



Driving for the Top
Annual Report 2004

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*Shifting to a New Position as **World Leader***

Since 1941, Hankook Tire has striven to upgrade customer satisfaction, using high-quality products and cutting-edge technologies to heighten value while expanding to more than 170 countries. Our proactive and progressive driving force has enabled us to carry out robust management innovations, exhaustive R&D explorations, and aggressive marketing strategies to strengthen our standing as Korea's best tire maker. We have also transformed from a manufacturing business to a more market-oriented and customer-friendly company that rises to meet all challenges. Hankook Tire has become a global player in world tire markets such as China, America, and Europe, as our tires are preferred by such internationally known automobile manufacturers as Ford, Volvo, Mitsubishi, Renault, and Volkswagen.

We are pleased to bring added safety, comfort, and smooth driving pleasure to customers the world over, while enhancing marketing efficiency and brand loyalty. Hankook Tire also aggressively anticipates and sets market trends, so as to offer greater satisfaction and a wider range of product options.

No matter what challenges lie ahead, Hankook Tire will continue its drive for the top.



A technical drawing of a wheel, showing various components and dimensions. The drawing is a cross-section of a wheel, with various parts labeled with callouts and dimensions. The text "Rolling First" is overlaid on the drawing in a white, sans-serif font. The drawing is a technical drawing of a wheel, showing various components and dimensions. The drawing is a cross-section of a wheel, with various parts labeled with callouts and dimensions. The text "Rolling First" is overlaid on the drawing in a white, sans-serif font.

Rolling First



Brand Essence

- **Proactive Tireship**

Proactive Tireship represents our progressive and active strategies to anticipate market trends and meet customer needs head-on.

- **Mind & Attitude**

The core of Hankook Tire's corporate image is defined as Proactive Tireship. This CI represents our employees' will and passion in providing customer-oriented brand assets and in creating a proactive and dynamic corporate culture.

In order to construct customer-oriented brand assets and to create a progressive and dynamic corporate culture, the brand essence of Proactive Tireship acts as an important frame for standardizing our major concepts and activities.

- **Core Identity**

- * Innovative Products & Quality: Our commitment is to develop innovative and professional technologies.
- * Take the Initiative: We act to implement our progressive focus.
- * Fellowship: A customer-centered attitude is our foremost priority.
- * Passion: Our employees' will and passion is to be the best they can be.



We are driving for the top,
charged with the passion to do our best.

Under the corporate philosophy of human safety and happiness, Hankook Tire has transformed itself from being simply a manufacturing concern to a market-oriented and customer-focused company, rapidly responding to changing market environments. We have continued to reap the fruits of our successes while anticipating and setting market trends. Inspired by our fundamental Proactive Tireship philosophy created along with our new CI in 2004, and infused with the spirit of champions, our employees continually aim to deliver the absolute best in customer satisfaction. We proactively explore and broaden new horizons while remaining ahead of the pack, as we grow ever stronger as a powerful world-leading Korean company.

2004 Achievements

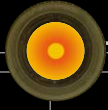
Financial Highlights

Shareholder Information

CEO's Message

Vision & Strategy

2005 Plan



***Driving** the Initiative*



2004 Achievements



Selected as the exclusive tire supplier for the German F-3 Championships



Hankook Tire's aggressive marketing activities included the supply of tires for internationally renowned motor sport competitions including the U.S. Sports Car Club of America (SCCA) 2004 Championships, the Italian F-3 Championships, and the Greek Rally Championships. Hankook Tire signed an exclusive contract with the German F-3 Championships for the annual supply of 3,000 tires for 2 years from 2005. With this effective marketing opportunity, we anticipate that our sales and our brand recognition will increase in the European market.

Sponsor of a national title match between Korea and Germany



Hankook Tire has made strategic, targeted investments in sports marketing including fence promotions worth US\$ 4.5 million a year in such major leagues as the NBA and NHL. In 2004, we performed a variety of marketing activities, and sponsored the "Enjoy Driving National Title Match" between Korea and Germany, the largest soccer event held in Korea since the 2002 Korea-Japan World Cup. This sponsorship helped to generate advertising worth over US\$ 5 million and increase brand recognition in European markets.

Our SUV tire was rated one of the best in its class by Consumer Reports Magazine



The Consumers Union of the U.S. ranked the Dynapro RH03 as one of the top three based on performance test, in a detailed report issued by Consumer Reports Magazine in November 2004. Goodyear's Fortera, Pirelli's Scorpion, and Hankook Tire's RH03 all received very high marks, with our RH03 receiving an 'Excellent' rating for braking capacity on wet and/or dry roads and hydroplaning control, and a 'Very Good' rating for reliability and fuel efficiency.

Our tires were on the championship car at the U.S. SCCA 2004 Championships



Hankook Tire was the official Title Sponsor of the U.S. SCCA 2004 Championships, the PRO MIATA CUP, one of the top motor sport championships in North America. Vehicles using Hankook Tire products took first and third place, respectively, in the final showdown and Roger Schorer, who placed third, marked a new time record of 1:47:984 in the preliminaries on the Mid-Ohio Sports Car Course. Hankook Tire's sponsorship helped make all this possible.





Hankook Tire ranked 9th in sales in the world market



We further solidified our position as the leading manufacturer of Replacement Equipment (RE) tires and Original Equipment (OE) tires in the domestic and Chinese markets and continued to grow in other markets all over the world. We had a 43.4% market share in the domestic Original Equipment market, and 45.6% in the Replacement

Equipment market. We are continuing to increase our world market share having placed 9th in the world in 2003, 10th in 2002, and 11th in 2001.

Won award for 'Innovative Production' at the 30th National Quality Competition



Hankook Tire was awarded the 'Innovative Production' prize for the Company's development of TPM, 6 sigma, TOP, and PI at the 30th National

Quality Competition held by the Ministry of Commerce, Industry, and Energy and the Korean Standard Association. As for the Daejeon plant, the Lake Sub Team of the Raw Material Sub 1 Team received a Gold prize and the Fashion Sub Team of the Facility Maintenance Team received Bronze. Besides, Shin, Sun-In, the manager of the Refining Sub Team at the Daejeon plant and Lee, Hyun-Seok, the manager of the PCR Team at the Geumsan plant were selected as a 'Quality Artisan' and Park, Yong-Hyun, the director of the TPM office at the Daejeon plant received the 'President Award.'

Achieved record-breaking performance

Hankook Tire saw a surge in sales to KRW 1,855.8 billion, with an operating income of KRW 225.2 billion and net income of KRW 166.0 billion for the year 2004. Despite slow growth in world tire markets of between two and three percent, we are continuing our drive to raise Hankook Tire's market share by boosting global recognition of our brands in overseas markets.

Annual exports hit US\$ 700 million mark for the first time



Hankook Tire was the first Korean tire manufacturer to record exports of over US\$ 700 million in one year, with a record of US\$ 798.7 million, receiving the 700-million export tower. We are seeing a high demand from dealers the world over, who appreciate Hankook Tire's high quality and

competitive prices. In response, we have increased our deliveries to leading overseas companies and are developing our overseas business network, while focusing on ERP. We will continue to boost our export competitiveness by engaging in diverse global marketing activities in the future. We are also planning to reach a new record for annual exports using an overseas marketing campaign and aggressive OE positioning to take us to this goal.

Breaking the 500 million mark in tire output



Hankook Tire was the first tire manufacturer in Korea to reach the 500 million mark, as of January 3, 2005. This is another milestone in a list of achievements going back 63 years since HT's start in 1942. We were also the first domestic tire manufacturer to export tires in 1962, and hit the 100 million

mark in tire output in 1990, and 300 million in 1999. We expect to eclipse the one billion mark by 2010, since we now have the capacity to produce 1.68 tires per second.

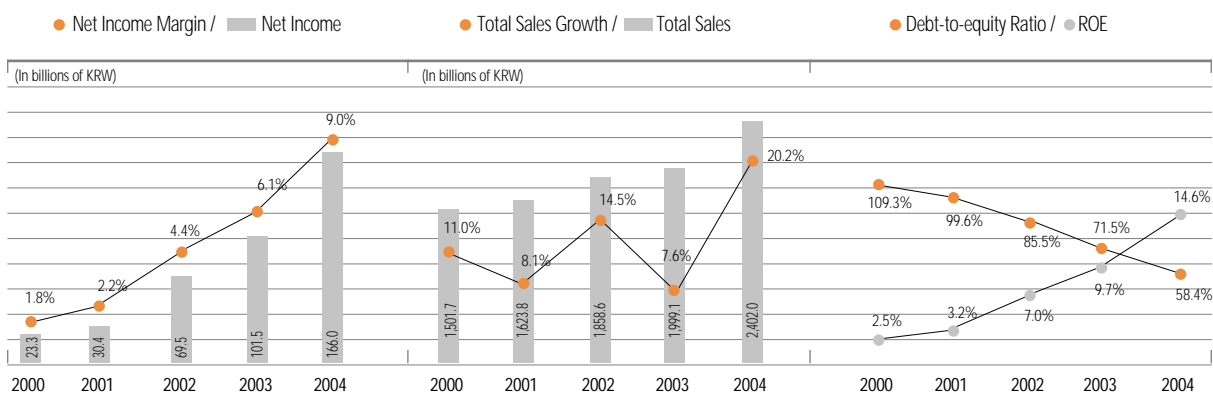


Financial Highlights



(In billions of KRW)	2004	2003	2002	2001	2000
Total Sales	2,402.0	1,999.1	1,858.6	1,623.8	1,501.7
Korea	1,855.8	1,676.9	1,578.5	1,405.0	1,312.7
China	546.2	327.5	280.1	218.8	189.0
Hankook Tire (Domestic Operations)					
Sales	1,855.8	1,676.9	1,578.5	1,405.0	1,312.7
Operating Income	225.2	170.4	103.3	119.0	106.3
Ordinary Income	243.0	143.6	74.2	41.0	33.6
Net Income	166.0	101.5	69.5	30.4	23.3
Total Assets	1,889.6	1,861.7	1,857.3	1,916.1	1,947.7
Total Liabilities	697.0	776.1	856.3	955.9	1,017.1
Total Shareholders' Equity	1,192.6	1,085.7	1,001.0	960.2	930.6
Earnings Per Share (In KRW)	1,136	694	476	210	160
Book-Value Per Share (In KRW)	12,581	7,229	6,665	6,442	6,243
Debt-to-equity Ratio	58.4%	71.5%	85.5%	99.6%	109.3%
Return On Equity	14.6%	9.7%	7.0%	3.2%	2.5%

* Restated financial statements for 2001 due to adjustments.



Shareholder Information

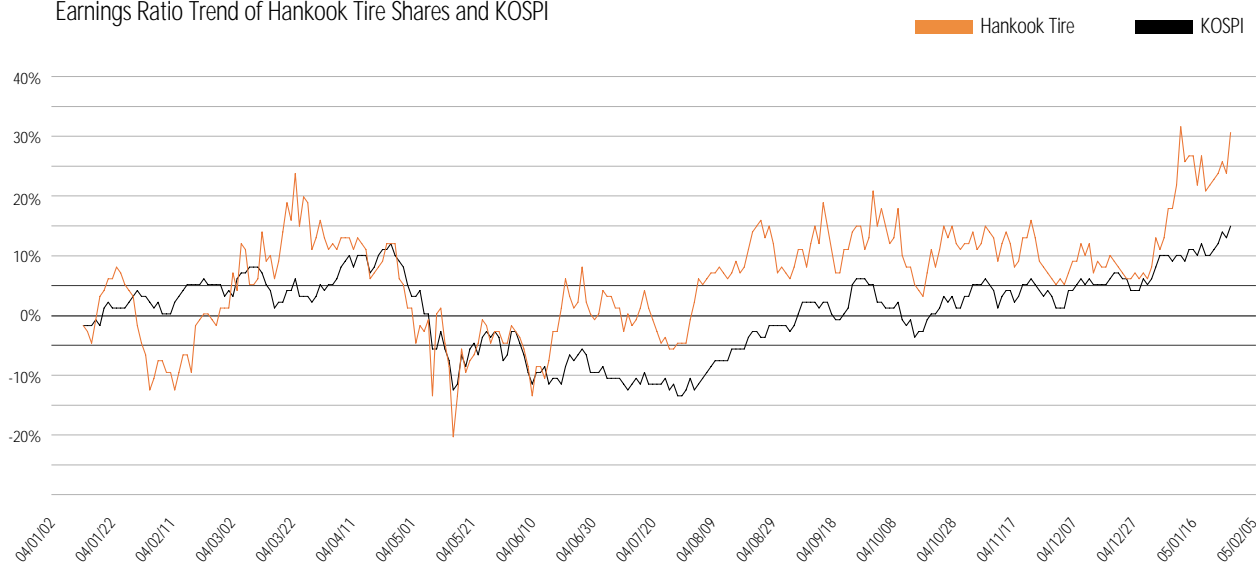


Strengthening the confidence of domestic and overseas investors

Our investors place their trust in Hankook Tire. Started in 2003, our commitment to announcing the monthly results of our major business activities and to producing monthly financial reports helps maintain that trust. We also improved our IR website by building an IR E-mail system to provide timely information about the Company. With such overseas IR activities as conferences, road shows, and about 200 one-on-one meetings throughout the year, we are able to maintain close relationships with investors.

