among affiliated parties as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



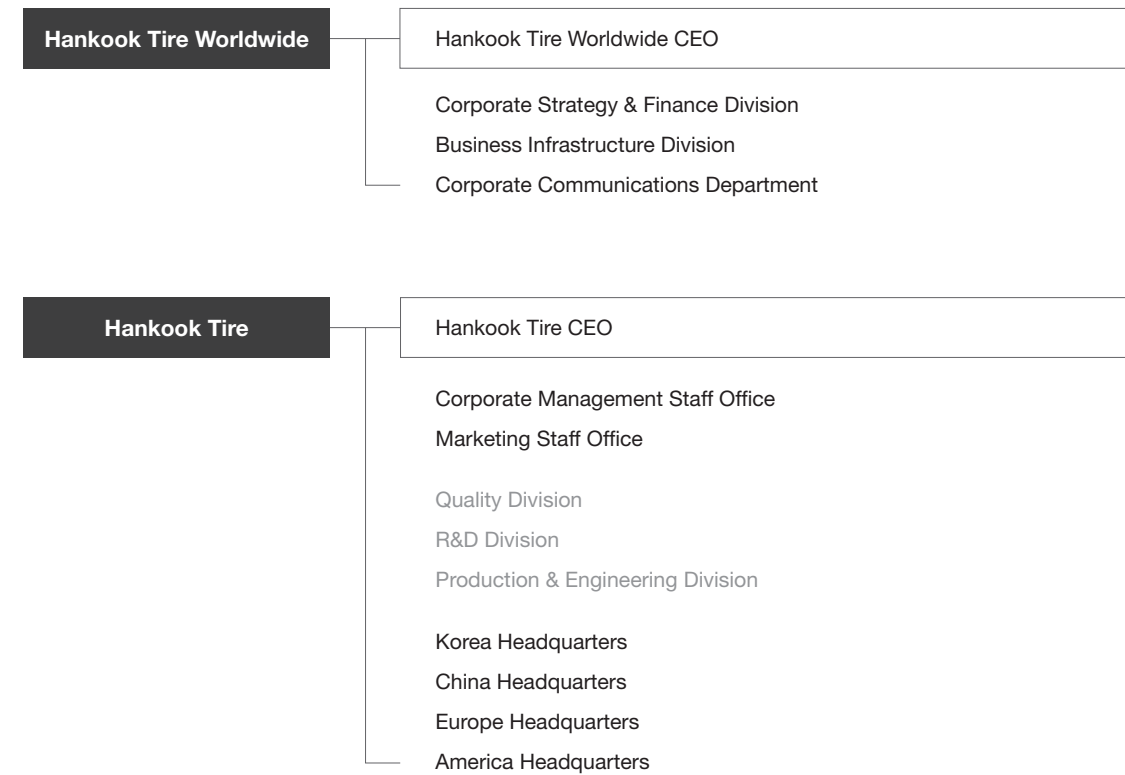
Performance Assessment Process

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, its regular Management Diagnosis Committee (MDC) began to integrate all essential monitoring and assessment processes into a corporate-level system. The committee convenes twice a year. 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 analysis. Aside from regular MDC meetings, it holds ad hoc MDC meetings to review the effectiveness of follow-up measures after an initial committee audit. These committee activities strengthen management monitoring.

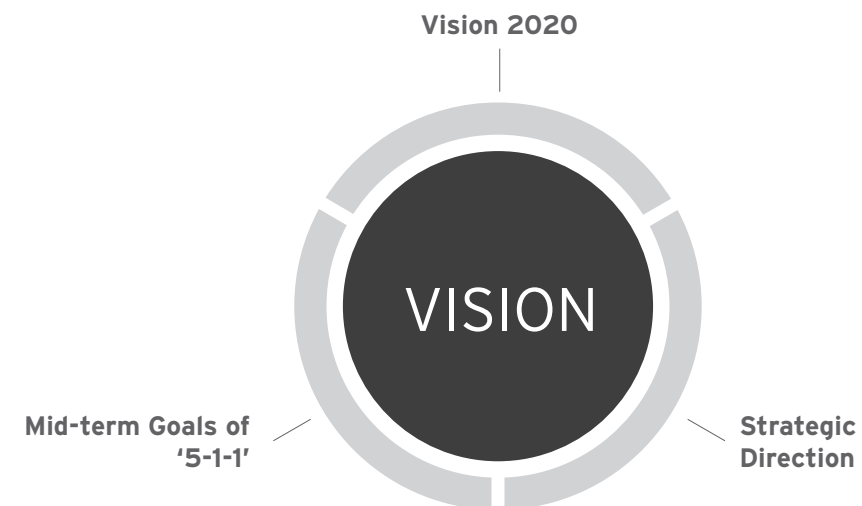
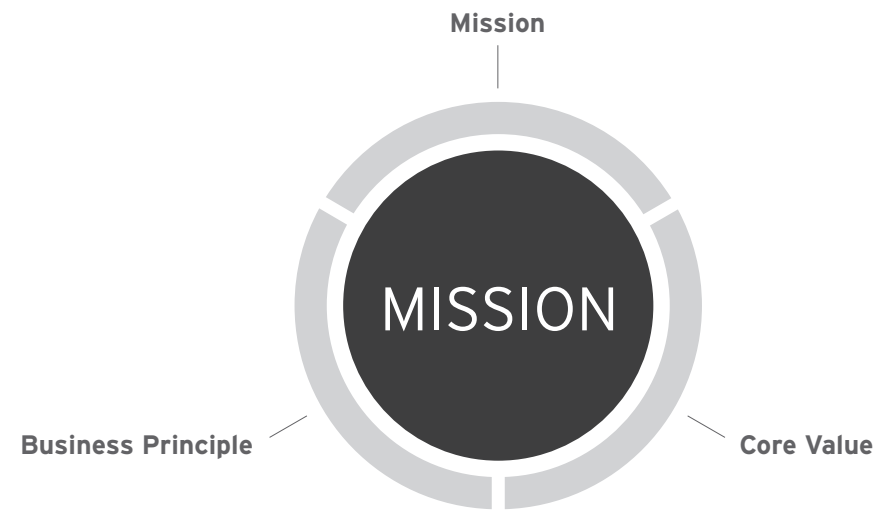
Organizational Structure

Hankook Tire revamped its organizational structure around its mid- and long-term visions so that it can implement related strategies effectively and efficiently. This balanced organizational management, that values the organic integration and independence of each business division at the same time, helps the company actively respond to market changes.



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 Advancement 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 global. 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.

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

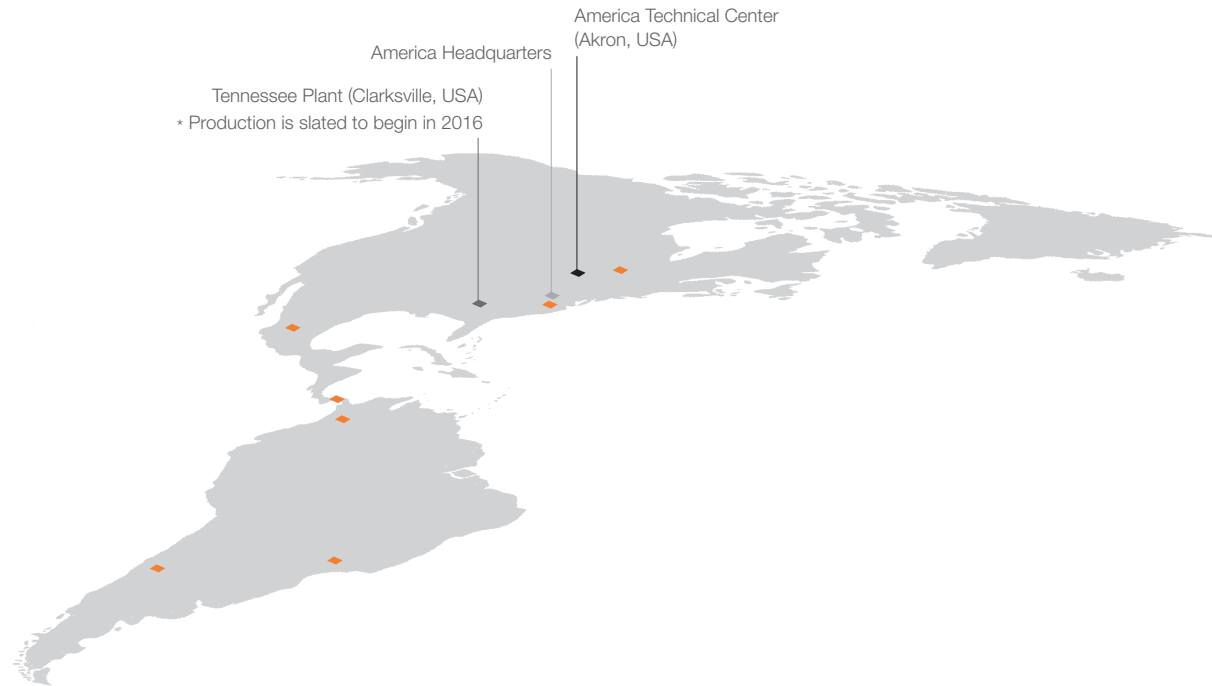
We will maximize business efficiency in preparation for uncertainties in the business environment. To optimize our global operations, we are seeking ways to use company resources as efficiently as possible, including cost and investment rationalization schemes. Moreover, the global supply chain management (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 with tires that ensure safe and comfortable driving, enhancing their satisfaction and pleasure.

Hankook Tire has divided the global market into five regions. Building on a region-specific strategy, the company is generating balanced growth in both advanced and emerging markets. Its sales network currently spans one sales subsidiary and 26 sales offices in Korea, where the global headquarters is located, along with locations in China (one sales subsidiary and 24 sales offices), Europe (11 sales subsidiaries), America (four sales subsidiaries and three sales offices), and the Middle East, Africa and Asia-Pacific (five sales subsidiaries and five sales offices). This network allows us to offer various products that meet the preferences of customers in different regions. In addition, it operates offices in Europe (Hannover, Germany) and North America (Detroit, USA) for the Original Equipment (OE) tire business. These offices maintain close ties with local automakers. Meanwhile, the purchasing subsidiary in Singapore is being operated to respond quickly to various issues regarding the supply of raw materials. In 2013, it opened a subsidiary in Colombia and sales offices in China, which will serve as platforms to enhance its impact as a leading global tire company.

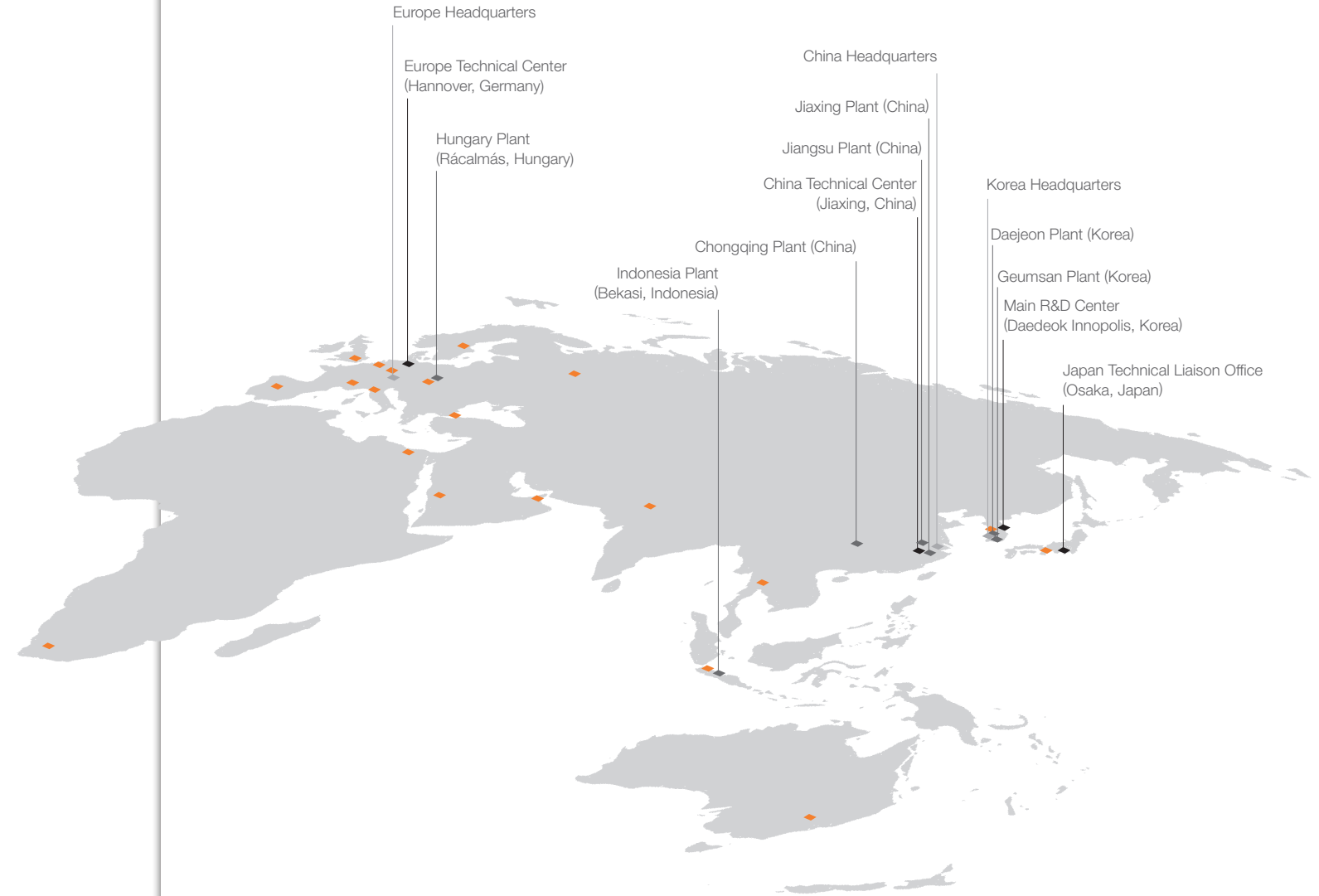
Korea | 1 Sales Subsidiary, 2 Plants, 26 Sales Offices, Main R&D Center, Academy House

China | 1 Sales Subsidiary, 3 Plants, 24 Sales Offices, China Technical Center (CTC)

Europe | 11 Sales Subsidiaries, 1 Plant, 1 OE Team, Europe Technical Center (ETC)

America | 4 Sales Subsidiaries, 3 Sales Offices, 6 Regional Offices, 1 OE Team, America Technical Center (ATC)

Middle East, Africa and Asia-Pacific | 5 Sales Subsidiaries, 1 Plant, 5 Sales Offices, Japan Technical Liaison Office (JTO), 1 OE Team



■ **Regional Headquarters**

Korea, China, Europe, America

■ **Sales Subsidiaries & Sales Offices**

Operating in 30 countries

■ **R&D Centers**

Main R&D Center (Daedeok Innopolis, Korea), China Technical Center (Jiaxing, China), Europe Technical Center (Hannover, Germany), America Technical Center (Akron, USA), Japan Technical Liaison Office (Osaka, Japan)

■ **Plants**

Korea (Daejeon, Geumsan), China (Jiaxing, Jiangsu, Chongqing), Hungary (Rácalmás), Indonesia (Bekasi)

Business Portfolio

Brand Portfolio

Hankook Tire is implementing a specialized brand strategy to provide integrated services designed to meet the diverse needs of global customers. It doesn't just sell tires; it delivers world-class quality and unmatched value to its customers with the goal of offering them the best possible driving experience.

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

The 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).

Its segmented product brands serve the needs of a wide range of customers around the world. Leading industry trends, Hankook Tire launched a new eco-friendly line, Kinergy ("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. Its 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

Hankook Tire has completed the construction of an integrated auto care service system centered on tires in a bid to serve its global customers better in a warm and friendly setting. The Korea Headquarters operates over 2,000 service locations nationwide, leading the trend for integrated customer services in Korea. The company provides customers in over 180 countries with quality products and outstanding services through a global sales network. Moreover, it continues to expand overseas retail channels.



T'Station – Korea's Top Premium Tire Shops

The T'Station network is the company's 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 520 shops were in operation as of the end of 2013. In 2014, Hankook expects the 600th shop to open. T'Station shops are the first franchises in Korea with integrated auto-care service systems centered on tires, providing "Smart Care Service*" specialized for passenger cars and light trucks. The shops offer one-stop services for tires and cars with dedicated professionals, up-to-date equipment and optimized, standardized systems.



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 2013, 280 locations were in operation in Korea.

* Smart Care Service

"Smart Care Service" is a one-stop vehicle management system provided by T'Station. It synergizes best quality tires with diverse and standardized total services offered by experienced tire professionals.



Hankook Masters – Overseas Retail Network

Hankook Tire expanded the Hankook Masters Membership, 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 2,600 retail shops in ten European countries as well as in China, Saudi Arabia, Australia, Indonesia and elsewhere. In North America, it is engaged in various marketing and sales promotion activities customized for major local players in order to boost customer contact.



TBX · Hankook Truck Masters – Distribution Network for TBR Tires

TBX is Hankook Tire's distribution network that specializes in the sale and retreading of Truck & Bus Radial (TBR). As of the end of 2013, 560 locations were providing services with up-to-date equipment and dedicated professionals in Korea and China. In addition, Hankook Tire is running the Hankook Truck Masters network, which provides services exclusively for TBR in major European countries.

Affiliates

ATLASBX Co., Ltd.



