

HANKOOK TIRE  
2014  
ANNUAL REPORT

ANNUAL  
**HANKOOK**  
**TIRE**  
REPORT

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# HANKOOK BUSINESS HIGHLIGHTS TIRE

Financial Highlights / Market Analysis / 2014 News Highlights

CEO Message / Top Management / Organizational Structure

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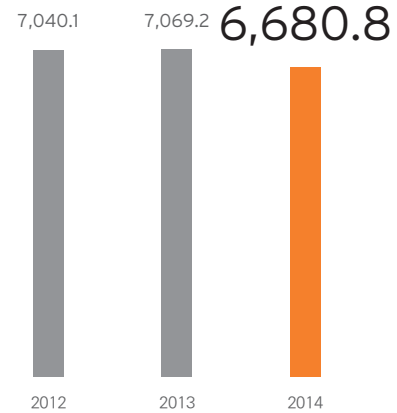
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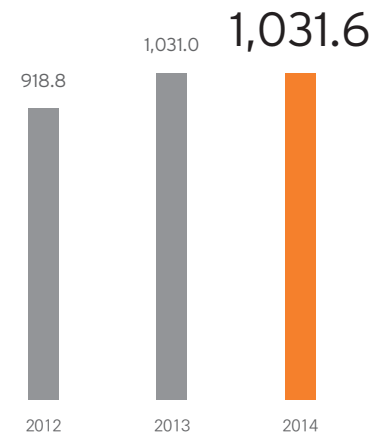
## FINANCIAL HIGHLIGHTS

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

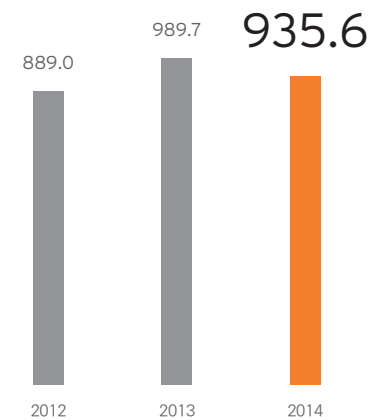
### Sales



### Operating Income

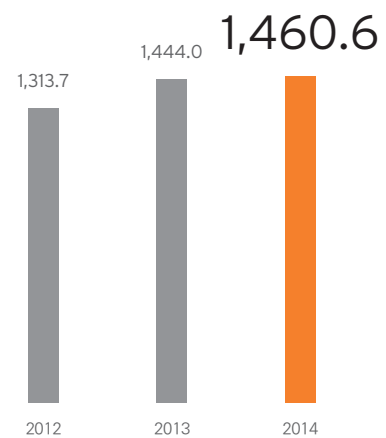


### Ordinary Income



### EBITDA

(Earnings Before Interest, Taxes, Depreciation and Amortization)



### Stock Market Data

	2014	2013	2012	2011	2010
Year High (Unit: KRW)	65,100	66,000	50,400	50,000	34,450
Year Low (Unit: KRW)	48,350	43,200	40,100	27,650	20,000
High / Low	1.35	1.53	1.26	1.81	1.72
Fiscal Year-end Final Offering (Unit: KRW)	52,700	60,700	47,000	45,250	31,750
Total Number of Shares (Unit: Share)	123,875,069	123,875,069	123,875,069	152,189,929	152,189,929
Market Capitalization (Unit: KRW in Trillions)	6.53	7.52	5.82	6.89	4.83
Average Daily Trading Volume (Unit: Share)	332,962	371,923	607,600	1,002,988	721,002
Dividend per Share (Unit: KRW)	400	400	400	400	350

2010-2011: Hankook Tire before spin-off | Listed on the Korea Exchange (KRX) | Par Value: KRW500 | ISIN Code: KR7000240002 | Total number of voting shares: 145,189,929

2012-2014: 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

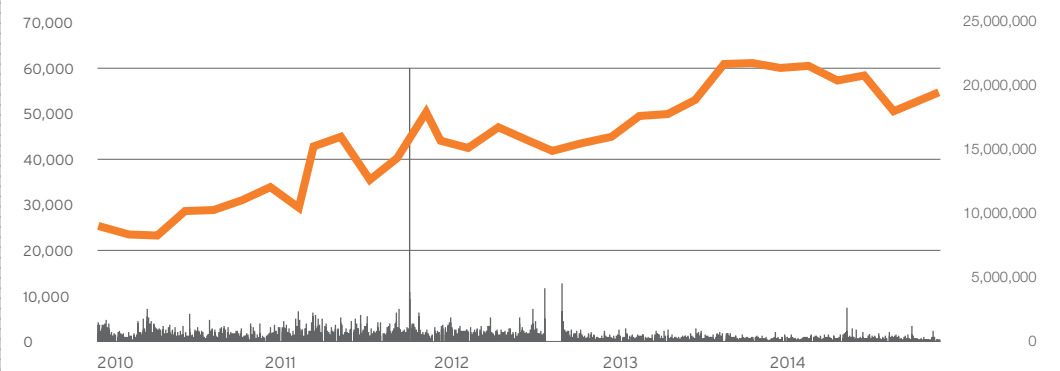
Consolidated Basis

	2014	2013	2012	2011	2010
Net Income (Unit: KRW in Millions)	396,428	456,866	148,845	267,189	358,902
Earnings per Share (Unit: KRW)	3,201	3,689	1,202	1,840	2,472
Cash Dividend Rate (Unit: %)	12.50	10.84	33.28	21.74	14.16
Cash Dividend Yield (Unit: %)	0.76	0.66	0.85	0.88	1.10

2010-2011: Hankook Tire before spin-off | 2012-2014: Hankook Tire after spin-off

### Stock Price Trends (Past 5 Years)

Stock Price (Unit: KRW) — Trading Volume (Unit: Share)



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

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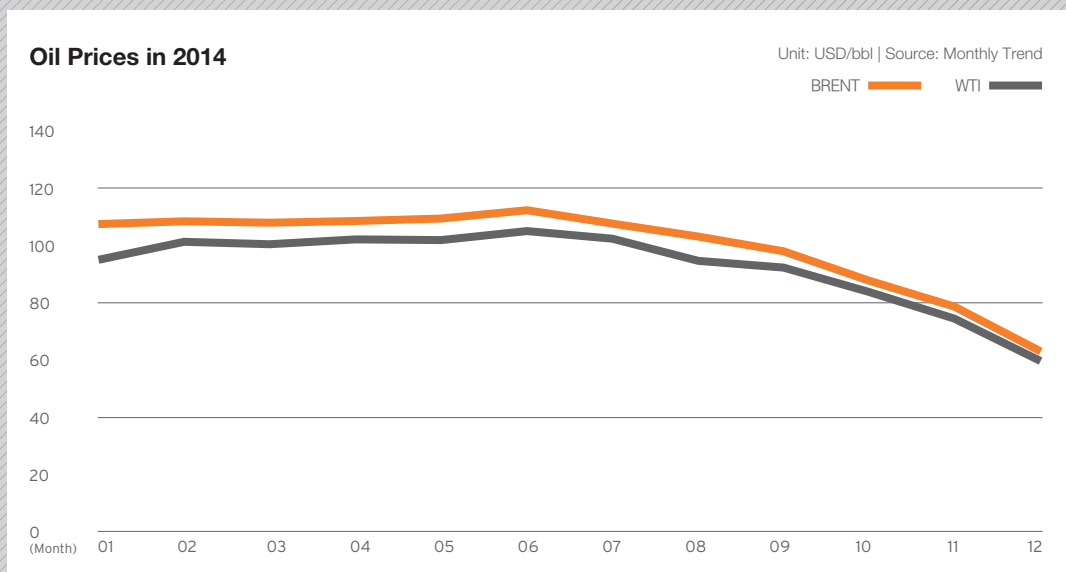
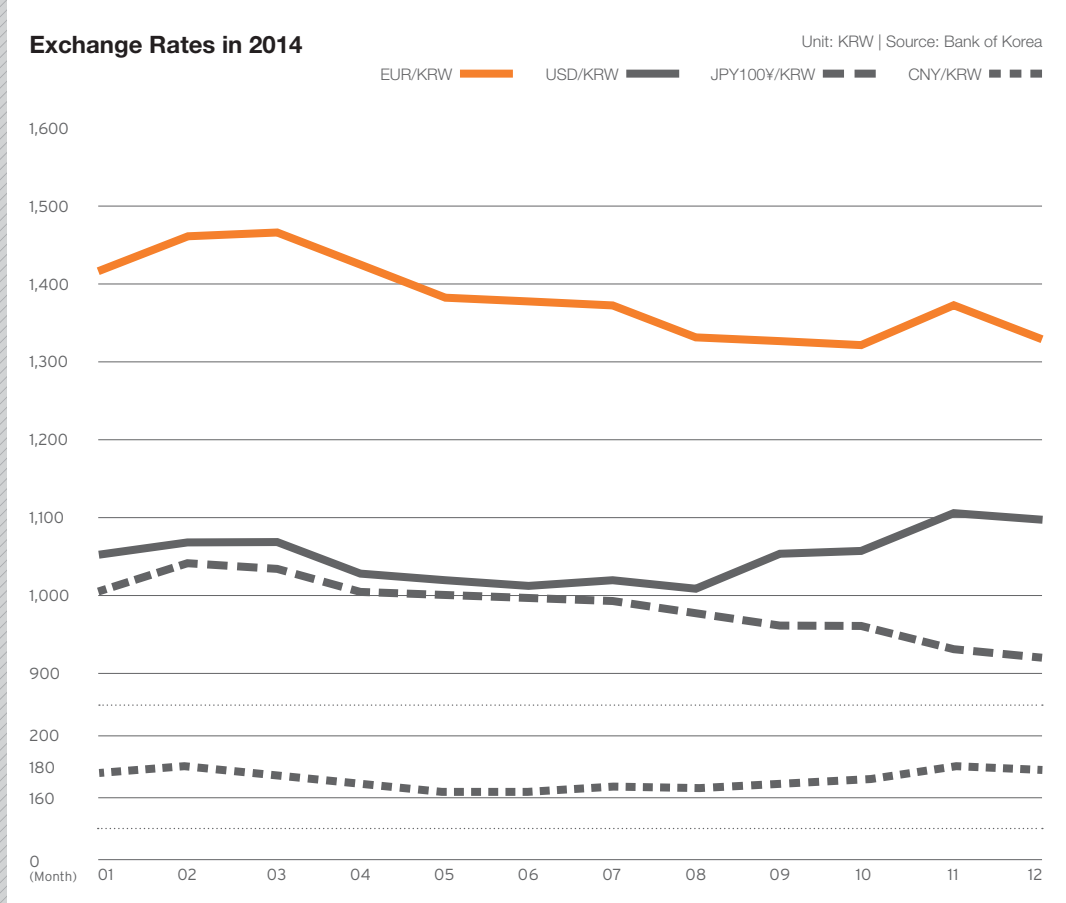
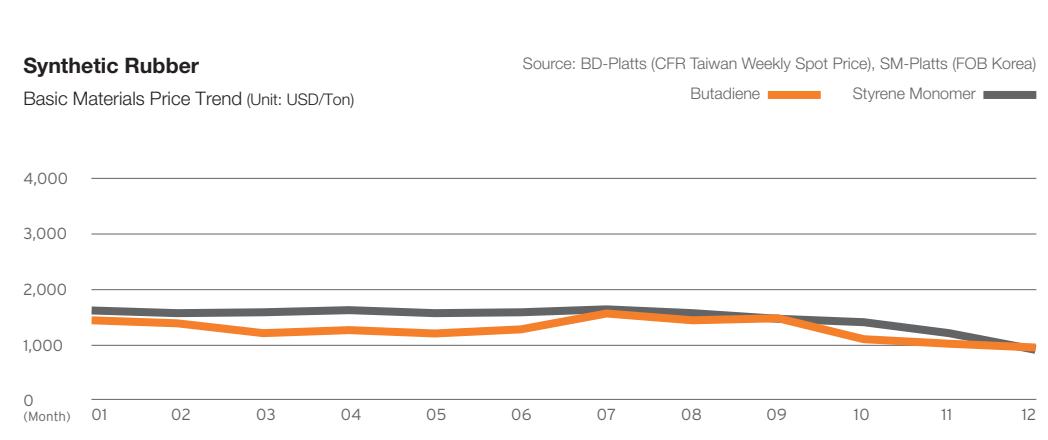
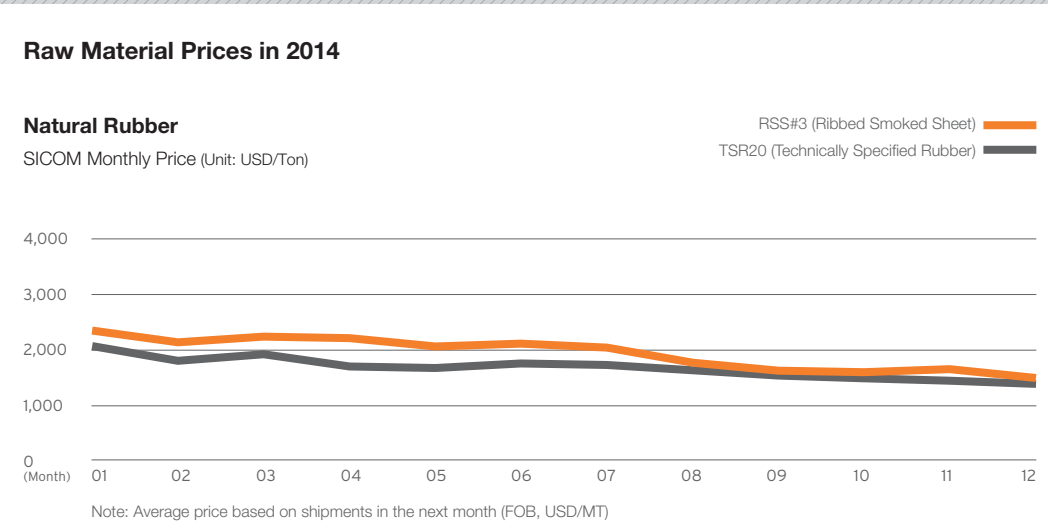
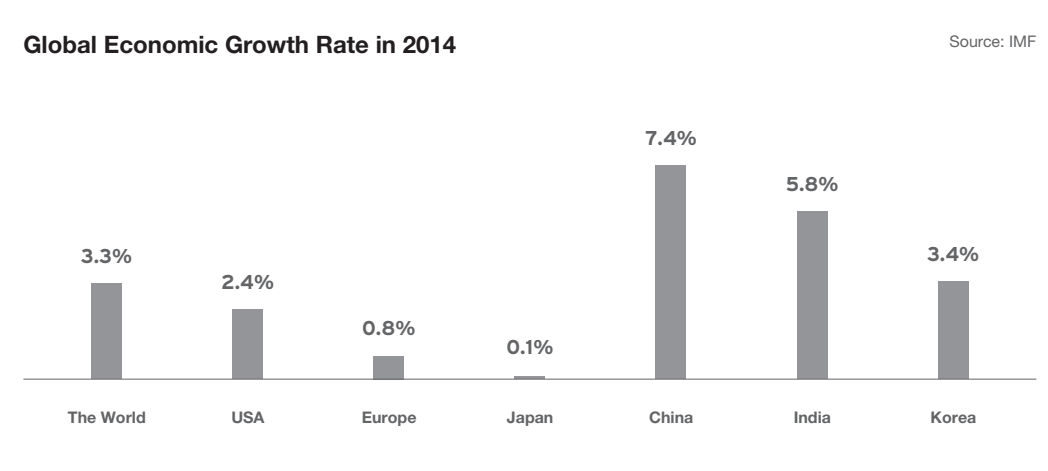
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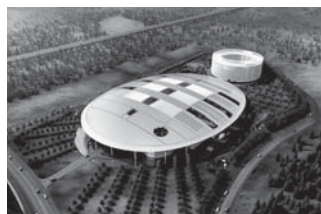
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2014 NEWS HIGHLIGHTS

01 Hankook Tire to Radically Improve Technological Leadership with the Construction of HANKOOK TECHNODOME, the Company's New Central Research Center



With the ground-breaking ceremony for its new central research center held in June 2014, Hankook Tire stated its ambition to soar as a top-tier global tire brand through the strengthening of its technological leadership. A massive KRW266.6 billion project, HANKOOK TECHNODOME embodies the company's unwavering commitment to excellence in tire technology. Slated to be completed by 2016, HANKOOK TECHNODOME will be built as a seven-story building (with two basement floors and five above-ground floors), measuring 96,328m<sup>2</sup> in total floor area and 70,387m<sup>2</sup> in plottage. HANKOOK TECHNODOME will be equipped with state-of-the-art test equipment that will ensure its technological leadership in the future as well as over 90 labs optimized to ensure a top-class research environment. Other areas set aside for training, rest and entertainment are planned to help the research professionals maximize their performance in a creative environment.

02 Expanded Global Footprint with the Construction of the Tennessee Plant



Hankook Tire is ready to accelerate its offensive and expand its presence in North America with the ground-breaking ceremony in October 2014 of its Tennessee Plant located in Clarksville, Tennessee, the US. It will become the company's eighth global manufacturing plant when completed. Slated for completion by 2016 with some USD800 million of initial investment, the Tennessee Plant will be equipped with the latest manufacturing facilities, capable of churning out 11 million tires annually. With the construction of the Tennessee Plant, the company will have laid the groundwork on which it will compete shoulder-to-shoulder with the top-tier global tire brands in North America, the world's largest tire market. Hankook Tire will be reborn as a world-class automotive leader true to its ambition to be at the epicenter of global automotive culture. The construction of the Tennessee Plant will equip the company with an unmatched competitive edge – from plant construction to manufacturing and sales.

03 Global Strategic Laufenn Brand Launched



Hankook Tire launched Laufenn, the company's global strategic brand, in November 2014. Coined from the German word "laufen", which means "to run", Laufenn will feature a host of product lines tailored for the lifestyle of smart and rational customers, with an emphasis on meeting the basic performance requirements of tires. This is the key value proposition of Laufenn that differentiates it from the "Hankook" brand, which pursues top-class in every function. The Laufenn line of tires will be launched in North America, Latin and Central America and the Asia-Pacific region first, followed by further expansion to other global markets. Hankook Tire will continue to strengthen its brand power by satisfying the varying demands of different customers through the launch of multiple brands optimized for different global markets.

04 Hankook Tire to Provide Run-flat OE Tires for the Mercedes-Benz New C-Class and the BMW New MINI



Hankook Tire has started to supply run-flat Original Equipment (OE) tires for the Mercedes-Benz New C-Class and the BMW New MINI. Run-flat tires are a new type of tires with enhanced safety features that are supplied exclusively to premium auto brands such as Mercedes-Benz and BMW. Hankook Tire has proved it possesses global top-tier technology and quality leadership by its entry into the run-flat segment, which is at the cutting edge of modern tire technology. The tire the company supplied to the German automotive powerhouses in its run-flat version is the Ventus S1 evo2, the company's flagship Ultra-High-Performance (UHP) tire, which boasts excellent driving performance, ride comfort and safety.

05 'Dream With' Project in Collaboration with University Students to Support the Growth of Children and Teens



Hankook Tire collaborated with university students to implement its 2014 "Dream With" project to Level Up Community Child Centers as part of its plan to fulfill its social responsibilities. The "Dream With" project is the company's CSR program designed to help university students to plan, execute and manage various charitable programs for socially disadvantaged children and teens. Participating students can experience the joy of sharing in the process of implementing this program, while the children will be matched with their own mentor who will support them to dream big and to grow mentally. Donggeurami Volunteering Teams that are made up of Hankook Tire employees also participated in the project by lending their helping hands and spreading the spirit of sharing through various support activities.

06 Selected among Carbon Management Sector Winners in the 2014 CDP Korea, Hankook Tire Demonstrates its Leadership in Eco-friendly Management



Hankook Tire was selected among the Carbon Management Sector Winners, Selective Consumer Discretionary Sector, in the 2014 CDP Korea, the former Carbon Disclosure Project – a first for a Korean tire manufacturer. The leading assessment on sustainable management with regard to climate change, boasting maximum credibility the world over, the CDP is a global project in which leading global companies are required to submit their respective management results associated with climate change risks and opportunities and their GHG (GreenHouse Gas) emissions data for in-depth analysis. Following its successive winning of the Carbon Management Special Awards in carbon management in 2012 and 2013, the company cemented its global leadership in eco-friendly management by being successfully named one of the Carbon Management Sector Winners in the CDP.

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## CEO Message



To our valued customers and shareholders:

I would like to thank our shareholders for the unwavering support you have provided to ensure the continued growth of the company.

In 2014, the company faced management challenges due to the weakening growth trends in the Eurozone, Japan and China, and the continuous stagnation in Russia and Brazil, even though some advanced countries showed slight economic growth.

Amidst this challenging economic environment, Hankook Tire succeeded in recording KRW6.6808 trillion won in revenue and KRW1.316 trillion in operating income. The company also strengthened the foundation on which it can push ahead to become a global top-tier company through continuous efforts to enhance its brand equity and through proactive investments in quantitative and qualitative growth.