With continuous growth over the year including steady revenue-oriented growth, stability has become our watchword, as we outperformed the Korean stock market (KOSPI) throughout 2004. Our brisk IR activities have provided the latest information to domestic institutional and foreign investors so as to give a comprehensive and clear picture of Hankook Tire's position.

Earnings Ratio Trend of Hankook Tire Shares and KOSPI



"In striving to understand how our customers think and feel, we aim to meet their needs with a steady stream of innovative products."

*With a clear target of becoming
a 'World-class Global Leading Company,'
we will gear up further in the race
by rising to all challenges through
a process of ceaseless self-innovation.*



CEO's Message



Dear customers, shareholders, and partners

Despite an adverse management environment, the year 2004 was a milestone for Hankook Tire as we achieved our best management results in Company history with exports reaching almost US\$ 900 million.

Our sales and ordinary income for the year 2004 were KRW 1,855.8 billion and KRW 243.0 billion, up by 10.7% and 69.2%, respectively, far exceeding the levels of 2002 and 2003. These stellar results can be traced to management innovations and our transformation into a strong market-oriented company. By initiating new practices, methods, and innovations, we were able to overcome unfavorable conditions in the sluggish domestic economy, as well as uncertainty in the world economy.

We are proud that Hankook Tire has grown to the point where it can confidently and effectively compete with other major companies in markets all over the world. At the same time, we are not fully satisfied with our successes and will continue to drive forward, while overcoming all challenges through a focus on self-innovation, until we become a 'World-class Global Leading Company.'

In order to accomplish such goals, it is critical that we continue to research and develop innovative products that will lead the industry, advance into target markets by localizing production

facilities, expand into overseas OE markets, and enhance the quality of service by reinforcing our distribution channels.

Of crucial importance to the Company is the Chinese market, and we aim to continue our success story there, the fastest-growing market in the world. Competition will get ever fiercer there as the world's major tire makers accelerate their advance into the market, and a hard landing for the economy is expected at some point. Nonetheless, we see this market holding great potential and intend to forge ahead with an all-out effort for continued growth in the Chinese market.

As for business environments around the world in 2005, although difficulties are expected, we prefer to view the situation as presenting a multitude of possibilities. We aim to meet all challenges and strive for the best results, while enhancing our internal capabilities for more qualitative growth potential.

In 2005, we will continue to drive ahead with management innovations so as to effectively respond to and shape an ever-changing business environment. We will increase our efforts in product innovation and cost-cutting by expanding our total operational performance (TOP) in China, by establishing a product lifecycle management (PLM) system, and by initiating total productivity management (TPM). We also plan to equip ourselves with ever more professional competencies, through expansion of

2004 At a Glance

Mar. 1, 2004

New CI introduced

Hankook Tire introduced its new CI, seeking to transform the Company's image from that of a conservative and traditional manufacturer to that of a progressive and dynamic global company that embraces challenge, hope, and a grander vision. The basic concept, that of 'Proactive Tireship,' reflects the Company's innovative and future-oriented management, and presents a corporate image that embodies challenge, progressiveness, innovation, and the future, while demonstrating Hankook Tire's firm resolve to always be with the customer.

May 2, 2004

President of China, Hu Jintao visited Hankook Tire's Jiangsu production facilities

The President of China and Party General Secretary Hu Jintao visited HT's plant in Huai-an, Jiangsu Province accompanied by about 40 high-level government officials. This unusual occurrence reflected the nation's interest in fast-growing Hankook Tire. The President expressed thanks for our investments in China and expressed his belief in the competitiveness of our facilities and technologies.

May 3, 2004

Held the 4th Tire Design Competition

Hankook Tire held the 4th Tire Design Competition as a way to publicly announce the introduction of its newly adopted CI and to get fresh and better tire design ideas. The 2004 Design Competition, held biannually, was divided into two areas: product design and visual design, with the subject being our new corporate slogan 'Driving Emotion.' The award-winning designs were showcased at the 3rd Seoul Design Festival.



our knowledge management, innovation of our logistics, and improvement of our internal decision-making systems.

We will also develop and deepen our global management practices further. Hankook Tire has already enhanced its global management with the organization of global staff into a more systematic management system, and our reorganization into regional business units has allowed these units to take more responsibility for their particular region. We also continue to place top-notch personnel, and actively encourage them to become leaders in a changing organization.

Lastly, but crucially, we will continue to fortify our market-oriented management practices. We see this area as critical to future growth, because growth through quantitative expansion alone will eventually hit a wall when the tire industry moves into a mature stage. To better equip Hankook Tire with the means to go beyond such limits, we believe that we must continue to develop and transform the Company into a more market-and customer-oriented company, moving forward from our legacy as a management-oriented one. We will revamp our management practices so as to take a more consumer-centered approach in all areas including quality, price, service, brand, and so forth.

Having entered the fast lane, we will leverage our past performances and our present efforts to propel Hankook Tire ever

closer to the winner's podium, there to be crowned a genuine 'Global Leading Company,' recognized at home and across the globe. With our strategies for profitable growth and plans to better understand customer needs keeping us on track, our goals remain clearly within view.

Hankook Tire will never stop challenging for the top spot and we are certain that the Company's continued drive to create a 'better tomorrow' will bring our shareholders and customers yet another great success story in 2005. We hope you will join us for an exciting ride into the circle of champions.

In closing, I would like to thank you for your unwavering support and express my heartfelt appreciation for your continuous encouragement. With a fine support team made up of customers, shareholders, employees, and partners, I believe Hankook Tire can go the distance and break more records along the way. I would like to wish you and yours all the best in what promises to be an exciting, challenging, and dynamic year ahead.

March 11, 2005

Chief Executive Officer | Cho Chung Hwan

Aug. 11, 2004

Held events for racing club members

Hankook Tire held a large-scale PR event for automobile enthusiasts' clubs. The event served as an opinion leader to enhance Hankook Tire's corporate image, secure potential customers, and thereby increase sales. Tires for two cars were offered as prizes and test-driving was demonstrated. We were able to identify the preferences of our target consumers by looking at what tires were found on the cars attending the event. We will expand our marketing in 2005, with similar events and hold off road competitions, while providing opportunities to jointly purchase new products at discounted prices.

Aug. 11, 2004

Started production of 26-inch and 28-inch UHPs, a first for Korea

Hankook Tire succeeded in developing 26- and 28-inch SUV-UHP products, demonstrating its cutting-edge technology in the market once again. These new products received favorable reactions at the U.S. SEMA SHOW in October and the ESSEN SHOW in November 2004 held in Germany. In January 2005, the products also were presented at the Tokyo AUTO SALON, and at the Paris TUNING SHOW in Feb. 2005. The 26-inch product entered an existing market, while the 28-inch product showed off Hankook Tire's advanced R&D capabilities.

Nov. 19, 2004

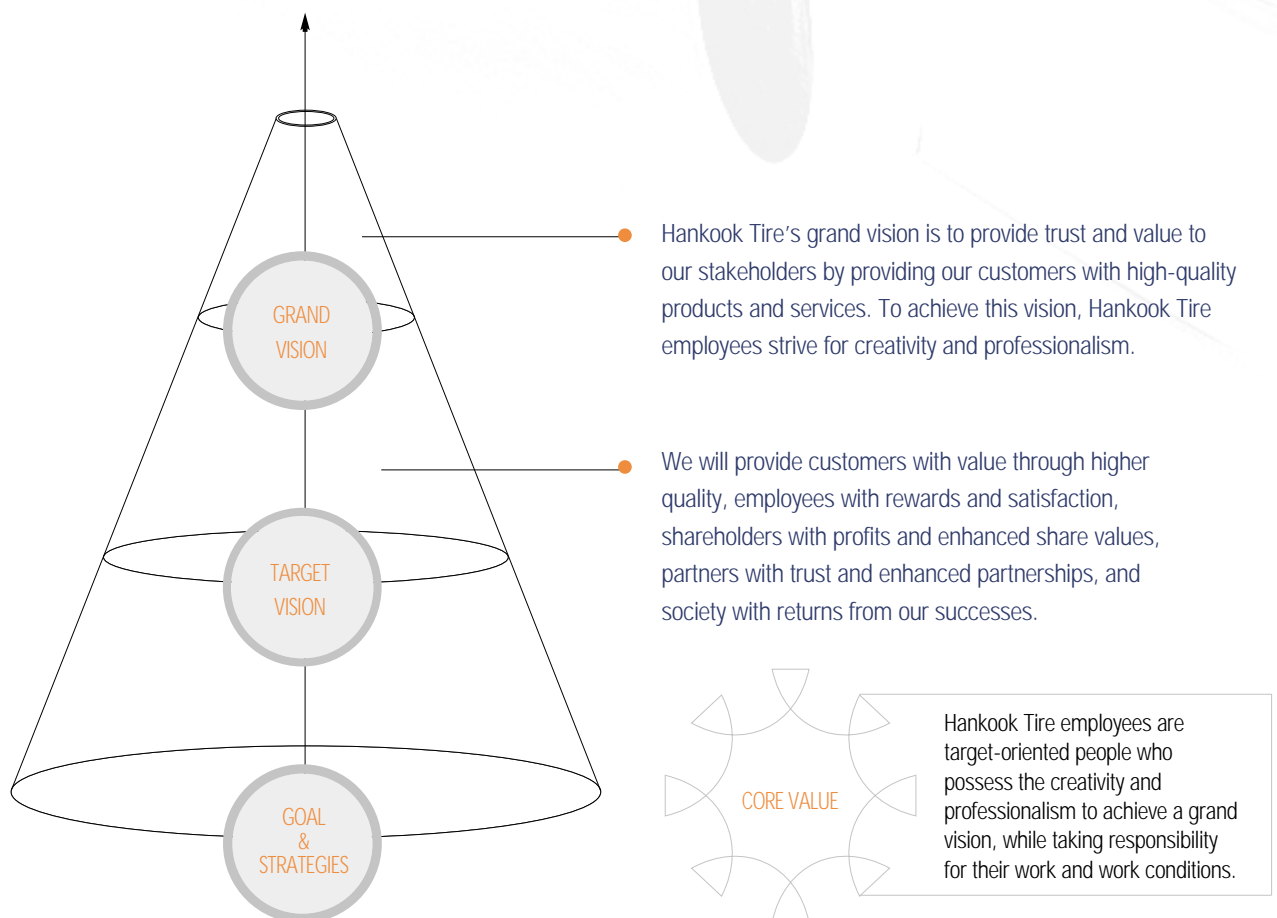
Mr. Hyun Seok Lee (PCR SUB Team) Selected as the first 'Quality Master Craftsman' for the Geumsan Plant

In 2004, for the National Quality Management Competition, Mr. Lee of the PCR SUB Team at HT's Geumsan Plant received the Presidential Award as an Artisan. The 'Quality Artisan' award is given to a person exhibiting an artisan's spirit, who has worked on site for over 10 years, with over 5 years in a quality management sub team. The President of Korea presented this award in the form of a medal to honor Mr. Lee. Through this event, Hankook Tire also pledged to make further efforts to be a Mecca of quality.



We will deliver Trust and Value to the world.

Hankook Tire strives to achieve its grand vision of becoming a global-leading company that delivers high value to the world by providing high-quality products and services to our valued customers. In 2004, Hankook Tire provided US\$ 71.0 million worth of tires to a number of well-known manufacturers in the finished car market. As such, the quality of our products and our brand credibility received wide recognition with these placements, greatly increasing the effectiveness of the Company's worldwide marketing efforts. Going forward in 2005, Hankook Tire will continue to expand its market share in OE tires for new cars by delivering more OE tires to more automakers.





❖ We will leap forward in the world with enhanced global marketing.

In 2005, Hankook Tire will enhance its global marketing activities so as to firmly position the Company as a 2nd tier tire maker. We will realize growth based on profitability by channeling energies into expanding our array of new and high value-added products (UHP, SUV), by securing a competitive edge in pricing, by improving our distribution network, by pushing our global brand marketing, and by establishing a profitability model for commercial vehicle (TBR) placement.

❖ Optimal Product Mix

Hankook Tire will establish an optimum sales structure by expanding sales of new and high value-added products, by selecting and concentrating on strategic core groups, and by optimizing the production/sales mix by country. We will increase our sales of high value-added products by expanding our R&D into tires for racing and UHPT, and develop the market for SUV products. Furthermore, we will maximize our profitability by selecting and focusing on strategic countries with a priority on quantitative and qualitative growth, centered on large high value-added markets. We will also cut costs while enhancing profitability by optimizing our production/sales mix, while taking into consideration production origin and production costs.

❖ Price Position Up

Increasing the prices in our overseas core group of countries is one of our strategies for entering the 2nd tier group of tire makers. Since 2003, we have surveyed product pricing levels of major foreign companies, and will use this knowledge to set our own price positions and to set targets for increasing our price positions into 2008. We will also establish a comprehensive price position strategy through various methods such as new product launches, price controls through distribution downstream, and a sell-out price management system through our overseas affiliates, while reinforcing our global brand marketing.