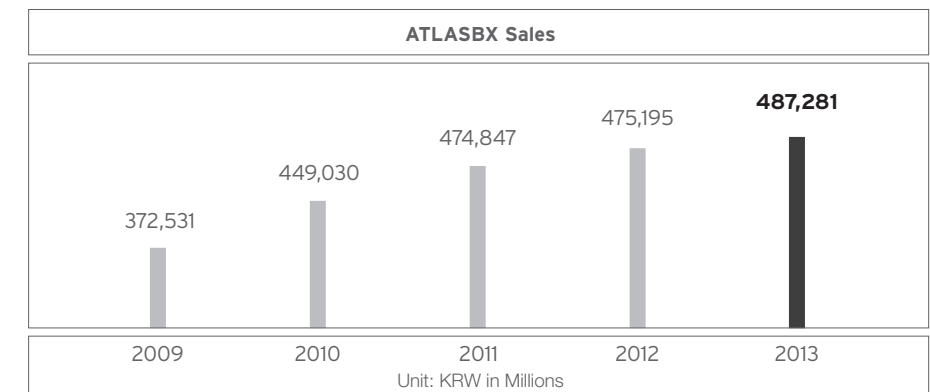
Hankook Tire is equipped with core infrastructures to deliver the best driving experience and create top-tier synergies.

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 represent Korea's battery industry. After ATLASBX was acquired by Hankook Tire in 1977, battery sales were incorporated into the extensive Hankook Tire distribution network. Outstanding 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 was capable of producing 3.4 million batteries a year. Total annual output stands at 9.8 million units as of the end of 2013, making ATLASBX the world's eighth-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. In 2011, the company was recognized as a leader in building harmonious and cooperative labor-management relationships, receiving the Prime Minister's Prize in the Labor-Management Culture Awards. Its people-centric corporate culture has also been recognized, as, since 2010, it has been selected for three years consecutively as one of the "100 Best Companies to Work For" in Korea.

In 2013, the company began to build the Jeonju plant in a bid to accelerate growth and innovated its IT infrastructure by introducing SAP ERP. Moreover, its ever-improving global competence was proven when the Daejeon plant obtained KOSHA & OSHAS 18001 certifications. Under the company mission, "Devoting to Humanity with Eco-friendly Energy," the company will provide higher customer satisfaction and value by strengthening competitiveness with sustainable management and technology innovation.



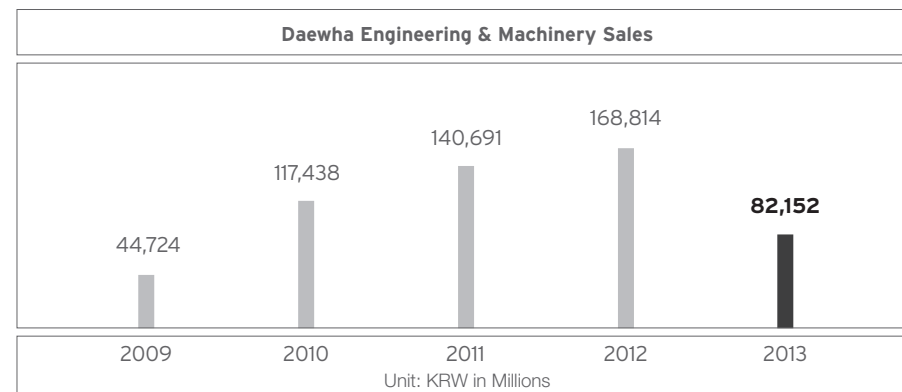
2009: K-GAAP | 2010-2013: K-IFRS, Consolidated Total

Daehwa Engineering & Machinery Co., Ltd.



Daehwa Engineering & Machinery was established in 1992 as a builder of essential machines used in tire manufacturing, thus contributing to the localization of tire manufacturing technologies and facility construction. The company's own research center developed in-house technologies including tire-building machines, curing presses, uniformity testers for mid- and large-size 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 China 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.

In 2013, the company was recognized as a role model in building harmonious and cooperative labor-management relationships when it received the Minister of Employment and Labor's Prize in the Labor-Management Culture Awards. Moreover, it is growing as a leader in tire equipment production through continuous technology innovations including the development of RMP electric curing presses, high-speed friction testers and rheometers.



emFrontier Inc.

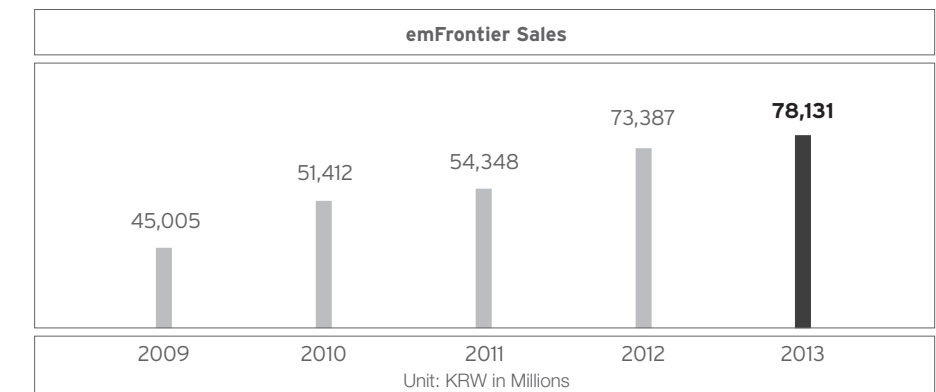


The Data Systems Division at the Hankook Tire Corporate Headquarters was spun off to create emFrontier in 2000. This integrated IT service provider, an affiliate of Hankook Tire Group, has grown as a reliable partner of its customers as the company continues to develop innovative IT solutions that meet market demands in the fast-changing IT and technology environment.

The company provides creative IT infrastructure and solutions in time to drive changes in the business environment. It also supports strategy building for the fulfillment of customers' needs, while presenting optimal and stable IT services.

On the back of its innovation experience and IT technology as a Hankook Tire Group affiliate, emFrontier has developed and supplied a wide range of solutions through industrial-educational collaborations with leading universities in Korea and abroad. The company has developed leading-edge technologies including "air-WMS" warehouse management solutions, "air-WOS" warehouse optimization solutions, "RaIC" warehouse design solutions, "air-MES" integrated production management solutions, "air-IPS" intellectual property rights management solutions and "air-ELM" legal management solutions. These solutions have been provided to worldwide manufacturing and retail companies.

The company also entered the material-handling system and factory automation businesses, based on its 70-year experience of manufacturing logistics know-how. Through this, emFrontier is expanding its businesses by actively engaging in the design and building of Hankook Tire's automated warehouses as well as worldwide material-handling system and factory automation solutions.



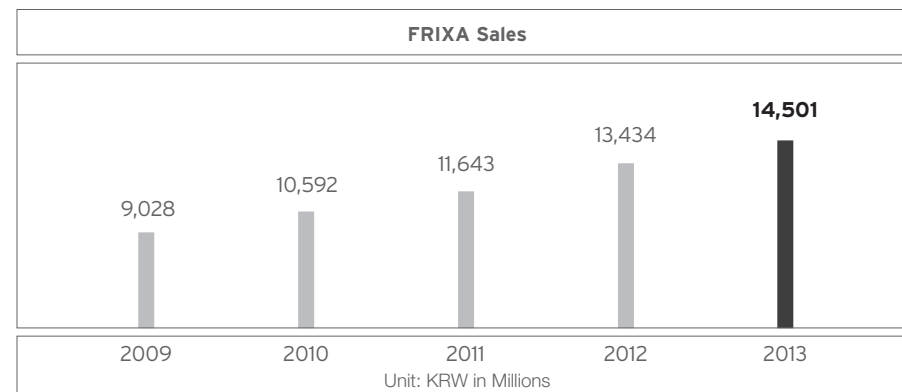
FRIXA Co., Ltd.



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. The company is also well-known worldwide for the excellent technology and quality of "T1," a newly launched product for tuning.

Since the establishment of an R&D team in 2001, FRIXA has continued 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 for its continued achievement by receiving Export Tower awards for USD1 million in 2009 and USD3 million in 2012. The company obtained "R" Mark (R-90) certification, an essential document for exporting to advanced European markets, and received the Minister's Award in 2010 from the Ministry of Knowledge Economy for its unwavering support for government initiatives.



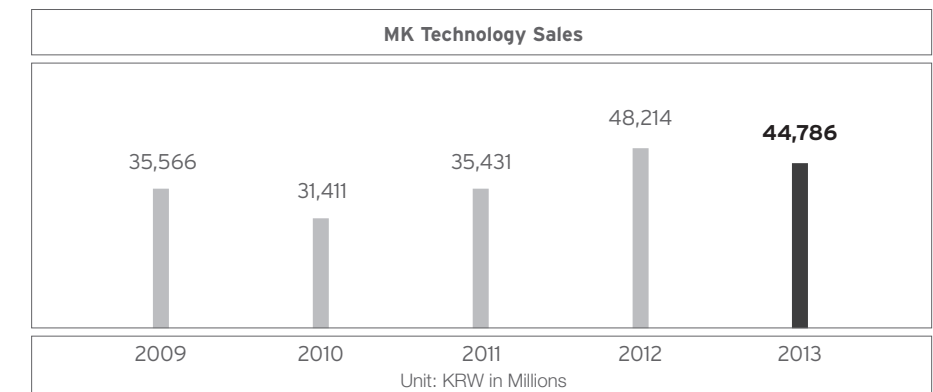
MK Technology Co., Ltd.



MK Technology, established in 1967, 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, Southeast Asia, America and Europe. 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-size 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 part of efforts to increase responsiveness to rapidly changing overseas markets and to expand production capacity. The China 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 four 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.



In 2013, Hankook Tire bolstered its competitive edge by leveraging its quality leadership management.

The company now stands tall amid global tire companies, its expanding partnerships with premium auto brands underlining its technological excellence.

The company also broadened its global presence in a balanced manner as it widened production facilities and retail channels in major markets worldwide.

Hankook Tire will continue this growth momentum for a sustainable future.



LEADING
BY INNOVATION



TECHNOLOGY LEADERSHIP

New technologies have been the driving force behind industrial advancement over the ages, each heralding a new horizon for the future. Hankook Tire is sparing no expense in R&D investment to deliver its customers their dream – the best possible driving experience – by providing new value and pleasure as a leading global tire company.



Top quality is the core principle underlying everything done at Hankook Tire. The company has developed high-quality tires by establishing a global R&D network. Hankook Tire supports professional drivers in their challenge for excellence on the track with innovative technologies and high-quality products that satisfy the most stringent standards of premier global motorsports competitions. Meanwhile, its quality is equally appreciated by the prestige auto brands it has partnered with.

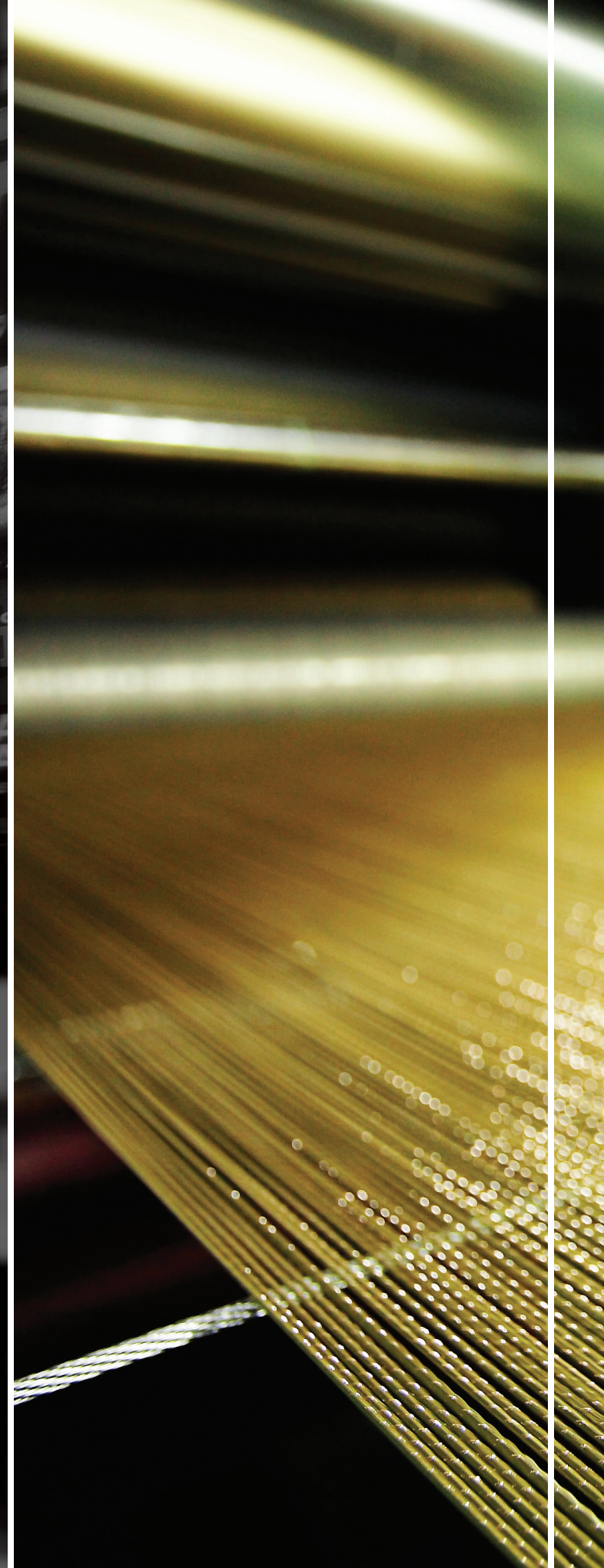


**PREMIUM
QUALITY**



WORLDWIDE EXPANSION

Hankook Tire is rising fast as a global leader in the tire industry, as the company is equipped with both world-class quality and global production capabilities. The company strives to effectively serve its customers with value and pleasure through the expansion of production bases and retail networks in global markets.





Hankook Tire sees more than a glimmer of hope for a sustainable tomorrow in the workplace and in the varied places in which its staff carry out charitable activities. The company is advancing the competence of its employees through its unique 'Proactive Culture,' while creating future value through implementation of businesses that deeply care about the environment and society.

**RELIABLE
RELATIONSHIP**



**TECHNOLOGY
INNOVATION**

LEADING BY INNOVATION

**Building Global
R&D Network**

5

5 R&D centers in Korea, China,
Germany, USA and Japan

Advancing Technology

**Leading Future
Tire Technology**

1,630

1,630 patents in Korea

Steady Investment in R&D

Hankook Tire is making a steady stream of investments by closely tracking prospective technologies. The company is building cutting-edge R&D facilities and securing outstanding research staff, the end result of which is the driving pleasure of its customers with top-quality products. In addition, it is expanding its R&D investments into eco-friendly products and new materials which will be the company's growth engine in the future, enhancing its differentiated value and pride.

Expansion of Technical Center

Starting as a tiny lab in Seoul's Yeongdeungpo industrial district in the 1970s with just 35 research staff, the company's R&D department has evolved to its current form with the foundation of the main R&D center in 1982. Currently, the company runs five research institutes in Korea, China, Germany, the US and Japan.

The new central R&D center will enable Hankook Tire to accelerate the introduction of new tires with even more advanced features, fulfilling its customers' demands for premium quality products. And the company has established a mid- and long-term R&D infrastructure restructuring plan to restructure existing infrastructure and enhance the operational efficiency of newly built infrastructure with the construction of the Hankook Tire Test Engineering Center.

Starting its construction in June 2014 with completion slated for 2016, the new central R&D Center with a total floor space of 100,000m² will be built in the Jukdong complex in Daejeon, Korea. The new central R&D center will have over 90 high-tech labs and a "smart work system" to markedly improve the efficiency and productivity of research activities by systemizing the movements of employees – a process optimized for tire development. Sporting an innovative and ethereal design by Foster + Partners – the famed design house founded by master architect Norman Foster, renowned for high-tech building designs – the institute will help Hankook Tire build a differentiated R&D culture while at the same time creating an architectural icon that represents the company's cutting-edge technology.



Hankook Tire R&D Values a Future that Puts Humans First

Despite the prolonged economic gloom that cooled the global job market in 2013, Hankook Tire still expanded its investment in R&D by hiring an accumulated total of 950 researchers, accounting for about 5 percent of the company's total employees. In addition, the company took an unprecedented move to attract top global talent by hosting an overseas job road show to recruit R&D staff – a first for the local tire industry. The overseas recruiting was implemented through a two-step process: the first round interview by working-level staff was implemented via an online video conference system, followed by a second round face-to-face interview by company executives who flew to overseas sites to conduct interviews. The talent hired through this process will work in the company's main R&D center, participating in the development of material processes and product development, as well as in the basic research area, thereby providing fresh new energy to boost the company's technological competence and improve its quality level.

Acquisition of Patents to Lead Future Tire Technology

Hankook Tire is pushing ahead as a top-class global company in the area of patent acquisition. As of the end of 2013, the company owns 1,630 patents in Korea and 222 in other countries. The steady recent growth of its intellectual property is down to proactive investment in overseas patent development.

Hankook Tire is currently focusing its resources on the development of eco-friendly tires that are emerging as the industry's new growth engine with the enforcement of a tire labeling system. Some key examples of next-generation green technology include patent applications for the structure of tire rolling resistance (RR) as well as the development of recyclable new materials. The company has, in particular, successfully applied for various patents related to non-pneumatic tires (NPT) for the past three years; NPT are heralded as the future of tires. The company has recently also increased the number of patent applications for winter tires and run-flat tires as well as for technologies related to wear performance, tread patterns, compounds and new manufacturing processes. The company will keep focusing on advancing its technology competence through select-and-focussed strategies with regard to core patents.