Last year, the company started the construction of HANKOOK TECHNODOME, the company's newest technology center equipped with the latest facilities and an optimized research environment. This will realize our strategy for qualitative growth through technological leadership. In addition, the company successfully demonstrated its global technological leadership by supplying OE tires to high-end sports car of premium auto makers and by expanding the supply of third-generation run-flat tires. These represent truly cutting-edge tire technologies.

Furthermore, the company broke ground on its eighth manufacturing plant in Tennessee, the US. This will complete our global footprint, and will, together with investments in facility expansion in Hungary and China, lay the groundwork for the company's quantitative growth in the future. Moreover, "Laufenn" the company's newest global tire brand, was successfully launched.

Along with these managerial achievements, Hankook Tire also earned recognition as a socially responsible company. The company has been included in the Dow Jones Sustainability Indices Asia Pacific for two consecutive years since 2013. It also signed an MOU to establish a subsidiary company for the disabled – a first for the Korean tire industry.

The US and the Eurozone are forecast to pick up this year thanks to low oil prices and interest rates. Despite such positive developments, however, the momentum for global recovery is expected to remain feeble in view of the continued weak growth trends in China, Russia and other emerging countries.

The competition to capture the world's tire market by global top-tier brands will only grow fiercer in the coming years as all players scramble to expand their share in the middle-low price market. Furthermore, indigenous tire brands in China are growing fast, putting added pressure on that already hyper-competitive market. The management and staff of Hankook Tire are building a robust structure that will ensure continuous production and supply of products with improved quality. Its management strategy will be internalized as part of the company's future growth engine, thereby strengthening the brand equity of Hankook Tire.

First, the company will focus its resources on stabilizing infrastructural investments it is currently implementing. The company will make all efforts to ensure that the construction of HANKOOK TECHNODOME, the company's future growth engine, is completed on schedule. It will complete the building of our plant in Tennessee, the US, and will expand existing manufacturing plants in Hungary, China and Indonesia in order to meet the needs of premium global auto makers.

The company will put enhancement of brand equity ahead of all other management objectives. Armed with top-notch performance and quality, we will earn the recognition of premium global brands by supplying them with high-end OE tires.

Laufenn, the company's new tire brand, will strengthen our sales capabilities and brand competitiveness even further. It will allow us to advance our current multi-brand strategy to the next level.

Furthermore, the company will establish a global operational structure that can nimbly respond to changing market and customer needs, thereby improving productivity and cost performance, which will again ensure our leadership in profitability.

Looking forward, the company will spare no efforts to provide value to our shareholders and pleasure to our customers.

We hope our shareholders continue to support Hankook Tire in the future.

Sincerely yours,

**Seung Hwa Suh**  
Vice Chairman & CEO



## Top Management

Hankook Tire is marching in a consistent direction under the strategic leadership of its global headquarters while allowing its regional head offices to remain competitive and independent through the implementation of their respective strategies and functions.



**YANG RAI CHO**  
Hankook Tire Worldwide  
Chairman



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



**HYUN SHICK CHO**  
Hankook Tire Worldwide  
President  
CEO



**HYUN BUM CHO**  
Hankook Tire  
President  
CMO / CCMO



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



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



**HO YOUL BAE**  
Hankook Tire  
Executive Vice President  
COO / Europe Headquarters



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



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



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



**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



**HEE SE AHN**  
Hankook Tire  
Senior Vice President  
COO / America Headquarters



**BYUNG IL WOO**  
Hankook Tire  
Senior Vice President /  
Global OE Division

## 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 companies to adopt an exemplary governance system that clearly separates the activities of management from the vested interests of the business owners. Under this professional management system, performance is the top priority. At the same time, the board 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). To ensure that the board's decision-making remains effective and responsible, the company has established 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, 2014

**KUN HO CHO:** BA in Law from Seoul National University /  
Head of Prime Minister's Secretariat / Vice Minister of Science and Technology /  
Advisor to the 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, 2014

**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 the Korean Minting and Security Printing Corp. (KOMSCO)

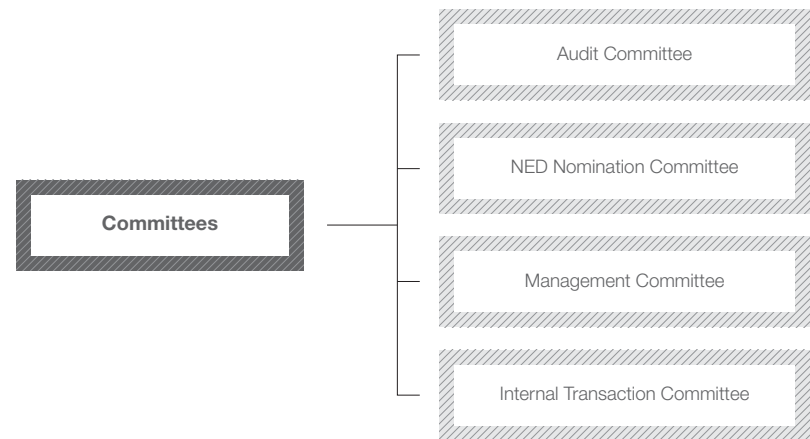
**HAE YUNG MIN:** BA in Economics from Seoul National University /  
Formerly Chairman of the Credit Finance Association

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

\* Conflict of interest with the 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 operates 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 the committee 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 runs 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

### Diagnosis of Global Performance Balance

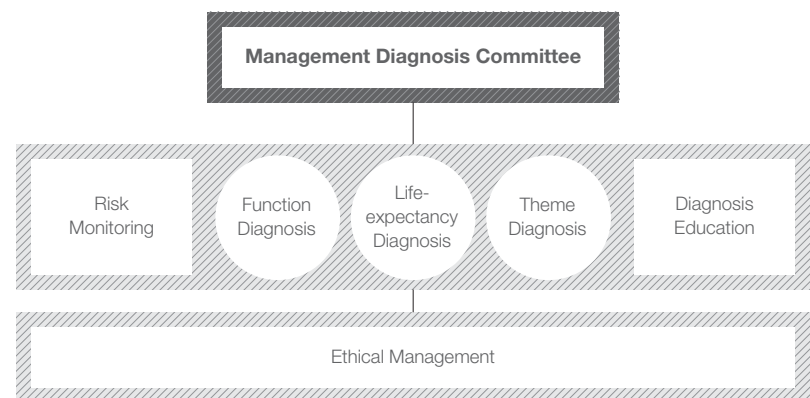
Hankook Tire has adopted a company-wide risk management system and is strengthening its preventive function by performing a balanced performance diagnosis on each job function to avoid unnecessary emphasis on a certain region.



### Hankook Tire Performance Assessment System

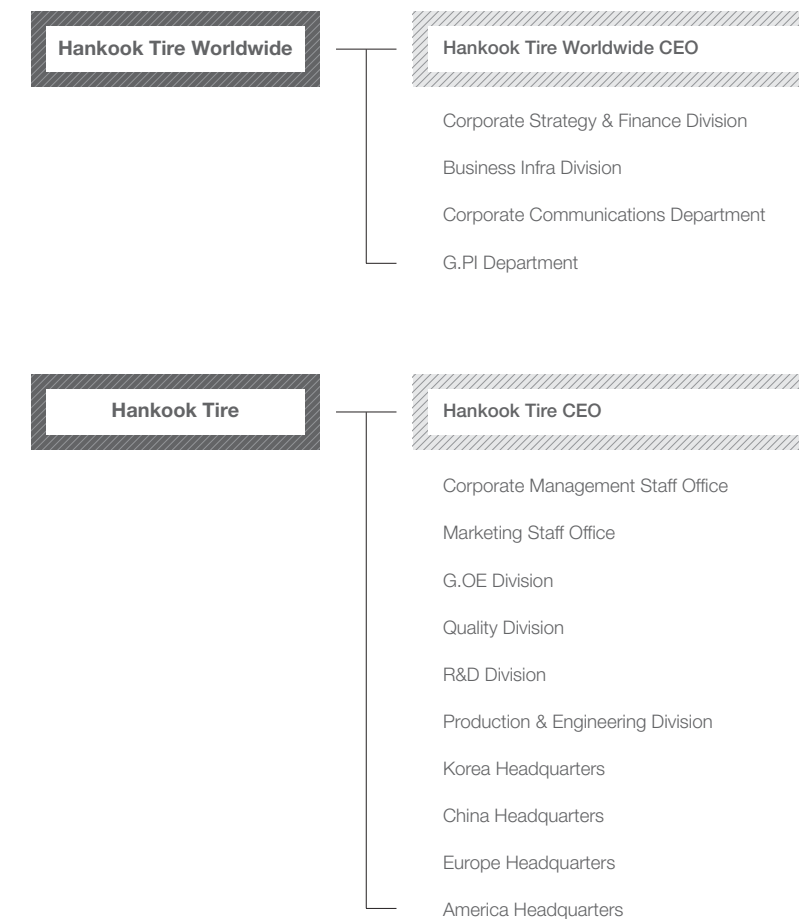
Organizations with the task of conducting primary inspections on the plant floor are engaged in strengthening assessment activities by job function whereas the audit team performs company-wide and balanced theme-by-theme diagnoses as well as life-expectancy diagnoses. In addition, continuous risk monitoring is being implemented, supported by the Hankook Tire Risk Monitoring System, while identical risk management criteria are being disseminated and shared across the company to strengthen risk management capabilities on the floor.

The Management Diagnosis Committee, a top decision-making body that has integrated all essential monitoring and assessment processes into a corporate-level system, checks the diagnosis results and follow-up measures in order to prevent recurrence of risk and to contribute to achieving company-wide strategic goals.



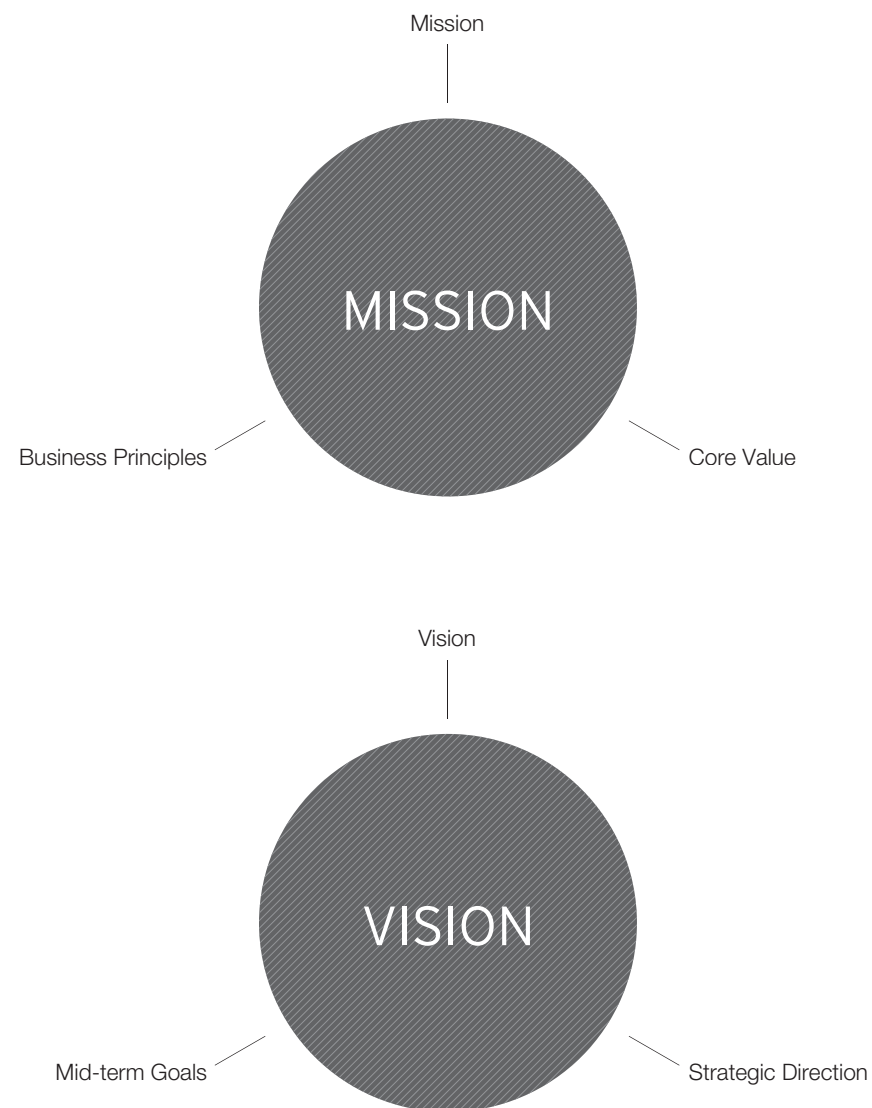
## Organizational Structure

Hankook Tire has established an optimized organizational structure that is closely linked with its mid- and long-term strategic direction, and is applying this established structure to its everyday operations. This organizational management is well balanced between the two opposing management goals: organic integration and independence.



## 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 defines the aim 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**; **Mid-term Goals**; 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 advancement in driving. Our priority as a business entity is to sustain profitable growth. We are committed to enhance value for our business partners and shareholders as well as to expand opportunities for the growth and development of both our employees and the communities where we operate.

### Business Principles

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 stockholders

Safeguarding ethics and compliance with regulatory matters is paramount. By conducting our business ethically and striving to do the right thing, we generate trust in our brand, we are able to stand at the top of the recommendations from our stockholders 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**

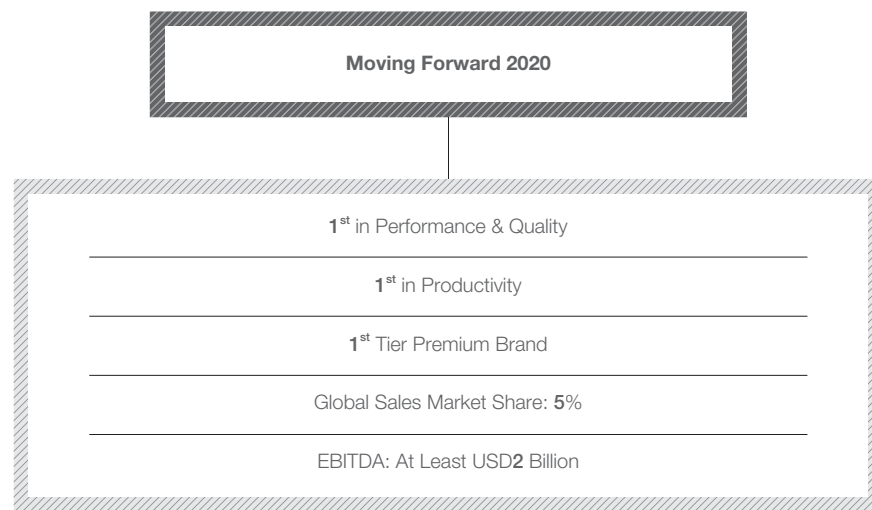
**Vision**

“A Leading Global Tire Company that Provides Customers with Value and Pleasure.”

Our vision conveys the future image of Hankook Tire. “A Leading Global Tire Company” complies with global standards, satisfies customers all over the world, leads industrial trends and technologies, and has immense influence over the market. All members of Hankook Tire strive for excellent job competence to develop and build the business capabilities which are essential to achieve our vision.

**Mid-term Goals**

Hankook Tire's mid-term goal “**Moving Forward 2020**” reflects our aim to become one of the leading brands by 2020. We seek value-driven growth by gaining top-level competency in the areas of quality, production, and brand management. “1st in Performance & Quality” implies our determination to demonstrate product leadership by assured quality and top-notch R&D. “1st in Productivity” will be achieved by building our competitive edge in tire manufacturing, continuously improving productivity and profitability via innovative management. “Hankook”, our corporate name and main brand, will become a premium tire with the best performance and quality through persistent effort by all members of the company. By 2020, Hankook Tire's global market share will reach five percent and EBITDA will be at least USD2 billion based on these qualitative improvements.



**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 maintenance and overhaul our facilities regularly. And we have developed product uniformity indicators in each production line as we pursue thorough quality control.

**3. 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.

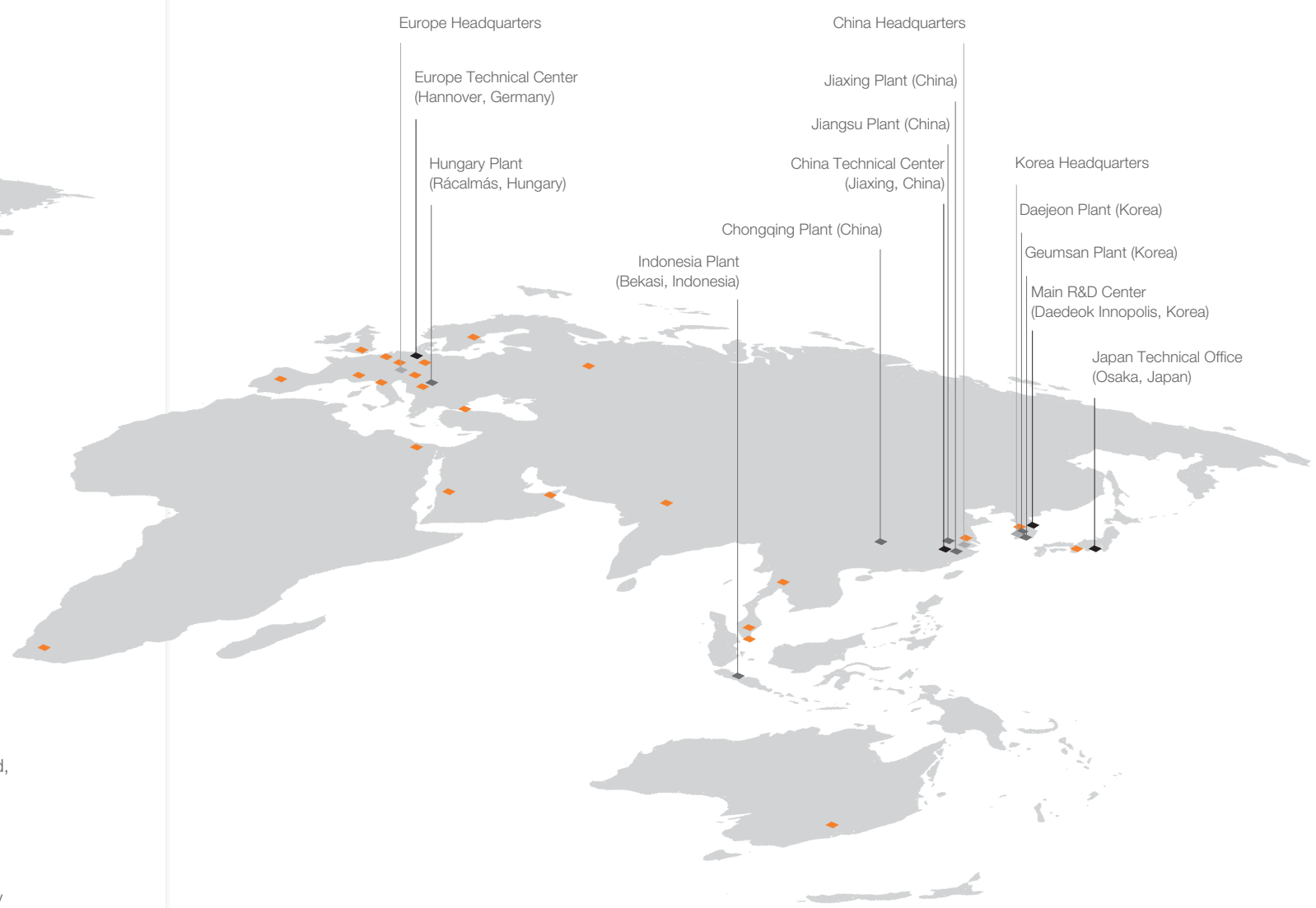
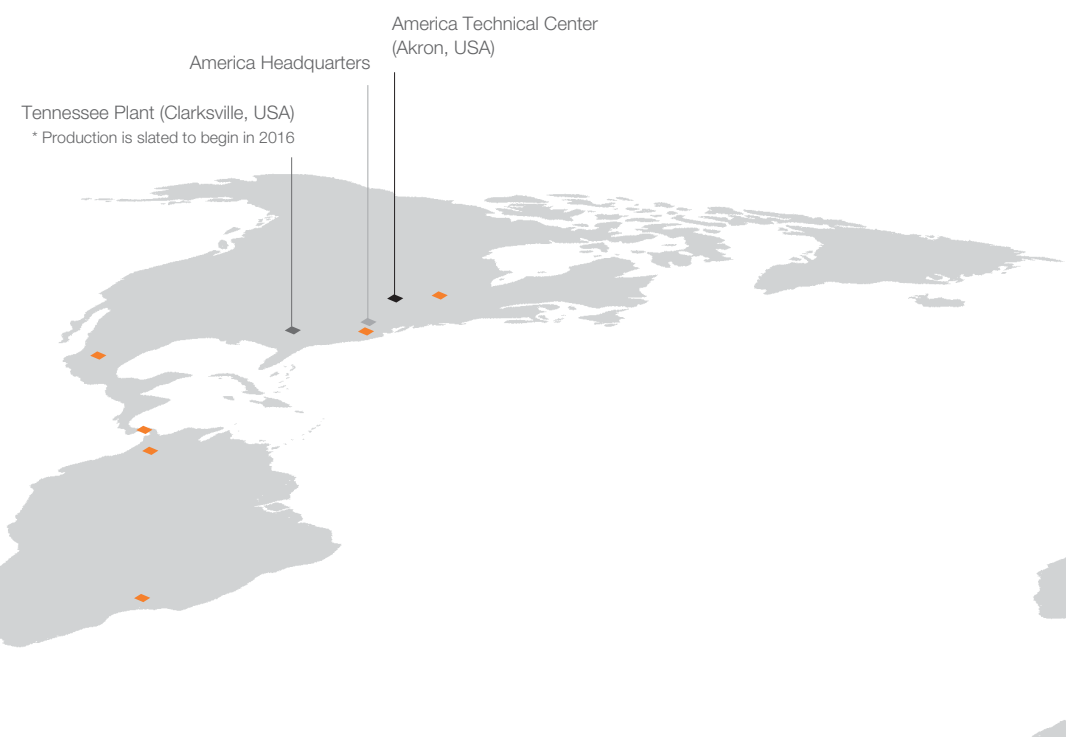
**4. Global Operation Excellence**

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.