❖ Distribution System Improvement

One of the most important factors in marketing is distribution as well as products and pricing. In particular, the distribution management system for overseas sales, which represent over 70% of total sales (based on 2004 results), directly affects those sales. Therefore, we will select major countries, learn about the distribution structure, and establish the optimum distribution model for the country, using market surveys in each country. With this model, we will analyze our distribution channel portfolio so as to secure a stable demand base.

❖ Global Brand Marketing

In 2003, in order to enhance Hankook Tire's brand value, we established a global brand strategy and applied a systematic brand management system and program, in conjunction with introduction of the new CI. We will reinforce brand recognition with our 'Enjoy Driving' campaign in 2005 and initiate tailored domestic advertising and integrated overseas advertising to establish a global brand image. Furthermore, we will provide more support to motor sports to increase brand recognition. In the past, we supported the BAT GT Championships and 10 championships held in Europe and championships in the U.S., and in 2005, we will participate in Germany's F3 Championships, the Sardinia F3 Master Championships, and various other rally championships in the U.S. We will also increase our supply as official supporters and our sales by introducing specialized facilities for racing tires.



Hankook Tire, reborn as a World-Class company in 2005

In 2005, we will continue to implement our management innovations and enhance our core capabilities so as to leap forward to become a global leading company. Notwithstanding our success so far, we will continue our march forward with a firm resolve to achieve ever-greater heights of success.



⚡ Continuous Management Innovation

Hankook Tire will continuously push forward with management innovation to remain on track in a fast-changing business environment. With our accumulated R&D capabilities, we have developed innovative products capable of putting Hankook Tire at the forefront of the industry, and will make inroads into target markets by localizing production facilities. We will also expand our supply of tires for overseas car manufacturers and make further efforts to upgrade service quality through the enhancement of our distribution networks. Going forward, we at Hankook Tire plan to enhance productivity while cutting costs and equip ourselves with advanced competencies by expanding knowledge management, by innovating Company logistics, and by improving the internal decision-making system.

⚡ Worldwide Global Management

We will further expand and deepen our global management. In 2004, Hankook Tire was reorganized into a regional business system operating under systematic global management practices. Our global staff was also given more responsibility for management of their particular region. As we proceed with changes in the organization, we will search out and nurture high-quality human resources, who have the capability of becoming global leaders. We will also channel company-wide efforts toward the construction of a plant in Eastern Europe for the globalization of our production facilities.

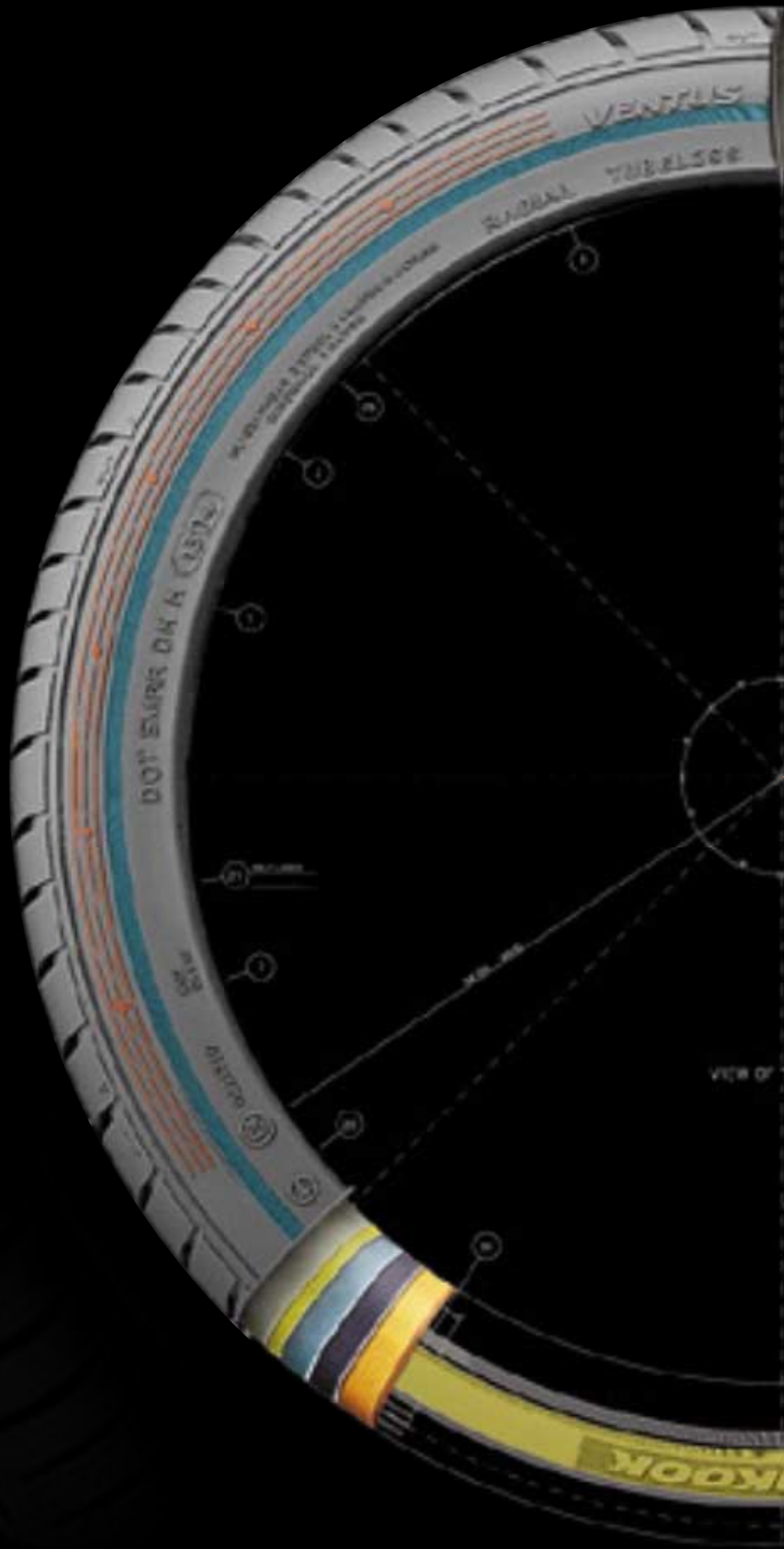


❖ Qualitative Growth in the Chinese Market

With a hard landing for the fast-growing Chinese economy in sight, the market environment is expected to get worse. However, success or failure in the Chinese market will be a pivotal factor in deciding the rankings in the world tire industry, and we will need to put more effort and investment into the country. Hankook Tire will continue to work toward even better management results, by ceaselessly enhancing our internal capabilities so as to see continued qualitative growth.

❖ Establishment of Firmer Labor Relationships

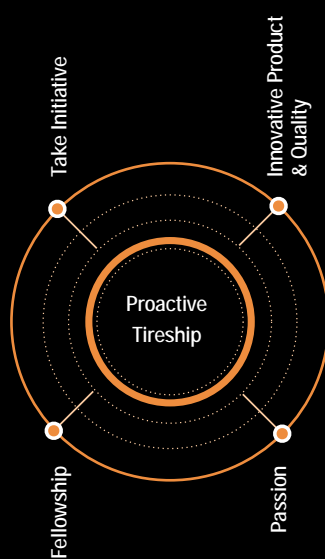
We expect the year 2005 to blossom in terms of a desirable labor relationship with employees, judging from efforts made so far. We will pursue company development by improving labor relations through better cooperation and harmony. As such, we will ensure employee happiness and security by improving company stability and development. In developing a firm trust between labor and management, we will make Hankook Tire a highly competitive company with a mindset based on partnership.





*Rolling
Further*





- **Innovative Product & Quality**

We intend to enhance the credibility and professionalism of Hankook Tire by establishing a cutting-edge and future-oriented image with the development of innovative products that will lead the market, while meeting customer needs for superior quality.

- **Take Initiative**

This basic motto, which is reflected in every aspect of Hankook Tire, from products and service to customers and the overall organization, indicates our progressive and active spirit to drive toward new horizons, as well as our active attitude and practices.

- **Fellowship**

We at Hankook Tire seek to transform our customer-oriented image further by anticipating and leading trends based on customer needs, while establishing stronger customer relations by encouraging the development of stronger bonds with customers.

- **Passion**

With a firm resolve to change the organization, each and every employee is making ongoing efforts in their own specialized fields, driven by passion to be the best they can be, while acting as a driving force for corporate innovation.

Toward the Global 2nd Tier with Proactive Tireship

Hankook Tire has established strong brand assets and is developing a 'Challenging,' 'Progressive,' and 'Future-oriented' corporate culture through Proactive Tireship. The employees of Hankook Tire possess a progressive and active mindset that enables the Company to anticipate and lead market trends, while meeting customer needs. In addition, as a specialized company focused on producing 'good tires' for the past 60 years, Hankook Tire is now leaping forward to become an advanced tiremaker in the 21st century, with its increasing professionalism and competitiveness enhanced by state-of-the-art technologies.

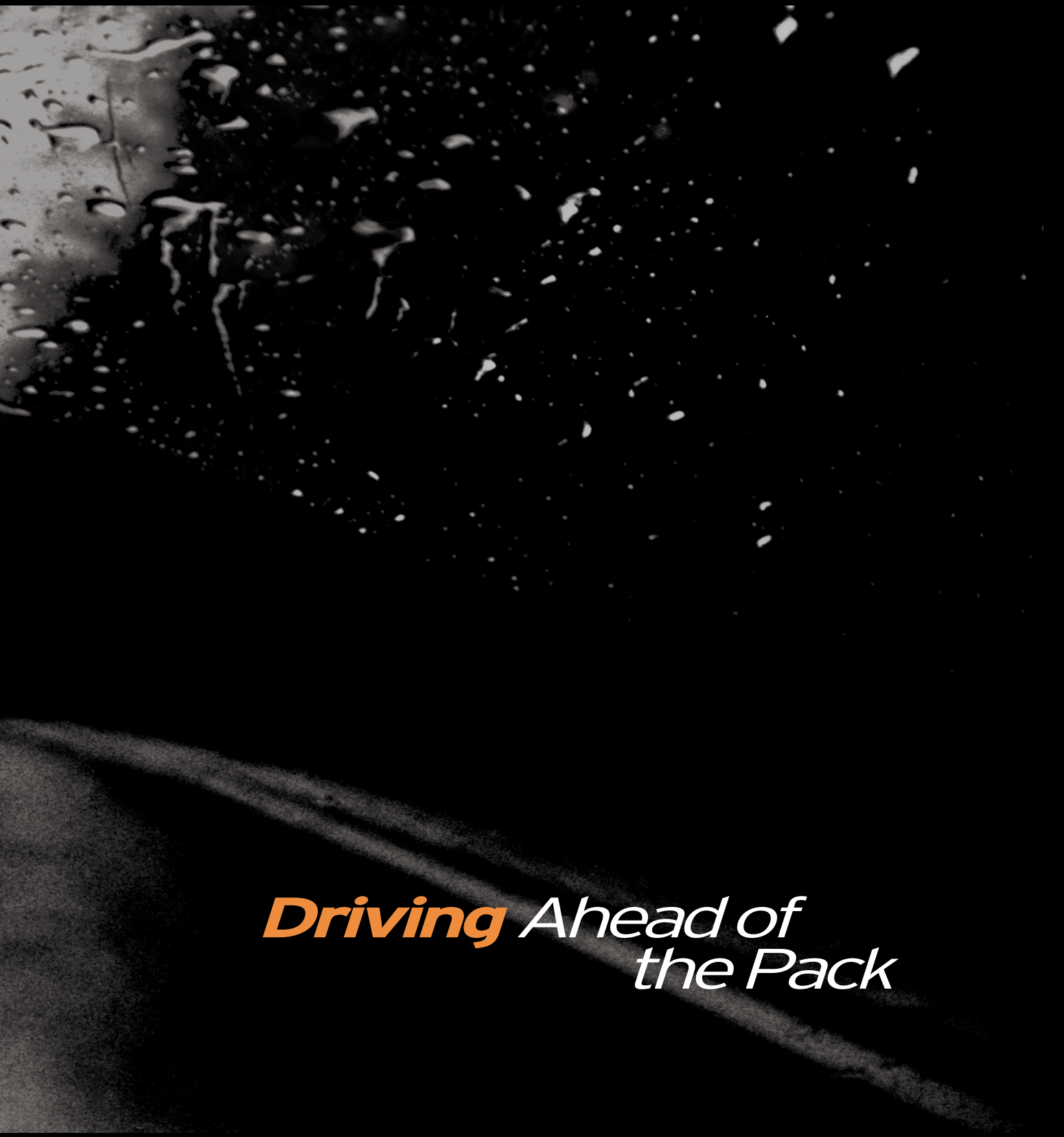
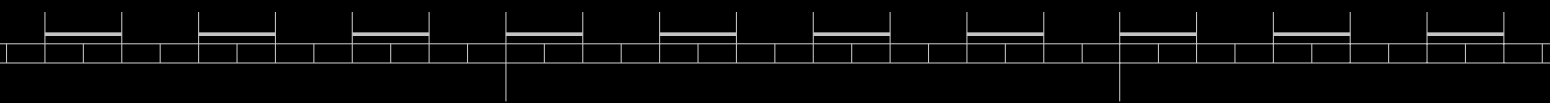
New Products

Global Activity

R&D

Social Contributions





***Driving** Ahead of
the Pack*

New Products



We are keeping ahead of the competition with our efforts to develop new products.