Design Innovation

Hankook Tire seizes customers' attention with unique designs developed from entirely new perspectives. The exclusive looks of Hankook's tires are expressed in their sophisticated, subtle tension and their futuristic shapes – creating a 'Refined and Dynamic Style.'

Design Based on the Philosophy of Liveliness and Communication

The safety of drivers holds paramount importance. Sophisticated technology that does not allow even a 0.001 percent margin of error is required in the design of tires – something that sets tire design apart from that of other products. Hankook Tire has perfected its design identity, arming its tires with futuristic, dynamic shapes, sophistication and refinement: this is defined as "Refined and Dynamic Style." The company's products, imbued with this design philosophy, have been recognized by winning the top three most prestigious global design awards. In order to achieve its mission, "Contribute to Advancement in Driving," Hankook Tire is constantly refining its designs to include future-oriented dynamism and elegance.



Product designs imbued with the unique design philosophy of Hankook Tire



reddot design award



product design award



Top three global design awards
(Red Dot Design Award and iF Design Award in Germany, IDEA Design Award in USA)

The Present and Future of Hankook Tire Design

The ever-evolving product design of Hankook Tire is based on the underlying concept of "Refined and Dynamic Style," optimized through individual design variations in respective areas. The company's designers set technological and sensual objectives that befit each product concept. These product designs not only satisfy the driver's emotional sensitivity, but convey unique characteristics and value to drivers.

Hankook Tire is implementing a multiplicity of innovative design research from entirely new perspectives. To anticipate fast-changing social trends and accommodate varying needs of diverse users, the company is creating future-oriented, ideal design values with unconventional technologies that are well ahead of the curve.

Hankook Tire will continue to implement designs that surpass the expectations of drivers in order to realize both top performance and safe driving.



A joint project with the School of Design at University of Cincinnati: 'The Way to the Future 2012'



Hankook iFlex: A Non-Pneumatic Tire (NPT) that supports the weight of the vehicle with a solid polyurethane elastic structure



Ventus Aero: A new type of tire applied with aero design optimized for high-speed driving

Kontrol Technology

‘Kontrol Technology,’ Hankook Tire’s proprietary technology, is the key to producing the best tires – from research and development to production. The company provides the best possible driving experience through the innovations realized with ‘Kontrol Technology.’

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 the company’s 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. The company provides the ultimate driving experience by optimizing tires’ key criteria – performance, safety, ride comfort and eco-friendliness. Banking on technological innovations to lead tire trends, Hankook Tire is committed to developing high-quality tires which can attract customers worldwide.



New Product Development and Launches

Hankook Tire is developing tires with firm confidence in its world-class technology and quality. The company is unveiling a series of innovative products, designed and created on the foundation of its global technological infrastructure.

PCR·LTR

Hankook Tire is concentrating its R&D resources on developing high-performance and eco-friendly tires to better serve the changing needs of customers. Thanks to these continued efforts, the Ventus S1 evo2 and Ventus Prime2, the company’s high-performance tires, were ranked as “Very Recommendable Products” in a series of tests performed by world-renowned automobile journals including ADAC and Gute Fahrt in Europe. The company has also launched products that meet the highest grades of the European Tire Labeling System*. The enforcement of the European Tire Labeling System has propelled Hankook into the lead in the eco-friendly tire market. In 2014, the company plans to cement its unmatched dominance in the Ultra-High-Performance (UHP) tire market by launching the Ventus V12 evo2. It will also bolster its lineup for SUV models and step up efforts in the premium market by supplying the Ventus S1 evo2 SUV to the BMW X5 models as Original Equipment (OE) tires.

The company has also accelerated its pace to enhance its technological competence. The company concentrated its R&D resources on the development of eco-friendly tires which are being highlighted as a new growth engine with the enforcement of tire labeling systems in Korea and other global markets. Along with the development of green technologies, the company is also investing its resources to develop a host of tire safety technologies including run-flat tires and sealant tires which are hot issues among tire consumers. The company is striving to ensure the safety of customers by bolstering its competence in core technologies, including the development of new materials and manufacturing processes for run-flat and sealant tires.

VENTUS V12 evo²

Ventus V12 evo2



Unveiled at the Frankfurt Motor Show (IAA) and the SEMA Show in 2013, the Ventus V12 evo2 UHP tire was launched in the global market in the first half of 2014. Targeted mainly at young drivers who like to express their own personality and style, the Ventus V12 evo2 satisfies customers’ desire for sleek design and performance while at the same time dramatically improving high-speed cruising performance with its excellent handling stability and braking performance. The Ventus V12 evo2 proved its world-class design and cutting-edge technologies in the first half of 2014 by being voted as a winner in the product design category of the Red Dot Design Awards. The tire’s speedy edge line and detailed block design ensures its sportiness and safety, while its Aqua Jet System as well as its 3D stealth technology and its aero side wall design minimizes noise and vibrations in wet conditions.

* Tire Labeling System

This system assigns a rating to rolling resistance and wet-grip performance. Consumers are then better able to select their optimal tires. Generally, a car’s fuel mileage improves as its tires’ rolling resistance against the road surface decrease.

ventus S1 evo² SUV**Ventus S1 evo2 SUV**

Unveiled at the Frankfurt Motor Show (IAA) in 2013, the Ventus S1 evo2 SUV is a UHP tire designed for SUVs. Inheriting the concept of the Ventus S1 evo2, which targeted drivers of high-performance cars, it is optimized for sporty but comfortable driving in premium SUVs. Featuring innovative technologies and precision tread designs, the Ventus S1 evo2 SUV's design was based on the advanced technologies proven on the race track of the Deutsche Tourenwagen-Meisterschaft (DTM), one of the largest motorsports competitions in Europe. The company's R&D team improved fuel consumption efficiency by lowering rolling resistance through application of the latest high-grip silica compound while improving driving performance in wet conditions by adopting a structure that maximizes the contact surface with the road. With its proven technologies and performance, the tire currently equips the BMW X5.

**ventus V2 concept²****Ventus V2 concept2**

Launched in 2013 and targeting the global market, the Ventus V2 concept2 is highly regarded in the US, the Mecca of motorsports tuning aficionados, for its low noise, excellent ride comfort and extended mileage. It is both stylish and economical. Dynamic and technical tread designs offer excellent handling performance to drivers who pursue their own style and uniqueness. The Ventus V2 concept2 adopts a dynamic tread design and rigid center rib blocks. The tire improves quietness by utilizing a noise-care block on the shoulder, while its application of a wide, straight groove and a V-shaped tread pattern ensure safe driving on wet roads thanks to its improved drainage control.

**Dynapro HP2****Dynapro HP2**

The Dynapro HP2 launched in Europe in 2012, and is scheduled to roll out in the Korean market in 2014. A high-performance tire for premium SUVs, the Dynapro HP2, meets all the conditions required for this segment. The tire's profile is optimized for the unique characteristic of SUVs, which have a higher ground clearance. Its adoption of a high stiffness center block provides precise steering with the road surface and top-notch handling, regardless of how brutal lateral force is exerted, and regardless of which direction the force comes from. The straight 4-channel groove obviates hydroplaning, even in heavy rain.

**TBR**

In 2013, Hankook Tire nimbly responded to the ever-diversifying Truck & Bus Radial (TBR) Tire market by building a diverse product lineup. In Europe and North America, the company diversified its portfolio in the TBR segment by launching SmartFlex hybrid products, which support mid- and long-distance driving, as well as the e-cube Max, which is an improvement over the eco-friendly and low fuel consumption e-cube tire.

AL10⁺ e-cube MAX**e-cube MAX**

For fleet account customers, tires with high fuel efficiency have become an indispensable choice in an age of unrelentingly high oil prices. Responding to the request of customers who demand tires with high fuel efficiency, Hankook Tire launched the e-cube Max (AL10+, DL10+ and TL10+) series with much improved fuel efficiencies compared to the company's existing e-cube environmentally-friendly product lineup. The e-cube Max boasts improved rolling resistance (RR) and traction control with the application of tread-compound technology, scoring Class B in the "fuel efficiency and wet grip category" in the European Tire Labeling system.

**SMART^{FL}EX AH31****SmartFlex**

With the rising demand of all-season steer tires for variable road conditions, Hankook Tire launched SmartFlex products in Europe (AH31, DH31) and North America (DL12). These tires support mid- and long-distance driving, as well as driving in urban areas. The SmartFlex has realized a marked improvement in mileage and traction control with the application of 3D cuffs and SR cuffs, the core technology of Hankook Tire. T.W.E.S (Tread Wear Equalized Stepper), another of the company's key technologies, controls wear and tear, so obviating danger. Hankook Tire is steadily developing products armed with high technologies and nimbly responding to the fast-changing needs of customers.





Motorsports

Hankook Tire sponsors some of the world's premier motorsports competitions, based on its excellent technology and quality. Through these sponsorship deals, the company is enhancing its brand value by demonstrating its top-notch technology and opening new chapters in driving culture.

High technology and top-class quality – proven on the race track

It is in motorsports competitions, where limits are overcome and potential is realized, that the company's technological know-how is fully demonstrated. Hankook Tire sponsors competitions and racing teams, so encouraging all drivers around the world to pursue their passion. As part of its sponsorship program, the company is unveiling a host of brand new tires that were developed based on cutting-edge technologies that help drivers break records on the race track.

The company has competed with the top global leaders in the tire industry by participating in world renowned motorsports competitions since 1992, starting with the Super Grand Touring in Japan, the 24 Hours of Nürburgring Endurance Race and the 24 Hours of Le Mans. The decades of sweat the company shed on the race track paid off in 2011 when Hankook Tire was selected as the official tire supplier of the Deutsche Tourenwagen-Meisterschaft (DTM). The DTM is the top grand touring race based on commercial cars; in this format, Audi, BMW, Mercedes-Benz and other premium auto brands from Germany compete against each other. The company's technology and quality was

proved again in 2013 when it was selected as an exclusive tire supplier for the Junior World Rally Championship in 2013, which is considered the entryway to the World Rally Championship (WRC). The company plans to provide tires to the WRC, beginning in 2014, as an exclusive supplier. The company is demonstrating its technology and enhancing its brand by sponsoring the FIA F3 European Championship, a key proving ground for young and capable professional racers; Formula Drift, the sole pro-drift championship in North America; and Italy's Superstars Series, whose participants include the world's premier super car brands.

In response to the enthusiasm and expectations of global motorsports fans, Hankook Tire will continue to sponsor premier world motorsports competitions in 2014 and beyond. These competitions upgrade brand visibility and product recognition, extending Hankook Tire's outreach to racing fans and customers in global markets.

Global Automotive Partnerships

Hankook Tire is solidifying its partnership with premium auto brands by expanding OE tire supply.

Leading the Future of the Automotive Industry

The last and most critical element of an automobile – the key decider of its final driving performance – is its tires. Tires, ideally, guarantee a safe experience that stimulates emotion – ie the enjoyment of driving. The importance of tires is growing in the face of the increasingly competitive global race to design new cars which require ever-higher levels of quality competency and which reflect consumer tastes. Hankook Tire is responding to the demands of the Original Equipment (OE) tire market around the world by developing tires optimized to the features of individual automobiles. These tires leverage R&D efforts being made in technology centers in Korea, Germany, the US, China and Japan.

Hankook Tire realizes the best partnerships with world-leading automotive brands by securing core capabilities for future car technology, building on its far-reaching global network and continued R&D investment. In addition, it is concentrating its efforts on communication to strengthen affiliations and collaborations with global automotive brands. It is also pushing ahead with diverse strategic marketing communication activities, including participation in world-renowned exhibitions, motorsports competitions and technology exchange sessions to enhance partnerships with premium automotive brands and to promote the technological excellence of Hankook Tire.

In 2013, Hankook Tire began to supply OE tires to Mercedes-Benz “New S-Class” – a first for the Korean tire industry. This means the company is now supplying OE tires to the top three premium German auto brands, as it started providing OE tires to Audi in 2006 and to BMW in 2011. In addition, the company has expanded supply of OE tires to the representative models of the top three Japanese auto brands: the Honda Civic, the Toyota Corolla and the Nissan Altima.

Since the first partnership it formed with Korean automotive companies in 1955, it has expanded its business turf, partnering with diverse global brands in North America, Europe, China and Japan. Hankook Tire will be joining hands with premium automotive makers all over the world on the strength of its top quality and advanced technology to advance the future of the automotive industry.



WORLDWIDE EXPANSION

LEADING BY INNOVATION

Hankook Tire Year-on-year
Operating Income Growth
in 2013

12.2%

10.4%

Share of UHP Tires in
RE Tire Sales

**Growing
Market**

12.2%

7.5%

48.3%

22.6%

9.4%

Korea

China

Europe

America

Middle East, Africa
and Asia-Pacific

Share of UHP Tire Sales by Region

Ensuring Global Competence

Hankook Tire's entry to the club of world-class tire producers was enabled with the expansion of its global production network and its quality assurance system. Meanwhile, 'Quality Level Up,' a company-wide strategy designed to assure premium product and service quality, is boosting the company's brand equity.

Expansion of Global Production Capacity

Hankook Tire completed the construction of its production plant in Indonesia. This facility's state-of-the-art production line has the capacity to crank out six millions tires annually, thereby securing the company's production and sales base in Southeast Asia. The company has also embarked on the 3rd phase expansion of its Hungary plant to cater to exploding demand in Europe. As the Indonesia plant is expected to lead growth in Southeast Asia, including Indonesia, as well as in North America and the Middle East, the company plans to expand the facility's production capacity even more by embarking on the 2nd phase expansion. In 2013, the company announced a plan to construct its 8th global production base in the US State of Tennessee. The Tennessee plant, with its ground breaking scheduled for late 2014 and its eventual completion scheduled for 2016, will give the company a platform to compete with global leaders in the world's largest tire market. The company will keep striving to secure reliable production capacity by building a network of production bases spread evenly around the world in the future, further entrenching its market leadership and competence as a world-class company.

Global Production Target in 2014

(E) 95 Millions



World-class Quality Management

Hankook Tire has concentrated its management resources on enhancing quality management policies already in place while continually tightening its quality assurance practices to delight customers with the finest products. The company's efforts have delivered tangible results, including the development of premium Passenger Car Radial (PCR) tires, improvement of company-wide quality uniformity and securing of quality competency in eco-friendly tires. Some key strategies and achievements of the company's quality first management are:

First, the company has bolstered its quality competency through improvement of warranty systems for Original Equipment (OE) tires comparable to the quality level of premium brands and by expanding production volumes of the run-flat tires that require sophisticated technology. The company has markedly expanded the supply of OE tires while also bolstering its brand image significantly.

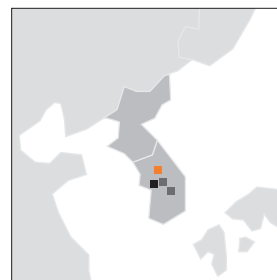
Second, the company has expanded its quality management scope further to include its suppliers in a bid to enhance the existing quality warranty system and ensure quality uniformity. It has also completed an innovative quality warranty infrastructure while boosting the quality uniformity in the production line through implementation of continuous investments aimed at bolstering the quality of finished products. The company has reorganized diverse quality criteria into a uniform system to realize "One Quality" throughout its global production bases scattered around the world while also striving to push up their overall quality level through systematic assessments of manufacturing facilities. The company's efforts were recognized when it took the top place in the annual Korea Standard Quality Excellence Index for five years in a row; it was also selected as the best company for four straight years in rankings of the Quality Competitiveness Assessment System.

Looking forward, the company is preparing itself for the next big leap in the global market. In 2014, the company will step up its efforts to ensure qualitative growth while securing a base for sustainable growth through continued implementation of the new production quality assurance system. This advanced quality assurance system was introduced to production lines in the previous year. In addition, the company will push for innovation in the employee mindset as well in a bid to imprint the "Quality First" culture throughout the company.

Analysis by Region and Future Strategy

Korea

The Korea Headquarters differentiated its services by running a driving safety campaign and by developing premium product groups. These initiatives, along with the award of various local certificates, strengthened its unrivaled market leadership in Korea.



■ Regional Headquarters
■ R&D Centers
■ Plants

The Korean economy grew by 2.8 percent in 2013, a slight increase over the previous year, but the growth rate of real household income dipped by 1 percent from the previous year to 1.8 percent due to negative global economic conditions. The sales of new cars in Korea increased by 1 percent in 2013 with the number of registered vehicles growing by 3 percent, continuing the low growth trend in the domestic tire market.

Despite this unfavorable market environment, the Korea Headquarters has consistently come top in domestic market share. The Korea Headquarters set "Marketing Innovation and Brand Differentiation" as its key strategic goal for 2013. In line with this, it implemented diverse service differentiation strategies, including brand value improvement, enhancement of product competitiveness and service differentiation focused on sales outlets.

As a result of these combined efforts, the company realized a total sale of KRW951.9 billion in 2013, a 4 percent rise over the previous year, and its ranking in the Best Korea Brands 2014 index, as selected by Interbrand, rose by one step from the previous year, to 25th place.

The marketing activities and performance of the Korea Headquarters in 2013 are as follows:

First, the Headquarters continued the "It Is" advertising campaign in a bid to reinforce its No.1 brand position while its "The Next Driving Lab" campaign helped the company establish itself as a young and innovative brand.

Second, it differentiated its premium product lineup through development of new products armed with excellent quality. Its sales grew by 50 percent, helped by the launch of the Ventus S1 noble2, a low-noise Ultra-High-Performance (UHP) tire for imported cars and large sedans, as well by the unveiling of the Ventus V2 concept2, a tire targeted at young automobile tuning aficionados. And the company is also leading the eco-friendly tire market with the expansion of sales of the enfren eco.