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# Global Presence

Hankook Tire offers value and pleasure to our customers with a business portfolio that provides satisfaction at every touch point.



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 Korea, where the global headquarters is located, China, Europe, America and the Middle East, Africa and Asia-Pacific. This network allows us to offer various products that meet the preferences of customers in different regions. In addition, Hankook Tire has established dedicated communication channels for the OE tire business (OE offices) in Korea, China, Germany, the US, Japan and Indonesia, thereby forming a close cooperative relationship with the leading global auto brands. The company established its Czech subsidiary in January 2015, further expanding its global footprint.

- Korea:** 1 Global Headquarters, 2 Plants, 26 Sales Offices, Main R&D Center, Academy House
- China:** 1 Headquarters, 3 Plants, 17 Sales Offices, China Technical Center (CTC)
- Europe:** 1 Headquarters, 1 Plant, 12 Sales Subsidiaries, Europe Technical Center (ETC)
- America:** 1 Headquarters, 3 Sales Subsidiaries, 3 Sales Offices, 7 Regional Offices in the US, America Technical Center (ATC)
- Middle East, Africa and Asia-Pacific:** 1 Plant, 5 Sales Subsidiaries, 5 Sales Offices, Japan Technical Office (JTO)

- **Regional Headquarters:** Korea, China, Europe, America
- **Sales Subsidiaries & Sales Offices:** Operating in 31 countries
- **Technical 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 Office (Osaka, Japan)
- **Plants:** Korea (Daejeon, Geumsan), China (Jiaxing, Jiangsu, Chongqing), Hungary (Rácalmás), Indonesia (Bekasi)

\* As of January 1, 2015

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## Business Portfolio

Hankook Tire has successfully built a brand strategy and distribution network that encompasses the entire world, enabling us to meet the unique needs of customers that vary by region. The company is rising fast as one of the top-tier global brands that propagates new value in driving to global customers.

### Brand Portfolio

Hankook Tire operates four tire brands, catering to the diverse needs of global customers. The flagship, Hankook, is promoted as our premium brand globally, including in Korea. In 2014, the company launched its new brand Laufenn for global customers who seek their own style and smart lives. In addition, the company operates our regional specialized brands, Aurora and Kingstar.



#### Hankook

The global flagship brand, Hankook, has several sub-brands that cover diverse segments in terms of applications and compatible vehicle types. These are: Ventus (product group for 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). These segmented product brands serve the needs of a wide range of customers around the world.



#### Laufenn

Launched in 2014, Laufenn, the company's new global brand was inspired by the German word "laufen" which means "to run". The brand aims to serve smart, sensible consumers with a well-rounded range of quality products, which fit a variety of lifestyle needs through timely tire performance upgrades and enhancement. Following its launch in 2014 in the US, Laufenn will be launched in China and Europe by 2015, where it will be run as the company's second global brand. Specifically designed for global consumers, the overall Laufenn brand offers diverse product lines including S Fit (high performance products for high-performance sport driving), G Fit (general purpose products for passenger cars), X Fit (products for SUVs) and I Fit (winter products).



#### 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. By establishing over 4,000 distribution channels around the world, Hankook Tire provides quality products and services to customers, thereby expanding global sales service networks.



#### 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 for exceptional customer satisfaction. Banking on "SMART CARE", T'Stations' service mindset, the network informs customers of the importance of tire management – the key to safe driving – while delivering differentiated value as a tire-specialized channel that customers can fully trust. This network has continued to expand since the first T'Station shop opened in July 2004, and a total of 550 shops were in operation as of the end of 2014. And in 2017, Hankook Tire expects the 600th shop to be operated. To provide premium total service, T'Station shops are equipped with state-of-the-art systems, such as Road Force Measurement (RFM), 3D wheel alignment and UHP tire changer.



#### 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 offer a full line of services including tire installation, tire change and wheel alignment services. As of the end of 2014, 280 locations were in operation in Korea.



#### Hankook Masters – Global Retail Network

To build an integrated global 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. Hankook Masters Membership network now encompasses more than 2,000 retail shops in ten European countries as well as in China, Saudi Arabia, Australia, Indonesia and other markets. In North America, Hankook Masters is actively communicating with large discount stores and auto sales dealers while deploying specialized marketing activities for core regional distribution networks, thereby expanding the contact points with customers.



#### 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) tires. As of the end of 2014, 560 locations offering up-to-date equipment and dedicated professionals were providing services 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

Hankook Tire is building up a core infrastructure that will ensure sustainable growth prospects for the company by expanding its affiliates. These affiliates are armed with world-class technologies, which are propelling the company into global markets as a world-class brand.



Sales Unit: KRW in Millions

480,474

2014

487,281

2013

\* K-IFRS, Consolidated Total

### ATLASBX Co., Ltd.

ATLASBX was established in 1944 to make batteries for cars and trucks. Since its acquisition by Hankook Tire in 1977, the company has grown at a remarkable pace to become the industry leader among the country's battery businesses. 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. The company obtained QS 9000, ISO 9001 and ISO 14001 in the late 1990s, and in 2004, the ISO-TS 16949 certification was acquired, followed by the certification of KOSHA-OHSAS 18001 (Daejeon Plant), received in 2014. Total annual output stands at 13 million units as of 2014, solidifying its position as one of the leading global battery makers.

ATLASBX's people-centric corporate culture has been recognized as the company received the Prime Minister's Prize in the Labor-Management Culture Awards in 2011. And from 2010, it was selected for three years consecutively as one of the "100 Best Companies to Work For" in Korea. In 2014, ATLASBX expanded the production capacity in its Jeonju Plant in a move to ensure continued growth prospects in the battery business, while also striving to improve its business competence in the global market through a series of innovations in its IT infrastructure, including the introduction of a SAP ERP system. The company will continue to offer a higher level of satisfaction and value to its customers by improving its business competence through continuous innovations.



Sales Unit: KRW in Millions

169,570

2014

82,152

2013

### Daehwa Engineering & Machinery

Daehwa Engineering & Machinery was established in 1992 as a builder of essential machines used in tire manufacturing. The company's own research center developed in-house technologies including tire-building machines, curing presses, uniformity testers for mid-sized and large TBR tires, high-speed driving performance testers for UHP tires, and one-operator TBR tire-building machines that are now in operation at the Geumsan Plant.

Following the establishment of the China subsidiary as a platform to make inroads into global markets in 2004, the company expanded into bead-related work on behalf of Hankook Tire in 2007. 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 again with a series of innovations in the production of tire manufacturing equipment. These include the development of RMP electric curing presses, high-speed friction testers and rheometers in 2013; and the development of a proprietary model for curing presses and UnD testing facilities in 2014.



Sales Unit: KRW in Millions

99,116

2014

78,131

2013

### 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.

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.

Based on more than 70-years of experience in manufacturing logistics know-how, the company entered the material-handling system engineering business. 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 systems.



Sales Unit: KRW in Millions

63,211

2014

44,786

2013

### 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 technological prowess and has built partnerships with the tire industry's heavyweights in Japan, Southeast Asia, America and Europe.

Thanks to vigorous R&D efforts since 2012, the company has developed new technologies such as Ventless and Puzzle. MK Technology has a total of 13 technical patents including four new patents for tire mold processing technology.



Sales Unit: KRW in Millions

15,312

2014

14,501

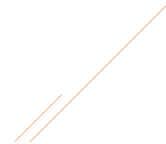
2013

### FRIXA Co., Ltd.

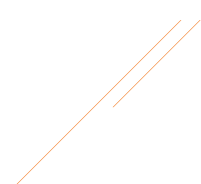
Established in 1991, FRIXA is a world-leading brake specialist with a business portfolio that now includes brake pads, brake lining, racing brake pads, disc rotors, and industrial-use brakes. The company has played a leading role in elevating Korean friction-material technologies to world-class status.

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 its sales volume consistently. FRIXA received QS 9000 and ISO 9001 certification in 2004 as well as TS 16949 certificate in 2008 – international recognition attesting to outstanding product quality. The company now exports to more than 20 countries. The company was recognized for its continued achievements by receiving Export Tower awards from the Korean government for exports worth USD1 million in 2009 and USD3 million in 2012.





Hankook Tire is growing as  
a premium brand that is trusted by our global customers  
on the strength of our technological leadership.  
We will continue to bolster our competitive edge,  
while opening a sustainable future  
with a firm will to innovate beyond all limits.



INNOVATION  
UNLIMITED



# UNLIMITED TECHNOLOGY

Innovative technologies are created by innovative people.

Hankook Tire provides unwavering support to its employees and promotes an optimal environment conducive to learning, so that they can grow as professionals. Our single-minded focus on R&D investment is the driving force behind the company's bold moves. It will turn the company's vision into a reality, laying the groundwork for a better and bigger future.

**1,000**

Researchers

## NUMBER OF R&D PROFESSIONALS AT HANKOOK TIRE

Hankook Tire has steadily expanded its investment in R&D staff; the company now has approximately 1,000 R&D professionals under its roof, accounting for 5 percent of its total work force. Our global R&D professionals, working in a creative and self-regulated research environment, are committed to the development of diverse high technologies.

**5**

Technical Centers

## GLOBAL R&D NETWORK ESTABLISHED

The company has built a global network of five technical centers equipped with the latest facilities. These centers are developing tires optimized for different customer groups and road conditions that vary by country and by region. We are leading the global market with innovative products proven in media tests and motorsports events and made possible with technologies developed in our global technical centers.



# UNLIMITED QUALITY

The consistent growth Hankook Tire has demonstrated in recent years was made possible by our relentless pursuit of quality improvement. The company is offering new value and joy in driving to our global customers, supported by the steady expansion of our global production capability and by the implementation of top-tier management.

27

Brands

## OFFICIAL PARTNER OF GLOBAL AUTOMOTIVE BRANDS

Hankook Tire has proven its leading technological competence by expanding the supply of Original Equipment (OE) tires to premium global auto brands. But the company will not remain complacent; we will grow further as a top-tier global tire brand by supplying ever more high-end OE tires to ever more global customers.

104,000,000

Production Capacity

## GLOBAL PRODUCTION TARGET FOR 2015

Hankook Tire continues to produce quality tires in our global production bases to provide the best possible driving experience to each and every driver. In 2015, we will produce and supply over 104 million tires.



# UNLIMITED EXPANSION

Hankook Tire is maximizing its operational synergies by forming a global matrix organization. Under this scheme, strategic thinking on the worldwide market will be shared company-wide under the leadership of the global headquarters. Meanwhile, the company's regional head offices will push forward with their own businesses – tailored to specific regional needs – independently, thereby expanding our horizons in the global market.

**180**  
Countries

## NUMBER OF NATIONS HANKOOK TIRE IS SELLING TIRES TO

The company is providing top-quality products and services bearing the hallmark of Hankook Tire via some 4,000 distribution channels in 180 countries. We will continue to offer diverse benefits in driving to our global customers through consistent development of innovative, high-tech products.

**8**  
Global Plants

## GLOBAL MANUFACTURING PLANTS COMPLETED

Hankook Tire is growing as a top-tier global brand by accelerating the expansion of its global manufacturing bases scattered throughout the world. With the construction of our eighth product plant located in Tennessee, the US, the company will have expanded our global footprint. This will enable us to surge ahead as a competitive global company that leads the global automotive market.



# UNLIMITED RELATIONSHIP

Hankook Tire is evolving as a creative and dynamic organization, overflowing with new ideas. This environment is enabled by a unique, proactive culture which helps the company grow talented professionals equipped with creative ideas and thinking. The company's employees, who are growing their capabilities in a transparent and healthy corporate ambience fostered by our unique proactive culture, are engaging in CSR activities, thereby creating the values for a brighter tomorrow.

## 29,330

Hours

### TOTAL HOURS OF VOLUNTEERING BY EMPLOYEES IN 2014

In 2013, Hankook Tire formed a company-wide unit of employees, named the "Donggeurami Volunteering Team". This team has participated in diverse volunteering activities including clean-up campaigns, visits to low-income families and social welfare institutions. In 2014, 9,626 employees of the company engaged in 509 volunteer events, spending a total of 29,330 hours with beneficiaries.

## DJSI Asia Pacific

Member

### INCLUSION IN THE DJSI ASIA PACIFIC FOR 2 STRAIGHT YEARS

Hankook Tire encourages employees to participate in CSR activities that seamlessly mix with everyday work on the basis of a consolidated CSR management framework. As a result, the company has been included in the Dow Jones Sustainability Indices Asia Pacific, which performs a comprehensive of company-wide assessment of sustainability management, for two years in a row.



Hankook Tire will continue to expand the scope of our offerings

to potential global customers so that they can experience the proven technologies

developed by the fastest growing tire company in the world.

The company will continue to introduce innovative technologies

on the basis of a pioneering spirit that knows no limits.

At Hankook Tire we maintain our commitment to providing a top-class driving experience

to our customers, while growing as a trusted tire brand in the global market.

SECTION 1

# TECHNOLOGY UNLIMITED

# Leading Technological Innovation

266.6

Invested KRW266.6  
Billion in HANKOOK  
TECHNODOME

Registered 2,002  
Patents Globally

2,002

Top 4

Won World's Top 4  
Design Awards



## Steady Investment in R&D

Hankook Tire has steadily expanded its recruitment of global research professionals and fostered a creative and self-regulated research environment in order to provide drivers with a joyous road experience based on top-notch quality and high performance. With HANKOOK TECHNODOME poised for completion by 2016, the company will secure innovative original technologies for the future, further strengthening its technological competence.

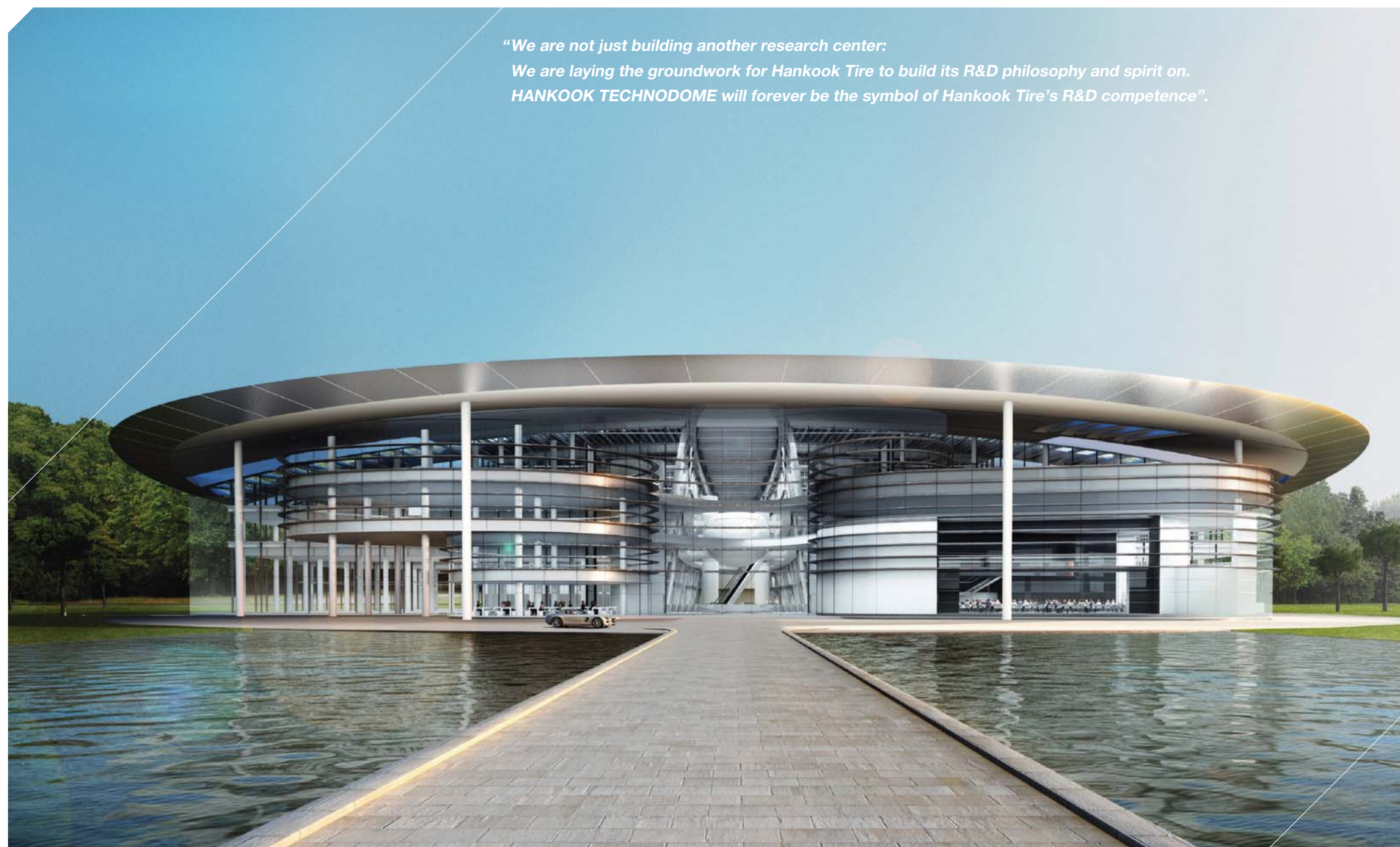
### HANKOOK TECHNODOME: Symbol of Hankook Tire's Unwavering Commitment to R&D

Hankook Tire is presently building HANKOOK TECHNODOME, the company's new central research center. This will provide an eco-friendly, high-tech R&D facility offering an unsurpassed environment for our research professionals. HANKOOK TECHNODOME lays the foundation for the company's future technological development and reinforces its status as a global top-tier brand.

A KRW266.6 billion project, HANKOOK TECHNODOME will be a massive, seven-story R&D facility. It will encompass two basement floors and five above-ground floors, totaling 96,328m<sup>2</sup> in gross floor area and 70,387m<sup>2</sup> in plottage. The design of HANKOOK TECHNODOME was undertaken by Foster + Partners, the British architectural firm founded by the renowned architect Norman Foster and known worldwide for its high-tech, modern and iconic designs. Harmoniously blending high technologies with the environment – the signature design language of Foster + Partners – HANKOOK TECHNODOME will host a differentiated research culture and will establish itself as the symbol of the company's cutting-edge technology.

Equipped with over 90 state-of-the-art research labs and a smart work system, HANKOOK TECHNODOME will markedly improve the company's R&D efficiency and productivity thanks to a design that ensures organic circulation of foot traffic, optimized for the tire development process. HANKOOK TECHNODOME will feature diverse supporting facilities including a training room, a rest area, and a healthcare center staffed with hybrid medical staff including professionals in Oriental medicine – all emplaced to help research professionals enjoy rest, meet up with other employees, and engage in sport and cultural activities. The aim of the overall facility design is to balance work and life, granting our staff a creative workspace and focusing optimal concentration on their research tasks.

*"We are not just building another research center:  
We are laying the groundwork for Hankook Tire to build its R&D philosophy and spirit on.  
HANKOOK TECHNODOME will forever be the symbol of Hankook Tire's R&D competence".*





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

Despite the prolonged economic gloom that cooled the global job market in 2014, Hankook Tire still expanded its investment in R&D by hiring an accumulated total of 1,000 researchers, accounting for about five percent of the company's total employees, to achieve its R&D vision. Some of the planned activities in the pipeline aimed at advancing the company's technological competence to the global top-tier level include: publicizing the company's technological excellence, as exemplified by HANKOOK TECHNODOME; enhancing academic-industrial collaboration; and recruiting top research professionals from Korea and from around the world to work in our network of global research centers.

The global R&D professionals recruited through these channels will be raised as top technology specialists via systematic in-house support, including identification of individuals' R&D visions through career development programs that consider their personal attributes, and through diverse educational sessions on R&D. Furthermore, the company will create an optimal R&D atmosphere by fostering a creative and self-regulated research environment.

**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 2014, the company owned 1,614 patents in Korea and 388 in other countries. And recently, the number of overseas patents has been continuously increasing as the company aggressively invests in R&D in the US and Europe.