While actively responding to ever-changing markets, Hankook Tire devotes itself to the needs and characteristics of customers at home and abroad while introducing new products in a timely manner, thereby honing its competitive edge.

:: 2004 New Products for the Domestic Market

SF OPTIMO (H425)

The SF OPTIMO (H425) balances a smooth ride and efficient steering, with increased fuel efficiency. In response to the growing popularity of this type of product for the premium comfort market and as a replacement for our low- to medium-priced passenger car tires, the OPTIMO GREEN and OPTIMO GOLD, which have been on the market for quite some time, the SF OPTIMO (H425) was launched in July 2004. Since then, the SF OPTIMO (H425) has reached sales of 30,000 units per month, making stable inroads into the markets. The SF OPTIMO (H425) compares favorably to similarly-priced models, with a smoother ride, lower noise, and easier handling, contributing to its high customer satisfaction rate.

VENTUS R-S2 (Z212)

As the street version of a high-performance racing tire (MAX PERFORMANCE UHP), the VENTUS R-S2 (Z212) maximizes steering. To improve the competitiveness of the VENTUS line in the UHP (Ultra High Performance) markets and to meet the needs of amateur racers, Hankook Tire launched the VENTUS R-S2 (Z212) in August 2004 and held an extravagant trial ride ceremony at the Everland Speedway in Yongin City with local racing club members, and since that time, the VENTUS R-S2 (Z212) has become increasingly popular in the domestic market. Because of this success at home, we plan to expand sales of the VENTUS R-S2 (Z212) to international markets across the world.

VENTUS V8 RS (H424)

Exclusively designed for Sport & Comfort cars, the V8 RS was launched as a replacement tire for imported cars and as an accessory for enthusiasts. As we place the highest priority on customer safety, we maximized the braking capabilities of the VENTUS V8 RS (H424) to specifically suit imported cars from Europe, as well as to meet the needs of enthusiasts for high speed driving flexibility combined with driving safety. In particular, with favorable evaluations of the VENTUS V8 RS (H424) in terms of braking distance and driving speed, sales are steadily increasing.

DynaproMT (RT03)

As an exclusive 4X4 off-road tire, a replacement of the DYNAMIC MT-RT01, the DYNAPRO MT (RT03) was launched in response to market demand for a product equipped with flexible off-road dynamics as well as CHIP&CUT protections. Hankook Tire introduced the DYNAPRO MT (RT03) in November 2004 and held a new product presentation as well as an OFF ROAD TRIAL Competition with 4X4 Off-road Club members. The DYNAPRO MT (RT03) has been well evaluated in the markets in terms of external design and off-road functions.



SF-OPTIMO(H425)



2004 New Products for the Overseas Market

VENTUS S1 evo (K107)

By applying state-of-the-art technologies and the best design (our patented 3D Wave) to this Premium-class Summer UHP Tire, we are promoting our image as a leading company to advanced markets and the rest of the world. Hankook Tire successfully launched the VENTUS S1 evo (K107) in the EU zone in October 2004 and later in November, held a K107 launching ceremony at the 2005 Essen Motor Show in Germany, and the markets have responded favorably. With the built-in application of the 3D Wave groove, the VENTUS S1 evo (K107) has been recognized as a unique product and has consequently sold well even at a higher price.

VENTUS V4 ES for North America (H105)

Hankook Tire developed an all-season UHPT (Ultra High Performance Tire) for the North American region. In developing this model, we reinforced this tire's winter driving functions by more than twofold, compared to ordinary summer UHPT tires. The VENTUS V4 ES was launched in May 2004 and is expected to sell heavily in North America.

Dynapro HP for Europe (RA23)

In response to a rapid increase in SUV sales in the European region, Hankook Tire introduced the DYNAPRO HP. Since we felt a strong need to differentiate this tire from our other products in the same line, we placed our focus on reducing noise so as to give a more comfortable ride, while preventing cars from slipping off wet roads on rainy days. It is expected that the new model will be increasingly used for SUV models that are now being sold in Europe, such as the Korean-made Sorento and Santa Fe, as well as Japanese SUVs.



VENTUS S1 evo(K107)

VENTUS V4 ES(H105)

DYNAPRO HP(RA23)



VENTUS R-S2(Z212)

VENTUS V8 RS(H424)

DYNAPRO MT(RT03)



Hankook Tire is extending brand awareness to the world

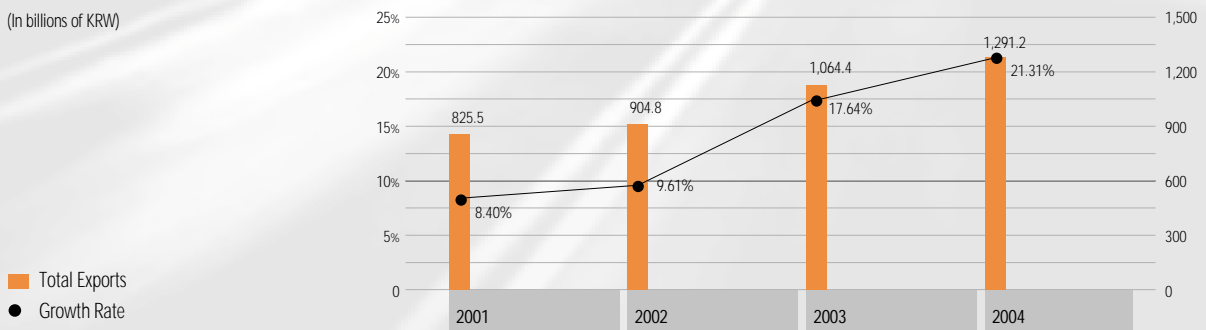
Hankook Tire is venturing into world markets with the placement of our tires on cars of internationally-known auto manufacturers.

In recognizing that delivering goods to global auto makers is an excellent opportunity to make our own brand known to the outside world, Hankook Tire has been making utmost efforts to enlarge its market share in domestic and overseas markets, with tangible results. We have placed our business strategy not on replacement tires, but on OE (Original Equipment) tires, by providing the best tires complying with car makers' requirements to finished-automobile manufacturers. Due to this strategic extension in focus, we are now recognized for the accuracy of our product quality and for our brand credibility, and we are laying a firm groundwork for higher product prices as well as for efficient marketing. In 2004, Hankook Tire supplied US\$ 71.0 million worth of tires to Ford, the world's second largest automaker, as well as to other well-known finished-car makers including Volvo, Opel, Smart, Daihatsu, Mitsubishi, and Volkswagen.

In the US, the true home of auto manufacturing, Hankook Tire is recognized for its technological prowess and the Company is looking forward to higher sales revenue from supplying tires directly to the world's top finished-car makers. In addition, we are expecting a higher marketing efficiency to raise brand awareness and consumer confidence, along with increased sales in OE tires as car owners replace tires with the same model. Hankook Tire is currently negotiating 20 contracts for the supply of OE tires to globally renowned automakers such as GM and DaimlerChrysler of the US, Jaguar in Europe, and Toyota of Japan. Through consistent efforts, we will increase our share in OE tire markets and spread our brand over the world.

Export Growth Trend

(In billions of KRW)































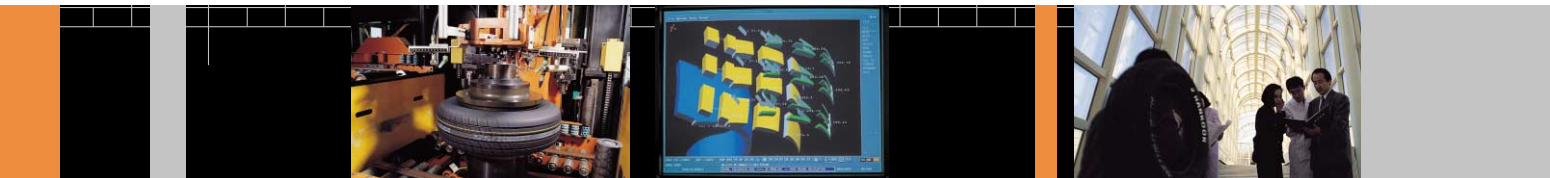


⌘ Hankook Tire's Client Companies

Supplied 1.78 million tires to the world's largest automaker, Ford in North American Market

Hankook Tire started delivering tires to Ford in the North American Market in 1999, and in 2000, Ford gave HT a 'Q1-AWARD', a certificate of quality, which showed that our superior quality had become widely recognized. Hankook Tire signed a contract in June 2003 to supply a maximum of 550,000 tires annually for Ford's 'F-150' model until 2008. In January 2004, we were awarded a contract to deliver 380,000 tires for the automaker's 'Econoline E-350' over the next five years. As one of Ford's leading models, the 'Econoline' has been a popular Van with an annual sales volume of more than one million units ever since its launch in 1961. By 2003, the total number of tires Hankook Tire had supplied to Ford was 1.4 million and this increased to 1.78 million by 2004, equivalent to US\$ 43 million-worth in exports.

2004	     	SMART
2003	     	SMART
2002	     	
2001		Daihatsu MIRA VOLVO Volvo spare(S80,S60,C70,V70)
2000		TRANSIT China 7Makers
1999		FOCUS (spare tire)
1998		Hi-Jet
1997		(CHINA)
1996		SUPPLIER
1995		CORSA
1993		ASPIRE
1991		GOLF
1988		PONTIAC LEMANS



Hankook Tire is honing its competitive edge through continuous R&D efforts.

Hankook Tire has accomplished a wide range of achievements in not only new product development with high value-added, but in materials processing and new technology development.

While maintaining a reputation as 'a listed company with the highest R&D investment in Korea,' Hankook Tire has secured competitiveness in product development with continuous PI (Process Innovation) in R&D division. In addition, we are focusing our energy and resources on our main products so as to venture into high value-added tire markets. In 2004, Hankook Tire has accomplished a wide-range of achievements in not only new product development with high added-value, but in materials processing and new technology development as well. Based on our research in various basic fields, we are now securing product competitiveness, equipped with brand-new technologies and efficient production methods.

New Product Development

Out of 18 new products Hankook Tire developed in 2004, SF OPTIMO is noted for its smooth ride and handling capabilities, while the RV OPTIMO is used exclusively on mini-vans in our home market. As for our high value-added UHP Line, the VENTUS S1 evo, a next generation sport segment product and the VENTUS R-S2 with its optimized traction and handling capabilities were both launched. Hankook Tire plans to develop 25 new products in 2005. Major models to be developed, to which new technologies have been applied, include the Self-supporting Run-flat Tire, a 26-and a 28-inch UHP Tire, and the TBR Ultra Super Single Tire. Based on our leading technological edge, we will continue to develop and introduce new products to the markets.

Brand Management

In an effort to raise our brand awareness, Hankook Tire has made continuous efforts to be recognized for its technological

proress. In addition, in magazine tests held in 2004 by the Gute Fahrt, Stiftung Warentest and Allgemeine Deutsche Automobil-Clubs (ADAC), an independent association open to all motorists and others interested in traffic and transport matters, Hankook Tire products were recommended highly. We also successfully achieved new approvals to supply OE tires to European markets and are currently contracted to Ford, Opel, VW, Renault, and Benz-Mitsubishi. Besides these, we have received orders from Japan's Daihatsu and from Chinese automakers. In the racing sector, we actively participated in motor sport shows at home and abroad and our tires were on the winning car at the US 2004 SCCA National Championships.

Hankook Tire is now planning to get approvals to supply tires for luxury cars such as Lincoln, Cadillac, Volvo, and Audi so as to demonstrate its technological competitiveness in 2005. In the racing sector, we are also planning to actively participate in a number of official racing tests to venture into new racing markets.

New Technology Development

With a number of achievements in design and materials in 2004, Hankook Tire established basic technologies to meet the growing demand from carmakers for UHP products with better functions. We have also achieved phenomenal success in improving the quality of our extrusion products with a new extrusion control system.

In 2005, we will continue R&D activities in Low PAH Compound COMPs(Cartilage Oligomeric Matrix Protein), to secure environment-friendly technologies; in silica compounding technology; in a new mixing system; and in establishing a Virtual Engineering System, which will allow for the design and evaluation of tires in virtual space.