Third, it bolstered the company's differentiated services to ensure customer satisfaction. "Smart Care," an interest-free installment sales program designed to lower financial burdens on tire buyers, as well as "Auto Planner" services, which expand maintenance coverage to customers' cars, helped the company realize more advanced customer service. A "Peace of Mind" insurance program designed to resolve customers' fear over tire damage and associated financial costs was implemented. The company also enhanced customer convenience regarding winter tires by offering pre-order and tire-storage services.

The current low-growth trend is forecast to continue in 2014 while the polarization of consumption patterns is projected to worsen even more. The Korea Headquarters plans to implement a host of innovative marketing strategies to respond to the changing market situation. The company will enhance its marketing, targeting imported brands, by expanding its product lineup and specifications customized for imported cars. At the same time, it will ensure continued growth through service improvements in The Tire Shop, which is an alternative sales channel for the economy market.

China

The China Headquarters improved its brand image and operational competitiveness by increasing OE tire supply for premium auto brands, upgrading retail channels and expanding production capacity, while enhancing its premium brand image with strengthened marketing communications.



■ Regional Headquarters
■ R&D Centers
■ Plants

China's GDP grew by 7.7 percent in 2013 and is forecast to dip slightly to 7.5 percent in 2014. The number of car sales in the country has grown by 13.7 percent to 14.3 million in 2013 (Source: China Association of Automobile Manufactures). Thanks to the systematic marketing China Headquarters implemented in 2013, the company's total sales in the country increased by 5.4 percent, year-on-year, whereas the total sales of Original Equipment (OE) tires grew by 9 percent, compared to the previous year. Among the sales of UHP tires, the share of Replacement Equipment (RE) tires has grown by 12 percent compared to the previous year with OE tires growing by 17 percent, year-on-year. The sales of Truck & Bus Radial (TBR) tires grew by more than 20 percent, realizing qualitative improvements in sales on top of quantitative growth.

Key achievements of the China Headquarters include:

First, the Headquarters expanded the supply of OE tires. The China Headquarters is supplying OE tires to premium global auto brands including Audi, Mercedes-Benz and BMW while leading growth in China by being recognized for its technological excellence through expansion of tire supply to key automotive brands in China.

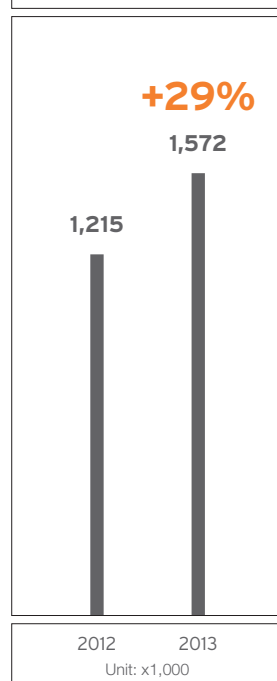
Second, it expanded its retail network in the country. The Headquarters expanded its investment aggressively in Hankook Masters, a Passenger Car Radial (PCR) tire distribution channel, and Hankook Truck Masters, a TBR tire distribution channel, expanding its overall retail network while also providing high-quality customer services, befitting its status as a premium brand.

Third, it also expanded its production capacity in China. Hankook Tire is currently running three production bases in China including the Chongqing plant, that started operations in 2012. In particular, the Chongqing plant, which started as a plant dedicated to producing TBR tires, will expand its production lineup to include PCR tires.

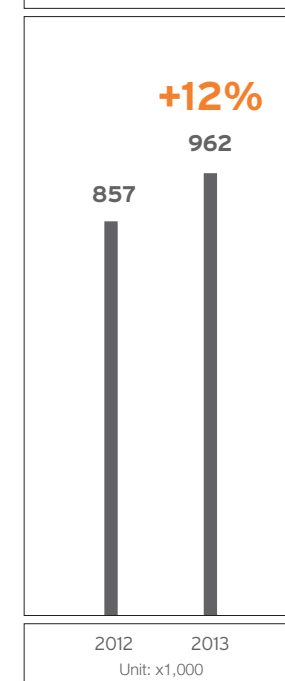
Fourth, the Headquarters bolstered its premium image through the implementation of effective marketing communications. "Globally Proven," its regional TV advertising campaign currently in operation, is being aired throughout key cities in China mainly via CCTV, publicizing the Hankook Tire brand to Chinese consumers.

The China Headquarters will focus its marketing efforts on bolstering its competitiveness in China and expanding its overall regional presence. First, it will enhance the competitiveness of its products through the diversification of its product portfolio to reflect the unique demands of the Chinese market. Second, it will expand its premium retail network and upgrade its service level to improve the competitiveness of RE tires. Third, it plans to improve its product portfolio through the expansion of OE tire supply to premium auto brands. Fourth, season two of the successful "Globally Proven" advertising campaign will be launched to bolster the premium image of Hankook Tire, together with sponsorship of the Deutsche Tourenwagen-Meisterschaft (DTM) that will be held in China.

Sales Growth of
UHP Tires

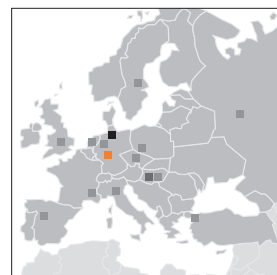


Sales Growth of
UHP Tires



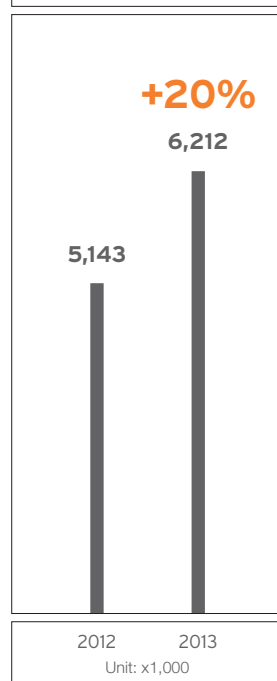
Europe

The Europe Headquarters continued to expand its market share in 2013 through improvements in productivity, development of competitive products and proactive marketing communication activities. The unwavering growth the company demonstrated despite the economic recession gripping Europe is boosting Hankook Tire's prospects of rising to a 1st tier brand in the region.



- Regional Headquarters
- Sales Subsidiaries & Sales Offices
- R&D Centers
- Plants

Sales Growth of UHP Tires



Europe struggled with prolonged economic gloom in 2013, posting a -0.4 percent growth rate across 18 countries in the Eurozone due to a belt-tightening policy triggered by the financial crisis in some member countries. The CIS bloc, which enjoyed relative economic prosperity, posted 2.1 percent growth after it grew by 3.4 percent in 2012. With the protracted contraction of the real economy, new car sales shrunk by 220,000 to 13.2 million and even the relatively robust Germany posted a 4 percent decrease. Despite such a challenging market environment, the Hankook Tire Europe Headquarters surpassed its growth target by posting 107 percent growth year-on-year, consistently expanding its market share. The company has also improved its profitability dramatically by expanding the share of highly profitable products.

Key achievements of the Europe Headquarters include:

First, the Headquarters established a quality management system that puts improvements in productivity and quality as a top priority. Through this measure, it has prepared itself to better respond to customers' requests in a nimble and proactive manner.

Second, it is implementing a variety of proactive marketing communications activities by employing diverse media outlets. The Hankook Tire Europe Headquarters is currently running TV commercials in nine countries in a bid to enhance its brand image. It also successfully bolstered its brand image in Sweden and Turkey, its key strategic markets, by running a series of TV commercials. The Headquarters also promoted the excellent quality of its products by proactively responding to a total of 27 product comparison tests hosted by leading auto magazines in Europe. Its tires were given favorable reviews in the tests, being ranked as "Very Recommendable" in three tests and "Recommendable" in 23 tests.

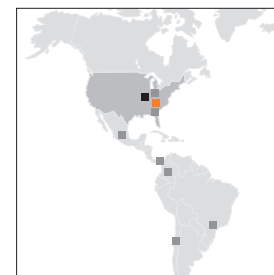
Third, it is promoting the Hankook Tire brand by sponsorship of diverse sports events. Hankook Tire is promoting its world-class technology and quality in many leading global motorsports competitions including the Deutsche Tourenwagen-Meisterschaft (DTM) for which the company was selected as the official tire supplier. It has also sponsored football; Hankook Tire has been sponsoring the UEFA Europa League since 2012 in a three-year deal – a highly effective way to expose the brand.

Fourth, the Headquarters is promoting the cutting-edge technology and quality competence of Hankook Tire via diverse events. The company publicized its technological leadership in Europe by participating in trade shows and exhibitions including the Frankfurt Motor Show (IAA), the Essen Reifen Show and the Moscow International Automobile Salon. It also invited members of the European auto press to the Ventus Driving Event, a media junket hosted by the company to celebrate its supply of premium tires to premium automotive brands in Europe including the Mercedes-Benz E/S Class, the BMW 3/4/5/X5 Series and the 3rd Generation Audi TT.

In 2014, the Hankook Tire Europe Headquarters will play the leading role in helping the company step up to the top tier of global tire manufacturers by bolstering its brand value through implementation of proactive marketing communications and expansion of contact points with customers.

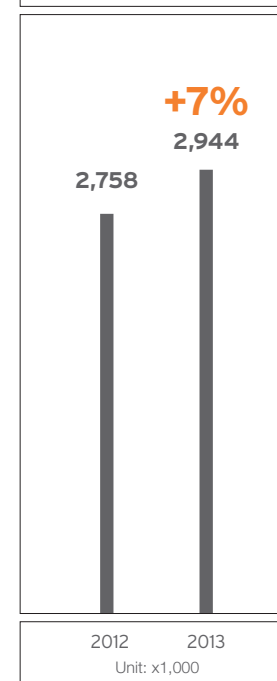
America

The America Headquarters recorded its biggest sales ever in the US market in 2013 by sharpening the brand's prestige through active marketing communications and through expansion of retail networks by diversification of distribution channels.



- Regional Headquarters
- Sales Subsidiaries & Sales Offices
- R&D Centers

Sales Growth of UHP Tires



The US economy started 2013 with a glimmer of hope for a recovery thanks to the continuous implementation of stimulus packages by the government. However, the speed of recovery was rather limited due to a host of issues including uncertain fiscal policy, a weak recovery of the job market, decreases in exports and slowing household consumption due to global economic conditions. The sales of new cars grew by 7.5 percent to 15.58 million, however, thanks to increasing demand for high-efficiency, high fuel-economy compact cars and to a rebound in demand that has been suppressed since the global financial crisis. Meanwhile in Latin America, trade barriers are being raised as countries introduce a series of trade policies to curb imports, including anti-dumping duties and strengthening of import permission systems, amid a growing uncertainty over exchange rates.

Key achievements of the America Headquarters include:

First, since the safeguard policy (which slaps additional duties on tires imported from China) was abolished in the US in September 2012, the Headquarters responded to the market entry of low-price imports by diversifying its brands while also expanding the sales in its retail network, cleared via warehouses. It also set stable growth as its top priority, realized by concentrating its sales efforts on consistently growing channels through the formation of a product portfolio optimized for each distribution channel.

Second, it implemented continuous promotions targeted at consumers of key strategic products. Thanks to these promotional efforts, the sales of UHP tires in the RE tire segment grew by 7 percent compared to the previous year. As a result, it sold some USD1.23 billion of tires, achieving the highest sales ever, after breaking the USD1 billion sales mark, including OE tire sales, in 2011. In Canada, it developed small-scale retail partners in the west to expand warehouse sales in the province of Ontario and in the city of Vancouver, while at the same time diversifying sales channels in the east. In Latin America, it focused on stabilizing sales through the development of new sales partners to minimize sales uncertainty due to external forces.

Third, the America Headquarters established and implemented a strategy to bolster the brand value of Hankook Tire in the market. It enhanced its sales capability in North America and in Latin America, which has high growth potential, by analyzing optimal prices through monitoring of market prices and pushing for a price strategy optimized for each sales channel.

The US economy is forecast to show slow but steady growth in 2014 but the speed of recovery is likely to be limited due to the weakening of quantitative support by the government. The Latin American economy is projected to grow over time, thanks to increasing demand, but the weakening of quantitative support in the US may have an impact on these regional economies. More fine-tuning in the implementation of this strategy is required as the continuous expansion of tires imported from China, as well as a fierce price war to protect market share, is expected.

In 2014, the America Headquarters plans to push for qualitative and quantitative growth by implementing key strategies as set out below:

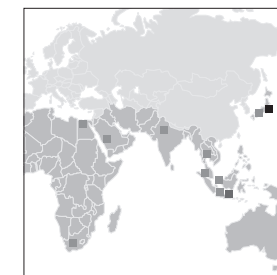
First, the Headquarters will optimize its distribution channels. It plans to diversify its sales portfolio, that is overly dependent on a small number of sales partners, by growing new sales partners in key markets in Latin America. Hankook Masters, a new global distribution brand introduced in 2013 aimed at expanding distribution networks, will help it lay the groundwork for stable growth in the future. In the US, it will tighten control over the distribution channels at each phase of the network by expanding the retail network support system it has been operating since 2012. In Canada, it will concentrate its efforts on expanding warehouse sales in a bid to expand sales volume via mid- and large-size wholesale stores, which started with the sales of winter tires, and on developing retail distribution channels in the east.

Second, the Headquarters will focus on raising the overall price level of its products. Towards this end, it plans to implement a host of differentiated promotional programs and campaigns designed to boost the sales of high-value-added tires. In addition, it will introduce a series of new strategic products including the Ventus V12 evo2, Ventus S1 noble2, Ventus S1 evo2 SUV and Dynapro HP2 tires at the right time and right occasion, raising the overall value of the products.

Third, it will raise the value of brand assets through active marketing communications. The America Headquarters will implement diverse marketing activities aimed at boosting brand awareness and supporting sales. It will continue its current sponsorship of popular sports by country, including Major League Baseball in the US and hockey in Canada, while launching a new TV advertising campaign custom-designed for the US market. And it will also respond proactively to rapidly growing new forms of communication via digital platform.

Fourth, the America Headquarters will improve the quality of its local logistic services. Due to the growing requests by its sales partners for small volumes and frequent shipping, as well as growing requests for just-in-time shipping and service-level enhancements, it will enhance logistic services to satisfy these demands. It will also maintain appropriate inventory levels in the five warehouses that supply tires to wholesale and retail stores in the US to boost the fill rate (the ratio of demand that can meet the ordered volume with the current inventory level) and save shipping times, thereby raising the satisfaction level of sales partners.

Middle East, Africa and Asia-Pacific



■ Sales Subsidiaries & Sales Offices
■ R&D Centers
■ Plants

In the Middle East, Africa and Asia-Pacific regions, the company realized continued growth by expanding its businesses through expansion of sales bases by developing new markets and advancing the sophistication of distribution channels in Australia.

The Middle East and North Africa continued to grow at an annual rate of 4.6 percent backed by tax revenues from oil sales, despite growing concerns over economic depression due to anti-governmental protests and democratization movements in Egypt and Libya. Meanwhile in Australia, the economy grew by 2.8 percent thanks to a 45 percent increase in the export of mine products to China. However, with China's hectic economic growth showing signs of fatigue recently, gloom has been cast over the country's economy, given that it is disproportionately dependent upon the mining industry. Japan, on the other hand, grew by 1.8 percent thanks to a dramatic increase in exports in the wake of the depreciation of the yen. In the midst of this fast-changing market environment, Hankook Tire has successfully enhanced its brand value and marketing capabilities by nimbly responding to the changing market situation in the Middle East, Africa and Asia-Pacific regions.

Key achievements in the Middle East, Africa and Asia-Pacific include:

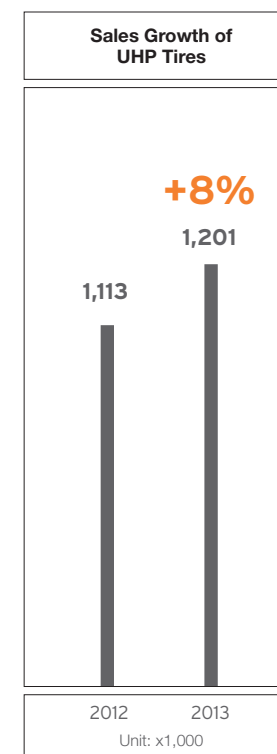
First, the company strove to expand sales in Australia through advancing its distribution network. The company succeeded in increasing sales by 172 percent, year-on-year, by opening new warehouses and expanding retail networks.

Second, the company concentrated its resources on developing new markets in Iraq, Sudan and Yemen and expanded sales bases in those countries, thereby forming a new growth momentum that will provide a breakthrough for a saturated market. While other brands were reluctant to access the market due to concerns over the unstable market situation, Hankook Tire implemented active marketing and expanded its retail network, thereby posting a whopping 147 percent growth rate compared to the previous year.

Hankook Tire has prepared the following strategies for 2014 to ensure continued growth in the Middle East and Africa and to expand market share in Australia and Japan, its key strategic markets.

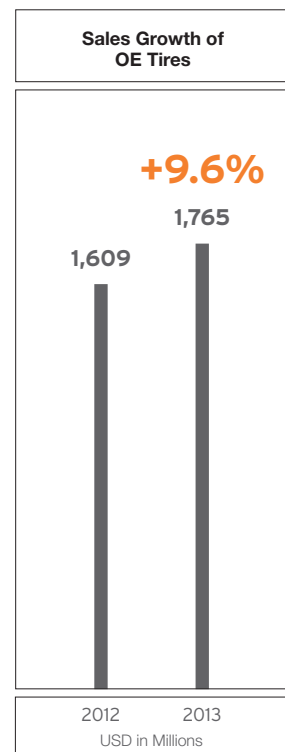
First, the company will design its distribution strategy by country and by region. The top three goals of the company are: advancement of retail strategy; establishment of, and enhancement of, retail operations infrastructure; and strategic investments in the retail market. Hankook Tire plans to advance its distribution downstream and expand sales volume through implementation of the aforementioned strategies.