Hankook Tire is concentrating its resources on the development of Ultra-High-Performance (UHP) tires that will satisfy the varying needs of customers – needs that change depending on driving condition. Some examples identified and patented as new technologies during the development of UHP tires are tire rolling-resistance control and new compounds and materials. With the progressive establishment of an IP-R&D infrastructure that began last year, the company has been filing patents for advanced technologies such as: winter tires; run-flat tires; wear performance; tread patterns; compounds; and new manufacturing methods. Recently, the company has been expanding the scope of its patent applications even further to include exterior improvement technology, silent tires and sealant tires. Hankook Tire will continue to enhance its technological competence by applying a "selection and concentration strategy" to its core technologies.



SECTION 1-2

**Kontrol Technology**

**The continuous growth of Hankook Tire has been possible largely thanks to its relentless efforts in technological innovations. The company has been developing diverse products optimized to provide an unsurpassed driving experience to drivers on the basis of Kontrol Technology, the company's original technology philosophy, thereby earning the recognition of global customers.**

**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 technology 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 the 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 will attract customers worldwide.

**Kontrol**  
TECHNOLOGY

**Performance**

The performance of tires is maximized by enhancement of their handling performance, driving stability and durability.

**Safety**

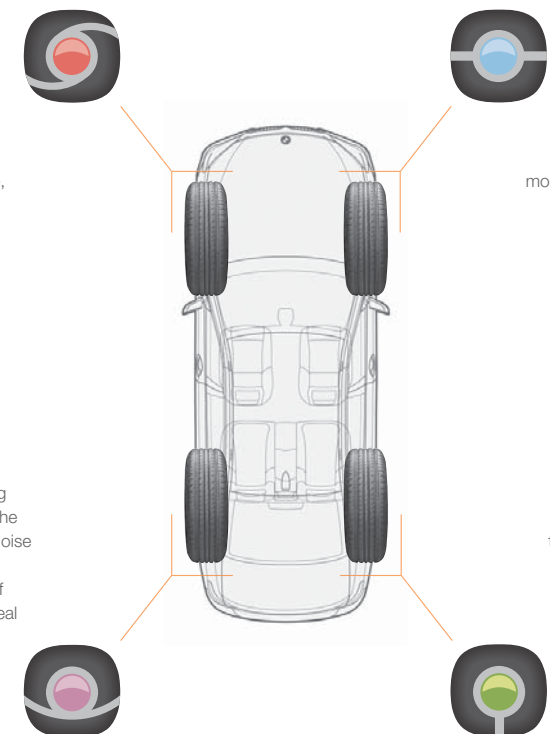
The integrity, design and material composition of tires is maintained at the most dangerous and critical moments, so protecting drivers and vehicles.

**Comfort**

The pleasure of driving is optimized through the reduction of impact, noise and vibration – based on precise analyses of how tires perform in real situations.

**Environment**

The expenditures of customers are reduced thanks to enhancements in the durability and lifetime of tires – which also minimize their environmental impact.



## New and Innovative Products

World-class technology is the core competence of Hankook Tire. The company is making expansive investments in R&D based on the technology infrastructure we have built all over the world. On the strength of its unmatched technological excellence, the company is unveiling a series of innovative products that exceed customer needs.

### PCR · LTR

Hankook Tire is concentrating its resources on the development of new technologies that meet customers' most demanding expectations. With the rising importance of safety in tire technologies, the company is strengthening its core technological competences which include new materials and manufacturing methods required for the development of third-generation run-flat tires. These tires are the very latest tire technologies, which ensure the safety of our customers. And in an attempt to reduce cabin noise, the company is also developing a sound-absorbing tire which reduces tire cavity noise\*.

### VENTUS S1 evo<sup>2</sup>



### Ventus S1 evo2

The latest evolution of run-flat technology, the Ventus S1 evo2 is a third-generation run-flat tire. The tire realizes ride comfort comparable to that of standard tires through stable handling and excellent braking performance, and by minimizing rolling-resistance (fuel efficiency) and noise. Run-flat tires permit driving at up to 80km/h, even when the tire has no air pressure. This guarantees the safest possible driving, even in emergency situations. And as run-flat tires eliminate the need for spare tires and tire-changing tools, they help automotive designers expand loading space and reduce car weight. These factors reduce overall fuel consumption, thereby making run-flat tires a popular choice on premium cars.

\*Tire cavity noise:

The noise which is generated when the air inside the tire vibrates due to the shock from road surfaces during driving.

### VENTUS S1 noble<sup>2</sup>



### Ventus S1 noble2

The first sound-absorbing tire developed internally by Hankook Tire in 2014, the Ventus S1 noble2 was supplied as an Original Equipment (OE) tire for the first time in Korea. Hankook Sound Absorber, the company's proprietary sound absorption technology, reduces driving noise through the absorption of sympathetic sound emitted from tires. This is achieved by pasting a polyurethane sound-absorbing pad inside the tire. In a test performed by related specialists, the tire reduced perceived noise in the cabin by about 10 percent without sacrificing driving performance, realizing more comfortable driving.

### VENTUS V12 evo<sup>2</sup>



### Ventus V12 evo2

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 excellent handling stability and braking performance. The Ventus V12 evo2 proved its world-class design and cutting-edge technologies by being voted a winner in the product design category of the Red Dot Design Awards. The tire's speedy edge line and detailed block design deliver both sportiness and safety, while its Aqua Jet System, its 3D stealth technology and its aero side wall design minimize noise and vibrations in wet conditions.

### TBR

In 2014, Hankook Tire nimbly responded to the ever-diversifying Truck & Bus Radial (TBR) Tire market by building a diverse product lineup. The company launched e-cube Blue with improved fuel-efficiency in Europe, and unveiled e3 wide equipped with a patented spiral coil in the US, which was developed as part of our efforts to reduce weight and maximize fuel efficiency. In Korea, we strove to meet the varied demands of local customers by launching diversified products for top-class premium cargo trucks and tractors, while also expanding our product portfolio through the global launch of Smart Work, the company's on/off road tire with markedly improved casing durability.

### e-cube<sup>Blue</sup> TL20



### e-cube Blue TL20

To meet the demand of customers for low fuel-consumption tires, the company launched e-cube Blue with markedly improved fuel efficiency compared to the e-cube MAX, an eco-friendly tire. The e-cube TL20, a tire for long-range trailers, scored A in the fuel efficiency category in the European tire labeling system thanks to its improved rolling-resistance, which was realized through the application of tread-compound technology.

### e<sup>3</sup> WIDE DL07



### e3 wide DL07, TL07

The e3 wide DL07 and TL07 are ultra-super single tires that guarantee excellent mileage, supported by their tough durability. These SmartWay verified products reduce weight and maximize fuel efficiency by applying the company's patented spiral coil technology to bus and truck tires, and are gaining recognition in the North American market.

### SMART<sup>WORK</sup> DM09



### Smart Work AM09, DM09

The Smart Work AM09 and DM09 are tires with an excellent grip on the road surface; they were launched in global markets in 2014. The tires have enhanced chip and cut performance thanks to improvements in the tread design and compound, and have boosted the drainage of water and earth as well as prevention of rock bite. The adoption of an interblock tie-bar boosts the driving performance of the tire and maximizes mileage by maintaining optimal ground connection with the application of the latest profile design techniques.

### AH33



### AH33, DH33

The AH33 and DH33 tires are premium tires for cargo trucks and tractors. They are armed with top-class durability and abrasion resistance. Their chip and cut function was improved through enhancements in the tread design, while deeper grooves maximize their total mileage. The two models have earned plaudits for their unique traditional wave patterns - exclusive designs for this premium line.



## 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

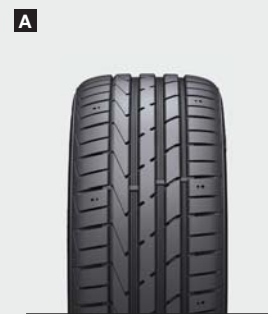
The safety of drivers holds paramount importance. Sophisticated technology that does not allow even a 0.001 percent margin of error is required in the design of tires – something that sets tire design apart from that of other products. Hankook Tire has perfected its design identity, arming its tires with futuristic, dynamic shapes, sophistication and refinement. This is defined, in Hankook Tire, as “refined and dynamic style”. The company's products, imbued with this design philosophy, have won the top four most prestigious global design awards. In order to achieve its mission, which is to contribute to advancement in driving, Hankook Tire is constantly refining its designs to include future-oriented dynamism and elegance.

### 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. The company's designers set technological and aesthetic 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 initiatives from entirely new perspectives. To anticipate fast-changing social trends and to 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.



ventus S1evo<sup>2</sup>



ventus S1noble<sup>2</sup>



Dynapro AT-M



Winter iPike R5



reddot design award



product design award



GOOD DESIGN AWARD 2014

- A** Product designs imbued with the unique design philosophy of Hankook Tire
- B** A joint project with the School of Design at Pforzheim University, Germany: Hankooktire Design Innovation 2014
- C** A joint project with the School of Design at University of Cincinnati, the US: Hankooktire Design Innovation 2012
- D** The world's top four design awards: Red Dot Design Award, IF Design Award, IDEA Design Award, Good Design Award



## Motorsports

Hankook Tire's global leadership in technology has been proven time and again with a series of successful sponsorships of some of the world's top motorsport competitions – competitions which endorse the company's quality. Sponsored races include Deutsche Tourenwagen-Masters (DTM), to which the company has extended its exclusive agreement to supply tires. Other global motorsports competitions sponsored by the company include WRC and Audi TT Cup. Hankook Tire also sponsors various motor racing teams. Going forward, Hankook Tire will remain a trusted partner of motorsports competitions on the strength of its technological leadership. These partnerships will further ignite the passion of worldwide motorsports fans.

### High Technology and Top-class Quality – Proven on the Race Track

It is in motorsport competitions – where limits are overcome and potential is exceeded – 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.

Since 1992, the company has been competing with the top global leaders in the tire industry by participating in world-renowned motorsports competitions, starting with Super Grand Touring, the 24 Hours of Nuerburgring 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 DTM. The DTM is the one of the world's top three grand touring races using commercial cars; in this format, Audi, BMW, Mercedes-Benz and other premium auto brands from Germany compete against each other. Having gained recognition for product quality and technology from this competition, Hankook Tire officially supplies tires for the Audi TT Cup, a supporting program at DTM run by Audi Motorsport.

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, which is considered the gateway to the World Rally Championship (WRC). Since 2014, the company has provided tires to the WRC (2 Class) and has won the race twice. 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 the 24 Hours of Nuerburgring Endurance Race, a 24-hour race around a circuit called Green Hell, 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 2015 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 builds trust with premium auto brands by securing quality competitiveness and strengthening communications. The company solidifies its firm partnerships in the global automotive industry 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 – i.e. 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 and which reflect consumer tastes. Hankook Tire is responding to the demands of the 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, China, Germany, the US and Japan.

Hankook Tire realizes the best possible 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 on communications 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 2014, Hankook Tire successfully supplied OE tires to a select range of high-performance sport cars including the New Audi TT and the Ford All New Mustang, while supplying third-generation run-flat tires – the culmination of the company's tire technology – to BMW and Mercedes-Benz. These partnerships prove Hankook Tire's competence as a top-tier global tire manufacturer once again.

And with the successful supply of OE tires to the Porsche Macan, the German maker's new SUV sports car, in 2015, the company has taken yet another step as a high-end tire brand. Furthermore, the company continued to expand its OE tire outreach by supplying OE tires to premium SUVs including the Lincoln Navigator and the Volkswagen Touareg.

As the company has expanded its business turf, partnering with diverse global brands in North America, Europe, China and Japan, Hankook Tire now boasts 27 global partnerships. It will continue joining hands with major automotive makers all over the world on the strength of its top quality and its advanced technology. These ongoing efforts will advance the future of the automotive industry.



## SECTION 2

# EXPANSION UNLIMITED

## Expanding into New Markets

# KRW1 Trillion

Achieved KRW1 trillion in operating income for two years in a row

Sales growth of UHP tires over the last year

# +8%

# 4,000

Built 4,000 retail  
networks around  
the world

## Ensuring Global Competence

Hankook Tire's entry into the club of top-tier tire companies 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.

### Global Production Target in 2015

(E) 104 Million

### Expansion of Global Production Capacity

Hankook Tire is building up its own system across the entire value chain – from a market-driven sales strategy to distribution and product delivery that is commensurate with its ever-expanding production capacity. With the construction of the Tennessee Plant in the US, which will become the company's first production base in the world's largest tire market upon its completion in 2016, Hankook Tire will have finally established a manufacturing infrastructure substantial enough for the company to compete with the top-tier global brands. The company also plans to expand production capacity in the Hungary Plant by the second quarter of 2015, followed by another capacity expansion in the Chongqing Plant in China by the end of 2015. Upon completion of the second phase construction of the Tennessee Plant, the company's total global production volume will have grown to some 120 million tires per year. Hankook Tire plans to ensure a more reliable tire manufacturing capability by securing production bases that are evenly distributed throughout the world. By consistently expanding Hankook Tire's global production capacity, the company will secure its leadership and competence as a top-tier player in global automotive market.

### World-class Quality Management

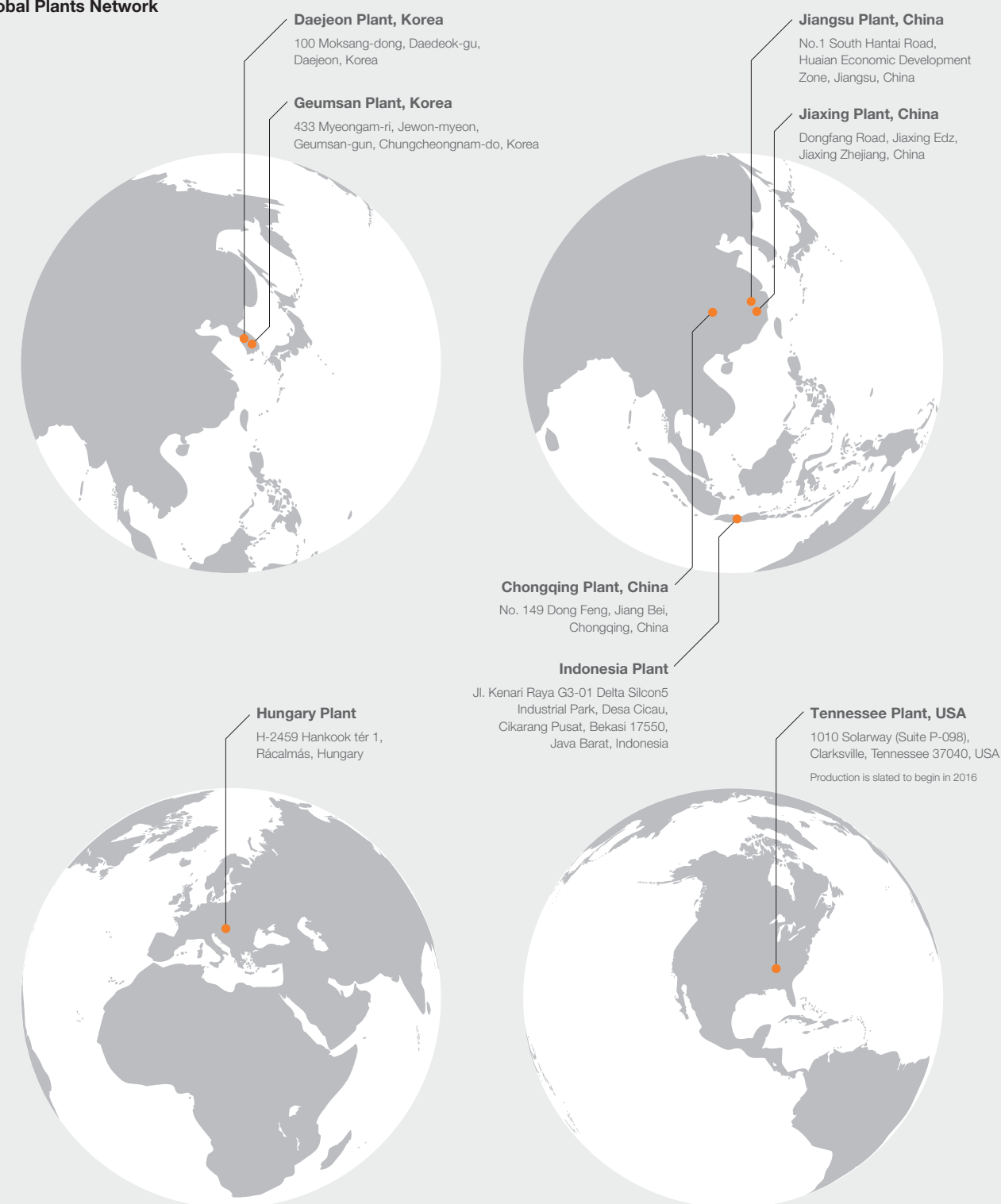
Hankook Tire has focused on customer-centric quality management. The centerpiece of this management philosophy has always been quality. With the strengthening of existing quality management practices and implementation of thorough quality assurance programs, the company is concentrating its resources on realizing premium quality that will not only satisfy, but also wow customers. Thanks to these efforts, the company has realized diverse achievements both in Korea and in the global market, including improvement of brand image, realization of company-wide quality uniformity and the attainment of customer-centric quality competitiveness. The key performances the company has achieved in quality management are both significant and varied.

First, we have expanded the scope of management to ensure quality uniformity along the entire production flow, from half-finished products to finished products. We have also made continuous investments in quality warranty reinforcement while boosting uniformity in the production line through completing an innovative quality warranty infrastructure. The company has reorganized diverse quality criteria into a uniform system to realize "One Quality" throughout our production bases scattered around the world. We are steadily preparing the environment to apply these criteria. By securing such a systematic infrastructure, the company is striving to push up its overall quality level. The company's efforts has been recognized by winning the top place in the annual Korea Standard Quality Excellence Index for six years in a row; we were also selected as the best company for five straight years in rankings of Quality Competitiveness Assessment System.

Second, we bolstered our warranty systems, making them robust enough to satisfy the quality standards demanded by the premium automotive brands. The company has consistently strengthened the competence of our customer-centric service quality assurance program by expanding new technology tire production. Hankook Tire has been able to expand the supply of OE tires and improve its brand image through these continuous efforts.

The company, which aims to achieve competitive quality competence befitting its reputation as one of the top-tier global tire brands, introduced a new manufacturing quality assurance program in 2013. Beginning in 2014, the company focused on improving the quality uniformity of half-finished and finished products in an effort to shift to qualitative growth. 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.

### Global Plants Network





## Marketing Communications

Hankook Tire implemented diverse market outreach programs in 2014 to bolster communications and to familiarize global customers with the brand. Based on marketing communication strategies that were carefully prepared by considering the characteristics of individual market and customer groups, the company has been actively promoting the "Hankook" brand through participation in leading motorsport competitions and trade shows across the globe as well as through various sport sponsorships and advertising campaigns.

### Global Brand Communications

"Be One with It", the company's global campaign, has been implemented in key markets including the Eurozone, the Americas and the Middle East. The effort has contributed greatly to the enhancement of brand value. Beginning in 2012, the company has been sponsoring the UEFA Europa League as an official partner, earning plaudits for having conducted a marketing campaign tailored to the different tastes of each local customer group.

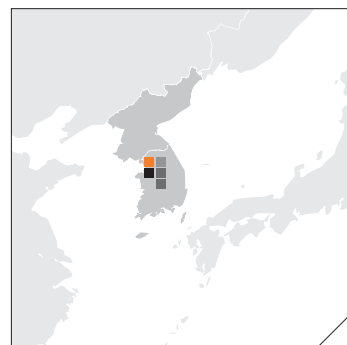
In China, the company has been striving to raise the awareness of the premium status the Hankook Tire brand enjoys in the global market by launching the second phase of the "Globally Proven" marketing campaign.

In Korea, the company has successfully implemented the "It is" campaign which embodies the firm confidence of Hankook Tire as the leading tire brand in the country, while also demonstrating the differentiated world of "Driving Emotion". The third leg of the company's domestic campaign is "The Next Driving Lab (TNDL)", in which we emphasize the young and innovative image of the Hankook Tire brand.

The company's marketing communications not only imprint our brand in the minds of customers, dealers and industry professionals in each country, but also reinforce brand loyalty, so laying the groundwork for future sales activities. In particular, we are making the excellence of our products known by leveraging the concept of "Kontrol Technology" which is the culmination of the company's technological competence. Beginning with our sponsorship of DTM, the company is participating in world-class motorsport competitions such as Super GT in Japan and the Superstars Series in Italy as well as in renowned exhibitions including the International Automobile Ausstellung (IAA), the Shanghai/Beijing International Automobile Exhibition, a.k.a. Auto China and the Moscow International Automobile Salon.



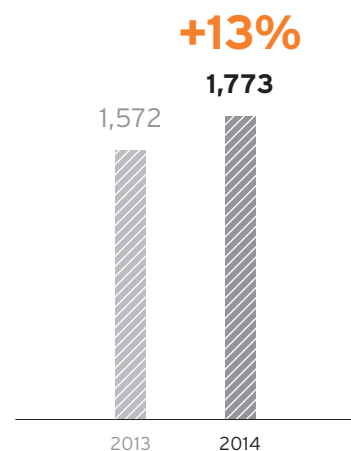
## Analysis by Region and Future Strategy



■ Regional Headquarters  
■ Technical Center  
■ Sales Subsidiaries & Sales Offices  
■ Plants

### Sales Growth of UHP Tires

Unit: Thousands



### Korea

The Korea Headquarters enhanced brand value and strengthened our current dominance over the domestic market through implementation of diverse strategies including continuous development and renewal of distribution channels, development of diverse product lines and provision of differentiated services.