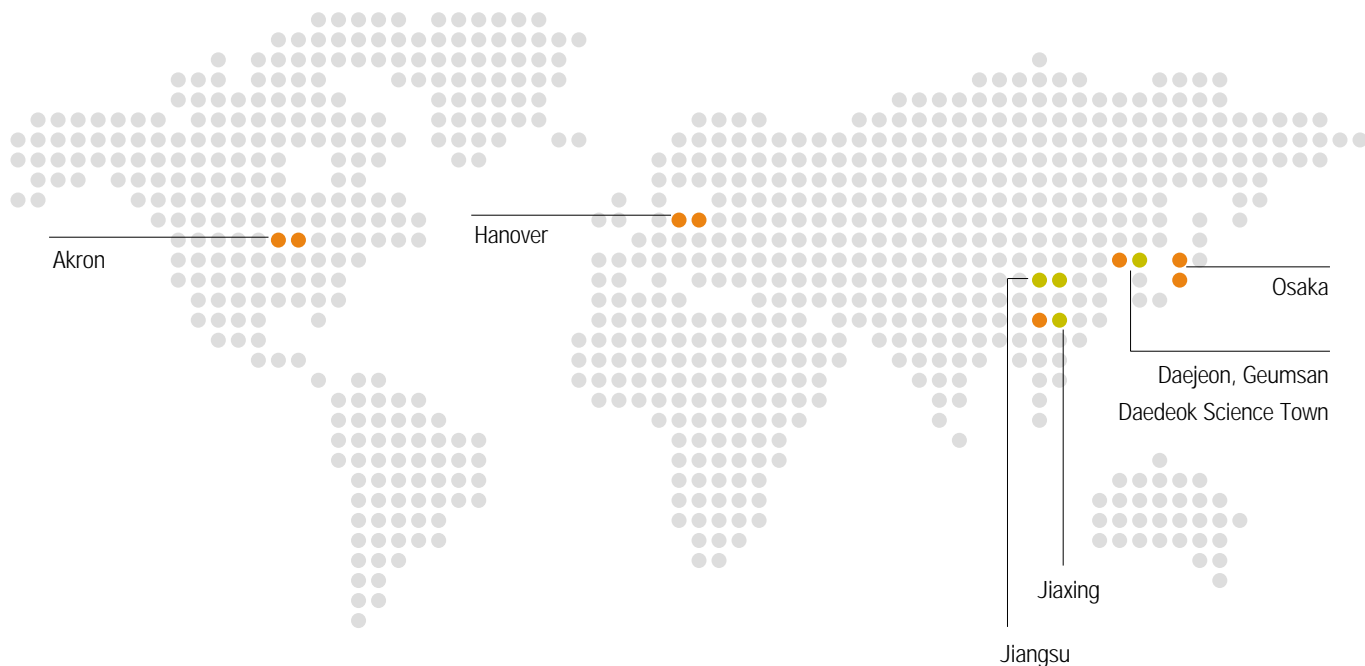
Development Process Innovation

To reform the product development process, Hankook Tire has completed the MSDB SPEC System through five years of R&D efforts. Using this system, we can create and manage the data necessary for a tire design in the development process including design, manufacturing, testing, and evaluation.

In 2005, we are planning to build Phase I of a PLM (Product Lifecycle Management) System, an integrated system that will

bring about innovation in the product development process ranging from product planning, development, mass production, to after sales service. The PLM System will be critical to the operation of our research centers in the future as we will be able to reduce the number of steps in redevelopment due to quality improvements through innovation. With this system, we will establish a product development system that can meet market demands efficiently with a shorter lead-time.

Global Network of Technical Centers & Production Facilities



Technical Centers

Main R&D Center (Daedeok Science Town), Akron Technical Center (Akron, U.S.)
 Europe Technical Center (Hanover, Germany), China Technical Center (Jiaxing City, Zhejiang Province, China), Japan Technical Liaison office (Osaka, Japan)



Production Facilities

Daejeon Plant, Geumsan Plant (Korea)
 Hankook Tire (Jiaxing) Co., Ltd.
 Jiangsu Hankook Tire Co., Ltd. (China)

Social Contributions



Hankook Tire fosters a spirit of togetherness,
while making people's lives better.

As a leader and a catalyzing force in the Korean economy, we are committed to strengthening the community by lending a helping hand to those in need.

As a responsible corporate citizen, we will faithfully assume our social responsibilities.



❖ Social Welfare

Hankook Tire Welfare Foundation, Hearts Sharing Togetherness

The Hankook Tire Welfare Foundation fulfills its social responsibilities to help needy people who find themselves outside the social mainstream, by providing scholarships and other educational programs, by offering medical assistance, and by contributing to

social welfare institutions, as well as by promoting public awareness of driving safety. We will make concerted efforts to improve the general welfare of society by fostering a spirit of togetherness, while making people's lives better.



>> Scholarship Program

Education is an ongoing process that determines the future of individuals. Although many children from impoverished backgrounds must also battle physical disabilities, they often still have a thirst for knowledge. Such determination to learn can be a model for anyone in society. The Hankook Tire Welfare Foundation offers scholarships to children in need, helps establish globalization learning centers at schools, and supplies rural schools in remote areas with teaching aids and school supplies.

>> Support for Medical Treatment

The Foundation is involved in many areas that provide the disenfranchised with modern medical care. For example, it assists free clinics that serve the homeless or patients without supporting relatives, and clinics that are aimed at low-income family heads with muscular dystrophy or children with leukemia.

>> Support for Social Welfare Institutions

Hankook Tire financially aids charitable institutions that do not receive government funding. Items are supplied to the elderly to help them get through winter more comfortably, and a Summer Camp is held for low-income children. Free lunches are served to hungry children, and financial assistance is given to cafeterias that provide free meals for the poor.

>> Help for Teenage Breadwinners

The Foundation seeks out teenagers who are burdened with caring for younger brothers and sisters because the parents are either deceased or very sick. Those who qualify for the program receive monthly financial assistance. The support is aimed at helping them to grow into being productive members of society.

:: Environmental Management

Environmental Management of a Green Factory

Hankook Tire strives to promote its image as an environmentally responsible corporation. To this end, the company adopted the Green Factory approach of maximizing productivity while ensuring that the local environment remains pristine. The concept has helped to upgrade production processes to address public concerns. The Environment & Safety Team was inaugurated in 2003 to upgrade environmental management, and health & safety management systems for greater effectiveness at each production site. Hankook Tire and Geumsan County have teamed up to help make children, the company's future customers, aware of the need to protect the environment. The Environmental Classroom is offered at the plant site and has been attended by more than 5,500 students to date.

:: Volunteer Activities

In-house Volunteer Group Helps Others

The One Family volunteer group, one of our corporate volunteer clubs, conducted a fund-raising campaign to help needy neighborhoods or teenagers burdened with caring for younger brothers and sisters. In July, the group won an official commendation from the National Welfare Volunteer Association for its work in running the Love House, a social welfare institution set up to support unmarried teenage mothers and teenagers burdened with caring for younger brothers and sisters, some of whom are disabled, public charges.

:: Scholarship Patronage

Supporting Talented Athletes

Hankook Tire presented young athletes with scholarships in a ceremony at its Daejeon plant in September, 2004. The Company bestowed the scholarships and other prizes on 45 selected athletes including eight attending elementary school, 13 in middle school, 14 in high school, and 10 in college. This ceremony, held annually for eight years in Daejeon City since 1997, provides young athletes, who live in difficult circumstances in the community, with the opportunity to learn more, while encouraging them to press on with courage. We will continue in our efforts to improve and encourage the advancement of Korea's young athletes.

Motor Sports Scholarship System

We foster and cultivate drivers with unlimited potential. Now that the world's most prestigious championships are held in ten different countries and Hankook Tire participates in a domestic championship, the Company is poised to implement a program to cultivate and foster drivers who have the potential for success. Driver Jeong Ui Cheol of the E-Lane team who performed brilliantly in the 2004 BAT GT Formula One Championships, was granted the first Korean motor sports scholarship. Hankook Tire bestowed a scholarship, plus training tires on Jeon Ui Cheol in 2004, and the Company will continue to support him in his aspirations to become a distinguished driver on behalf of the country. Hankook Tire's marketing campaign also features the Company's colors and logo on a Formula One racing car.





S1evo

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TRACTION

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EXTRA LOAD
MADE IN KOREA

HANNA



2 Profitable Growth

• Value-Focused Market Presence

- Secure competitive pricing edge equal to quality with brand image upgrade
- Realize a high value-added product composition
- Enhance the utilization of distribution channels
- Shorten the lead time to satisfy dealers
- Differentiate products by individual markets

• Operational Excellence

- Effective investment and asset management to increase asset turnover ratio
- Reduce raw material purchase costs
- Enhance continuous facility automation and productivity
- Reduce overhead costs by improving and innovating production processes
- Continuously restructure to realize profit-oriented management

• System Supporting Global Management

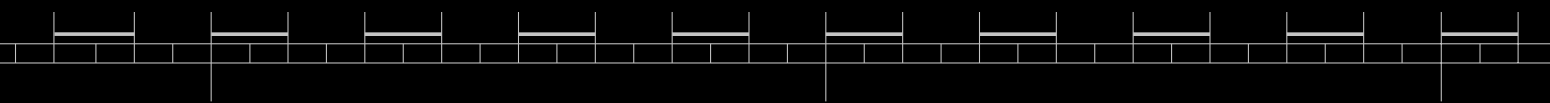
- Establish performance-based reward system
- Establish stable labor relationships
- Establish a fast and transparent decision-making system
- Maximize information production/use through ERP and KMS

On a Roll to the Top

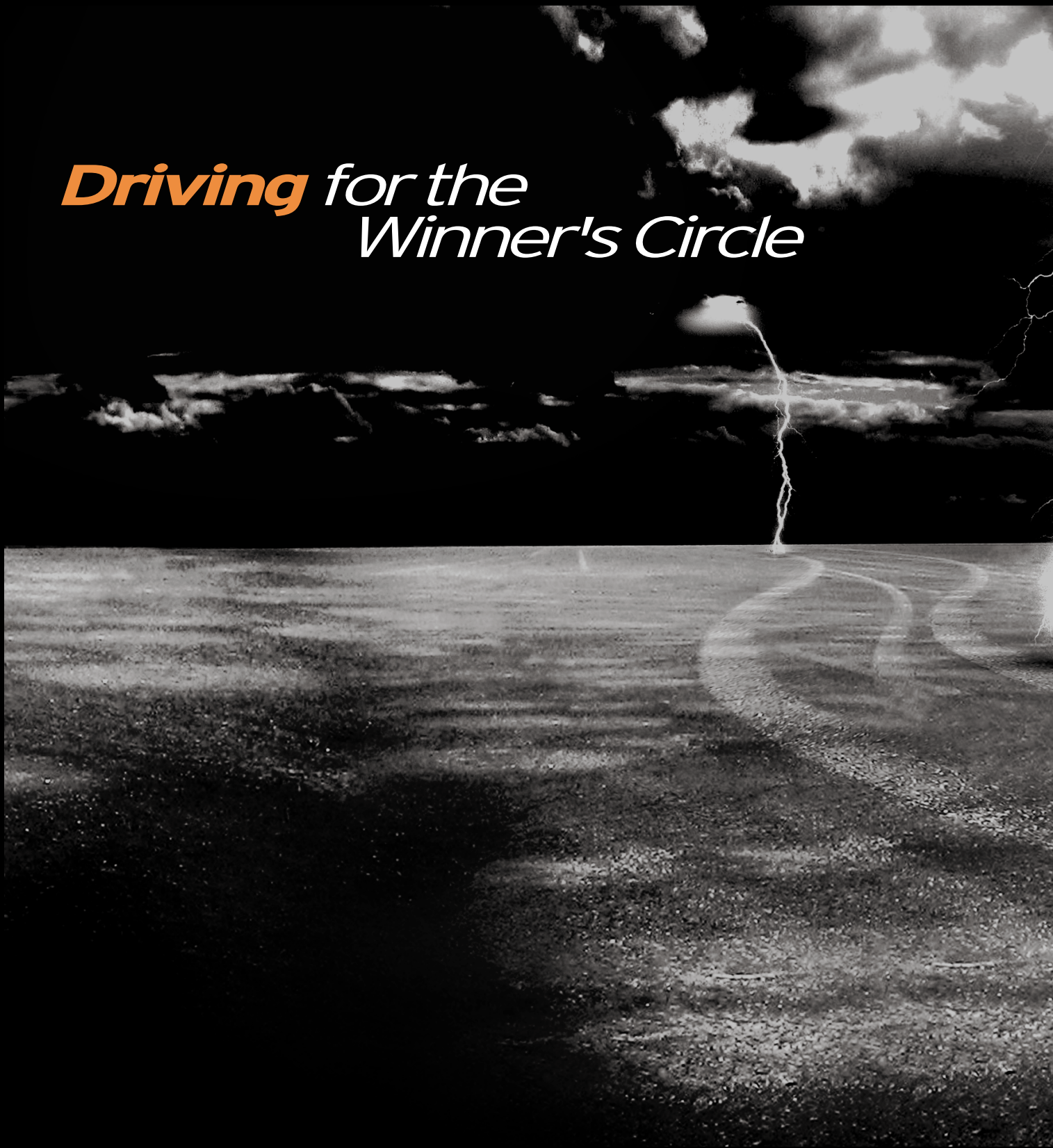
Based on 'Challenge,' 'Progress,' 'Innovation,' and a 'Future-oriented' spirit, Hankook tire is driving to the top with unrivaled performances. Hankook Tire is speeding toward its goal of entering the second tier of global tire makers with continued management innovation, better products, aggressive global marketing, delivery of OE tires to well-known international car makers, and partnerships with Michelin Tires, and others.