Second, it will expand its investments in emerging markets, thereby building a quantitative base as well as bolstering brand awareness and customer loyalty. The company will keep implementing aggressive marketing programs to enhance market dominance and expand market share.



Performance Analysis in OE Tire Market and Future Strategy

Hankook Tire has supplied OE tires to the top three premium German auto brands – Mercedes-Benz New S-Class, BMW 5 Series and Audi. In addition, it has expanded its supply of OE tires to the top three Japanese auto brands - Toyota, Nissan and Honda, reaffirming its status among the top global tire companies.



The expansion of Original Equipment (OE) tire supply for new cars by global auto brands is an excellent opportunity to demonstrate product quality and technology. Last year, Hankook Tire did exactly this, laying the groundwork to publicize and enhance its brand value.

The remarkable growth in OE tire supply for new cars produced by global auto brands continued in 2013. The US automotive market continued to show robust growth patterns in 2013. The sales of new cars in the US grew by 7.5 percent, year-on-year, while Hankook Tire's matching sales growth of OE tires for new cars rose by 27 percent.

The Chinese automotive market has continuously seen double-digit growth rates since 2007. This growth trend is forecast to continue for some time, but competitive pressures among tire vendors in China are expected to be exacerbated. Still, Hankook Tire succeeded in growing by 9 percent. This accomplishment is all the more significant as it was realized under the double whammy of overheated competition due to excessive expansion of production capacity and enhanced pressure for cost-savings.

In 2013, the European automotive market repeated the minus growth pattern it saw in 2012, failing to crack the prolonged gloom. Still, Hankook Tire posted a whopping 20 percent growth rate, underwritten by the supply of OE tires for new cars by premium auto brands such as Mercedes-Benz and BMW as well as the expansion of supply to its existing customer base in the region, which includes Volkswagen and Hyundai-Kia Motors.

The global economy is forecast to experience an overall recovery in 2014 but uncertainty remains in Europe and China, in contrast to the growth expected in the US. As emerging markets are projected to uphold current growth patterns in the automotive market, the company is required to respond to the potential recovery of advanced markets while at the same time expanding growth opportunities in emerging markets.

Hankook Tire has come up with the following business strategies for OE tires for new cars to respond to changing market situations and to continue to grow, based on achievements made in 2013.

First, the company will increase the supply of OE tires for new cars through the expansion of business with leading premium auto brands. The company's OE tires for new cars are being supplied to leading global brands including Hyundai-Kia Motors, Volkswagen, Ford and Toyota, and it has continued to expand the supply of OE tires to premium brands including BMW, Mercedes-Benz and Audi. The company's OE tires are now being supplied to BMW's MINI, 1 Series, 3 Series and 5 Series and in the case of Mercedes-Benz, to its S-Class, E-Class, C-Class and other key models. Hankook Tire will continue to expand these partnerships.

Second, the company will expand the supply of OE and Truck & Bus Radial (TBR) tires for new vehicles to Japanese auto brands. In 2013, the company started to supply OE tires for popular models in Japan including Toyota Corolla, Nissan Altima and Honda Civic. In 2014, the company will bolster its relationship with Japanese automotive brands in key markets including North America, China and Southeast Asia while also expanding its supply of OE tires for trucks and buses in North America and Europe.

Third, the company will concentrate its R&D resource on developing new technologies to meet the demands of global markets and global consumers. While expanding the supply of OE tires for new cars, such as run-flat tires that focus more on safety and eco-friendliness, the company will continue to develop tires for premium brands. And to tailor performance to varying regions and automotive brands, the company will enhance its development capability across the entire tire production process – from selection of materials to performance tests.

Fourth, the company will bolster its relationship with various automotive brands based on diverse communication activities. These activities will include expanding relationships with industry partners through regular meetings while raising the awareness of and understanding of the company's OE tires for new cars through major auto shows. Hankook Tire will also publicize its business for OE tires by partnering with key retail networks. In addition, it will strive to foster cooperative relationships for shared growth by strengthening joint research and technology exchanges with leading automotive brands.

OE Tires Partners

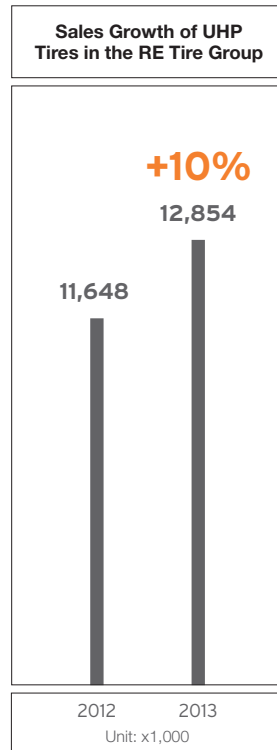


Business Strategies for OE Tires for New Cars in 2014

| |
|--|
| Broaden Partnerships with Premium Auto Brands |
| Expand Supply to Japanese Automotive Brands |
| Enhance Capabilities to Develop New Technologies that Satisfy Customer Demand |
| Foster Collaborative Relationships with Automotive Brands through Diverse Communication Activities |

Performance Analysis in Tire Market by Product Group

In 2013, Hankook Tire sold over 91 million tires globally. Among them, the share of RE and OE tires made up 62 percent and 38 percent, respectively. The sales of UHP tires, a high-value product, among RE tires have grown by 10 percent compared to the previous year, helping the company boost overall sales in 2013.



Geographically, the company sold 28.7 percent of its tires in Europe followed by 21.4 percent in China, 20.6 percent in America, 19.5 percent in Korea and 9.8 percent in the Middle East, Africa and Asia-Pacific region, achieving a balanced sales portfolio all over the world.

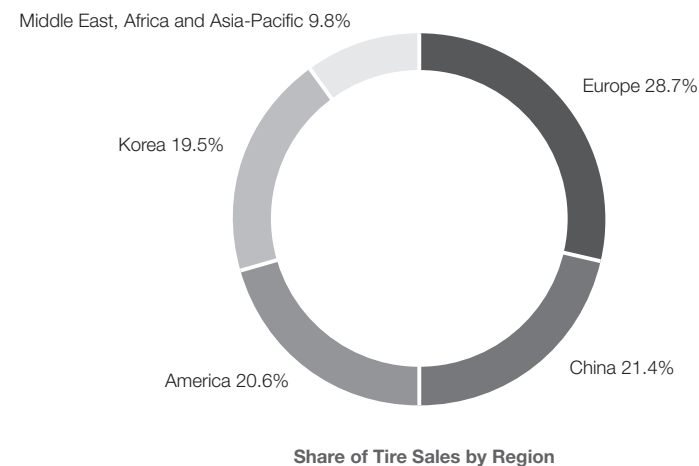
By product lineup, the company sold over 82 million Passenger Car Radial (PCR) tires, a 5.2 percent increase, year-on-year. The shares of RE and Original Equipment (OE) tires among PCR tires were 59 percent and 41 percent, respectively. The combined share of Europe and North America in the Replacement Equipment (RE) category was highest, with 56 percent.

The share of Ultra-High-Performance (UHP) tires among PCR tires has grown by 11 percent year-on-year to 25.36 million, playing a decisive role in boosting the company's profitability. The share of UHP tires among PCR tires has grown by 2 percent; from 29 percent in 2012 to 31 percent in 2013.

Among UHP tire sales, the breakdown was 51 percent for RE tires and 49 percent OE tires. Given that the sales of OE tires for new cars are closely linked with the sales of RE tires, the share of UHP tires among the RE tire segment is forecast to grow steadily in the future.

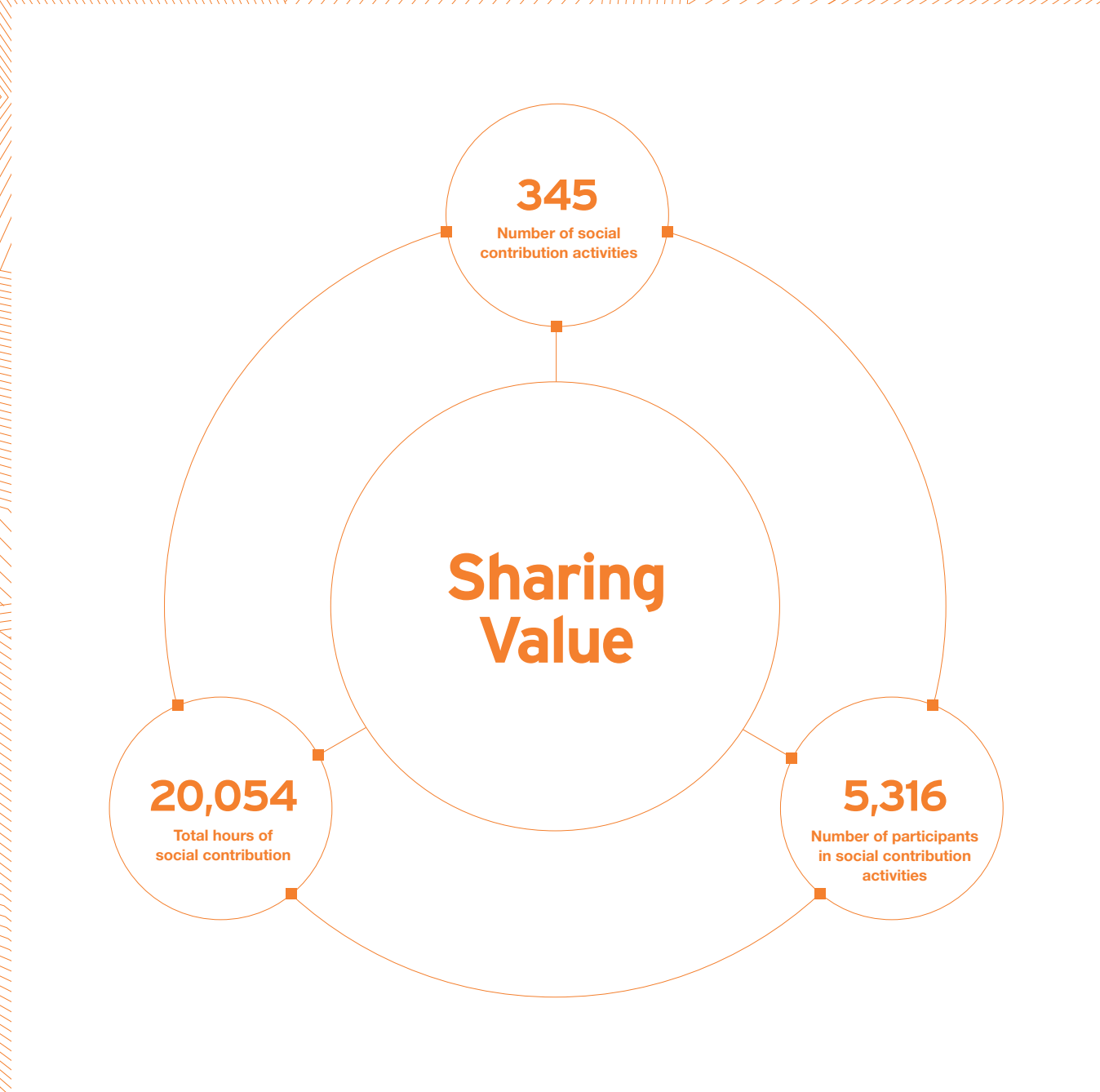
Geographically, the company sold 48 percent of UHP tires in Europe, 21 percent in North America, 12 percent in Korea, 7 percent in China, 5 percent in Asia-Pacific, 4 percent in the Middle East-Africa and 2 percent in Latin America. The combined share of advanced markets, including Europe and North America, grew disproportionately higher, making up a surging 69 percent. In particular, the sales of UHP tires have grown by 21 percent year-on-year in Europe and Latin America.

The geographical breakdown of sales of Truck & Bus Radial (TBR) RE tires was: 23 percent in Europe, 20 percent in both China and Korea, 13 percent in North America, 10 percent in both Latin America and Middle East-Africa, and 5 percent in Asia-Pacific. Most notably, sales grew by 24 percent and 22 percent in Europe and Asia-Pacific, respectively.



RELIABLE
RELATIONSHIP

LEADING BY INNOVATION





Corporate Social Responsibility Activities

Based on a systematic framework of integrated CSR, Hankook Tire is implementing diverse, caring and sincere activities. These activities realize the social values supported by all stakeholders of the company, while fulfilling its duty as an honorable and global corporate citizen.

Declaration

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

CSR Achievements

Hankook Tire has been managing key issues based on the "Integrated CSR Management System" the company introduced in 2010 to create environmental and social value. In 2013, the company implemented a materiality assessment by expanding the scope of stakeholder surveys and improving their logic. Through such measures, the company identified five key areas of intensive management (transparency & business ethics; employee health & safety management; employee value creation; external stakeholder satisfaction management; environmental management) and set concrete goals and deadlines as well as responsible departments so that employees can implement CSR activities while performing their daily tasks.

Thanks to these continued efforts, the company was included in the Dow Jones Sustainability Indices Asia Pacific (DJSI) in 2013 – a first for the Korean tire industry. Hankook Tire has been named to the Dow Jones Sustainability Indices Korea since 2011 and was included in the DJSI Asia Pacific in 2013, confirming its lofty status in Asia in sustainable management terms.

Social Contribution Activities

The changing social and economic environment surrounding companies today highlights the importance of corporations' pursuit of value for shared growth and for the development of local communities, rather than focusing exclusively on profits. Accordingly, Hankook Tire is contributing to the development of countries and local communities directly and indirectly through implementation of diverse CSR activities, thereby fulfilling its role and responsibility as a corporate citizen that actively contributes to society.

Key Social Contribution Activities in 2013

- **Launch and Operation of Employee Volunteer Service Team ('Donggeurami Volunteering Teams')**
Hankook Tire launched a company-wide employee volunteer service team in 2013 and participated in diverse volunteer activities including neighborhood clean-up campaigns, visits to low-income households and social welfare facilities.

* Total charitable activities in 2013: 5,316 persons | 345 projects | 20,054 hours

- **Joint Operation of Online Donation Site**
Hankook Tire jointly operates a website called Dream Full (www.dreamfull.or.kr) in collaboration with a local NGO ("Leftovers Love Sharing Community"), enabling its employees and other interested people to make charitable donations online. The proceeds are used to provide needy children with opportunities to develop both spiritually and mentally.

* Total donations in 2013: 25,164 donations | KRW458,934,055

- **Operation of 'Mobility CSR Programs'**
Hankook Tire designs and implements CSR activities that synchronize with its identity as an automotive industry player. The company is implementing "Mobility CSR Programs" under which vehicles are operated for, and/or donated to, needy institutions on a long-term basis, so providing practical solutions for local communities in need.

* A total of 274 Tuieum buses operated in 2013 | 40 vehicles were donated to social welfare institutions | 1,616 tires were supplied to social welfare agencies



Proactive Culture

Hankook Tire has grown on the spirit of its 'Proactive Culture.' This is unique to Hankook Tire and is the driving force behind the company's rapid growth as a global tire brand. It is 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 Culture

The company's remarkable accomplishments were achieved thanks to the unwavering enthusiasm and dedication of its employees. Hankook Tire's growth since 1941 follows the footsteps left by each and every employee who embraced the company's founding spirit and lent their hands to pioneer new paths. The company was able to instill this "Proactive Culture" deep into its corporate veins thanks to the efforts of proactive leaders who created optimal synergies by sharing thoughts with one another. Hankook Tire believes that only through the individual growth and development of each and every employee can the company open a sustainable future on the global stage. Leveraging a spirit that allows employees to work actively and innovatively with competitiveness based on professionalism, the company will keep writing business success stories in the future.

Proactive Workplace

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

Full Day Investment in Creative Activities on 'Proactive Friday'

Once a month, 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

At Hankook Tire, corporate heads and employees join hands to shape the company's future together. It has built a "Proactive Culture" across the company that promotes transparent sharing of management information and strategies with employees and reflects employee feedback.

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

Employees are allowed to freely share 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

The company holds a quarterly management debriefing session where details of current business performance are opened to investors as well as to all members of Hankook Tire. A team of company executives visits key plants and operations every quarter, and holds a debriefing session while answering questions from employees.

Work & Life Balance

The company pays careful attention to its employees to provide diverse benefits in a healthy and safe work environment. It provides various supports so that employees can pursue happiness by balancing work and life.

'Donggeurami Daycare Center' for Work & Life Balance

Hankook Tire is running a "Donggeurami Daycare Center" to help its employees concentrate on their work, freed from the worries of childbirth and childcare.

Company Hobby Clubs for Personal Development

The company is 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.

Employee Health Promotion Program to Ensure Employees' Health

Hankook Tire is running its own medical and Oriental medical clinic to provide health check-up services for employees on a regular basis. The company also offers personalized exercise prescriptions and training to improve the physical strength of employees in a newly opened health promotion center.

Proactive Leadership

Hankook Tire is bound together by 'Proactive Leadership,' an ideal talent standard that helps all employees to rise and meet new challenges and share and develop their own opinions. This helps build crucial blueprints to fulfill the company's mission and vision. The company encourages 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, is "Proactive Leadership." This enables independent personal growth and outstanding performance by ensuring the conduct of 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're passionate about what we do, we do it better 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 progressing forward with new possibilities. Our forward-oriented approach allows us to redefine the present and evolve the future; opening windows of opportunity that help 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 together, think cross-culturally and adapt quickly. Our open-minded perspectives help 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

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 that stable growth is shared with its 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 business operations. The company has identified ten important risks that need to be addressed urgently by breaking them down into those in need of company-wide handling, and into internal and external risk categories. With regard to handling key risks, it established a system that helps it 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. Each business division follows its own business management manual and code to reduce the particular risks associated with its business to the minimum. Company-wide, Hankook Tire manages operational risk by ensuring compliance with risk-management guidelines. When risks arise, it forms task forces representing the relevant divisions to respond through facilitated, company-wide communication. Moreover, it tries to forestall internal operational risks in advance by both regular and ad hoc audits. It manages external risks with steady monitoring of the economic environment, the automotive and tire industries, and analyzes significant cases of relevance.