The Korean economy recovered slightly in 2014 as compared to the previous year with an annual growth rate of 3.4 percent; however, the growth rate of consumption in the private sector dropped by 0.3 percent to 1.7 percent, as compared to the last year.

New car sales in Korea increased by 1.2 percent thanks to the strong sales of imported brands with a matching increase of 3.7 percent observed in the number of registered cars. However, domestic tire sales grew by just 1.3 percent year-on-year, further continuing the low-growth trend that has been dogging the Korean economy.

In the midst of this challenging market environment, Hankook Tire was able to guard its No. 1 market position successfully. For the fiscal year 2014, the company selected a “differentiation strategy in brand, product and distribution to ensure volume & value up” as its core operational strategy, and consolidated diverse differentiation strategies that are centered on the enhancement of brand value, strengthening of product competitiveness, and service differentiation led by sales stores.

The key performances of the Korea Headquarters have been significant, as follows:

First, we continued to implement the “It is” campaign to strengthen our brand image as the unmatched leader in the industry. This was bolstered with the launching of “SMART CARE”, a new advertising campaign for the company’s T’Station outlets designed to stress their excellent service, which customers can place trust in without reservation. And it is also strengthening the new experiences and dynamic images

embodied by the company’s brand with the introduction of “The Next Driving Lab” campaign, which features a “mind-reading tire” controlled by human brainwaves.

Second, we differentiated our premium product lines with the launch of new high-performance product lines including: the Ventus V12 evo2, the UHP sports tire; the Ventus S1 evo2 SUV, the country’s first tire developed exclusively for imported SUVs; and the Dynapro HP2, designed for medium and oversized SUVs. And we pushed the prestige of the Hankook Tire brand up to the next level by signing an MOU with BMW in October 2014, thereby further strengthening our joint marketing with premium global automotive brands.

Third, we provided differentiated services to customers to maximize their satisfaction. We launched “T’Station Luxtudio”, a specialist sales outlet dedicated to imported cars, and implemented the “SMART CARE” campaign to promote the total services offered by T’Station, followed by the introduction of “Peace of Mind” insurance in an attempt to resolve customers’ concerns over potential damage to newly purchased tires and associated financial burdens.

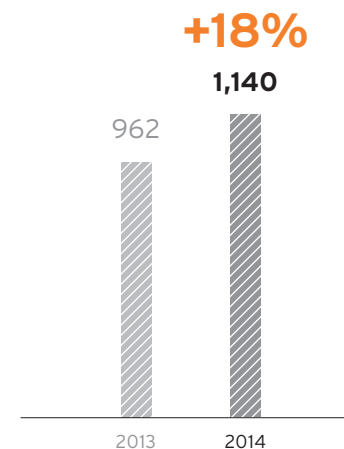
2015 is forecast to be another gloomy year overshadowed by extended deflation, marked by a low yen, a low growth rate and low prices. The Korea Headquarters will beat the odds by introducing a series of innovative marketing campaigns that nimbly respond to the changing market situation. It will strengthen marketing targeted at imported cars by launching premium UHP tires while ensuring steady growth in the economy market by launching practical tires at attractive prices, aiming at value-seeking customers. The “SMART CARE” campaign unveiled by T’Station will firmly take root throughout the entire sales network, while the “Peace of Mind” insurance benefit will be expanded and updated, thereby ensuring that our unmatched customer services are offered consistently. Finally, we will consistently implement “The Next Driving Lab” campaign, which is part of the company’s driving culture program.



■ Regional Headquarters  
■ Technical Center  
■ Sales Subsidiaries & Sales Offices  
■ Plants

### Sales Growth of UHP Tires

Unit: Thousands



### China

The China Headquarters has successfully enhanced the company’s image as a premium brand while also strengthening our competitiveness through expansion of the supply of OE tires and the upgrading of distribution channels, as well as through the expansion of production capacity and strengthening of marketing campaigns.

China’s GDP grew by 7.4 percent in 2014 and is forecast to dip slightly to 7 percent in 2015. The number of car sales in the country grew by 9.9 percent to 19.7 million in 2014 (Source: China Association of Automobile Manufactures). Thanks to the efficient and systematic marketing China Headquarters implemented in 2014, China sales volume increased by 2 percent, year-on-year, whereas the sales of OE tires grew by 6 percent, compared to the previous year. Among the sales of UHP tires, the share of Replacement Equipment (RE) tires grew by 18 percent compared to the previous year with OE tires growing by 17 percent, year-on-year. The company has improved not only in quantitative sales, but also in qualitative sales.

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 and Mercedes-Benz while leading growth in China by being recognized for technological excellence through expansion of tire supply to key automotive brands in China. And it is steadily expanding SUV tire supply, which is evidence of the sales increase in the market.

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

Third, it expanded production capacity in China. Hankook Tire is currently running three production bases in China including the Chongqing Plant, which started operations in 2012; the Jiaxing Plant; and the Jiangsu Plant. In particular, the Chongqing Plant, which started as a plant dedicated to producing TBR tires, will expand its production lineup to include PCR tires in 2015.

Fourth, the headquarters bolstered its premium image through the implementation of effective marketing communications. In the second half of 2014, we launched “Globally Proven”, a new TV advertising campaign targeted at China and aired via CCTV, further spreading the image of Hankook Tire as a premium global brand.

The China Headquarters will focus marketing efforts on bolstering its competitiveness in China and expanding its overall regional presence. First, we will enhance competitiveness through the diversification of our product portfolio, launching new premium products to reflect the unique demands of the Chinese market. Second, we will expand our premium retail network and upgrade our service level to improve the competitiveness of RE tires. Third, we plan to improve our product portfolio through the expansion of OE tire supply to premium auto brands. Finally, we plan to expand the production capacity of passenger tires in the Chongqing Plant along with the implementation of aggressive marketing, thereby expanding market share in China.





- Regional Headquarters
- Technical Center
- Sales Subsidiaries & Sales Offices
- Plants

**Sales Growth of UHP Tires**

Unit: Thousands



**Europe**

**The Europe Headquarters continued to expand its market share in 2014 through improvements in productivity, development of competitive products and proactive marketing communication activities. The unwavering growth that the company has demonstrated is boosting Hankook Tire's prospects of rising to a global top-tier brand in the region.**

The European economy, which has continued to struggle under the weight of the continent-wide belt-tightening in the wake of the fiscal crisis in many Eurozone economies, recorded a mere 0.8 percent annual growth rate. New car sales in Western Europe increased by half a million to 13.7 million cars, while auto makers sold 4.2 million cars in Central and Eastern Europe – a decrease of some 200,000 unit sales compared to the previous year. In defiance of this extremely challenging environment, the Europe Headquarters pushed forward and continued to expand its market share by recording a 102 percent growth rate compared to the previous year. The company has also improved its profitability by dramatically expanding our share of highly profitable products, including UHP tires.

Key achievements of the Europe Headquarters include:

First, we continued to invest in our distribution network, thereby laying the groundwork for steady growth in the future. We expanded distribution and sales coverage by increasing the number of countries in which we run our own warehouses from seven to ten, while Hankook Masters also expanded its dominance over the distribution network by adding 70 new sales outlets.

Second, we are 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 brand image. We successfully

bolstered our brand image in Sweden and Turkey, two key strategic markets, by running a series of TV commercials. The headquarters also promoted the excellent quality of its products through 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, we are promoting the Hankook Tire brand by sponsoring diverse sports events. As the official tire supplier of DTM, three premium-brand racing cars – Audi, BMW and Mercedes-Benz – are racing on the company's tires. Hankook Tire has been sponsoring the UEFA Europa Football League, a club competition with teams from over 48 countries and over 700 million viewers worldwide, 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). It also invited members of the European auto press to the Ventus Driving Event, a media event 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 New Audi TT. In particular, it successfully promoted the supply of truck tires to MAN and the Mercedes-Benz truck division in the IAA Hannover Commercial Vehicle Show, further upgrading the product and brand status of the company on the global stage.

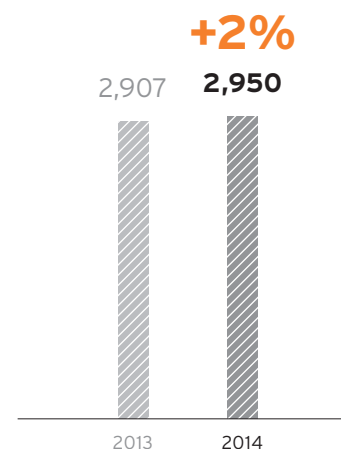
In 2015, the Europe Headquarters will play the leading role in helping the company step up to the top-tier of global tire manufacturers by bolstering its brand value through implementation of proactive marketing communications and via expansions of contact points with customers.



- Regional Headquarters
- Technical Center
- Sales Subsidiaries & Sales Offices

**Sales Growth of UHP Tires**

Unit: Thousands



**Americas**

**The America Headquarters has been contributing to the growth of Hankook Tire on the strength of the robust American market. This was realized by expanding the retail network through diversification of regional distribution channels and through entry to the Central and Latin American markets.**

The US economy recovered from a long period of gloom by recording steady economic growth in 2014. This indicates a rebound in facility investment and an improvement in the consumer confidence index – the result of combined efforts by the Fed's monetary policy and fiscal stimulus packages. The unemployment rate showed a downward trend of 6 percent in 2014, sending a positive signal for recovery throughout the economy. The number of registered new cars in the US stood at 16.39 million, a 5.7 percent increase over the previous year, thanks largely to the booming demand for high fuel-efficiency cars. However, there is a possibility of a downturn in economic prospects due to the termination of quantitative easing and due to the unstable world economy. Meanwhile, Latin America has been raising trade barriers by introducing a series of regulatory measures to curb imports, including the depreciation of local currencies, anti-dumping tariffs and more stringent import permission systems.

In the midst of this tumultuous environment, the America Headquarters realized a number of achievements in 2014:

First, we secured a stable stream of demand and so expanded sales in North America. The company achieved about 13 percent growth year-on-year with the help of regional dealers, while in Canada we realized 14 percent growth in sales compared to the previous year, boosted by an increase in the sales of winter tires. The impressive performance in North America is the result of increased retail sales via warehouses, an optimized portfolio of distribution channels, and concentration on sales via channels that are demonstrating steady growth trends. The distribution network, which has verified its utility, is forecast to lay the groundwork for the company's future growth in North America.

Second, we achieved remarkable growth in sales, not only in the general passenger car tire segment, but also in truck and bus tires, which are the centerpiece of the economy as well as of industrial infrastructure. Sales in the US grew by 16 percent year-on-year, with the addition of 26 new sales partners as well as an expanded supply of OEM tires for trailers and buses, contributing greatly to quantitative growth in the region. We plan to expand sales in Canada as well as in Central and Latin America on the strength this impressive US growth.

Third, the America Headquarters implemented a host of marketing activities designed to boost the value of the Hankook brand in the region. The ground-breaking ceremony for the Tennessee Plant gave the company decisive momentum to reestablish its ground in the US. It also enhanced its CSR activities in the region through sponsorship of disabled American veterans, thereby laying the foundation on which to build its brand image as a society-friendly company. Hankook Tire will remain a brand that prospers together with our customers.

The US economy is forecast to grow steadily following its robust performance last year; however, the speed of recovery is expected to slow down moderately due to the termination of quantitative easing and the continued instability of the world economy. Central and Latin America are forecast to recover gradually in the long term but the depreciation of local currencies as a result of the termination of the quantitative easing by the US may cast gloom on economic prospects. The demand for tires is expected to grow in general, but the battle to defend market share by competing brands will only grow fiercer this year due to the impact of low-price imports from China enabled by the abolition of US safeguard policies, and by the looming depreciation of currencies in Central and Latin America. All of these developments are forcing the company to come up with more detailed and elaborate strategies.

Accordingly, the America Headquarters will strive to pursue qualitative and quantitative growth simultaneously by pushing forward with key strategies.

First, we will concentrate on the optimized operation of distribution channels for an extended period. We will continue to expand sales through major new partners based on the stable demand potential we secured in 2014, while in Central and Latin America we will lay the groundwork for future growth by identifying and growing prospective new sales partners. At the same time, we will reestablish a platform for stable future growth through the continuous expansion of the "Hankook Masters" network, the new global distribution brand introduced in 2013. In Canada, we will continue to expand sales through warehouses in order to boost sales by medium and large wholesale shops, and to develop retail networks in the east, starting with the sales of winter tires, which recorded a successful performance in 2014.

Second, we plan to implement differentiated promotional programs and campaigns designed to boost the sales of high-value added tires, so raising the overall price point of key products. Furthermore, we will sell optimized products by introducing Laufenn to the market as the new product for 2015.

Third, we will enhance the value of the Hankook brand through implementation of diverse marketing campaigns. The America Headquarters will implement various activities aimed at increasing brand awareness and supporting sales. In the second half of this year, we will continue to sponsor various sport events that are popular in each market, such as Major League Baseball and hockey in Canada. We will also launch an advertising campaign in the US. And we will expand our sponsorship to motorsports events and exhibitions in a move to boost the value of the Hankook brand.

Fourth, we will expand the truck and bus tire business, which recorded impressive growth in 2014. We will do our best to expand the sales of truck and bus tires in the US and Canada as well as in Central and Latin America, on the strength of the remarkable growth in sales in the US in 2014. Towards this end, we will lay the groundwork for the company's truck and bus tire business in the Americas through the expansion of diverse new sales channels including trailers and OEM, along with the continuous improvement of existing distribution channels.

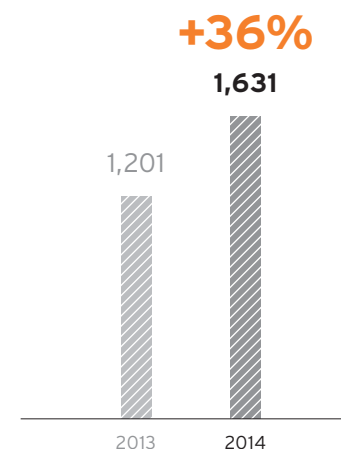
Finally, we will do our best to realize the vision "Everywhere Hankook" in the Americas.



- Technical Center
- Sales Subsidiaries & Sales Offices
- Plants

**Sales Growth of UHP Tires**

Unit: Thousands



**Middle East, Africa and Asia-Pacific**  
**In the Middle East, Africa and Asia-Pacific regions, the company realized qualitative and quantitative growth simultaneously through an expansion of sales infrastructure via downstream distribution as well as through an expansion of sales in emerging markets.**

In 2014, the Middle East region realized 4.4 percent economic growth supported by government-led industrial development, such as in Saudi Arabia. Meanwhile, anti-government protests in Egypt were unwelcome news to the region, as they delayed economic recovery in North Africa, while the spread of the Ebola virus that started in West Africa contributed to contractions of the regional economy. Meanwhile, Australia slowly recovered from recession, recording a 2.8 percent annual growth rate (which is 0.6 percent growth, year-on-year) but the prospects for future growth are expected to be limited in scale. Japan recorded 0.8 percent growth due to sluggish domestic consumption caused by the deepening depreciation of the yen which was triggered by quantitative easing and the rise of excise duties.

In the midst of this unfavorable economic environment, Hankook Tire was still able to realize quantitative growth by proactively responding to the changing market situation, further laying the groundwork for sustainable future growth.

The key performances in the Middle East, Africa and Asia-Pacific regions in 2014 are shown below.

First, we pushed ahead with an acceleration of downstream distribution across regions in an attempt to build up the platform for a quantitative expansion. We added 17 new "Hankook Masters" outlets, the company's exclusive distribution channel, in the Middle East, Africa and Asia-Pacific region, while in Australia we achieved 19 percent growth in sales, year-on-year, by opening new warehouses in Western Australia.

Second, we concentrated our resources on expanding market share in those countries that are classified as emerging markets within the target region. As a result, the company recorded an impressive sales growth in sales in Iran (169 percent) and Yemen (85 percent), respectively.

In 2015, Hankook Tire plans to expand quantitatively and secure an engine for new growth by pushing ahead with key strategies.

First, we will push forward with the acquisition of a platform for quantitative growth and with the enhancement of brand value at the same time. We will build up sales infrastructure by further expanding "Hankook Masters" sales outlets and raising brand awareness on the basis of this infrastructure. And we will push ahead with the acceleration of downstream distribution in Australia and Japan by revitalizing warehouse operations.

Second, we will expand sales in emerging markets while also innovating our management framework. Specifically, we will expand sales infrastructure by entering undeveloped markets or those markets we have yet to enter, while in existing markets we plan to promote sales by closely working on them. Through such measures, we will grow the market potential of the Middle East, Africa and Asia-Pacific regions in the long term so that they can emerge as another key sales base in the future.

## Performance Analysis of OE Tire Market and Future Strategy

**In 2014, Hankook Tire boosted the supply of OE tires to premium automotive companies such as Audi, BMW and Mercedes-Benz by approximately 83 percent year-on-year. Furthermore, we also expanded our pool of OE partners, by supplying our tires to the Ford All New Mustang, the New Audi TT and premium SUVs such as the Lincoln Navigator and the Volkswagen Touareg. These partnerships further raised the premium value of our OE segment. In addition, the company's technology was recognized when we started to supply run-flat tires for the BMW New MINI and the Mercedes-Benz New C-Class. We also provided sound-absorbing tires – a first for a Korean company. At the same time, the company has been competing neck and neck with the top global brands by expanding our supply of truck and bus tires.**

### 2014 Performance Analysis

The expansion of OE tire supply to new cars manufactured by global auto brands is an excellent opportunity to demonstrate product quality and technology. Last year, Hankook Tire did exactly this, publicizing and enhancing our brand value.

The remarkable growth in global OE tire supply continued in 2014. The North America automotive market continued to show robust growth patterns through the year. The sales of new cars in the US grew by 6 percent, year-on-year, while Hankook Tire's OE tire division saw equivalent growth in North America.

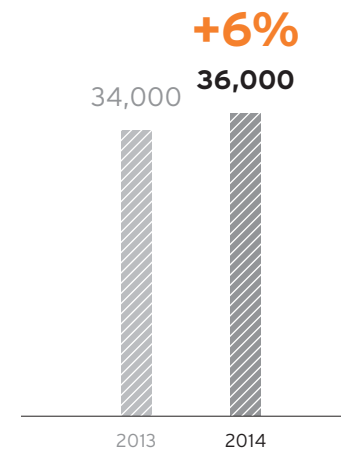
China's tire market, which has consistently recorded double-digit growth rates for the past several years, finally started to slow down, beginning in 2014. The downward trend is believed to have been triggered by multiple factors such as deepening competition among passenger car brands, policy changes by the Chinese government and a slowing economy, further exacerbating the already hyper-competitive market for OE tires. Yet Hankook Tire was able to grow by more than 6 percent, year-on-year. This result is all the more impressive as it was achieved amidst excessive competition in the market caused by an escalating race for capacity expansion and by cost-saving pressures from passenger car manufacturers.

In 2014, the European automotive market repeated the minus growth pattern it saw in 2013, failing to brighten the prolonged gloom. Still, Hankook Tire posted an 8 percent growth rate, underwritten by the supply of OE tires for new cars by premium auto brands such as Audi, BMW and Mercedes-Benz as well as by 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 2015 but uncertainty remains in Europe and China, in contrast to the growth expected in the US. As a high growth rate is forecast for the automotive market in ASEAN, India and other emerging countries, Hankook Tire will expand market opportunities in ASEAN while also responding to the recovery observed in advanced markets.

### Sales Growth of OE Tires

Unit: Thousands



\* Based on sell-in amount

### 2015 Business Strategy

In response to changing market situations and in a bid to continue growth, Hankook Tire has come up with the following business strategies for OE tires for new cars, based on the achievements realized in 2014.

First, the company will increase the supply of OE tires for new cars through the expansion of business with leading premium auto brands and Japanese car manufacturers. The company's OE tires for new cars are being supplied to leading global brands including Hyundai-Kia Motors, Volkswagen, Ford and GM, and we have continued to expand the supply of OE tires to premium brands including BMW, Mercedes-Benz and Audi, and to Japanese auto brands including Toyota, Honda and Nissan. Hankook Tire will keep expanding the supply of tires to diverse popular models thereby expanding our partnership with an increasing number of automotive brands.

Second, the company will keep expanding the supply of truck and bus tires. Ever since 2012 we started to supply truck and bus tires to North American brands such as DTNA and Navistar, we also began to provide OE tires to leading truck brands in Europe in 2014, such as the small and large trucks of Mercedes-Benz and the MAN trucks of Volkswagen Group. In 2015, we will expand our supply of OE tires to trucks and buses while focusing on premium brands in North America, Europe and other key markets.