By actively pushing our globalization strategies in every sector, we will deliver value while earning trust with a strong corporate constitution and will bring the highest satisfaction by maximizing Hankook Tire's consumer and corporate value.





***Driving** for the
Winner's Circle*





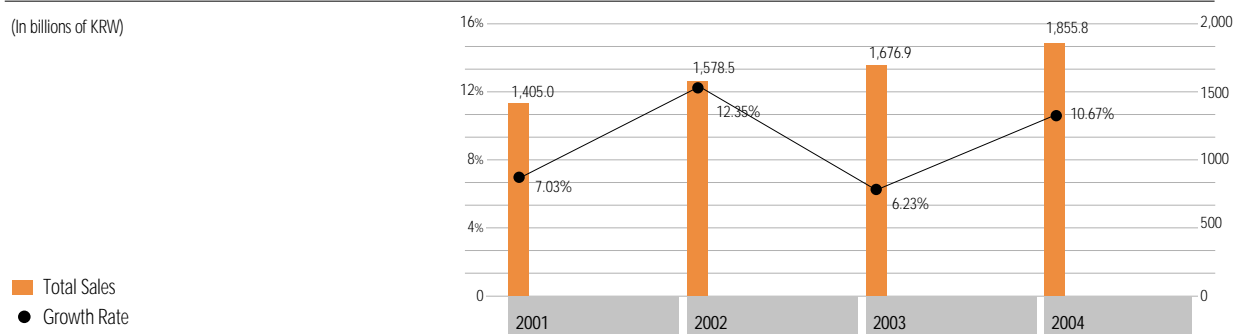
Management's Discussion & Analysis

:: Overview

The Korean economy performed below expectations in 2004, and despite a surge in exports, GDP growth was an estimated 4.7% in 2004, relatively weak in comparison to other countries in the region. Exports grew steadily to reach the KRW 200 billion level, but private consumption contracted further, showing negative growth for two consecutive years. Booming exports did not help to increase domestic consumption, and this polarization expanded to encompass industries, companies, and regions. Despite a reluctance to invest in restructuring due to weak domestic economic conditions, most large companies nonetheless performed strongly, whereas small-and medium-sized enterprises (SMEs) suffered heavily from the stagnant demand, rising oil prices, and a strong won. The tire industry improved despite such conditions as higher costs were offset by higher prices and improvements in the product/sales mix during the year. In particular, Hankook Tire pushed to increase sales by promoting such value-added products as its Ultra High Performance Tire (UHPT), which sold at higher prices and profitability, especially in the overseas market, where huge strides were made in the UHPT segment. The UHPT output of Hankook Tire accounted for 11.2% of total sales in 2004, a large increase from 7.8% of the previous year, due to increased overseas demand. Overall, the Company achieved a large surplus in exports with a growth of 60% in UHPT sales. Exports rose to a record high in 2004, topping KRW 1,855.8 billion at the end of the year, at a growth rate of 10.67% year-on-year.

Annual Sales Growth Trend

(In billions of KRW)



:: Operating Results

Summary of Income Statement

(In billions of KRW)

	2004	2003	Change(%)
Sales	1,855.8	1,676.9	10.7%
Cost of Goods Sold	1,247.1	1,167.5	6.8%
Gross Profit	608.7	509.4	19.5%
Selling & Administrative Expenses	383.4	338.9	13.1%
Operating Income	225.2	170.4	32.2%
Non-operating Income	103.9	72.7	43.0%
Interest Revenues	6.8	5.3	29.0%
Gains on Foreign Currency	61.5	29.8	106.4%
Others	35.6	37.6	-5.2%
Non-operating Expenses	86.2	99.5	-13.3%
Interest Expenses	9.7	21.6	-55.1%
Losses on Foreign Currency	33.7	28.6	17.6%
Others	42.8	49.2	-13.0%
Ordinary Income	243.0	143.6	69.2%
Net Income	166.0	101.5	63.6%

In 2004, we maintained favorable growth and strong margins with an increase in sales to KRW 1,885.8 billion, up 10.7% from the previous year. This improvement can be primarily attributed to a higher selling price and the expanding sales volume of high value-added products, despite higher costs due to increased prices for raw materials such as those for natural rubber. Our highest-ever sales amount was a result of the Company's enhanced brand recognition in overseas markets due to an aggressive overseas marketing campaign. Sales of tires and others amounted to KRW 1,699.6 billion and KRW 152.7 billion, respectively.

Domestic Market Share		2004	2003	2002
	RE	45.6%	46.0%	45.3%
	OE	43.4%	42.5%	40.3%

* Source: Hankook Tire, data for 2004 is for the first three quarters.

2004 Exports, Domestic		2004	2003	2002
(In billions of KRW)	Export Sales	1,291.2	1,064.4	904.8
	Domestic Sales	564.6	612.5	673.7
	Total	1,855.8	1,676.9	1,578.5

In 2004, operating profit was posted at KRW 225.2 billion jumping 32.2% year-on-year due to high-margin UHPT sales and the rise in average selling prices. A stronger than expected Korean won against the US dollar had a positive impact on gains from foreign currency transactions and translations. Backed by this increase, the non-operating income of the Company grew by 43.0% to KRW 103.9 billion compared to the previous year. The rise in operating income and non-operating income led to an increase in net income by 63.6% to KRW 166.0 billion. The growth in ordinary income by 69.2% to KRW 243.0 billion was due to continual favorable changes in product mix and the rise in average selling prices.

Sales by Region		2004	2003	2002
(In billions of KRW)	North America	352.5	277.4	227.8
	Mid-South America	57.5	64.2	70.3
	Asia	249.2	220.6	205.6
	Europe	439.2	366.3	290.4
	Other areas	52.8	42.1	36.8
	Local sales	140.0	93.8	73.9
	Domestic sales	564.6	612.5	673.7
	Total	1,855.8	1,676.9	1,578.5

In 2004, the cost of sales rose by 6.8% to KRW 1,247.1 billion from KRW 1,167.5 in 2003. The cost of goods sold (COGS) of tire sales increased by 19.2% to KRW 136.1 billion, while COGS of other sales rose by 10.3% to KRW 1,112.2 billion. On the other hand, selling, general, and administrative expenses were up by 13.1% from the previous year as a result of increased advertising and freight expenses. Meanwhile, non-operating expenses decreased by KRW 13.3 billion due to a decrease in the interest expense, which totaled KRW 11.9 billion, attributable to a reduction in borrowings and falling interest rates.

Management's Discussion & Analysis

:: Financial Condition

Summary of Balance Sheets		2004	2003	Change (%)
(In billions of KRW)	Current Assets	451.1	514.0	-12.2%
	Quick Assets	262.6	369.3	-28.9%
	Inventories	188.5	144.7	30.3%
	Non-current Assets	1,438.5	1,347.7	6.7%
	Investments	273.9	271.0	1.1%
	Property, Plant & Equipment	1,154.7	1,065.3	8.4%
	Intangible Assets	9.8	11.4	-13.7%
	Total Assets	1,889.6	1,861.7	1.5%
	Total Liabilities	697.0	776.1	-10.2%
	Current Liabilities	599.5	601.8	-0.4%
	Non-current Liabilities	97.5	174.2	-44.1%
	Stockholders' Equity	1,192.6	1,085.7	9.9%
	Total Liabilities & Stockholders' Equity	1,889.6	1,861.7	1.5%

The Company's total assets at the end of 2004 stood at KRW 1,889.6 billion, a KRW 27.9 billion increase over 2003. Current assets reached KRW 451.1 billion, down 12.2% from the previous year, with inventories at KRW 188.5 billion, up 30.3% from the previous year. Non-current assets increased to KRW 1,438.5 billion, up 6.7% from the previous year due to continued facility investments. Total liabilities stood at KRW 697.0 billion as of year-end, with current liabilities basically remaining at the same level as 2003, at KRW 599.5 billion. Total borrowings amounted to KRW 237.7 billion, down 42% from the previous year with a decrease of 12.6% in the debt-asset ratio. The Company paid back its borrowings with a surplus in operating income. Meanwhile, total shareholders' equity was KRW 1,192.6 billion, up 9.9% from the previous year, which reflected an increase in retained earnings due to the favorable operating results.

Long-term and Short-term Borrowings		2004	2003	Change (%)
(In billions of KRW)	Short-term Borrowings	207.8	297.5	-30.2%
	Long-term Borrowings	29.9	112.0	-73.3%
	Total Borrowings	237.7	409.4	-42.0%

Key Financial Ratios	2004	2003	Change(%)
Current Ratio	75.2%	85.4%	-10.2%
Debt-asset Ratio	12.6%	22.0%	-9.4%
ROA	8.9%	5.5%	3.4%
ROE	14.6%	9.7%	4.9%
Debt-to-equity Ratio	58.4%	71.5%	-13.0%

∴ Outlook for 2005

For 2005, judging by recent reports, lingering doubt over the prospects for recovery of the Korean economy follows fears that it may slide back into a protracted period of household debts, credit delinquencies, and volatile real estate markets, independent of conditions in foreign economies. Conditions in 2005 will be largely contingent on oil prices, events in the Chinese economy, and the status of the U.S. dollar. The economic growth rate for Korea is projected to be 4.0%, lower than that of 2004, but since Hankook Tire has reached the final stages of capital expenditure, the interest expense burden will decrease due to the Company's solid financial position.

We estimate that the Company's overall revenue in 2005 will increase from KRW 1,855.8 billion to KRW 2 trillion, up 8.1%. We also expect an estimated sales tally of around KRW 1,778.0 billion, up by KRW 72.0 billion or 4.0%. Although domestic demand is expected to be equivalent to that of 2004, exports are projected to yet again reach record heights. With UHPT production in full swing after plant expansions, an overall increase in sales is anticipated. We at Hankook Tire expect to see more benefits from the Company's enhanced profitability, with further growth in 2005.

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers

Kukje Center Building, 191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA (Yongsan P.O. Box 266, 140-600)

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

We have audited the accompanying non-consolidated balance sheets of Hankook Tire Co., Ltd. (the "Company") as of December 31, 2004 and 2003, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 27 to the accompanying non-consolidated financial statements, the Company sells its products to, and purchases certain materials from, its subsidiaries and affiliated companies in the normal course of business. During the year ended December 31, 2004, the Company's total sales to and purchases from its subsidiaries and affiliated companies amounted to ₩643,254 million (2003 : ₩510,198 million) and ₩176,603 million (2003 : ₩132,235 million), respectively, and related receivables and payables as of December 31, 2004 amounted to ₩28,468 million (2003 : ₩25,475 million) and ₩41,473 million (2003 : ₩37,597 million), respectively.

Report of Independent Auditors

In addition, as discussed in Notes 17 to the accompanying non-consolidated financial statements, the Company has provided guarantees amounting to ₩201,228 million (2003 : ₩215,335 million) with respect to financing by its subsidiaries and affiliated companies as of December 31, 2004.

In addition, time deposits amounting to ₩4,800 million (2003 : ₩4,800 million) is pledged as collateral for guarantees for its subsidiaries and affiliated companies as of December 31, 2004.

As discussed in Note 17 to the accompanying non-consolidated financial statements, the Company was named as a defendant in legal actions filed at Tarrant County Court, Texas in the United States of America, with regard to an agreement executed by Ocean Capital (L) Limited, its subsidiary, relating to a US\$28 million zero-coupon note entered into in December 1998. The lawsuit was dismissed for lack of personal jurisdiction by an order of Tarrant County, Texas, USA. The plaintiffs filed an appeal in Texas and also filed a new lawsuit in the Court of Northern District of Ohio as referenced above. The Company believes that the outcome of these matters is uncertain. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying non-consolidated financial statements related to such uncertainties.