Financial Risk

In 2013, global financial markets continued to experience uncertainty triggered by political conflicts over the US exit strategy and negotiations over fiscal policy. The global economy showed some signs of recovery led by advanced countries with the Eurozone posting a plus growth rate for two consecutive quarters after the second quarter. Emerging economies, however, failed to meet expectations due to slowing growth in China and less-than-satisfactory global trade, as well as weakening prices of raw materials. This economic environment is 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 continually investing in overseas expansion to create future momentum while maintaining a conservative approach to risk management. In order to minimize its exposure to financial risks, it is stepping up the monitoring and management of financial costs and positioning in foreign exchange markets. In addition, it is upgrading its system for financial market trend reporting to detect volatility in the financial markets early on, thus improving top management's decision-making efficiency. It also shares market information with internal and external stakeholders and partners through steady communications.

Currency Risk

Hankook Tire carries out transactions in 26 currencies, including the US dollar and euro. To mitigate risks associated with currency exchange, it makes it a rule to conduct every transaction in local currencies, including export and import payments, operating transactions, bank deposits and loans. It also hedges 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 company's exchange risk management regulations, which contain stipulations on the definition of exchange risks, governing bodies, management processes and hedge ratios. 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, it does 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. The company periodically predicts future cash flows to manage liquidity risks in advance. It also concentrates on conservative liquidity management during periods of intensified volatility in financial markets to maintain operational stability. It completed the liquidity management process for overseas operations by adopting consolidated financial systems such as cash pooling. This helps minimize liquidity risks, mitigate the burden of fund management and reduce financial expenses through sharing of funds between affiliates with limited funds and affiliates with surplus funds. By expanding on this scheme, it is 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 as well as implementing activities to lower its Fire & Explosion Index (F&EI). In 2013, it focused on advancing the fire safety awareness of employees and strengthening fire-safety facilities. And in an attempt to improve the emergency readiness of employees, the company doubled the number of drills in simulated fire-fighting and emergency evacuation from one or two to four times per month. As a result of such measures, each employee now has to participate in a fire drill at least once per year. Through these combined efforts, the company has created a system that enables prompt emergency responses. It has also constructed a system to promptly extinguish fires through continuous investment in fire-fighting facilities. On top of the biannual fire-safety check required by law, the company ensures that fire-fighting facilities be kept at normal operation status by performing monthly inspections of automated fire-fighting facilities jointly with fire-risk assessment professionals from outside the company. In addition, the company has taken preemptive measures to prevent the risk of fire in high-pressure panels, where early detection of fumes or fire is difficult, by installing automated fire-fighting facilities for small spaces. At the same time, it has made it mandatory to install automated fire-fighting facilities for small spaces in newly installed high-pressure panels.

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. It also provides full-pledged support for the resolution of legal disputes such as litigations, arbitrations and more, both at home and abroad. As of 2013, the company has satisfied the legal requirements of a holding company as specified in the Monopoly Regulation and Fair Trade Act, when the company performed an exchange tender offer (paid-in capital increase by Hankook Tire Worldwide Co., Ltd. in the form of tender offer on the stocks of Hankook Tire Co., Ltd.) in order to convert the group affiliates to a holding-company system. The company's legal team provided legal advice to expedite the required process by reviewing related legal requirements and processes. And with regard to the series of contracts signed with the US State of Tennessee and other local governments, including an investment incentive agreement after the selection of the site to build a new plant in the US, the company supported the investment team to sign contracts on favorable terms by closely reviewing drafts of the agreement. The amendment of the Monopoly Regulation and Fair Trade Act in August 2013 introduced more stringent regulations on transactions between affiliated persons and affiliated companies, but the Act allowed a one-year grace period for those transactions that were being implemented at the time of enforcement. The company's legal team is taking necessary steps to respond to the changed regulatory environment. The company also monitored and prepared for the potential amendment of the Commercial Law, but that amendment has not been realized yet. Therefore, no legal risks associated with amendment are posed. The company is also providing in-house education on fair trade and legal risks to ensure compliance management in the company. Hankook Tire will continue to strengthen its legal risk management in Korea and overseas countries through compliance management as a global company.

As a company, Hankook Tire is being reborn as a leading global tire brand through continuous investments aimed at ensuring quantitative and qualitative growth. It is embracing innovations that enable it to deliver the best quality and the best services to customers while also ensuring full consideration for all of it living today. Every professional of Hankook Tire will dedicate his or her efforts to delight customers around the world with the promise of new value and a better tomorrow.

FINANCIAL REPORT

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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

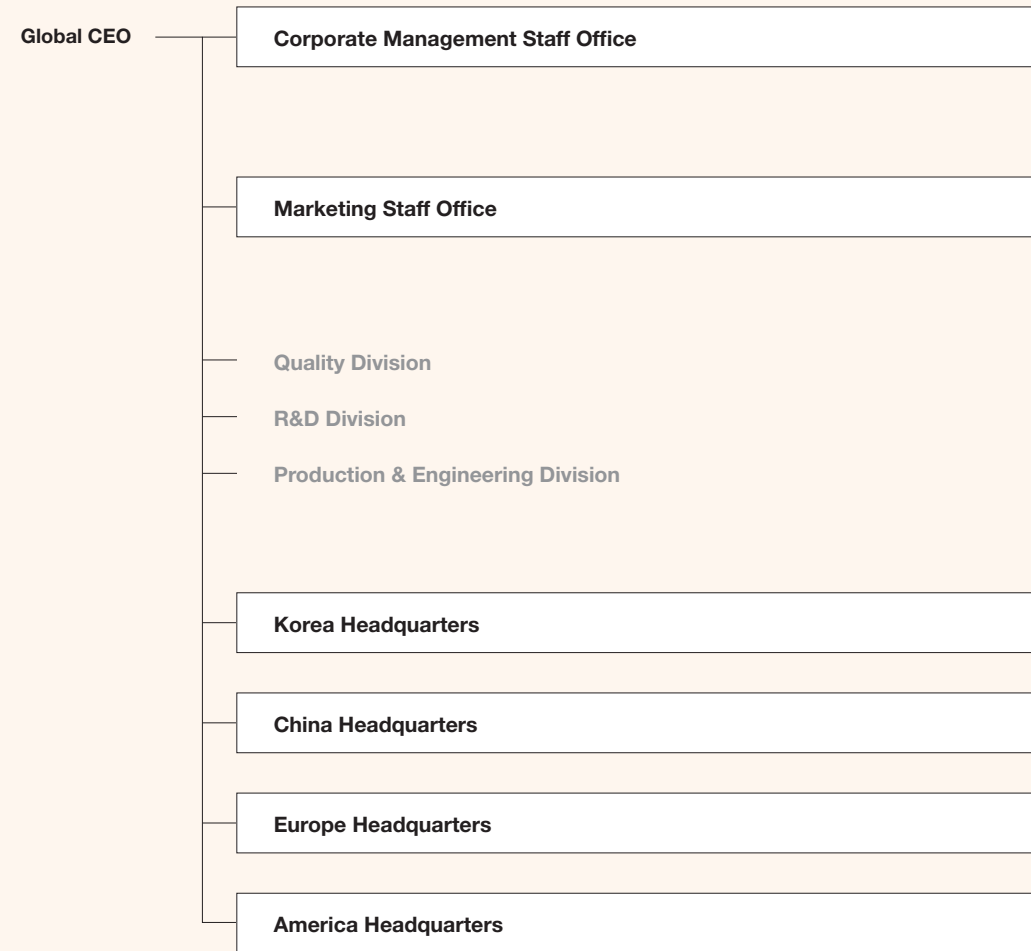
3. Business Sites and Plants

| 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 | 40, Daedeok-daero 1447beon-gil, Daedeok-gu, Daejeon, Korea |
| Geumsan Plant | Tire manufacturing | 1, Geumgang-ro, Jewon-myeon, Geumsan-gun, Chungcheongnam-do, Korea |
| Main R&D Center | Technology research | 112, Gajeongbuk-ro (23-1 Jang-dong), Yuseong-gu, Daejeon, Korea |
| 46 sales offices and distribution centers in Korea including the Gangnam Office | Tire sales | 456, Dogok-ro, Songpa-gu, Seoul, Korea and other locations |
| 30 overseas subsidiaries and sales offices including the Jeddah Office | Tire sales | P.O. Box 5922, Jeddah 21432, Kingdom of Saudi Arabia and other locations |
| Overseas technology centers and technology offices (4 including ATC) | Technology research | 3535 Forest Lake Drive Uniontown, Ohio 44685 and other locations |

4. Employees

| Number of Employees | | | |
|---------------------|--------------|-----------|-------|
| Directors | Office Staff | Operators | Total |
| 33 | 2,156 | 4,806 | 6,995 |

5. Organizational Structure



6. Stock Information

① Type and Number of Shares Issued

Korean won in thousands, except number of shares

| Type of Stock | Number of Shares | Amount | Ratio (%) | Remarks |
|-------------------------|--------------------|-------------------|------------|----------|
| Registered common stock | 123,875,069 | 61,937,535 | 100 | - |
| Total | 123,875,069 | 61,937,535 | 100 | - |

② Changes in Capital Stock

Korean won in thousands, except number of shares

| Date | Type of Stock | Number of Shares | Capital Increase (Decrease) Amount | Capital Stock after Capital Increase (Decrease) | Description |
|------------|-------------------------|------------------|------------------------------------|---|------------------------------------|
| 2012.09.01 | Registered common stock | 123,875,069 | 61,937,535 | 61,937,535 | Newly established through spin-off |

③ Stock Administration

| | | | |
|------------------------------------|--|---|-------------|
| Closing Date | December 31 | | |
| Book Closure Period | January 1 to January 31 | Record Date | December 31 |
| Announcement | www.hankooktire.com / Seoul Economic Daily | | |
| Type of Stock | Registered common stock | | |
| Stock Administration Agency | Name of Agent | Korea Securities Depository | |
| | Administrative Office | 23, Yeouinaru-ro 4-gil, Yeongdeungpo-gu, Seoul, Korea | |

7. Debenture Information

Korean won in thousands

| 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. |
| Total | | 150,000,000 | | 150,000,000 | | |

II Progress and Results of Operations

1. Business Overview

See the CEO Message.

2. Production Status by Main Business Units or Products

Korean won in thousands, except quantity data

| Business Unit / Product | Production Status | Actual Production | | Actual Production | |
|-------------------------|-------------------|-------------------|----------------------|-------------------|--------------------|
| | | Quantity (2013) | Value (2013) | Quantity (2012) | Value (2012) |
| Tires | | 45,254,089 | 2,495,787,944 | 15,081,276 | 873,771,784 |
| Total | | 45,254,089 | 2,495,787,944 | 15,081,276 | 873,771,784 |

2012: Hankook Tire after spin-off (September 2012)

3. Sales Performance

Korean won in thousands

| Type of Sales | Sales Status | Year 2013 | | Year 2012 | |
|----------------------|---------------------------------------|-----------------|----------------------|----------------------|-------|
| | | Quantity | Value | Quantity | Value |
| Finished Goods | Tires | Domestic sales | 1,022,807,837 | 374,227,629 | |
| | | Exports | 2,616,243,896 | 890,467,051 | |
| | | Subtotal | 3,639,051,733 | 1,264,694,680 | |
| Trading Goods | Tires, tubes, batteries, etc. | Domestic sales | 165,960,309 | 71,034,843 | |
| | | Exports | 104,349,040 | 28,659,900 | |
| | | Subtotal | 270,309,349 | 99,694,743 | |
| Services | Research services, etc. | Domestic sales | 245,400 | - | |
| | | Exports | - | - | |
| | | Subtotal | 245,400 | - | |
| Engineering Services | Vehicle maintenance and repairs, etc. | Domestic sales | 373,366 | 212,459 | |
| | | Exports | - | - | |
| | | Subtotal | 373,366 | 212,459 | |
| Leases | Office rentals, etc. | Domestic sales | 2,540,226 | 773,756 | |
| | | Exports | - | - | |
| | | Subtotal | 2,540,226 | 773,756 | |
| Total | | Domestic sales | 1,191,927,139 | 446,248,687 | |
| | | Exports | 2,720,592,936 | 919,126,951 | |
| | | Subtotal | 3,912,520,075 | 1,365,375,638 | |

2012: Hankook Tire after spin-off (September 2012)

4. Major Facility Constructions, Expansions and Financing

① Expansions

Korean won in thousands

| Site | Investment Purpose | Investment Duration | Investment Size |
|--------------|-------------------------|---------------------|--------------------|
| Hankook Tire | Facility expansions | 2013.01-2013.12 | 40,307,585 |
| | R&D | 2013.01-2013.12 | 30,139,964 |
| | IT | 2013.01-2013.12 | 9,480,515 |
| | Maintenance and repairs | 2013.01-2013.12 | 105,256,830 |
| Total | | | 185,184,894 |

② Funds Required and Financing Details

Korean won in thousands

| Classification | Funding Source | Amount | Remarks |
|-------------------------|-----------------------------|--------------------|---------|
| Domestic Funds | Facility funds | - | |
| | Corporate bonds | - | |
| | Internal funds | 185,184,894 | |
| | Total domestic funds | 185,184,894 | |
| Overseas Funds | Loans in foreign currencies | - | |
| | Internal funds | - | |
| | Total overseas funds | - | |
| Investment Total | Total funds raised | 185,184,894 | |

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 (%) |
| 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 1,571,761,955.83 | Tire manufacturing | (*) | 96.24 | Tire sales |
| Shanghai Hankook Tire Sales Co., Ltd. (Formerly: Hankook Tire China Headquarters) | 10F, GUANGQI BUILDING, #1001, QINZHOUBEI ROAD, 200233, SHANGHAI, CHINA | CNY 22,000,000.00 | Tire sales | - | - | Tire sales |
| Hankook Tire Netherlands B.V. | KOERILENSTRAT2-6, 3199LR, DISTRIIPARK MAASVLAKTE, ROTTERDAM, THE NETHERLANDS | EUR 1,593,676.12 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tire Japan Corp. | 7TH FL, 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 |
| Hankook France SARL | CENTRAL PARC2, 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 LIOCORNIO 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 |

| Subsidiary | Relationship with the Company | | | | | |
|---------------------------------------|---|-----------------------|--------------------|------------------|-----------------------|---------------|
| | Company Name | Location | Capital Stock | Primary Business | Shareholding (shares) | Ownership (%) |
| 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 RACALMAS, HANKOOK TER 1, HUNGARY | HUF 11,087,730,000.00 | Tire manufacturing | (*) | - | 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 LLC. | 2/4, Luznetskaya nabereznaya, block 4, Moscow, 119270, Russia. | RUB 6,000,000 | Tire sales | (*) | - | Tire sales |
| Hankook Tire Sweden AB | Kanalvagen 3A, 194 61 Upplands Vasby, Sweden | EUR 50,000.00 | Tire sales | (*) | - | Tire sales |
| Hankook Tire Polska Sp. Z o. o. | Sp. z o.o ODDZIAŁ W POLSCE ul.Bokszerska 66, 02-660 Warszawa, Poland | PLN 5,000.00 | Tire sales | (*) | - | Tire sales |
| Hankook Lastikleri A.S. | Trump Towers Mecidiyeköy Yolu Cad. No:12 Kat:16 Mecidiyeköy Şişli Istanbul, Turkey | TRL 50,000.00 | Tire sales | (*) | - | Tire sales |
| 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. HANKOOKTIRE 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 |

| Subsidiary | | Relationship with the Company | | | | |
|--|--|-------------------------------|--------------------|-----------------------|---------------|-----------------------|
| Company Name | Location | Capital Stock | Primary Business | Shareholding (shares) | Ownership (%) | Business Relationship |
| MK Mold (Jiaxing) Co., LTD | No.676 Changsheng East Road EDZ Jiaxing, Zhejiang Province, China | CNY 47,450,750.00 | Mold manufacturing | - | - | Mold sales |
| Hankook Tire Singapore PTE., Ltd. | #11-05, Clifford Centre@24 Raffles Place, Singapore, 048621 | USD 1,000,000.00 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tire Thailand Co., Ltd. | 11TH FLOOR, TWO PACIFIC PLACE BLDG., 142 SUKHUMMIT ROAD, KLONGTOEY, BANGKOK 10110, THAILAND | THB 103,000,000.00 | Tire sales | (*) | 99.99 | 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. | MYR 1,218,440.00 | Tire sales | 1,000,000 | 100.00 | Tire sales |
| Beijing Jielun Trading Company Co., Ltd. | No.57-59, East Section 8, WufangTianya Auto Accessories and Parts Market, Wufang Bridge, Chaoyang District, Beijing, China | CNY 40,000.00 | Tire sales | (*) | 100.00 | Tire sales |

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

As of December 31, 2013

3. Interlocking Directors between Parent and Subsidiary Companies

| Director Holding Multiple Positions | | Interlocked Company | | |
|-------------------------------------|--------------------------|--------------------------------|----------|---------------|
| Name | Position | Company Name | Position | Remarks |
| BYEONG SAM MIN | Senior Vice President | Daehwa Engineering & Machinery | Director | Non-executive |
| YONG JIN AHN | Deputy Managing Director | Daehwa Engineering & Machinery | Director | Non-executive |
| SUN KI YOON | Senior Vice President | MK Technology | Director | Non-executive |
| HAN JUN KIM | Senior Vice President | Daehwa Engineering & Machinery | Auditor | |
| HAN JUN KIM | Senior Vice President | MK Technology | Auditor | |

IV Future Challenges

See the CEO Message.