Third, the company will concentrate its R&D resources on developing new technologies to meet the demands of global markets and consumers. While expanding the supply of OE tires for new cars, such as run-flat and sealant tires that focus more on safety, 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 communications. 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 at 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 2015

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

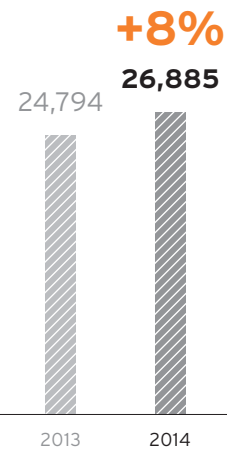


## Performance Analysis in Tire Market by Product Group

**In 2014, Hankook Tire sold over 92 million tires globally. Among them, the share of RE and OE tires made up 61 percent and 39 percent, respectively. The sales of UHP tires, a high-value product, grew by 8 percent compared to the previous year, helping the company boost overall sales in 2014.**

### Sales Growth of UHP Tires

Unit: Thousands



### 2014 Performance Analysis

Geographically, the company sold 28.8 percent of its tires in Europe followed by 21.7 percent in China, 20.8 percent in America, 18.4 percent in Korea and 10.3 percent in the Middle East, Africa and Asia-Pacific regions, achieving a balanced sales portfolio all over the world.

By product lineup, the company sold over 83 million PCR tires, a 3 percent increase, year-on-year. The shares of RE and OE tires among PCR tires were 59 percent and 41 percent, respectively.

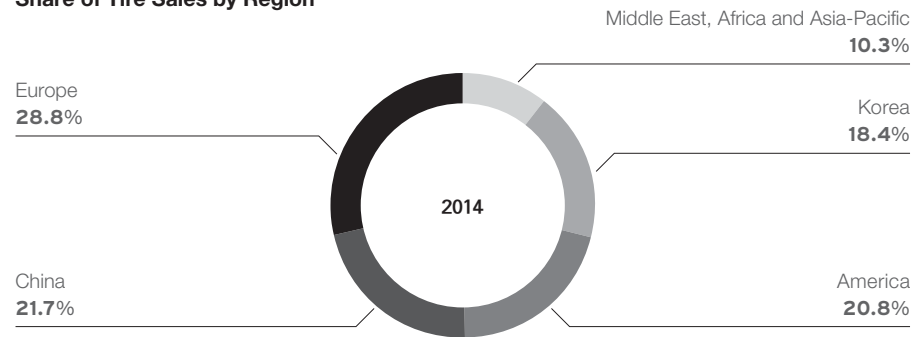
The share of UHP tires among PCR tires has grown by 8 percent year-on-year to 27 million, playing a decisive role in boosting the company's profitability. The share of UHP tires among PCR tires has grown by 1.5 percent; from 30.8 percent in 2013 to 32.3 percent in 2014.

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 45 percent of UHP tires in Europe, 20 percent in North America, 13 percent in Korea, 12 percent in Asia-Pacific and the Middle East-Africa, 8 percent in China and 2 percent in Latin America. The combined share of advanced markets, including Europe and North America, grew disproportionately higher, making up a surging 65 percent. The sales of UHP tires have grown in emerging markets. Sales in the Middle East/Africa and Latin America showed dramatic increases of 63 percent and 32 percent year-on-year, respectively.

The geographical breakdown of sales of TBR RE tires was: 25 percent in Europe, 21 percent in Korea, 16 percent in North America, 13 percent in China, 10 percent in both Latin America and the Middle East-Africa, and 5 percent in Asia-Pacific. Most notably, sales grew by 17 percent and 6 percent in North America and Europe, respectively.

### Share of Tire Sales by Region



\* Based on sell-in amount

## SECTION 3

# RELATIONSHIP UNLIMITED

# Committing to a Better Community

9,626

Number of Donggeurami  
Volunteering Team  
participants in 2014

Number of Tuieum Buses  
operated in 2014

485

KRW 626 Million

A total of KRW626,061,142 raised through the online donation site, Dream Full, in 2014



## Corporate Social Responsibility Activities

Hankook Tire is preparing for a sustainable future by creating a joyful workplace for our employees. We are also helping them share their compassion with neighbors through the establishment of an Integrated CSR Management System, designed to achieve detailed goals. This system will satisfy diverse stakeholders spontaneously in both the workplace and in the everyday life of our employees. The company grows with society and enhances value through sincere implementation of CSR activities, befitting its responsibilities and mission as a global company.

### Declaration

Hankook Tire aims to develop Corporate Social Responsibility (CSR) as a firmly ingrained element of corporate culture, making it part of the everyday work of its employees. In the coming years, we will provide top value to stakeholders through the 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 CSR programs based on its "Integrated CSR Management System". In 2014, the company implemented a materiality assessment by expanding the scope of stakeholder surveys and improving their core organizations. Through such measures, the company identified five key areas for intensive management (transparency & business ethics; employee health & safety management; employee value creation; external stakeholder satisfaction management; environmental management) and set concrete goals so that employees can implement CSR activities while performing their daily tasks.

As a result of these continuous efforts, Hankook Tire has been included in the Dow Jones Sustainability Indices Asia Pacific for two straight years. The DJSI performs a comprehensive assessment of management performance, ranging from the overall financial performance for the 2014 fiscal year to social contribution activities and ethical and environment management. The company scored particularly well in the area of climate change initiatives and talent management, as well as in ethical and environment management.

And in a first for a Korean tire manufacturer, the company was selected as one of the Carbon Management Sector Winners, Selective Consumer Discretionary Sector, in the 2014 CDP Korea, the former Carbon Disclosure Project, after having won Carbon Management Special Awards in the sector for two straight years. This solidified our position as a leader in climate change initiatives.

### Social Contribution Activities

Hankook Tire is contributing to the development of countries and local communities, directly and indirectly, through the implementation of diverse CSR activities, thereby fulfilling our role and responsibility as a corporate citizen that actively contributes to society.

#### Operation of Employee Volunteer Service Team, Donggeurami Volunteering Teams

After launching a company-wide employee volunteer service team in 2013, Hankook Tire has participated in diverse volunteer activities including neighborhood clean-up campaigns, visits to low-income households and social welfare facilities.  
**Total charitable activities in 2014: 9,626 persons | 509 projects | 29,330 hours**

#### Joint Operation of Online Donation Site, Dream Full

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 2014: 56,305 donations | KRW626,061,142**

#### Operation of Mobility CSR Programs

Hankook Tire designs and implements CSR activities that are in synch 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.  
**Total charitable activities in 2014: 485 Tuieum buses operated | 40 vehicles donated to social welfare institutions | 1,698 tires supplied to social welfare agencies**





## Proactive Culture

Hankook Tire has grown on the spirit of 'Proactive Culture', a culture unique to Hankook Tire. Through this, the company is strengthening the competence of each employee by making a proactive mindset part of the core DNA of the company. As a result, proactive leaders who are not afraid to stand up to new challenges have grown as passionate and innovative minds, opening up a bigger and brighter future for the company.

### Proactive Culture

The company's remarkable accomplishments are owed to the unwavering enthusiasm and dedication of its employees. Hankook Tire's growth since 1941 follows in 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 inject 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 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 a 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 and its business, regardless of their given task. Awards are given for the best ideas.

### '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

On HANA, the company's intranet communication blog, everyone is welcome to freely express his or her ideas and opinions on any matter, 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 the 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 Upgrade Vitality

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 condition of employees in a newly opened health promotion center.



## Risk Management

**Hankook Tire monitors and prioritizes diverse risks. We provide effective responses to identified risks to overcome them and create new opportunities through the implementation of enterprise-wide risk management. This includes guidelines on preliminary risk management and post-event responses.**

### Operational Risks

To ensure sustainable management, 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 ten important risks Hankook Tire identified were narrowed down to eight key risks in 2013 and more intensified risk management was addressed on these issues in 2014 as: Anti-Dumping; Fair Trade; Prevention of Sexual Harassment; Labor-Management Culture; Protection of Customer Information; Intellectual Property Rights Management; Environmental Issues; and Product Liability. Hankook Tire rigorously manages operational risks through consistent monitoring. We have enhanced our company-wide risk management capability, and perform post-event analysis on significant cases. When risks arise, we form task forces representing the relevant divisions. These task forces respond through facilitated, company-wide communication. Moreover, we try to forestall internal operational risks in advance by both regular and *ad hoc* audits. We manage external risks with steady monitoring of the economic environment and the automotive and tire industries, and analyze significant cases.

### Financial Risks

In 2014, the global financial market saw a widening gap between key global economies in monetary policies for various reasons, including the end of quantitative easing and the potential raise of interest rates by the US, and subsequent quantitative easing in the Eurozone and Japan. The global financial environment kept changing throughout the year due to geopolitical risks triggered by the crisis in Ukraine and by the collapse of global oil prices. This economic environment is forcing companies to walk a treacherous path bristling with risks and management challenges. Mindful of this challenging reality, Hankook Tire is focused 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 of reports on financial environment trends 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 the 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 Financial Risk Management Committee, presided over by the Hankook Tire CEO, is convened quarterly to build 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 short- and long-term cash flows of its headquarters and 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, mitigates the burden of fund management and reduces financial expenses through sharing of funds between those affiliates with limited funds and those affiliates with surplus funds. 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

Following the fire that broke out on September 30, 2014 in the company's logistic center located in the Daejeon Plant, Hankook Tire collaborated with multiple authorities including the National Forensic Service to identify the cause of the fire. The investigation concluded that the fire was not caused by arson or by a mistake but started in the electrical system. The exact cause is still unknown. The company is taking a variety of measures to prevent the risk of such a fire recurring in the future.

From November 5 to December 10, 2014, the company joined forces with in-house and external professionals specialized in fire preparedness diagnosis to assess the fire risk at our seven domestic plants and logistic centers, R&D center and dormitories. Based on the results of this diagnosis, the company supplemented our emergency preparedness manual, and is performing company-wide fire drills including assessments of operational performance of the fire-fighting facility. Our capability to respond to fire and explosion-related emergencies is improving with the assignment of a fire prevention officer to each zone, including vulnerable areas, through which regular patrols, safety inspections, and cleanings are performed. The company will invest a total of KRW30.774 billion from 2015 to 2017 on related facilities in an effort to enhance our fire-fighting preparedness.

### 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 support for the resolution of legal disputes such as litigations, arbitrations and more, both at home and abroad. With regard to the construction of the Tennessee Plant in the US in 2014, Hankook Tire drafted compliance guidelines by compiling key points and regulations in US labor laws that are in need of special attention, and shared them with concerned departments to prepare for any potential HR/labor issues and to support the company's compliance with US labor laws. And in preparation for impending risks associated with regulations banning the wholesale awarding of business deals to a specific business partner in the wake of the amendment of the Enforcement Ordinance of Monopoly Regulation and Fair Trade Law, the company analyzed transactions performed among its affiliated companies, and is implementing the improvement measures that were recommended during this analysis.

To prepare specialized responses to potential legal disputes associated with US product liability laws, the company transferred related tasks from the hands of our quality management department to our legal department. Furthermore, additional measures aimed at ensuring enhanced management of potential legal risks associated with US product liability laws were established and implemented. The company is also providing in-house education on fair trade and legal risks to ensure compliance management across the company. Hankook Tire will continue to strengthen its legal risk management and compliance capabilities in Korea and overseas.



**Hankook Tire will never stop challenging itself.**

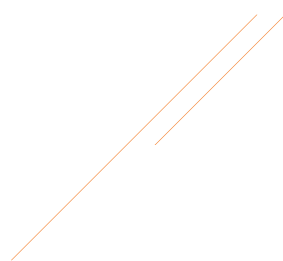
**We will never stop innovating to secure future technologies by proactive investments in R&D.**

**We will seek sustainable growth and provide the best quality and best services to customers.**

**We will continue to build trust and operate as a reliable partner for every stakeholder.**

**Leveraging our technological leadership, we will create premium brand value,**

**accelerate global business expansion and lead the global culture of driving.**



# FINANCIAL REPORT

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2.	Primary Business
3.	Business Sites and Plants
4.	Employees
5.	Organizational Structure
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7.	Debenture Information
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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

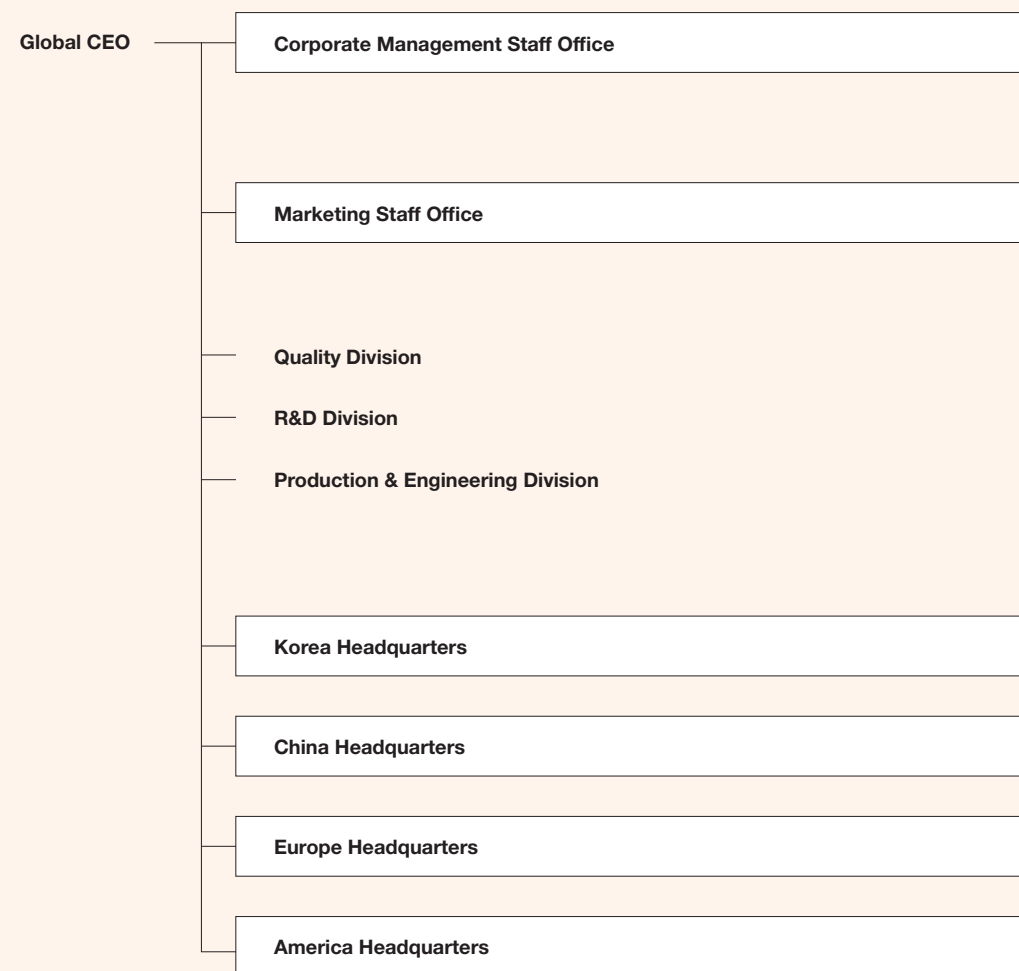
Name of Business Site / Plant	Main Business Activity or Product	Location
Headquarters	Sales and administration	133 Teheran-ro (Yeoksam 1-dong), Gangnam-gu, Seoul, Korea
Daejeon Plant	Tire manufacturing	40, Daedeok-daero 1447beon-gil, Daedeok-gu, Daejeon, Korea
Geumsan Plant	Tire manufacturing	1, Geumgang-ro, Jewon-myeon, Geumsan-gun, Chungcheongnam-do, Korea
Main R&D Center	Technology research	112, Gajeongbuk-ro (23-1 Jang-dong), Yuseong-gu, Daejeon, Korea
38 sales offices and distribution centers in Korea including the Gangnam Office	Tire sales	456, Dogok-ro, Songpa-gu, Seoul, Korea and other locations
32 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 (3 including ATC)	Technology research	3535 Forest Lake Drive Uniontown, Ohio 44685 and other locations

\* Consolidated Basis (Korea)

### 4. Employees

Number of employees			
Directors	Office Staff	Operators	Total
32	2,190	4,792	7,014

## 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
Common stock	123,875,069	61,937,535	100	
<b>Total</b>	<b>123,875,069</b>	<b>61,937,535</b>	<b>100</b>	

### 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	Common stock	123,875,069	61,937,535	61,937,535	Newly established through spin-off

### ③ Stock Administration

<b>Closing Date</b>	December 31				
<b>Book Closure Period</b>	January 1 to January 31	<b>Record Date</b>	December 31		
<b>Announcement</b>	www.hankooktire.com / Seoul Economic Daily				
<b>Type of Stock</b>	Registered common stock				
<b>Stock Administration Agency</b>	<b>Name of Agent</b>	Korea Securities Depository			
	<b>Administrative Office</b>	40, Munhyeongeumyung-ro (Munhyeon-dong, Busan International Finance Center), Nam-gu, Busan, 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.
Non-guaranteed debenture No. 82	September 1, 2014	54,960,000	LIBOR+0.83%	54,960,000	September 1, 2017	KTB Investment & Securities Co., Ltd.
<b>Total</b>		<b>204,960,000</b>		<b>204,960,000</b>		



## 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 (2014)		Actual Production (2013)	
		Quantity	Value	Quantity	Value
Tires		44,397,871	2,282,677,500	45,254,089	2,495,787,944
<b>Total</b>		<b>44,397,871</b>	<b>2,282,677,500</b>	<b>45,254,089</b>	<b>2,495,787,944</b>

### 3. Sales Performance

Korean won in thousands

Type of Sales	Sales Status	Year 2014		Year 2013	
		Quantity	Value	Quantity	Value
Finished Goods	Tires	Domestic sales	1,235,181,584	1,303,088,992	
		Exports	2,183,949,858	2,335,962,741	
		<b>Subtotal</b>	<b>3,419,131,442</b>	<b>3,639,051,733</b>	
Trading Goods	Tires, tubes, batteries, etc.	Domestic sales	163,987,781	195,816,421	
		Exports	81,116,244	74,492,928	
		<b>Subtotal</b>	<b>245,104,025</b>	<b>270,309,349</b>	
Other Sales	Services, engineering services, leases, etc.	Domestic sales	3,229,685	3,158,993	
		Exports	-	-	
		<b>Subtotal</b>	<b>3,229,685</b>	<b>3,158,993</b>	
<b>Total</b>		Domestic sales	1,402,399,050	1,502,064,406	
		Exports	2,265,066,102	2,410,455,669	
		<b>Subtotal</b>	<b>3,667,465,152</b>	<b>3,912,520,075</b>	

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

#### ① Expansions

Korean won in thousands

Site	Investment Purpose	Investment Duration	Investment Size
Hankook Tire	Facility expansions	2014.01-2014.12	74,675,226
	R&D	2014.01-2014.12	25,750,590
	IT	2014.01-2014.12	7,714,265
	Maintenance and repairs	2014.01-2014.12	126,776,470
	Trademark rights	2014.01-2014.12	329,690
<b>Total</b>			<b>235,246,241</b>

#### ② Funds Required and Financing Details

Korean won in thousands

Classification	Funding Source	Amount	Remarks
Domestic Funds	Facility funds	-	
	Corporate bonds	-	
	Internal funds	235,246,241	
	<b>Total domestic funds</b>	<b>235,246,241</b>	
Overseas Funds	Loans in foreign currencies	-	
	Internal funds	-	
	<b>Total overseas funds</b>	<b>-</b>	
<b>Investment Total</b>	<b>Total funds raised</b>	<b>235,246,241</b>	