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

Seoul, Korea
January 28, 2005

Samil PricewaterhouseCoopers

This report is effective as of January 28, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Non-Consolidated Balance Sheets

December 31, 2004 and 2003

(in thousands of Korean won)	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Notes 3, 5 and 33)	₩ 11,550,011	₩110,335,947
Short-term financial instruments (Note 3)	-	7,800,000
Trading securities (Note 8)	1,958,652	2,102,531
Trade accounts and notes receivable, net (Notes 4 and 5)	193,158,564	197,688,572
Short-term loans receivable (Notes 6 and 30)	212,392	315,946
Inventories, net (Notes 7 and 10)	188,522,549	144,673,272
Other receivables, net (Note 4)	26,500,538	24,660,582
Accrued income	20,104,583	17,111,442
Other current assets	9,095,486	9,322,731
Total current assets	451,102,775	514,011,023
Property, plant and equipment, net (Notes 9 and 10)	1,154,717,331	1,065,282,631
Long-term financial instruments (Note 3)	4,821,500	21,500
Available-for-sale securities (Note 8)	13,610,920	14,155,940
Held-to-maturity securities (Note 8)	1,498,543	1,513,238
Investments in equity method investees (Note 8)	218,745,386	213,389,536
Long-term loans receivable (Notes 6 and 30)	1,285,969	991,538
Long-term other receivables, net (Note 4)	6,110	42,086
Non-current guarantee deposits	16,277,182	12,075,228
Deferred income tax assets, net (Note 24)	17,699,158	28,860,380
Intangible assets, net (Note 11)	9,840,005	11,398,431
	₩ 1,889,604,879	₩ 1,861,741,531

Non-Consolidated Balance Sheets

(in thousands of Korean won)	2004	2003
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Notes 5 and 12)	₩ 92,619,586	₩ 85,078,325
Current maturities of long-term debt, net (Notes 5 and 12)	115,162,068	212,390,471
Trade accounts and notes payable (Note 5)	138,271,629	128,614,641
Other accounts payable	168,126,963	113,495,186
Advances received	5,091,847	5,692,757
Dividends payable	16,807	13,479
Accrued expenses	17,382,903	13,565,232
Income taxes payable (Note 24)	51,408,467	30,795,200
Other current liabilities	11,465,501	12,195,914
Total current liabilities	599,545,771	601,841,205
Debtors, net of current maturities and discounts on debtors, net (Note 13)		
	29,886,059	89,029,797
Long-term borrowings, net of current maturities (Notes 5 and 13)		
	-	22,928,400
Long-term guarantee deposits payable		
	19,889,447	19,607,496
Long-term other payables (Note 16)		
	36,645,347	21,800,945
Accrued severance benefits, net (Note 15)		
	11,039,386	20,877,290
Total liabilities	697,006,010	776,085,133
Commitments and contingencies (Note 17)		
Shareholders' equity		
Common stock (Note 1)	75,094,965	75,094,965
Capital surplus		
Paid in capital in excess of par value	91,659,752	91,659,752
Revaluation reserve (Note 18)	456,473,224	456,473,224
Other capital reserves	51,877,387	51,877,387
Retained earnings (Notes 2 and 19)		
	549,379,318	405,279,417
Capital adjustments (Note 21)		
	(31,885,777)	5,271,653
Total shareholders' equity	1,192,598,869	1,085,656,398
Total liabilities and shareholders' equity	₩ 1,889,604,879	₩ 1,861,741,531

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Income

Years Ended December 31, 2004 and 2003

(in thousands of Korean won' except for share amounts)	2004		2003	
Sales (Notes 22, 31 and 32)	₩	1,855,818,162	₩	1,676,892,107
Cost of sales (Notes 22, 31 and 32)		1,247,143,867		1,167,535,421
Gross profit		608,674,295		509,356,686
Selling and administrative expenses (Notes 23 and 28)		383,434,227		338,938,651
Operating income (Notes 31 and 32)		225,240,068		170,418,035
Non-operating income				
Interest income		6,778,954		5,255,679
Dividend income		182,772		17,971
Commission income		1,538,708		-
Gain on disposal of securities		125,254		11,732,723
Gain on valuation of trading securities (Note 8)		84,079		102,531
Gain on valuation of securities using the equity method (Note 8)		10,432,405		1,287,527
Foreign exchange gains		38,060,007		26,212,639
Gain on foreign currency translation		23,463,288		3,598,751
Gain on disposal of property, plant and equipment		211,828		2,617,548
Royalty fee income		16,004,887		11,164,170
Rental income		2,408,627		2,346,022
Currency forward transaction gains (Note 17)		2,677,037		4,599,104
Others		1,980,329		3,739,566
		103,948,175		72,674,231
Non-operating expenses				
Interest expense		9,674,067		21,558,977
Foreign exchange losses		26,286,440		22,546,674
Loss on foreign currency translation		7,393,638		6,103,073
Loss on valuation of trading securities (Note 8)		161,421		-
Loss on disposal of securities		33,914		157,172
Loss on disposal of property, plant and equipment		1,798,999		7,318,160
Loss on sale of accounts receivable		13,489,954		15,597,247
Impairment loss on available-for-sale securities (Note 8)		1,408,406		7,138,687
Impairment loss on property, plant and equipment		1,454,515		-
Donations (Note 30)		3,082,000		3,406,120
Loss on valuation of inventories (Note 7)		-		40,231
Loss on disposal of inventories		1,526,889		-
Currency forward transaction losses (Note 17)		3,064,275		8,181,322
Supplementary payment of income taxes		15,732,989		5,264,606
Others		1,091,526		2,137,768
		86,199,033		99,450,037
Income before income taxes		242,989,210		143,642,229
Income tax expense (Note 24)		76,960,820		42,159,005
Net income	₩	166,028,390	₩	101,483,224
Earnings per share (in Korean won) (Note 25)				
Basic ordinary income per share	₩	1,136	₩	694
Basic earnings per share	₩	1,136	₩	694
Diluted ordinary income per share	₩	1,136	₩	694
Diluted earnings per share	₩	1,136	₩	694

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2004 and 2003

(Date of Appropriations: March 11, 2005 and March 12, 2004 for the years ended December 31, 2004 and 2003, respectively)

(in thousands of Korean won)	2004		2003	
Retained earnings before appropriations (Note 19)				
Unappropriated retained earnings carried over				
from prior year	₩	26,258,261	₩	24,917,107
Changes in retained earnings arising from				
equity method accounting		-		(213,581)
Net income for the year		166,028,390		101,483,224
		192,286,651		126,186,750
Appropriations of retained earnings (Note 19)				
Legal reserve		-		12,000,000
Reserve for dividend equalization		40,000,000		22,500,000
Reserve for the retirement benefits of directors		10,000,000		6,000,000
Voluntary reserves		65,000,000		37,500,000
Cash dividends (Note 20)		36,547,482		21,928,489
		151,547,482		99,928,489
Unappropriated retained earnings				
carried forward to subsequent year	₩	40,739,169	₩	26,258,261

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003

(in thousands of Korean won)	2004		2003	
Cash flows from operating activities				
Net income	₩	166,028,390	₩	101,483,224
Adjustments to reconcile net income to net cash provided by operating activities				
Bad debts expense		3,096,725		84,294
Depreciation (Notes 9 and 26)		156,409,492		156,283,692
Amortization of intangible assets (Notes 11 and 26)		1,707,257		1,716,715
Provision for severance benefits (Notes 15 and 26)		24,554,750		26,016,612
Loss on valuation of inventories (Note 7)		1,168,538		40,231
Loss on disposal of inventories		1,526,889		-
Loss (gain) on valuation of trading securities, net (Note 8)		77,342		(102,531)
Loss on sale of accounts receivable		13,489,954		15,597,247
Provision for product liability losses		-		8,400,000
Amortization of discounts on debentures, net		679,269		2,477,500
Currency forward transaction losses, net (Note 17)		387,238		3,582,218
Gain on valuation of securities using the equity method (Note 8)		(10,432,405)		(1,287,527)
Gain on disposal of securities, net		(91,340)		(11,575,551)
Impairment loss on available-for-sale securities (Note 8)		1,408,406		7,138,687
Loss on disposal of property, plant and equipment, net		1,587,171		4,700,612
Impairment loss on property, plant and equipment		1,454,515		-
Gain (loss) on foreign currency translation, net		(16,069,650)		2,504,322
Others, net		317,149		-
Changes in operating assets and liabilities				
Increase in trade accounts and notes receivable, net		(11,541,396)		(25,077,373)
Decrease (increase) in inventories		(46,544,703)		1,512,952
Decrease (increase) in other accounts receivable, net		(3,723,834)		10,942,633
Increase in accrued income		(2,993,140)		(2,274,807)
Decrease in accounts receivable on construction contracts		-		2,641,057
Decrease in other current assets		518,974		2,564,529
Decrease in dishonored notes		268,115		357,061
Decrease in deferred income tax assets (Note 22)		11,161,221		1,310,768
Increase in trade accounts and notes payable		12,971,456		11,471,012
Increase in other accounts payable		54,631,777		80,970
Increase (decrease) in accrued expenses		3,817,671		(985,814)
Increase in income taxes payable		20,613,267		9,525,190
Decrease (increase) in advances received		(600,910)		1,908,306
Increase in long-term guarantee deposits payable		281,950		354,340
Increase in other current liabilities		3,148,208		2,976,765
Payment of severance benefits		(17,590,340)		(27,079,676)
Decrease (increase) in severance insurance deposits, net (Note 15)		(17,400,814)		2,320,164
Decrease in contributions to the National Pension Fund		598,500		1,044,245
Others, net		-		(2,799,586)
Net cash provided by operating activities		354,915,692		307,852,481

Non-Consolidated Statements of Cash Flows

(in thousands of Korean won)	2004		2003	
Cash flows from investing activities				
Decrease in short-term financial instruments, net	₩	3,000,000	₩	35,500,763
Proceeds from short-term loans, net		103,554		585,570
Disposal of securities		668,628		100,515,050
Increase in long term loans, net		(294,432)		(845,911)
Increase in non-current guarantee deposits, net		(198,734)		(17,968)
Increase in currency forward assets, net		(387,238)		(2,604,219)
Proceeds from disposal of property, plant and equipment		1,740,123		11,953,898
Acquisition of securities		(22,703,188)		(130,550,696)
Acquisition of property, plant and equipment		(250,957,392)		(131,462,183)
Acquisition of intangible assets		(148,831)		-
Increase in other investments, net		(5,028,418)		(4,735,624)
Net cash used in investing activities		(274,205,928)		(121,661,320)
Cash flows from financing activities				
Issuance of debentures		-		29,714,562
Proceeds from long-term debt		77,916,200		94,458,667
Increase (decrease) in short-term borrowings, net		16,952,972		(30,109,362)
Payment of dividends		(21,925,161)		(10,960,981)
Repayment of current maturities of long-term debt		(212,390,471)		(193,840,041)
Early repayment of long-term debt		(40,049,240)		(21,569,693)
Net cash used in financing activities		(179,495,700)		(132,306,848)
Net decrease (increase) in cash and cash equivalents		(98,785,936)		53,884,313
Cash and cash equivalents (Note 32)				
Beginning of year		110,335,947		56,451,634
End of year	₩	11,550,011	₩	110,335,947

The accompanying notes are an integral part of these non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

1. The Company

Hankook Tire Co., Ltd. (the "Company") was incorporated in May 1941 under the laws of the Republic of Korea to manufacture and sell tires, tubes and alloy-wheels. In 1968, the Company offered its shares for public ownership and all of the Company's shares were registered with the Korea Stock Exchange. The Company's headquarters is located at Kangnam-Gu in Seoul and two manufacturing factories are in Daejeon and Kum-san. In 2000, the Company launched its housing construction business to utilize the land of its Youngdeungpo Plant and finished its construction business during 2003.

The authorized number of the Company's common shares is 250 million with a par value of ₩500 per share. As of December 31, 2004, the number of issued and outstanding common shares of the Company is 150,189,929 shares.

The Company's shareholders as of December 31, 2004 and 2003 are as follows:

	2004		2003	
	Number of Shares Owned	Percentage of ownership (%)	Number of Shares Owned	Percentage of ownership (%)
Cho Yang Rae	23,808,097	15.9	23,808,097	15.9
Cho Hyun Beom	10,798,251	7.2	10,798,251	7.2
Cho Hyun Sik	8,817,786	5.9	8,817,786	5.9
Cho Yang Rae's relatives	9,446,094	6.3	9,446,094	6.3
The Korea Fund, Inc.	4,464,307	3.0	4,464,307	3.0
Emerging Markets Growth	3,798,420	2.5	6,052,370	4.0
Others ¹⁾	189,056,974	59.2	86,803,024	57.7
	150,189,929	100.0	150,189,929	100.0

¹⁾ Including 4 million shares in treasury (Note 21).

2. Summary of Significant Accounting Policies

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 2 through 9 became applicable to the Company on January 1, 2003, the Company adopted these Standards in its financial statements covering periods beginning on or after this date. And as SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2004.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below:

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

Accounting Estimates

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

Revenue Recognition

Sales of finished products and merchandise are recognized when delivered. Revenues from housing construction contract were recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to date to total estimated contract costs.

Securities

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be classified into three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the weighted-average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities, classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings by the independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the statement of income when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities after the amortization of discounts or premiums.

Investments in equity securities, over which the Company exercises a significant control or influence (controlled investees), are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee.

Accounting policies on the equity method are summarized as follows:

- Differences between the purchase costs and the net book value at the time of acquisition are amortized over ten years using the straight-line method.
- Unrealized profit on inventories and property, plant and equipment arising from intercompany transactions is determined based on the average gross margin ratio of the selling company. Unrealized profit arising from sales by the Company to the equity method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity method investees to the Company or other equity method investees is also eliminated considering the percentage of ownership.