V 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 | KUN 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 | - | - |

VI Major Shareholders

As of December 21, 2013

| Shareholder Name | Shareholding (shares) | Ownership (%) | Transactions with the Company | Remarks |
|---|-----------------------|---------------|-------------------------------|---------|
| Hankook Tire Worldwide Co., Ltd. and others | 52,883,346 | 42.69 | - | |
| National Pension Service | 6,313,115 | 5.10 | - | |
| SAUDI ARABIAN MONETARY AGENCY | 4,324,975 | 3.49 | - | |
| NEW WORLD FUND, INC. | 2,461,680 | 1.99 | - | |
| THE GOVERNMENT OF SINGAPORE | 1,878,876 | 1.52 | - | |

VII 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 | - | - |
| | Hankook Tire Co., Ltd. | (*) | 34.67 | - | - |
| Jiangsu Hankook Tire Co., Ltd. | Hankook Tire China Co., Ltd. | (*) | 64.86 | - | - |
| | Hankook Tire America Corp. | (*) | 0.47 | - | - |
| Hankook Tire China Co., Ltd. | Hankook Tire Co., Ltd. | (*) | 96.24 | - | - |
| | Hankook Tire America Corp. | (*) | 3.76 | - | - |
| 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 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 Branch | Hankook Tire Budapest Kereskedelmi Kft | (*) | 100.00 | - | - |
| Hankook Tire RUS LLC. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Sweden AB | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Lastikleri A.S. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Polska Sp. z o.o. | 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. HANKOOKTIRE 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 | - | - |
| Hankook Tire Thailand Co., Ltd. | Hankook Tire Co., Ltd. | 1,029,998 | 99.99 | - | - |
| | Hankook Tire Singapore PTE., Ltd. | 1 | 0.01 | - | - |
| Beijing Jielun Trading Company Co., Ltd. | Shanghai Hankook Tire Sales Co., Ltd. (Formerly: Hankook Tire China Headquarters) | (*) | 100.00 | - | - |
| Daehwa Eng & Machinery Jiaxing Co., Ltd. | Daehwa Engineering & Machinery Co., Ltd. | (*) | 15.00 | - | - |

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

VIII Major Creditors

As of December 31, 2013 | Korean won in thousands

| Creditor Name | Credit Amount | Shareholding (Shares) | Ownership (%) | Remarks |
|--------------------------|--------------------|-----------------------|---------------|---------|
| Woori Bank | 800,000 | - | 0.00 | |
| Shinhan Investment Corp. | 150,000,000 | 61,711 | 0.05 | |
| Total | 150,800,000 | 61,711 | 0.05 | |

IX Subsequent Events

(1) 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, 2013). Details are as follows:

Swedish krona, US dollar in thousands

| Debtor | Financial Institution | Amount Borrowed | Amount Guaranteed | Period of Guarantee |
|-----------------------------------|-----------------------------------|-----------------|-------------------|--|
| Hankook Tire Sweden AB | Svenska Handelsbanken AB | SEK 20,000 | SEK 20,000 | Until 1 year from the first date of withdrawal |
| Hankook Tire Singapore PTE., Ltd. | Standard Chartered Bank Singapore | USD 40,000 | USD 40,000 | Until 1 year from the first date of withdrawal |

(2) The Company incorporated a new subsidiary by the resolution of the Management Committee as of February 18, 2014.

| Newly Established Corporation | Capital Stock |
|--------------------------------|---------------|
| Hankook Tire de Colombia Ltda. | USD 99,900 |

(3) The Company provided the Hungarian government with a guarantee regarding the subsidiaries given to Hankook Tire Hungary Ltd. by the resolution of the Management Committee as of February 19, 2014.

| Classification | Description |
|---------------------|---|
| Objective | Guarantees for cash incentive contract |
| Amount guaranteed | HUF 9,214,435,200 |
| Period of guarantee | February 27, 2014 to September 30, 2021 |

X Other Important Events

Not Applicable.

XI Audit Committee's Report

The Audit Committee has completed an audit of the Company's accounting records and business operations for its second fiscal year that started on January 1, 2013 and ended on December 31, 2013 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.

March 6, 2014

KUN HO CHO

Chairman of the Hankook Tire
Audit Committee



XII Independent External Auditor's Report

1. Separate Financial Statement

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

We have audited the accompanying separate financial statement of Hankook Tire Co., Ltd. (the "Company"). The separate financial statements consist of the separate statements of financial position as of December 31, 2013 and 2012, and the related separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the year ended December 31, 2013, and the four months ended December 31, 2012. The Company's management is responsible for the preparation and fair presentation of the separate financial statements, and our responsibility is to express an opinion on these separate 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 separate 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 separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and its results of operations and its cash flows for the year ended December 31, 2013, and the four months ended December 31, 2012, in conformity with the Korean International Financial Reporting Standards.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

March 20, 2014

CEO **JAE SOOL LEE**

Deloitte Anjin LLC

10, Gukjegeumyung-ro,

Yeongdeungpo-gu, Seoul, Korea

This report is effective as of March 20, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying separate financial statements and may result in modifications to the auditors' report.

XII Independent External Auditor's Report

2. Consolidated Financial Statement

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, 2013 and 2012, and the related consolidated statements of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the year ended December 31, 2013, and the four months ended 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. We did not audit the financial statements of other subsidiaries whose financial statements represent 18.1% and 51.9% of the Group's consolidated total assets as of December 31, 2013 and 2012, respectively. Those subsidiaries represents 44.2% and 62.9% of the Group's consolidated total sales for the year ended December 31, 2013, and the four months ended December 31, 2012, respectively.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2013 and 2012, and its results of operations and its cash flows for the year ended December 31, 2013, and the four months ended December 31, 2012, in conformity with Korean International Financial Reporting Standards.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

March 20, 2014
 CEO **JAE SOOL LEE**
 Deloitte Anjin LLC
 10, Gukjegeumyung-ro,
 Yeongdeungpo-gu, Seoul, Korea

This report is effective as of March 20, 2014, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

XIII Financial Statements

Korean won in thousands

1. Separate Statements of Financial Position

Hankook Tire Co., Ltd.

| | December 31, 2013 | December 31, 2012 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 382,412,045 | 300,402,754 |
| Short-term financial assets | 449,649,800 | 169,981,600 |
| Trade and other accounts receivable | 989,239,910 | 1,066,282,884 |
| Inventories | 455,185,984 | 443,023,392 |
| Other financial assets | 5,083,790 | 713,931 |
| Other current assets | 6,536,916 | 13,235,572 |
| Total Current Assets | 2,288,108,445 | 1,993,640,133 |
| Non-current Assets | | |
| Long-term financial assets | 13,000 | 13,000 |
| AFS financial assets | 388,000 | 388,000 |
| Investments in subsidiaries | 804,332,355 | 793,707,063 |
| Property, plant and equipment | 1,377,517,857 | 1,462,033,968 |
| Investment property | 107,749,809 | 49,684,509 |
| Intangible assets | 11,027,840 | 9,149,126 |
| Other financial assets | 66,770,363 | 66,174,710 |
| Other non-current assets | 150,268 | 150,268 |
| Total Non-current Assets | 2,367,949,492 | 2,381,300,644 |
| Total Assets | 4,656,057,937 | 4,374,940,777 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Trade and other accounts payable | 509,749,977 | 626,926,860 |
| Short-term borrowings and current portions of long-term financial liabilities | 636,472,244 | 726,583,278 |
| Current tax liabilities | 106,245,324 | 37,257,081 |
| Other financial liabilities | - | 303,164 |
| Other current liabilities | 41,311,919 | 52,272,542 |
| Total Current Liabilities | 1,293,779,464 | 1,443,342,925 |
| Non-current Liabilities | | |
| Long-term borrowings and debentures | 203,232,496 | 203,836,404 |
| Retirement benefit obligation | 14,375,113 | 14,748,640 |
| Deferred tax liabilities | 39,319,151 | 25,262,745 |
| Other provisions | 35,439,750 | 35,215,632 |
| Other financial liabilities | 4,646,638 | 3,851,763 |
| Total Non-current Liabilities | 297,013,148 | 282,915,184 |
| Total Liabilities | 1,590,792,612 | 1,726,258,109 |
| Shareholders' Equity | | |
| Capital stock | 61,937,535 | 61,937,535 |
| Other paid-in capital | 2,457,974,724 | 2,457,974,724 |
| Retained earnings | 545,353,066 | 129,000,207 |
| Other equity | - | (229,798) |
| Total Shareholders' Equity | 3,065,265,325 | 2,648,682,668 |
| Total Liabilities and Shareholders' Equity | 4,656,057,937 | 4,374,940,777 |

2013: For the year ended December 31, 2013 | 2012: For the year ended December 31, 2012
Korean won in thousands, except for income per share data

2. Separate Statements of Comprehensive Income

Hankook Tire Co., Ltd.

| | 2013 | 2012 |
|--|------------------------|----------------------|
| Sales | 3,912,520,075 | 1,365,375,638 |
| Cost of Sales | (2,684,892,724) | (955,580,970) |
| Gross Profit | 1,227,627,351 | 409,794,668 |
| Selling expenses | (391,284,526) | (148,827,673) |
| Administrative expenses | (241,039,672) | (76,744,334) |
| Research and development expenses | (130,901,800) | (43,434,906) |
| Operating Income | 464,401,353 | 140,787,755 |
| Financial income | 29,679,756 | 12,056,836 |
| Financial expense | (41,026,423) | (26,493,839) |
| Other non-operating income | 304,695,237 | 129,503,812 |
| Other non-operating expense | (133,998,589) | (60,174,017) |
| Income before Income Tax Expense | 623,751,334 | 195,680,547 |
| Income Tax Expense | (166,885,087) | (46,835,977) |
| Net Income | 456,866,247 | 148,844,570 |
| Other Comprehensive Loss | 9,257,482 | (20,074,161) |
| Items not to be reclassified subsequently to profit or loss | | |
| Remeasurement of the retirement benefit plan | 11,909,874 | (26,179,898) |
| Tax effects on the other comprehensive income | (2,882,190) | 6,335,535 |
| | 9,027,684 | (19,844,363) |
| Items to be reclassified subsequently to profit or loss | | |
| Gain (Loss) on valuation of foreign exchange forward contract | 303,164 | (303,164) |
| Tax effects on the other comprehensive income | (73,366) | 73,366 |
| | 229,798 | (229,798) |
| Comprehensive Income | 466,123,729 | 128,770,410 |
| Net Income per Share (Korean won) | | |
| Basic and diluted income per share | 3,689 | 1,202 |

3. Separate Statements of Changes in Equity

Hankook Tire Co., Ltd.

Korean won in thousands

| | Capital Stock | Other Paid-in Capital | | Retained Earnings | Other Equity | Total |
|---|-------------------|----------------------------|--------------------|--------------------|------------------|----------------------|
| | | Additional Paid-in Capital | Treasury Stock | | | |
| As of September 1, 2012 | 61,937,535 | 2,459,062,742 | - | - | - | 2,521,000,277 |
| Comprehensive income | | | | 129,000,207 | (229,798) | 128,770,409 |
| Net income | - | - | - | 148,844,570 | - | 148,844,570 |
| Remeasurements of retirement benefit plan | - | - | - | (19,844,363) | - | (19,844,363) |
| Cash flow hedging reserve | - | - | - | - | (229,798) | (229,798) |
| Acquisition of treasury stock | - | - | (1,088,018) | - | - | (1,088,018) |
| As of December 31, 2012 | 61,937,535 | 2,459,062,742 | (1,088,018) | 129,000,207 | (229,798) | 2,648,682,668 |
| As of January 1, 2013 | 61,937,535 | 2,459,062,742 | (1,088,018) | 129,000,207 | (229,798) | 2,648,682,668 |
| Annual dividends | - | - | - | (49,541,072) | - | (49,541,072) |
| Comprehensive income | | | | 465,893,931 | 229,798 | 466,123,729 |
| Net income | - | - | - | 456,866,247 | - | 456,866,247 |
| Remeasurements of retirement benefit plan | - | - | - | 9,027,684 | - | 9,027,684 |
| Cash flow hedging reserve | - | - | - | - | 229,798 | 229,798 |
| As of December 31, 2013 | 61,937,535 | 2,459,062,742 | (1,088,018) | 545,353,066 | - | 3,065,265,325 |

4. Separate Statements of Cash Flows

Hankook Tire Co., Ltd.

2013: For the year ended December 31, 2013 | 2012: For the year ended December 31, 2012 | Korean won in thousands

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Cash generated from operating activities | 765,073,363 | 418,669,352 |
| Net income | 456,866,247 | 148,844,570 |
| Adjustment | | |
| Income tax expense | 166,885,087 | 46,835,978 |
| Interest income | (15,400,578) | (4,765,413) |
| Interest expense | 15,450,624 | 8,369,314 |
| Gain on foreign currency translation | (11,755,705) | (23,128,846) |
| Loss on foreign currency translation | 17,651,183 | 24,256,609 |
| Loss on disposal of trade receivables | 376,916 | 215,253 |
| Loss on disposal of AFS securities | 17,136 | 3,902 |
| Gain on disposal of property, plant and equipment | (1,563,038) | (574,816) |
| Loss on disposal of property, plant and equipment | 1,030,788 | 1,106,784 |
| Loss on valuation of inventories | 1,695,024 | 1,979,376 |
| Loss on abandonment of inventories | 1,274,477 | - |
| Loss on inventory obsolescence | 1,619 | 59 |
| Reversal of allowance for doubtful accounts | (987,713) | (1,623,970) |
| Depreciation of property, plant and equipment | 203,054,862 | 64,295,702 |
| Depreciation of investment in properties | 699,695 | 82,200 |
| Amortization of intangible assets | 2,131,138 | 665,308 |
| Sales damage expense | 9,722,445 | 2,357,317 |
| Employee benefits | 739,873 | (158,048) |
| Provision for severance benefits | 42,850,857 | 11,427,633 |
| Provision for other allowance | 219,692 | 3,520 |
| | 434,094,382 | 131,347,862 |
| Changes in operating assets and liabilities | | |
| Decrease in trade receivables | 56,611,512 | 112,049,407 |
| Decrease (Increase) in other accounts receivable | 16,485,339 | (28,484,701) |
| Increase (Decrease) in accrued income | (2,824,742) | 54,916,386 |
| Decrease in advance payments | 4,665,161 | 754,906 |
| Decrease in prepaid expenses | 1,632,091 | 5,654,412 |
| Decrease (Increase) in deposits of acceptances and guarantees | 329,941 | (6,308) |
| Increase (Decrease) in inventories | (15,133,708) | 21,226,907 |
| Increase in leasehold deposits provided | (1,231,660) | (2,067,915) |
| Decrease (Increase) in trade payables | (37,836,974) | 13,143,954 |
| Decrease (Increase) in other accounts payable | (106,071,252) | 33,649,923 |
| Increase (Decrease) in accrued expenses | 9,322,477 | (21,768,840) |
| Decrease (Increase) in advances from customers | (7,038,665) | 14,699,645 |
| Decrease in deposits provided | (3,160,623) | (13,354,178) |

Korean won in thousands

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Decrease in unearned revenue | (761,336) | (712,053) |
| Payment of severance indemnities | (10,923,124) | (571,180) |
| Increase in plan assets | (20,391,386) | (46,520,895) |
| Increase in rental deposits | 794,875 | 71,222 |
| Decrease in foreign exchange forward liabilities | - | (266,078) |
| Decrease in long-term debts for employees | (1,172,167) | - |
| Compensation for sales damages | (9,183,025) | (3,937,694) |
| | (125,887,266) | 138,476,920 |
| Interest revenue received | 13,666,189 | 4,701,775 |
| Interest expense paid | (15,417,997) | (7,731,118) |
| Income tax paid | (86,795,995) | (468,740) |
| Net Cash Provided by Operating Activities | 676,525,560 | 415,171,269 |
| Cash Flows from Investing Activities | | |
| Net change in short-term financial assets | (281,925,770) | 4,460,088 |
| Acquisition of AFS securities | (403,035) | (122,665) |
| Disposal of AFS securities | 385,899 | 118,763 |
| Acquisition of investments in subsidiaries | (10,625,293) | (31,401,990) |
| Acquisition of property, plant and equipment | (163,468,481) | (115,094,027) |
| Disposal of property, plant and equipment | 3,654,923 | 3,211,016 |
| Acquisition of intangible assets | (2,411,092) | - |
| Disposal of intangible assets | 277,177 | - |
| Acquisition of other financial assets | (6,978,457) | (622,210) |
| Disposal of other financial assets | 1,031,666 | 1,030,048 |
| Net Cash Used in Investing Activities | (460,462,463) | (138,420,977) |
| Cash Flows from Financing Activities | | |
| Repayment of short-term borrowings | - | (291,302,026) |
| Acquisition of treasury stock | - | (1,088,018) |
| Repayment of current portion of long-term borrowings | (84,353,980) | - |
| Dividends payment | (49,532,419) | - |
| Net Cash Used in Financing Activities | (133,886,399) | (292,390,044) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 82,176,698 | (15,639,752) |
| Cash and Cash Equivalents, Beginning of the Year | 300,402,754 | - |
| Cash and Cash Equivalents, Acquired by Spin-off | - | 316,491,503 |
| Changes in Cash and Cash Equivalents due to Foreign Currency Translation | (167,407) | (448,997) |
| Cash and Cash Equivalents, End of the Year | 382,412,045 | 300,402,754 |