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

1. Status of the Parent Company Not Applicable.

#### 2. Status of the Subsidiaries

Subsidiary			Relationship with the Company			
Company Name	Location	Capital Stock	Primary Business	Shareholding (Shares)	Ownership (%)	Business Relationship
Hankook Tire America Corp.	1450 VALLEY ROAD, WAYNE, NEW JERSEY 07470, USA	USD 58,000,000.00	Tire sales	11,600	100.00	Tire sales
Hankook Tire Canada Corp.	30 RESOLUTION DRIVE, BRAMPTON, ON, L6W 0A3, CANADA	CAD 50,000.00	Tire sales	50,000	100.00	Tire sales
Hankook Tire DE Mexico, S.A. DE C.V.	PASEO DE LAS PALMAS 735 PISO 7, Col. LOMAS DE CHAPULTEPEC, C.P. 11000, MEXICO, D.F	MXN 3,600,000.00	Tire sales	9,999	99.99	Tire sales
Hankook Tire de Colombia Ltda.	Av. 19 # 97 - 05, Oficina 701, Bogota, Colombia	COP 203,500,000.00	Tire sales	999	99.99	Tire sales
Hankook Tire Manufacturing Tennessee LP	STE 1000, 832 GEORGIA AVE CHATTANOOGA, TN 37402-2289	USD 50,000,000.00	Tire manufacturing	(*)	100.00	Tire sales
Hankook Tire America Holdings I, LLC	STE 1000, 832 GEORGIA AVE CHATTANOOGA, TN 37402-2289	USD 510,000.00	Holding company	(*)	100.00	Others
Hankook Tire America Holdings II, LLC	STE 1000, 832 GEORGIA AVE CHATTANOOGA, TN 37402-2289	USD 49,510,000.00	Holding company	(*)	100.00	Others
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 Netherlands B.V.	Koerilenstraat 2-6, 3199 LR Maasvlakte Rotterdam, Havennummer 8625, The Netherlands	EUR 1,593,676.12	Tire sales	(*)	100.00	Tire sales
Hankook Tyre U.K. Ltd.	Fawsley Drive, Heartlands Business Park, Daventry, Northamptonshire, NN11 8UG,U.K	GBP 25,000.00	Tire sales	25,000	100.00	Tire sales
Hankook Reifen Deutschland GmbH	Siemensstrasse 5a, 63263 Neu-Isenburg, Germany	EUR 127,822.97	Tire sales	(*)	100.00	Tire sales
Hankook Tire France S.A.R.L.	Immeuble le Patio, 35-37 Rue Louis Guérin 69100 VILLEURBANNE, FRANCE	EUR 1,190,561.27	Tire sales	(*)	100.00	Tire sales
Hankook Tire Italia S.R.L.	Centro Direzionale Colleoni, Via Paracelso 2, Palazzo Liocorno Ingresso 1(Piano 2) 20864, Agrate Brianza (MB), Italy	EUR 20,800.00	Tire sales	(*)	100.00	Tire sales
Hankook España S. A.	Avda. De La Industrias, No 4 Edificio 3, 2-D Parque Empresarial Natea, 28108, Alcobendas, Spain	EUR 60,101.21	Tire sales	(*)	100.00	Tire sales
Hankook Tire Europe GmbH	Siemensstrasse 5a 63263 Neu-Isenburg, Germany	EUR 25,000.00	Service	(*)	100.00	Service
Hankook Tire Hungary Ltd.	H-2459 Hankook tér 1, Rácalmás, Hungary	HUF 11,087,730,000.00	Tire manufacturing	(*)	100.00	Tire sales

Subsidiary			Relationship with the Company			
Company Name	Location	Capital Stock	Primary Business	Shareholding (Shares)	Ownership (%)	Business Relationship
Hankook Tire Budapest Kereskedelmi Kft.	IP West building 1th floor, Budafoki ut 91-93, H-1117 Budapest, Hungary	HUF 3,000,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Rus LLC	Leningradsky prospect, 72, bld. 1, 5 floor, Moscow, Russia, 125315	RUB 6,000,000	Tire sales	(*)	100.00	Tire sales
Hankook Tire Sweden AB	Kanalvägen 12, 194 61, Upplands Väsby, Sweden	SEK 50,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Lastikleri A.S.	Trump Towers Mecidiyeköy Yolu Cad. NO:12 KAT:16 Sisli Istanbul, 34387, Turkey	TRL 50,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Polska Sp. z o.o.	Sp. z o.o. ODDZIAŁ W POLSCE ul.Bokserska 66, 02-660 Warszawa, Poland	PLN 5,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Česká republika s.r.o.	Hvězdova 1716/2b 140 78 Praha 4 - Nusle, 14078 PRAHA 4, Czech Republic	CZK 2,000,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire Japan Corp.	9F Naniwasuji Honmachi MID bldg. 2-3-2, Utsubo-honmachi, Nishi-ku, Osaka 550-0004 Japan	JPY 20,000,000.00	Tire sales	400	100.00	Tire sales
Hankook Tyre Australia Pty., Ltd.	Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia	AUD 1,575,000.00	Tire sales	(*)	100.00	Tire sales
PT. HANKOOKTIRE INDONESIA	Jl. Kenari Raya Blok G3-01 Delta Silicon 5 Industrial Park, Desa Cicau-Kec. Cikarang Pusat, Bekasi 17550, Jawa Barat, Indonesia	USD 271,000,000.00	Tire manufacturing	270,999	99.99	Tire sales
Hankook Tire Thailand Co.,Ltd.	11th Floor, Two Pacific Place BLD, 142 Sukhumvit Rd., Klongtoey, Bangkok 10110 Thailand	THB 103,000,000.00	Tire sales	1,029,998	99.99	Tire sales
Hankook Tire Malaysia Sdn.Bhd.	22-8, Menara 1MK, Kompleks 1 Mont' Kiara, No.1 Jalan Kiara, Mont' Kiara, 50480, Kuala Lumpur, Malaysia	MYR 1,218,440.00	Tire sales	1,000,000	100.00	Tire sales
Hankook Tire Singapore PTE., Ltd.	24 Raffles Place #11-05 Clifford Centre, Singapore 048621	USD 1,000,000.00	Trading and consulting	(*)	100.00	Others
Hankook Tire China Co., Ltd.	Dong Fang Road, 314003 Jiaxing Edg, Jiaxing Zhejiang, China	CNY 1,608,696,155.83	Tire manufacturing	(*)	96.37	Tire sales
Jiangsu Hankook Tire Co., Ltd.	No.1 South Hantai Road, Huaian Economic Development Zone, Jiangsu, China	CNY 1,575,973,631.23	Tire manufacturing	(*)	34.67	Tire sales
Shanghai Hankook Tire Sales Co., Ltd.	10 Floor, Guangqi Tower, 12th Building, NO.1001 Qinzhoubei Road, Xuhui District, Shanghai, China	CNY 22,000,000.00	Tire sales	-	-	Tire sales



Subsidiary				Relationship with the Company		
Company Name	Location	Capital Stock	Primary Business	Shareholding (Shares)	Ownership (%)	Business Relationship
Chongqing Hankooktire Co., Ltd.	NO.149 Dongfeng Road, Jiangbei Zone, Chongqing, China 401133	CNY 1,257,337,400.00	Tire manufacturing	(*)	100.00	Tire sales
Beijing Jielun Trading Company Co., Ltd.	East 8-57-59, wufangtianya Auto parts mall, Southwest of Wufang Bridge, WangSiYing-Xiang, ChaoYang-District, Beijing, 100023, China	CNY 4,000,000.00	Tire sales	(*)	100.00	Tire sales
MK Technology Co., Ltd.	45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea	KRW 7,006,800,000	Mold manufacturing	3,507,000	50.10	Mold sales
MK Mold (Jiaxing) Co., Ltd.	No. 676 Changsheng East Road EDZ Jiaxing, Zhejiang Province, China (314-003)	CNY 47,450,750.00	Mold manufacturing	-	-	Mold sales
MK Technology (CHONGQING) Mould Co., Ltd.	No. 146 Dongfeng Road, Yuzui Town, Jiangbei Qu, Chongqing, China	CNY 4,917,615.00	Mold manufacturing	(*)	-	Mold sales
Daehwa Engineering & Machinery Co., Ltd.	30, Daehwa-ro 52beon-gil, Daedeok-gu, Daejeon, Korea	KRW 2,000,000,000	Machinery manufacturing	380,000	95.00	Equipment sales
Hanyang Tire Sales Co., Ltd.	386, Hyoryeong-ro, Seocho-gu, Seoul, Korea	KRW 150,000,000	Tire sales	30,000	100.00	Tire sales

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

As of December 31, 2014

### 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	Non-executive Director	
YOUNG SONG	Senior Vice President	Daehwa Engineering & Machinery	Non-executive Director	
HAN JUN KIM	Senior Vice President	Daehwa Engineering & Machinery	Auditor	
SUN KI YOON	Senior Vice President	MK Technology	Non-executive Director	
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 31, 2014

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	5,762,922	4.65	-	
SAUDI ARABIAN MONETARY AGENCY	2,970,231	2.40	-	
THE GOVERNMENT OF SINGAPORE	2,741,230	2.21	-	
NEW WORLD FUND, INC.	1,415,180	1.14	-	

## 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 (%)
Hankook Tire America Corp.	Hankook Tire Co., Ltd.	11,600	100.00	-	-
Hankook Tire Canada Corp.	Hankook Tire Co., Ltd.	50,000	100.00	-	-
Hankook Tire DE Mexico, S.A. DE C.V.	Hankook Tire Co., Ltd.	9,999	99.99	-	-
	Hankook Tire America Corp.	1	0.01	-	-
Hankook Tire de Colombia Ltda.	Hankook Tire Co., Ltd.	999	99.99	-	-
	Hankook Tire America Corp.	1	0.01	-	-
Hankook Tire Manufacturing Tennessee LP	Hankook Tire America Holdings I, LLC	100	1.00	-	-
	Hankook Tire America Holdings II, LLC	9,900	99.00	-	-
Hankook Tire America Holdings I, LLC	Hankook Tire America Corp.	100	100.00	-	-
Hankook Tire America Holdings II, LLC	Hankook Tire America Corp.	9,900	100.00	-	-
Hankook Tire Europe Holdings B.V.	Hankook Tire Co., Ltd.	390,253	100.00	-	-
Hankook Tire Netherlands B.V.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tyre U.K. Ltd.	Hankook Tire Co., Ltd.	25,000	100.00	-	-
Hankook Reifen Deutschland GmbH	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire France S.A.R.L.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Italia S.R.L.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook España S. A.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Europe GmbH	Hankook Tire Europe Holdings B.V.	(*)	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 Rus LLC	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Sweden AB	Hankook Tire Europe Holdings B.V.	500	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	100.00	-	-
Hankook Tire Česká republika s.r.o.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Japan Corp.	Hankook Tire Co., Ltd.	400	100.00	-	-
Hankook Tyre Australia Pty., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
PT. HANKOOKTIRE INDONESIA	Hankook Tire Co., Ltd.	270,999	99.99	-	-
Hankook Tire Thailand Co., Ltd.	Hankook Tire Co., Ltd.	1,029,998	99.99	-	-
	Hankook Tire Singapore PTE., Ltd.	1	0.01	-	-
Hankook Tire Malaysia Sdn.Bhd.	Hankook Tire Co., Ltd.	1,000,000	100.00	-	-
Hankook Tire Singapore PTE., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire China Co., Ltd.	Hankook Tire Co., Ltd.	(*)	96.37	-	-
	Hankook Tire America Corp.	(*)	3.63	-	-
Jiangsu Hankook Tire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	34.67	-	-
	Hankook Tire China Co., Ltd.	(*)	64.86	-	-
	Hankook Tire America Corp.	(*)	0.47	-	-
Shanghai Hankook Tire Sales Co., Ltd.	Hankook Tire China Co., Ltd.	(*)	66.00	-	-
	Jiangsu Hankook Tire Co., Ltd.	(*)	34.00	-	-
Chongqing Hankooktire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Beijing Jielun Trading Company Co.,Ltd.	Shanghai Hankook Tire Sales Co., Ltd.	(*)	100.00	-	-
MK Technology Co., Ltd.	Hankook Tire Co., Ltd.	226,452	50.10	-	-
MK Mold (Jiaxing) Co., Ltd.	MK Technology Co., Ltd.	(*)	100.00	-	-
MK Technology (CHONGQING) Mould Co., Ltd.	MK Technology Co., Ltd.	(*)	100.00	-	-
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	-	-
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, 2014 | Korean won in thousands

Creditor Name	Credit Amount	Shareholding (Shares)	Ownership (%)	Remarks
Woori Bank	800,000	-	-	
Shinhan Investment Corp.	150,000,000	219,077	0.18	
KTB Investment & Securities Co., Ltd.	54,960,000	-	-	
<b>Total</b>	<b>205,760,000</b>	<b>219,077</b>	<b>0.18</b>	

## 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, 2014). Details are as follows:

US dollar in thousands

Debtor	Financial Institution	Amount Borrowed	Amount Guaranteed	Period of Guarantee
Chongqing Hankook Tire Co., Ltd.	Sumitomo Mitsui Banking Corporation Seoul Branch	USD 60,000	Loaned principle, interest, overdue interest, and incidental expense	Until 3 year from the first date of withdrawal

(2) The Company incorporated a new subsidiary by the resolution of the Management Committee as of February 26, 2015.

Korean won in thousands

Newly Established Corporation	Capital Stock
Hankook Donggeurami Partners Co., Ltd.	900,000

(3) The Company issued Non-guaranteed debenture No. 83 by the resolution of the Board of Directors as of March 2, 2015. Details are as follows:

Korean won in thousands

Type	Face Amount	Issue Amount	Annual Interest Rate	Expiration Date
Non-guaranteed debenture No. 83-1	250,000,000	250,000,000	2.051%	March 11, 2018
Non-guaranteed debenture No. 83-2	250,000,000	250,000,000	2.229%	March 11, 2020

## 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 third fiscal year that started on January 1, 2014 and ended on December 31, 2014 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 2, 2015  
**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.:

#### Report on the Financial Statements

We have audited the accompanying separate financial statements of Hankook Tire Co., Ltd. (the "Company"). The separate financial statements consist of the separate statements of financial position as of December 31, 2014 and 2013, 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 years then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Separate Financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

March 19, 2015  
CEO **JONG HO HAM**  
Deloitte Anjin LLC  
10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Korea

This report is effective as of March 19, 2015, 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.

## 2. Consolidated Financial Statement

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

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hankook Tire Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, respectively, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2014 and 2013, respectively, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Auditing Standards ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, respectively, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, respectively, in accordance with K-IFRS.

#### Others

We conducted our audit of consolidated financial statements of the Group as of December 31, 2013, in accordance with the former KSAs, known as auditing standards generally accepted in Korea.

March 19, 2015

CEO **JONG HO HAM**

Deloitte Anjin LLC

10, Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Korea

This report is effective as of March 19, 2015, 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

### 1. Separate Statements of Financial Position

Hankook Tire Co., Ltd.

	Korean won in thousands	
	December 31, 2014	December 31, 2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	269,511,210	382,412,045
Short-term financial assets	286,660,544	449,649,800
Financial assets at FVTPL	55,000,000	-
Trade and other accounts receivable	1,027,147,225	989,239,910
Inventories	401,086,550	455,185,984
Other financial assets	418,071,628	5,083,790
Other current assets	8,643,555	6,536,916
<b>Total Current Assets</b>	<b>2,466,120,712</b>	<b>2,288,108,445</b>
<b>Non-current Assets</b>		
Long-term financial assets	13,000	13,000
AFS financial assets	395,280	388,000
Investments in subsidiaries	1,115,493,243	804,332,355
Property, plant and equipment	1,392,190,722	1,377,517,857
Investment property	108,147,080	107,749,809
Intangible assets	15,199,171	11,027,840
Other financial assets	14,191,917	66,770,363
Other non-current assets	150,267	150,268
<b>Total Non-current Assets</b>	<b>2,645,780,680</b>	<b>2,367,949,492</b>
<b>Total Assets</b>	<b>5,111,901,392</b>	<b>4,656,057,937</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Trade and other accounts payable	563,311,293	509,749,977
Short-term borrowings and current portions of long-term financial liabilities	761,568,738	636,472,244
Current tax liabilities	73,744,368	106,245,324
Other financial liabilities	57,900	-
Other current liabilities	47,331,417	41,311,919
<b>Total Current Liabilities</b>	<b>1,446,013,716</b>	<b>1,293,779,464</b>
<b>Non-current Liabilities</b>		
Long-term borrowings and debentures	158,466,362	203,232,496
Retirement benefit obligation	44,346,889	14,375,113
Deferred tax liabilities	28,144,623	39,319,151
Other provisions	35,001,612	35,439,750
Other financial liabilities	4,743,505	4,646,638
<b>Total Non-current Liabilities</b>	<b>270,702,991</b>	<b>297,013,148</b>
<b>Total Liabilities</b>	<b>1,716,716,707</b>	<b>1,590,792,612</b>
<b>Shareholders' Equity</b>		
Capital stock	61,937,535	61,937,535
Other paid-in capital	2,457,974,724	2,457,974,724
Retained earnings	875,272,426	545,353,066
<b>Total Shareholders' Equity</b>	<b>3,395,184,685</b>	<b>3,065,265,325</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,111,901,392</b>	<b>4,656,057,937</b>



2014: For the year ended December 31, 2014 | 2013: For the year ended December 31, 2013  
Korean won in thousands, except for income per share data

## 2. Separate Statements of Comprehensive Income

Hankook Tire Co., Ltd.

	2014	2013
<b>Sales</b>	<b>3,667,465,152</b>	<b>3,912,520,075</b>
<b>Cost of Sales</b>	<b>(2,463,249,810)</b>	<b>(2,684,892,724)</b>
<b>Gross Profit</b>	<b>1,204,215,342</b>	<b>1,227,627,351</b>
Selling expenses	(382,174,441)	(391,284,526)
Administrative expenses	(239,220,879)	(241,039,672)
Research and development expenses	(139,239,687)	(130,901,800)
<b>Operating Income</b>	<b>443,580,335</b>	<b>464,401,353</b>
Financial income	54,274,055	29,679,756
Financial expense	(53,900,853)	(41,026,423)
Other non-operating income	290,061,772	304,695,237
Other non-operating expense	(172,164,918)	(133,998,589)
<b>Income before Income Tax Expense</b>	<b>561,850,391</b>	<b>623,751,334</b>
<b>Income Tax Expense</b>	<b>(165,422,257)</b>	<b>(166,885,087)</b>
<b>Net Income</b>	<b>396,428,134</b>	<b>456,866,247</b>
<b>Other Comprehensive Income (Loss)</b>	<b>(16,967,702)</b>	<b>9,257,482</b>
<b>Items not to be reclassified subsequently to profit or loss</b>		
Remeasurements of the retirement benefit plan	(22,384,831)	11,909,874
Tax effects on the other comprehensive income	5,417,129	(2,882,190)
	<b>(16,967,702)</b>	<b>9,027,684</b>
<b>Items to be reclassified subsequently to profit or loss</b>		
Loss on valuation of foreign exchange forward contract	-	303,164
Tax effects on the other comprehensive income (Loss)	-	(73,366)
	-	<b>229,798</b>
<b>Comprehensive Income</b>	<b>379,460,432</b>	<b>466,123,729</b>
<b>Net Income per Share (Korean won)</b>		
Basic and diluted income per share	3,201	3,689

## 3. Separate Statements of Changes in Shareholders' 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 Stocks			
<b>As of January 1, 2013</b>	<b>61,937,535</b>	<b>2,459,062,742</b>	<b>(1,088,018)</b>	<b>129,000,207</b>	<b>(229,798)</b>	<b>2,648,682,668</b>
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
<b>As of December 31, 2013</b>	<b>61,937,535</b>	<b>2,459,062,742</b>	<b>(1,088,018)</b>	<b>545,353,066</b>	<b>-</b>	<b>3,065,265,325</b>
<b>As of January 1, 2014</b>	<b>61,937,535</b>	<b>2,459,062,742</b>	<b>(1,088,018)</b>	<b>545,353,066</b>	<b>-</b>	<b>3,065,265,325</b>
Annual dividends	-	-	-	(49,541,072)	-	(49,541,072)
Comprehensive income				379,460,432	-	379,460,432
Net income	-	-	-	396,428,134	-	396,428,134
Remeasurements of retirement benefit plan	-	-	-	(16,967,702)	-	(16,967,702)
<b>As of December 31, 2014</b>	<b>61,937,535</b>	<b>2,459,062,742</b>	<b>(1,088,018)</b>	<b>875,272,426</b>	<b>-</b>	<b>3,395,184,685</b>

4. Separate Statements of Cash Flows

Hankook Tire Co., Ltd.