2013: For the year ended December 31 | Scheduled date of appropriation: March 28, 2014 | Korean won
 2012: For the year ended December 31 | Scheduled date of appropriation: March 22, 2013 | Korean won

5. Separate Statements of Appropriations of Retained Earnings

Hankook Tire Co., Ltd.

| | 2013 | 2012 |
|---|------------------------|------------------------|
| 1. Retained Earnings before Appropriations | 519,398,959,584 | 129,000,207,796 |
| Earned surplus reserved | 53,505,028,156 | |
| Net income | 456,866,246,611 | 148,844,570,228 |
| Remeasurements of defined benefit plans | 9,027,684,817 | (19,844,362,432) |
| 2. Appropriations | 75,495,179,640 | 75,495,179,640 |
| Dividend equalization reserve | 10,000,000,000 | 10,000,000,000 |
| Director's retirement bonus reserve | 1,000,000,000 | 1,000,000,000 |
| Voluntary reserves | 10,000,000,000 | 10,000,000,000 |
| Legal reserves | 4,954,107,240 | 4,954,107,240 |
| Cash dividends (*) | 49,541,072,400 | 49,541,072,400 |
| 3. Unappropriated Retained Earnings to be Carried Forward to Subsequent Year | 443,903,779,944 | 53,505,028,156 |

(*) Dividends per share (Dividend rate): KRW400 (80%) for 2013, KRW400 (80%) for 2012

6. Consolidated Statements of Financial Position

Hankook Tire Co., Ltd. and Subsidiaries

Korean won in thousands

| | December 31, 2013 | December 31, 2012 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 682,413,905 | 485,612,512 |
| Short-term financial assets | 482,458,755 | 194,283,138 |
| Trade and other accounts receivable | 1,190,996,049 | 1,184,405,376 |
| Inventories | 1,472,464,615 | 1,391,723,116 |
| Other financial assets | 2,291,371 | 1,718,890 |
| Other current assets | 121,619,520 | 79,123,789 |
| Total Current Assets | 3,952,244,215 | 3,336,866,821 |
| Non-current Assets | | |
| Long-term financial assets | 71,909 | 94,550 |
| AFS financial assets | 3,079,761 | 2,776,458 |
| Property, plant and equipment | 3,497,977,900 | 3,571,590,662 |
| Investment property | 108,178,641 | 50,113,341 |
| Intangible assets | 124,836,109 | 116,615,826 |
| Other financial assets | 15,044,366 | 14,216,853 |
| Other non-current assets | 195,310 | 2,461,283 |
| Deferred tax assets | 75,085,180 | 87,718,650 |
| Total Non-current Assets | 3,824,469,176 | 3,845,587,623 |
| Total Assets | 7,776,713,391 | 7,182,454,444 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities | | |
| Trade and other accounts payable | 924,983,718 | 939,616,371 |
| Short-term borrowings and current portions of long-term financial liabilities | 1,755,566,062 | 1,933,292,680 |
| Current tax liabilities | 147,406,861 | 59,237,169 |
| Other financial liabilities | - | 303,164 |
| Other current liabilities | 114,300,955 | 58,622,840 |
| Total Current Liabilities | 2,942,257,596 | 2,991,072,224 |
| Non-current Liabilities | | |
| Long-term borrowings and debentures | 822,888,553 | 883,936,980 |
| Retirement benefit obligation | 16,859,440 | 16,223,863 |
| Other provisions | 65,895,354 | 65,883,993 |
| Other financial liabilities | 4,676,638 | 3,851,762 |
| Total Non-current Liabilities | 910,319,985 | 969,896,598 |
| Total Liabilities | 3,852,577,581 | 3,960,968,822 |
| Shareholders' Equity | | |
| Capital stock | 61,937,535 | 61,937,535 |
| Other paid-in capital | 2,992,377,720 | 2,992,377,720 |
| Retained earnings | 909,195,718 | 211,566,946 |
| Other equity | (45,974,035) | (53,812,774) |
| Non-controlling interest | 6,598,872 | 9,416,195 |
| Total Shareholders' Equity | 3,924,135,810 | 3,221,485,622 |
| Total Liabilities and Shareholders' Equity | 7,776,713,391 | 7,182,454,444 |

2013: For the year ended December 31, 2013 | 2012: For the year ended December 31, 2012
Korean won in thousands, except for income per share data

7. Consolidated Statements of Comprehensive Income

Hankook Tire Co., Ltd. and Subsidiaries

| | 2013 | 2012 |
|--|------------------------|------------------------|
| Sales | 7,069,237,653 | 2,317,223,404 |
| Cost of Sales | (4,710,850,601) | (1,561,773,167) |
| Gross Profit | 2,358,387,052 | 755,450,237 |
| Selling expenses | (642,388,784) | (230,195,508) |
| Administrative expenses | (561,055,584) | (169,104,209) |
| Research and development expenses | (123,936,188) | (47,558,338) |
| Operating Income | 1,031,006,496 | 308,592,182 |
| Financial income | 58,053,028 | 13,767,112 |
| Financial expense | (106,408,953) | (50,928,604) |
| Other operating income | 211,594,395 | 110,828,640 |
| Other operating expense | (204,569,517) | (88,730,974) |
| Income before Income Tax Expense | 989,675,449 | 293,528,356 |
| Income Tax Expense | (254,643,563) | (62,514,281) |
| Net Income | 735,031,886 | 231,014,075 |
| Other Comprehensive Income (Loss) | 17,159,375 | (74,106,831) |
| Items not to be reclassified subsequently to profit or loss | | |
| Remeasurement on retirement benefit obligation | 12,178,024 | (26,536,452) |
| Tax effects on the other comprehensive income | (2,941,183) | 6,413,977 |
| | 9,236,841 | (20,122,475) |
| Items to be reclassified subsequently to profit or loss | | |
| Gains on valuation of AFS financial assets | 647,066 | (36,522) |
| Gain on valuation of foreign exchange forward contract | 303,164 | (303,164) |
| Exchange differences on translating foreign operations | 7,546,758 | (52,643,140) |
| Tax effects on the other comprehensive income | (574,454) | (1,001,530) |
| | 7,922,534 | (53,984,356) |
| Comprehensive Income | 752,191,261 | 156,907,244 |
| Net Income Attributable to | | |
| Owners of the company | 737,926,606 | 231,568,971 |
| Non-controlling interests | (2,894,720) | (554,896) |
| Comprehensive Income Attributable to | | |
| Owners of the company | 755,008,584 | 157,754,172 |
| Non-controlling interests | (2,817,323) | (846,928) |
| Net Income per Share (Korean won) | | |
| Basic and diluted income per share | 5,958 | 1,870 |

8. Consolidated Statements of Changes in Equity

Hankook Tire Co., Ltd. and Subsidiaries

Korean won in thousands

| | Capital Stock | Other Paid-in Capital | | Retained Earnings | Other Equity | Controlling Equity | Non-controlling Interests | Total |
|--|-------------------|----------------------------|--------------------|--------------------|---------------------|----------------------|---------------------------|----------------------|
| | | Additional Paid-in Capital | Treasury Stock | | | | | |
| As of September 1, 2012 | 61,937,535 | 2,993,465,738 | - | - | - | 3,055,403,273 | 10,263,122 | 3,065,666,395 |
| Comprehensive income | - | - | - | 211,566,946 | (53,812,774) | 157,754,172 | (846,928) | 156,907,244 |
| Net income | - | - | - | 231,568,971 | - | 231,568,971 | (554,896) | 231,014,075 |
| Gain on valuation of AFS financial assets, net | - | - | - | - | (38,289) | (38,289) | 278 | (38,011) |
| Cash flow hedging reserve | - | - | - | - | (229,798) | (229,798) | - | (229,798) |
| Exchange differences of translating foreign operations | - | - | - | - | (53,544,687) | (53,544,687) | (171,859) | (53,716,546) |
| Remeasurement of retirement benefit plan | - | - | - | (20,002,025) | - | (20,002,025) | (120,450) | (20,122,475) |
| Acquisition of treasury stock | - | - | (1,088,018) | - | - | (1,088,018) | - | (1,088,018) |
| As of December 31, 2012 | 61,937,535 | 2,993,465,738 | (1,088,018) | 211,566,946 | (53,812,774) | 3,212,069,427 | 9,416,195 | 3,221,485,622 |
| As of January 1, 2013 | 61,937,535 | 2,993,465,738 | (1,088,018) | 211,566,946 | (53,812,774) | 3,212,069,427 | 9,416,195 | 3,221,485,622 |
| Annual dividends | - | - | - | (49,541,073) | - | (49,541,072) | - | (49,541,073) |
| Comprehensive income | - | - | - | 747,169,845 | 7,838,739 | 755,008,584 | (2,817,323) | 752,191,261 |
| Net income | - | - | - | 737,926,606 | - | 737,926,606 | (2,894,720) | 735,031,886 |
| Gain on valuation of AFS financial assets, net | - | - | - | - | 634,035 | 634,035 | 2,050 | 636,085 |
| Cash flow hedging reserve | - | - | - | - | 229,798 | 229,798 | - | 229,798 |
| Exchange differences on translating foreign operations | - | - | - | - | 6,974,906 | 6,974,906 | 81,745 | 7,056,651 |
| Remeasurement of retirement benefit plan | - | - | - | 9,243,239 | - | 9,243,239 | (6,398) | 9,236,841 |
| As of December 31, 2013 | 61,937,535 | 2,993,465,738 | (1,088,018) | 909,195,718 | (45,974,035) | 3,917,536,938 | 6,598,872 | 3,924,135,810 |

2013: For the year ended December 31, 2013 | 2012: For the year ended December 31, 2012 | Korean won in thousands

9. Consolidated Statements of Cash Flows

Hankook Tire Co., Ltd. and Subsidiaries

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Cash generated from operating activities | | |
| Net income | 735,031,886 | 231,014,075 |
| Adjustment | | |
| Income tax expense | 254,643,563 | 62,514,281 |
| Interest income | (17,173,974) | (4,997,222) |
| Interest expense | 62,074,671 | 24,403,520 |
| Dividend income | (83,455) | - |
| Gain on foreign currency translation | (64,990,846) | (38,033,436) |
| Loss on foreign currency translation | 61,876,926 | 39,408,915 |
| Loss on disposal of AFS securities | 17,136 | 3,902 |
| Loss on valuation of inventories | (699,182) | 4,736,879 |
| Loss on abandonment of inventories | 2,459,366 | 822,817 |
| Loss on disposal of trade receivable | 569,578 | 807,919 |
| Provision (reversal of allowance) for doubtful accounts | 2,071,782 | (2,053,664) |
| Other provision for doubtful accounts | - | 1,603,133 |
| Gain on disposal of property, plant and equipment | (1,937,637) | (614,706) |
| Loss on disposal of property, plant and equipment | 13,800,109 | 4,014,335 |
| Loss on property abandoned | 114,557 | 1,999,564 |
| Depreciation of property, plant and equipment | 405,901,826 | 133,335,873 |
| Depreciation of investment property | 699,695 | 82,200 |
| Amortization of intangible assets | 6,387,846 | 1,748,436 |
| Provision for other allowance | 219,692 | 3,520 |
| Sales damage expense | 23,504,703 | 10,550,351 |
| Employee benefits | 739,873 | 657,823 |
| Provision for severance benefits | 45,910,562 | 12,532,710 |
| | 796,106,791 | 253,527,150 |
| Changes in operating assets and liabilities | | |
| Increase (Decrease) in trade receivables | (191,033,367) | 152,383,308 |
| Increase in other accounts receivables | (3,679,474) | (25,590,752) |
| Increase (Decrease) in accrued income | (2,824,742) | 54,164,181 |
| Increase in advance payments | (20,930,614) | (3,995,993) |
| Increase in prepaid expenses | (24,993,157) | (7,122,872) |
| Increase (Decrease) in deposits of acceptances and guarantees | (484,670) | 26,702 |
| Increase in inventories | (71,465,013) | (36,066,014) |
| Increase in leasehold deposits provided | (828,002) | (2,151,321) |
| Decrease in other current assets | 1,771,164 | 2,321,616 |
| Decrease in other non-current assets | 2,300,402 | 5,523,228 |
| Increase (Decrease) in trade payables | 11,080,815 | (77,794,775) |
| Increase in other accounts payable | 25,885,984 | 161,412,680 |

Korean won in thousands

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Decrease in accrued expenses | (3,449,554) | (107,211,930) |
| Increase (Decrease) in advances from customers | 25,832,978 | (25,214,105) |
| Increase (Decrease) in deposits provided | 9,393,281 | (26,360,281) |
| Decrease in unearned revenue | (12,106,755) | (4,521,325) |
| Decrease in other current liabilities | (1,204,552) | (2,843,360) |
| Decrease in long-term debts for employees | (1,179,919) | - |
| Payment of severance indemnities | (10,569,686) | (979,041) |
| Increase in plan assets | (22,527,275) | (49,402,537) |
| Increase in rental deposits | 824,875 | 71,222 |
| Decrease in foreign exchange forward liabilities | - | (266,078) |
| Compensation for sales damages | (22,075,697) | (10,753,113) |
| | (312,262,979) | (4,370,561) |
| Interest revenue received | 18,061,687 | 6,908,764 |
| Interest expense paid | (32,088,547) | (24,468,238) |
| Dividend income received | 83,455 | - |
| Income tax paid | (157,368,682) | (23,551,858) |
| Net Cash Provided by Operating Activities | 1,047,563,611 | 439,059,332 |
| Cash Flows from Investing Activities | | |
| Net change in short-term financial assets | (290,543,573) | 54,805,341 |
| Acquisition of AFS securities | (403,035) | (129,789) |
| Disposal of AFS securities | 385,899 | 118,763 |
| Acquisition of property, plant and equipment | (383,983,988) | (207,041,832) |
| Disposal of property, plant and equipment | 33,408,555 | 7,409,866 |
| Acquisition of intangible assets | (12,606,277) | (3,311,353) |
| Disposal of intangible assets | 288,103 | - |
| Net disposal of other financial assets | 830,521 | 327,120 |
| Net Cash Used in Investing Activities | (652,623,795) | (147,821,884) |
| Cash Flows from Financing Activities | | |
| Proceeds from short-term borrowings | 204,857,224 | 400,037,511 |
| Proceeds from long-term borrowings | 78,251,242 | 11,098,802 |
| Issuance of debentures | 55,323,555 | - |
| Repayment of short-term borrowings | (493,685,894) | (779,323,565) |
| Dividends payment | (49,532,419) | - |
| Acquisition of treasury stock | - | (1,088,018) |
| Net Cash Used in Financing Activities | (204,786,291) | (369,275,270) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 190,153,524 | (78,037,822) |
| Cash and Cash Equivalents, Beginning of the Year | 485,612,512 | - |
| Cash and Cash Equivalents, Acquired by Spin-off | - | 569,258,142 |
| Changes in Cash and Cash Equivalents due to Foreign Currency Translation | 6,647,869 | (5,607,808) |
| Cash and Cash Equivalents, End of the Year | 682,413,905 | 485,612,512 |

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MILESTONES

2013

- Included in Dow Jones Sustainability Indices Asia Pacific
- Completed Indonesia plant (Bekasi)
- Completed Chongqing plant in China
- Mercedes-Benz selected Hankook Tire as an official OE tire supplier
- Honda selected Hankook Tire as an official OE tire supplier

2012

- Supported UEFA Europa League as official sponsor
- Chairman YANG RAI CHO received Distinguished Service Cross in Hungary
- Launched “enfren eco,” eco-friendly tire

2011

- Hankook Tire selected as exclusive tire supplier for Deutsche Tourenwagen-Meisterschaft (DTM)
- Ground broken for Chongqing plant in China
- Ground broken for Indonesia plant (Bekasi)

- BMW selected Hankook Tire as an official OE tire supplier
- Toyota selected Hankook Tire as an official OE tire supplier
- Announced plans to build Chongqing plant in China and Indonesia plant (Bekasi)
- Received red dot design award with “Winter i*cept evo”
- Winter tire received top score in test by Germany’s *ADAC* magazine
- Audi selected Hankook Tire as an official OE tire supplier

2008

- Completed Geumsan plant’s 2nd phase expansion
- Globally announced “Kontrol Technology”
- Launched “enfren”, eco-friendly tire

2007

2006

- Entered Technical Agreement with premium car maker Audi
- Ranked world’s 7th-largest tire manufacturer in terms of sales
- Started construction of Hungary plant (Rácalmás) in July

2005

- Selected as strategic partner of Ford
- Completed Geumsan Test Track (G’Trac)
- Unveiled new corporate identity
- Established strategic alliance with Michelin
- Opened Europe Distribution Center (EDC) in Netherlands
- Introduced ERP System

- Completed Jiangsu and Jiaxing plants in China
- Established China Technical Center (CTC)

1997

1996

1994

1992

1982

1981

1979

1941

CORPORATE INFORMATION

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2014 IR Schedule

| | | |
|----------|--|--|
| January | | Announcement of 4Q 2013 earnings results and 2014 earnings target |
| February | | Attendance at JP Morgan Conference (Seoul) |
| March | | 1st General Shareholders' meeting Attendance at Citi Conference (Seoul) Overseas NDR (Hong Kong / Singapore) |
| April | | Announcement of 1Q 2014 earnings results |
| May | | Attendance at Samsung Securities Conference (Seoul) |
| July | | Announcement of 2Q 2014 earnings results |
| October | | Announcement of 3Q 2014 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.

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