	2014	2013
<b>Cash Flows from Operating Activities</b>		
<b>Cash generated from operating activities</b>	<b>832,613,124</b>	<b>765,073,363</b>
<b>Net income</b>	<b>396,428,134</b>	<b>456,866,247</b>
<b>Adjustment</b>		
Income tax expense	165,422,257	166,885,087
Interest income	(21,161,696)	(15,400,578)
Interest expense	12,440,728	15,450,624
Gain on foreign currency translation	(29,620,957)	(11,755,705)
Loss on foreign currency translation	50,288,869	17,651,183
Loss on disposal of trade receivables	-	376,916
Loss on disposal of AFS securities	14,995	17,136
Gain on disposal of AFS securities	(703)	-
Loss on valuation of foreign exchange forward contracts	57,900	-
Gain on valuation of foreign exchange forward contracts	(5,769,178)	-
Gain on disposal of property, plant and equipment	(2,021,221)	(1,563,038)
Loss on disposal of property, plant and equipment	5,363,063	1,030,788
Casualty loss	12,455,157	-
Loss on disposition of investment real estate	507,932	-
Gain on disposal of intangible assets	(1,555)	-
Loss (Gain) on valuation of inventories	(3,423,293)	1,695,024
Loss on abandonment of inventories	1,450,942	1,274,477
Loss on inventory obsolescence	1,141	1,619
Reversal of allowance for doubtful accounts	(5,468,857)	(987,713)
Depreciation of property, plant and equipment	206,653,324	203,054,862
Depreciation of investment in properties	975,615	699,695
Amortization of intangible assets	2,210,368	2,131,138
Sales damage expense	5,966,989	9,722,445
Employee benefits	2,639,317	739,873
Provision for severance benefits	43,545,629	42,850,857
Provision for other allowance	-	219,692
Reversal of other allowance	(172,589)	-
	<b>442,354,177</b>	<b>434,094,382</b>
<b>Changes in operating assets and liabilities</b>		
Decrease (Increase) in trade receivables	(58,746,235)	56,611,512
Decrease in other accounts receivable	5,877,599	16,485,339
Decrease (Increase) in accrued income	6,627,094	(2,824,742)
Decrease (Increase) in advance payments	(1,267,886)	4,665,161
Decrease (Increase) in prepaid expenses	(2,276,573)	1,632,091
Decrease in deposits of acceptances and guarantees	262,861	329,941
Decrease (Increase) in inventories	46,786,089	(15,133,708)

Korean won in thousands

	2014	2013
Decrease (Increase) in leasehold deposits provided	1,046,546	(1,231,660)
Increase (Decrease) in trade payables	382,943	(37,836,974)
Increase (Decrease) in other accounts payable	29,287,738	(106,071,252)
Increase in accrued expenses	4,850,162	9,322,477
Increase in advances from customers	(15,192,932)	(7,038,665)
Increase (Decrease) in deposits provided	21,094,998	(3,160,623)
Increase (Decrease) in unearned revenue	117,431	(761,336)
Payment of severance indemnities	(15,269,056)	(10,923,124)
Increase in plan assets	(20,689,628)	(20,391,386)
Increase in rental deposits	96,867	794,875
Decrease in long-term debts for employees	(1,013,283)	(1,172,167)
Compensation for sales damages	(8,143,922)	(9,183,025)
	<b>(6,169,187)</b>	<b>(125,887,266)</b>
<b>Interest revenue received</b>	<b>20,418,966</b>	<b>13,666,189</b>
<b>Interest expense paid</b>	<b>(12,167,914)</b>	<b>(15,417,997)</b>
<b>Income tax paid</b>	<b>(203,680,611)</b>	<b>(86,795,995)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>637,183,565</b>	<b>676,525,560</b>
<b>Cash Flows from Investing Activities</b>		
Net change in short-term financial assets	164,225,546	(281,925,770)
Acquisition of financial assets at FVTPL	(55,000,000)	-
Acquisition of AFS securities	(20,297,903)	(403,035)
Disposal of AFS securities	20,276,331	385,899
Acquisition of investments in subsidiaries	(311,160,887)	(10,625,293)
Acquisition of property, plant and equipment	(217,572,002)	(163,468,481)
Disposal of property, plant and equipment	5,073,057	3,654,923
Acquisition of intangible assets	(4,943,880)	(2,411,092)
Disposal of intangible assets	1,555	277,177
Acquisition of other financial assets	(348,486,001)	(6,978,457)
Disposal of other financial assets	847,529	1,031,666
<b>Net Cash Used in Investing Activities</b>	<b>(767,036,655)</b>	<b>(460,462,463)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of short-term borrowings	(16,946,862)	-
Increase in long-term borrowings	32,603,000	-
Repayment of current portion of long-term borrowings	-	(84,353,980)
Issue of bond	50,595,181	-
Dividends payment	(49,532,672)	(49,532,419)
<b>Net Cash Used in Financing Activities</b>	<b>16,718,647</b>	<b>(133,886,399)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(113,134,443)</b>	<b>82,176,698</b>
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<b>382,412,045</b>	<b>300,402,754</b>
<b>Changes in Cash and Cash Equivalents due to Foreign Currency Translation</b>	<b>233,608</b>	<b>(167,407)</b>
<b>Cash and Cash Equivalents, End of the Year</b>	<b>269,511,210</b>	<b>382,412,045</b>



2014: For the year ended December 31 | Scheduled date of appropriation: March 27, 2015 | Korean won  
 2013: For the year ended December 31 | Scheduled date of appropriation: March 28, 2014 | Korean won

### 5. Separate Statement of Appropriations of Retained Earnings

Hankook Tire Co., Ltd.

	2014	2013
<b>1. Retained Earnings before Appropriations</b>	<b>823,364,211,767</b>	<b>519,398,959,584</b>
Earned surplus reserved	443,903,779,944	53,505,028,156
Net income	396,428,133,830	456,866,246,611
Remeasurements of defined benefit plans	(16,967,702,007)	9,027,684,817
<b>2. Appropriations</b>	<b>75,495,179,640</b>	<b>75,495,179,640</b>
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
<b>3. Unappropriated Retained Earnings to be Carried Forward to Subsequent Year</b>	<b>747,869,032,127</b>	<b>443,903,779,944</b>

(\*) Dividends per share (Dividends rate): KRW400 (80%) for 2014, KRW400 (80%) for 2013

### 6. Consolidated Statements of Financial Position

Hankook Tire Co., Ltd. and Subsidiaries

Korean won in thousands

	December 31, 2014	December 31, 2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	725,184,392	682,413,905
Short-term financial assets	446,827,604	482,458,755
Trade and other accounts receivable	1,206,949,830	1,190,996,049
Inventories	1,446,023,588	1,472,464,615
Other financial assets	9,066,672	2,291,371
Other current assets	45,733,337	121,619,520
<b>Total Current Assets</b>	<b>3,879,785,423</b>	<b>3,952,244,215</b>
<b>Non-current Assets</b>		
Long-term financial assets	64,114	71,909
AFS financial assets	3,490,327	3,079,761
Property, plant and equipment	4,020,353,224	3,497,977,900
Investment property	108,575,912	108,178,641
Intangible assets	132,089,861	124,836,109
Other financial assets	16,627,700	15,044,366
Other non-current assets	60,987,478	195,310
Deferred tax assets	98,108,130	75,085,180
<b>Total Non-current Assets</b>	<b>4,440,296,746</b>	<b>3,824,469,176</b>
<b>Total Assets</b>	<b>8,320,082,169</b>	<b>7,776,713,391</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Trade and other accounts payable	990,792,850	924,983,718
Short-term borrowings and current portions of long-term financial liabilities	1,844,116,273	1,755,566,062
Current tax liabilities	102,685,164	147,406,861
Other financial liabilities	60,954	-
Other current liabilities	131,689,041	114,300,955
<b>Total Current Liabilities</b>	<b>3,069,344,282</b>	<b>2,942,257,596</b>
<b>Non-current Liabilities</b>		
Long-term borrowings and debentures	579,491,514	822,888,553
Retirement benefit obligation	47,455,105	16,859,440
Other provisions	63,258,140	65,895,353
Other financial liabilities	4,773,505	4,676,639
Other non-current liabilities	39,286,445	-
<b>Total Non-current Liabilities</b>	<b>734,264,709</b>	<b>910,319,985</b>
<b>Total Liabilities</b>	<b>3,803,608,991</b>	<b>3,852,577,581</b>
<b>Shareholders' Equity</b>		
Capital stock	61,937,535	61,937,535
Other paid-in capital	2,992,377,720	2,992,377,720
Retained earnings	1,542,406,544	909,195,718
Other equity	(85,732,057)	(45,974,035)
Non-controlling interest	5,483,436	6,598,872
<b>Total Shareholders' Equity</b>	<b>4,516,473,178</b>	<b>3,924,135,810</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>8,320,082,169</b>	<b>7,776,713,391</b>

2014: For the year ended December 31, 2014 | 2013: For the year ended December 31, 2013  
Korean won in thousands, except for income per share data

## 7. Consolidated Statements of Comprehensive Income

Hankook Tire Co., Ltd. and Subsidiaries

	2014	2013
<b>Sales</b>	<b>6,680,847,701</b>	<b>7,069,237,653</b>
<b>Cost of Sales</b>	<b>(4,280,800,825)</b>	<b>(4,710,850,601)</b>
<b>Gross Profit</b>	<b>2,400,046,876</b>	<b>2,358,387,052</b>
Selling expenses	(648,791,256)	(642,388,784)
Administrative expenses	(564,324,786)	(561,055,584)
Research and development expenses	(155,294,271)	(123,936,188)
<b>Operating Income</b>	<b>1,031,636,563</b>	<b>1,031,006,496</b>
Financial income	84,826,830	58,053,028
Financial expense	(137,602,075)	(106,408,953)
Other operating income	196,394,570	211,594,395
Other operating expense	(239,621,395)	(204,569,517)
<b>Income before Income Tax Expense</b>	<b>935,634,493</b>	<b>989,675,449</b>
<b>Income Tax Expense</b>	<b>(236,339,304)</b>	<b>(254,643,563)</b>
<b>Net Income</b>	<b>699,295,189</b>	<b>735,031,886</b>
<b>Other Comprehensive Income (Loss)</b>	<b>(57,416,749)</b>	<b>17,159,375</b>
<b>Items not to be reclassified subsequently to profit or loss</b>		
Remeasurements on retirement benefit obligation	(23,475,482)	12,178,024
Tax effects on other comprehensive income (Loss)	5,657,072	(2,941,183)
	<b>(17,818,410)</b>	<b>9,236,841</b>
<b>Items to be reclassified subsequently to profit or loss</b>		
Gains on valuation of AFS financial assets	164,483	647,066
Loss on valuation of foreign exchange forward contract	-	303,164
Exchange differences on translating foreign operations	(42,346,903)	7,546,758
Tax effects on other comprehensive income (Loss)	2,584,081	(574,454)
	<b>(39,598,339)</b>	<b>7,922,534</b>
<b>Comprehensive Income</b>	<b>641,878,440</b>	<b>752,191,261</b>
<b>Net Income Attributable to</b>		
Owners of the company	700,360,439	737,926,606
Non-controlling interests	(1,065,250)	(2,894,720)
<b>Comprehensive Income Attributable to</b>		
Owners of the company	642,993,876	755,008,584
Non-controlling interests	(1,115,436)	(2,817,323)
<b>Net Income per Share (Korean won)</b>		
Basic and diluted income per share	5,655	5,958

## 8. Consolidated Statements of Changes in Shareholders' 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 Stocks					
<b>As of January 1, 2013</b>	<b>61,937,535</b>	<b>2,993,465,738</b>	<b>(1,088,018)</b>	<b>211,566,946</b>	<b>(53,812,774)</b>	<b>3,212,069,427</b>	<b>9,416,195</b>	<b>3,221,485,622</b>
Annual dividends	-	-	-	(49,541,072)	-	(49,541,072)	-	(49,541,072)
Comprehensive income	-	-	-	747,169,844	7,838,739	755,008,583	(2,817,323)	752,191,260
Net income	-	-	-	737,926,606	-	737,926,606	(2,894,721)	735,031,885
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
Remeasurements of retirement benefit plan	-	-	-	9,243,238	-	9,243,238	(6,397)	9,236,841
<b>As of December 31, 2013</b>	<b>61,937,535</b>	<b>2,993,465,738</b>	<b>(1,088,018)</b>	<b>909,195,718</b>	<b>(45,974,035)</b>	<b>3,917,536,938</b>	<b>6,598,872</b>	<b>3,924,135,810</b>
<b>As of January 1, 2014</b>	<b>61,937,535</b>	<b>2,993,465,738</b>	<b>(1,088,018)</b>	<b>909,195,718</b>	<b>(45,974,035)</b>	<b>3,917,536,938</b>	<b>6,598,872</b>	<b>3,924,135,810</b>
Annual dividends	-	-	-	(49,541,072)	-	(49,541,072)	-	(49,541,072)
Comprehensive income	-	-	-	682,751,898	(39,758,022)	642,993,876	(1,115,436)	641,878,440
Net income	-	-	-	700,360,439	-	700,360,439	(1,065,250)	699,295,189
Gain on valuation of AFS financial assets, net	-	-	-	-	161,170	161,170	521	161,691
Exchange differences on translating foreign operations	-	-	-	-	(39,919,192)	(39,919,192)	159,162	(39,760,030)
Remeasurements of retirement benefit plan	-	-	-	(17,608,541)	-	(17,608,541)	(209,869)	(17,818,410)
<b>As of December 31, 2014</b>	<b>61,937,535</b>	<b>2,993,465,738</b>	<b>(1,088,018)</b>	<b>1,542,406,544</b>	<b>(85,732,057)</b>	<b>4,510,989,742</b>	<b>5,483,436</b>	<b>4,516,473,178</b>



9. Consolidated Statements of Cash Flows

Hankook Tire Co., Ltd. and Subsidiaries

	2014	2013
<b>Cash Flows from Operating Activities</b>		
<b>Cash generated from operating activities</b>		
<b>Net income</b>	<b>699,295,189</b>	<b>735,031,886</b>
<b>Adjustments</b>		
Income tax expense	236,339,304	254,643,563
Interest income	(21,321,386)	(17,173,974)
Interest expense	49,886,950	62,074,671
Dividend income	(55,410)	(83,455)
Gain on foreign currency translation	(71,092,974)	(64,990,846)
Loss on foreign currency translation	109,709,447	61,876,926
Gain on disposal of AFS securities	(703)	-
Loss on disposal of AFS securities	14,995	17,136
Loss on valuation of inventories	(2,186,981)	(699,182)
Loss on abandonment of inventories	2,389,127	2,459,366
Loss on disposal of trade receivable	699,375	569,578
Provision (reversal of allowance) for doubtful accounts	(3,898,895)	2,071,782
Other provision for doubtful accounts	590,694	-
Gain on disposal of property, plant and equipment	(2,329,879)	(1,937,637)
Loss on disposal of property, plant and equipment	8,293,686	13,800,109
Gain on disposal of intangible assets	(1,555)	-
Loss on property abandoned	1,515	114,557
Loss on impairment of property, plant and equipment	2,977,847	-
Loss on disposition of investment real estate	507,932	-
Loss on disposal of intangible assets	471	-
Casualty loss	12,455,157	-
Depreciation of property, plant and equipment	416,866,761	405,901,826
Depreciation of investment property	975,615	699,695
Amortization of intangible assets	11,151,183	6,387,846
Provision for other allowance	(172,589)	219,692
Sales damage expense	19,204,682	23,504,703
Employee benefits	2,639,317	739,873
Provision for severance benefits	47,148,544	45,910,562
Gain on valuation of derivatives	(6,131,606)	-
Loss on valuation of derivatives	60,846	-
	<b>814,721,470</b>	<b>796,106,791</b>
<b>Changes in operating assets and liabilities</b>		
Increase in trade receivables	(84,648,733)	(191,033,368)
Decrease (Increase) in other accounts receivables	12,610,909	(3,679,474)
Increase in accrued income	(13,445,236)	(2,824,742)
Decrease (Increase) in advance payments	27,526,976	(20,930,614)
Increase in prepaid expenses	(18,171,928)	(24,993,157)
Increase in deposits of acceptances and guarantees	(599,476)	(484,670)
Decrease (Increase) in inventories	4,539,228	(71,465,013)
Decrease (Increase) in leasehold deposits provided	495,422	(828,002)
Decrease (Increase) in other current assets	(2,825,813)	1,771,164

	2014	2013
Decrease (Increase) in other non-current assets	(717,092)	2,300,402
Increase in trade payables	47,818,072	11,080,815
Increase in other accounts payable	6,675,953	25,885,984
Decrease in accrued expenses	(12,641,366)	(3,449,554)
Increase (Decrease) in advances from customers	(14,212,468)	25,832,978
Increase in deposits provided	22,373,950	9,393,281
Increase (Decrease) in unearned revenue	14,451,360	(12,106,755)
Increase (Decrease) in other current liabilities	12,069,166	(1,204,552)
Decrease in long-term debts for employees	(1,081,182)	(1,179,919)
Payment of severance indemnities	(16,546,223)	(10,569,686)
Increase in plan assets	(23,402,287)	(22,527,275)
Increase in rental deposits	96,867	824,875
Compensation for sales damages	(22,973,655)	(22,075,697)
Increase in other non-current liabilities	301,528	-
	<b>(62,306,028)</b>	<b>(312,262,979)</b>
<b>Interest revenue received</b>	<b>26,578,524</b>	<b>18,061,687</b>
<b>Interest expense paid</b>	<b>(34,520,354)</b>	<b>(32,088,547)</b>
<b>Dividend income received</b>	<b>55,410</b>	<b>83,455</b>
<b>Income tax paid</b>	<b>(296,779,540)</b>	<b>(157,368,682)</b>
<b>Net Cash Provided by Operating Activities</b>	<b>1,147,044,671</b>	<b>1,047,563,611</b>
<b>Cash Flows from Investing Activities</b>		
Net change in short-term financial assets	37,231,911	(290,543,573)
Acquisition of AFS securities	(20,297,903)	(403,035)
Disposal of AFS securities	20,276,331	385,899
Acquisition of property, plant and equipment	(936,641,393)	(383,983,988)
Disposal of property, plant and equipment	10,693,379	33,408,555
Acquisition of intangible assets	(14,505,626)	(12,606,277)
Disposal of intangible assets	1,555	288,103
Net disposal of other financial assets	(1,543,342)	830,521
<b>Net Cash Used in Investing Activities</b>	<b>(904,785,088)</b>	<b>(652,623,795)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term borrowings	129,697,516	204,857,224
Proceeds from long-term borrowings	194,526,129	78,251,242
Issuance of debentures	81,504,058	55,323,555
Repayment of short-term borrowings	(382,996,872)	(493,685,894)
Repayment of current portion of long-term borrowings	(94,575,134)	-
Repayment of long-term borrowings	(74,483,601)	-
Dividends payment	(49,532,672)	(49,532,419)
<b>Net Cash Used in Financing Activities</b>	<b>(195,860,576)</b>	<b>(204,786,292)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>46,399,007</b>	<b>190,153,524</b>
<b>Cash and Cash Equivalents, Beginning of the Year</b>	<b>682,413,905</b>	<b>485,612,512</b>
<b>Cash and Cash Equivalents, Acquired by Spin-off</b>	<b>-</b>	<b>-</b>
<b>Changes in Cash and Cash Equivalents due to Foreign Currency Translation</b>	<b>(3,628,520)</b>	<b>6,647,869</b>
<b>Cash and Cash Equivalents, End of the Year</b>	<b>725,184,392</b>	<b>682,413,905</b>

## GLOBAL NETWORK

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## MILESTONES

### 1941

Foundation

### 1979

Built Daejeon Plant in Korea

### 1981

Established Hankook Tire  
America Corporation

### 1982

Established Main R&D Center  
in Daejeon, Korea

### 1992

Established America Technical Center  
(ATC)

### 1994

Established Beijing sales office in China

### 1996

Established Europe Technical Center  
(ETC)

### 1997

Completed Geumsan Plant in Korea

### 1998

Established China Technical Center  
(CTC)

### 1999

Completed Jiangsu and Jiaying Plants  
in China

### 2000

Introduced ERP System

### 2001

Opened Europe Distribution Center  
(EDC) in Netherlands

### 2003

Established strategic alliance with  
Michelin

### 2004

Unveiled new corporate identity

### 2005

Rolled-out of T'Station, premium  
automobile service franchise

Selected as strategic partner of Ford

Completed Geumsan Test Track (G'Trac)

### 2006

Received FAW-Volkswagen  
“10 Best Suppliers” award as only tire  
manufacturer

Entered Technical Agreement with  
premium auto maker Audi

Ranked world's 7th-largest tire  
manufacturer in terms of sales

Started construction of Hungary Plant  
(Rácalmás) in July

### 2007

Hungary Plant (Rácalmás) began  
production

### 2008

Completed Geumsan Plant's 2nd phase  
expansion

Globally announced “Kontrol  
Technology”

Launched “enfren”, eco-friendly tire

### 2009

Winter tire received top score in test by  
Germany's ADAC magazine

Became OE tire supplier to Audi

“enfren Optimo 4S” received product  
design awards in iF Product Design  
Awards

### 2010

Announced plans to build Chongqing  
Plant in China and Indonesia Plant  
(Bekasi)

Received the Red Dot Design Award  
with “Winter i\*cept evo”

### 2011

Announced as sole official tire supplier  
to DTM

Ground broken for Chongqing Plant  
in China

Ground broken for Indonesia Plant  
(Bekasi)

Became OE tire supplier to BMW

Became OE tire supplier to Toyota

### 2012

Spun off Hankook Tire and listed new  
securities

Supported UEFA Europa League as  
official sponsor

Chairman Yang Rai Cho received  
Distinguished Service Cross in Hungary

Launched “enfren eco”, eco-friendly tire

### 2013

Included in Dow Jones Sustainability  
Indices Asia Pacific

Completed Indonesia Plant (Bekasi)

Completed Chongqing Plant in China

Became OE tire supplier to Mercedes-  
Benz

Became OE tire supplier to Honda

### 2014

Launched new global tire brand  
“Laufenn”

Ground broken for Tennessee Plant in  
the US

Became OE run-flat tire supplier to  
Mercedes-Benz New C-Class & BMW  
New MINI

Ground broken for the new central R&D  
Center, HANKOOK TECHNODOME

Announced as an official tire supplier to  
World Rally Championship (WRC)

## CORPORATE INFORMATION

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

**2015 IR Schedule**

January		Announcement of 4Q 2014 earnings results and 2015 earnings target
February		Attendance at JP Morgan Conference (Seoul)
March		3rd General Shareholders' meeting Attendance at CITI Conference (Seoul)
April		Announcement of 1Q 2015 earnings results Overseas NDR (Hong Kong / Singapore)
May		Attendance at Samsung Securities Global Conference (Seoul) Attendance at Macquarie Conference (New York)
June		Attendance at Daiwa Conference (London) Attendance at UBS Global Conference (Seoul)
July		Announcement of 2Q 2015 earnings results
October		Announcement of 3Q 2015 earnings results

\* The company plans to attend other small scale IR meetings and road shows.

\* IR schedule may change according to circumstances of the corporation.

**Prepared by**

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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.