Notes to Non-Consolidated Financial Statements

- Significant differences in accounting policies for similar transactions or accounting events among the Company and equity method investees are adjusted using the equity method of accounting.
- Foreign currency financial statements of equity method investees are translated into Korean Won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustments account, a component of shareholders' equity.
- The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share of accumulated losses equals the costs of the investments and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods that the equity method was suspended. On the other hand, if additional losses in excess of the costs of the investments are expected due to the substantial unlimited liabilities on investees or total credits provided including receivables and guarantees, the Company recognize a contingency loss reserve as long-term other payables and related loss charged to current operation, despite suspension of equity method of accounting.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts, notes and other receivables based on the historical collection experience and estimated net realized value of the receivables.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the following methods:

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

If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

Present Value Discount

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value if the difference between the nominal value and present value is material. Such differences are presented as present value discounts and directly deducted from the nominal value of the related receivables or payables. Also, the present value discount is amortized using the effective interest rate method as interest expense or interest income.

Notes to Non-Consolidated Financial Statements

Troubled accounts receivable under court receivership plans or other similar restructuring arrangements are restated at present value upon the date of restructuring. Such present value discounts are recognized as the difference between the nominal amount and present value, and are initially offset against the allowance for doubtful accounts to the extent available, and any remaining difference is recorded as a current bad debt expense. Subsequent amortization of these present value discounts is included in interest income.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation, except for upward revaluation in accordance with the Asset Revaluation Law of Korea. Depreciation is computed using the declining-balance method (except for straight-line method for buildings and structures purchased after 1995) over the estimated useful lives as follows:

	Estimated Useful Lives
Buildings	13 - 60 years
Structures	2 - 40 "
Machinery and equipment	2 - 18 "
Vehicles	2 - 10 "
Tools, furniture and fixtures	2 - 30 "

Routine maintenance and repairs are charged to expense in the year as incurred. Expenditures that enhance the value or materially extend the useful life of related assets are capitalized as additions to property, plant and equipment.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated realizable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired asset is recorded in current operations and should not exceed the carrying amount of the asset before impairment.

Upon the application of SKFAS No. 7, *Capitalization of Borrowing Costs*, interest costs incurred in connection with the purchase or construction of investment assets and property, plant and equipment are capitalized as part of the cost of such assets. Due to this application, the capitalized financing costs amount to ₩3,339,115 thousand for the year ended December 31, 2004.

Recalculated items in the non-consolidated balance sheet as of December 31, 2004 after reflecting the effects of the adoption of SKFAS No. 7 are as follows:

(in thousands of Korean won)	Capitalized		Expensed		Difference
Property, plant and equipment					
Acquisition cost	₩	1,959,804,381	₩	1,956,465,266	₩ 3,339,115
Accumulated depreciation		805,087,050		805,087,050	-
Carrying book value		1,154,717,331		1,151,378,216	3,339,115
Shareholders' equity ¹⁾		11,192,598,869		1,190,318,253	2,280,616

¹⁾ Calculated by using the effective tax rate.

Recalculated items in the non-consolidated statement of income for the year ended December 31, 2004, after reflecting the effects of the adoption of SKFAS No. 7 are as follows:

Notes to Non-Consolidated Financial Statements

(in thousands of Korean won)	Capitalized		Expensed		Difference	
Depreciation expense	₩	156,409,492	₩	156,409,492	₩	-
Interest expense		9,674,067		13,549,521		(3,875,454)
Gain on foreign currency translation		23,463,288		23,477,529		(14,241)
Foreign exchange gains		38,060,007		38,582,105		(522,098)
Net income ²⁾		2166,028,390		163,747,774		2,280,616

²⁾ Calculated by using the effective tax rate.

For the year ended December 31, 2004, gain on foreign currency translation amounting to ₩14,241 thousand and gain on foreign currency transaction amounting to ₩522,098 thousand are considered as adjustments of interest expenses.

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreement. Machinery and equipment acquired under capital lease agreements are recorded as property, plant and equipment at cost and depreciated using the declining-balance method over their estimated useful lives. In addition, the aggregate lease payments are recorded as obligations under capital leases, net of accrued interest, as determined by the total lease payments in excess of the cost of the leased machinery and equipment. Accrued interest is amortized over the lease period using the effective interest rate method.

Machinery and equipment acquired under operating lease agreements are not included in property, plant and equipment. The related lease rentals are charged to expense when incurred.

Intangible Assets

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

	Estimated Useful Lives
Industrial property rights	5 - 20 years
Other intangible assets	10 "

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

Derivative Financial Instruments

In accordance with the financial accounting standards in Korea, derivative financial instruments ("derivatives") are carried at fair value. Unrealized gains or losses on derivatives for trading or fair value hedging purposes are included in current operations, except for unrealized gains or losses on derivatives for cash flow hedging that are effective, which are recorded as a capital adjustment and included in current operations in the year when the underlying transactions have an effect on operations.

Notes to Non-Consolidated Financial Statements

Discount on Debentures

Discounts on debentures, including debenture issuance costs, are amortized as additional interest expense over the repayment term of the debenture using the effective interest rate method.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the basic rates in effect at the balance sheet date (₩1,043.8 : US\$1 as of December 31, 2004 and ₩1,197.8 : US\$1 as of December 31, 2003), and resulting translation gains or losses are recognized in current operations.

Accrued Severance Benefits

Employees with at least a year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as of the balance sheet date.

The Company made deposits to the National Pension Fund in accordance with the National Pension Fund Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying non-consolidated balance sheet are presented net of this deposit.

Accrued severance benefits are funded at approximately 83.9% (2003 : 68.5%) as of December 31, 2004, through a group severance insurance plan, and are presented as a deduction from accrued severance benefits (Note 15).

Warranty and Other Reserve

The Company accrued warranty reserves for the estimated costs of future repairs and recalls, based on the experience and the expectation of future repairs. Estimated costs of product warranties amounting to ₩8,920,731 thousand (2003 : ₩8,920,731 thousand) for the year ended December 31, 2004 were charged to current operations. The warranty reserve was recorded as part of long-term liabilities since the actual warranty expense is to be incurred over several years, the incurrence period of which cannot be readily and reasonably determined (Note 16).

The Company is insured against future claims that may be asserted under the Product Liability Act in Korea, which was effective starting from July 1, 2002, and which imposes the responsibility on a manufacturer or seller when a product is defective and causes injury or damage to a person or property. In addition, the Company provided a product liability allowance amounting to ₩11,544,792 thousand (2003 : ₩11,544,792 thousand) as of December 31, 2004, with respect to contingencies arising from product liability-related litigation (Notes 10 and 16).

Income Taxes

The Company recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. Deferred income tax assets and liabilities are computed on such temporary differences by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is more likely than not that such deferred income tax assets will be realized. The total income tax provision includes the current tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the year.

Tax credits for investments and development of technology and manpower, and other tax credits are recognized when the assets giving rise to such credits are placed in service. To the extent that such credits are not currently utilized, deferred income tax assets, subject to realizability as stated above, are recognized for the carry-forward amount.

Notes to Non-Consolidated Financial Statements

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable values.

Sale or Discounting of Accounts Receivable

The Company sells or discounts certain accounts or notes receivable to financial institutions and accounts for the transactions as a sale of the receivables if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

3. Cash and Cash Equivalents and Financial Instruments

Cash and cash equivalents and short-term and long-term financial instruments as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	Annual Interest Rates (%) Dec. 31, 2004	2004	2003
Cash and cash equivalents:			
Money market deposit account	0.0 - 2.8	₩ 9,100,000	₩ 97,123,137
Passbook accounts	0.0 - 0.5	2,450,011	13,177,087
Foreign currency deposits	-	-	35,723
		11,550,011	110,335,947
Short-term financial instruments:			
Time deposits in Korean won	-	-	7,800,000
Long-term financial instruments:			
Time deposits in Korean won	0.0 - 0.5	4,800,000	-
Key money deposit for checking accounts	-	21,500	21,500
		4,821,500	21,500
		₩ 16,371,511	₩ 118,157,447

As of December 31, 2004, time deposits in Korean won amounting to ₩4,800 million and key money deposit for checking accounts amounting to ₩21.5 million are pledged as collateral for guarantees for its affiliates and opening checking accounts, respectively. Withdrawal of these deposits is restricted (Note 17).

4. Receivables

Receivables as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004			2003		
	Receivable	Allowance for Doubtful Accounts	Net Balance	Receivable	Allowance for Doubtful Accounts	Net Balance
Trade receivables :						
Accounts receivable	₩ 134,283,608	₩ 3,518,849	₩ 130,764,759	₩ 137,946,304	₩ 2,525,531	₩ 135,420,773
Notes receivable	63,158,081	764,276	62,393,805	62,937,893	670,094	62,267,799
	197,441,689	4,283,125	193,158,564	200,884,197	3,195,625	197,688,572
Other receivables	28,721,344	2,220,806	26,500,538	24,997,016	336,434	24,660,582
Dishonored notes	692,198	692,198	-	960,314	960,314	-
Long-term other receivables	104,592	98,482	6,110	276,261	234,175	42,086
	₩226,959,823	₩ 7,294,611	₩ 219,665,212	₩227,117,788	₩ 4,726,548	₩222,391,240

Notes to Non-Consolidated Financial Statements

5. Monetary Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2004 and 2003, are as follows:

(in thousands)	2004		2003		2004		2003	
Assets								
Cash and cash equivalents	US\$	-	US\$	30	₩	-	₩	35,723
Trade accounts receivable	US\$	23,259	US\$	26,905		24,277,752		32,226,847
Other investment assets	US\$	8,000	US\$	-		8,350,400		4,791,200
					₩	32,628,152	₩	37,053,770
Liabilities								
Trade accounts payable	US\$	86,033	US\$	78,358	₩	89,801,115	₩	93,857,133
	EUR	1,572	EUR	963		2,236,395		1,446,620
	AUD	833	AUD	42		677,184		37,310
	NZD	323	NZD	114		242,578		89,092
	GBP	33	GBP	-		66,697		-
						93,023,969		95,430,155
Short-term borrowings	US\$	85,256	US\$	69,600		88,989,722		83,367,084
	EUR	2,395	EUR	994		3,408,342		1,493,411
	JPY	21,888	JPY	19,456		221,522		217,829
						92,619,586		85,078,324
Long-term borrowings ¹⁾	US\$	43,000	US\$	47,720		44,883,400		57,158,717
					₩	230,526,955	₩	237,667,196

¹⁾ Current maturities of long-term debt are included.

Investments in foreign affiliates are not included above.

6. Short-Term and Long-Term Loans Receivable

Short-term and long-term loans receivable as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	Annual Interest Rates (%)	Dec. 31, 2004		2004		2003	
Short-term loans:							
Housing loans to employees	0.0 - 3.0			₩	212,392	₩	315,946
Long-term loans:							
Housing loans to employees	0.0 - 4.0			₩	1,195,969	₩	791,538
Loans to affiliated company ¹⁾	5.0				90,000		200,000
				₩	1,285,969	₩	991,538

¹⁾ Loans to Frixia Co., Ltd. (Formerly Hanta M&B Co., Ltd.) (Note 27).

Notes to Non-Consolidated Financial Statements

7. Inventories

Inventories as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Finished goods	₩	81,084,975	₩	73,384,130
Materials in transit		61,818,601		37,358,818
Merchandise		12,242,723		10,576,804
Supplies		9,769,354		7,807,009
Raw materials		9,716,603		8,937,289
Work-in-process		8,058,831		7,329,222
		189,691,087		144,673,272
Less : Allowance for valuation loss on inventories		(1,168,538)		-
	₩	188,522,549	₩	144,673,272

For the year ended December 31, 2004, the Company recognized loss on valuation of inventories amounting to ₩1,168,538 thousand on inventories whose manufacturing costs are in excess of recoverable amounts as cost of sales.

8. Securities

Trading securities as of December 31, 2004 and 2003 are as follows:

(in thousands of Korean won)	December 31, 2004					
	Shares Owned by the Company	Percentage of Ownership (%)	Book Value before Valuation	Net Asset Value /Book Value	Valuation Gain (Loss)	Book Value after Valuation
Debt and equity securities	¹⁾	-	₩ 2,035,994	₩ 1,958,652	₩ (77,342)	₩ 1,958,652

(in thousands of Korean won)	December 31, 2003					
	Shares Owned by the Company	Percentage of Ownership (%)	Book Value before Valuation	Net Asset Value /Book Value	Valuation Gain (Loss)	Book Value after Valuation
Debt and equity securities	²⁾	-	₩ 2,000,000	₩ 2,102,531	₩ 102,531	₩ 2,102,531

¹⁾Equity securities consisting of 160,861 shares issued by 36 companies, including Samsung Electronics Co., Ltd., 10 futures and 50 put options, and others.

²⁾Equity securities consisting of 120,506 shares issued by 44 companies, including Samsung Electronics Co., Ltd., 22 futures and 20 put options, and others.

Securities classified as non-current assets as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Investments in equity method investees	₩	218,745,386	₩	213,389,536
Available-for-sale securities		13,610,920		14,155,940
Held-to-maturity securities		1,498,543		1,513,238
	₩	233,854,849	₩	229,058,714

Notes to Non-Consolidated Financial Statements

Details of available-for-sale securities classified as non-current assets as of December 31, 2004 and 2003, are as follows:

	Shares Owned by the Company		Percentage of Ownership (%)		Acquisition Cost		Market or Net Asset Value ¹		Carrying Book Value	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
(in thousands of Korean won)										
Investments in marketable equity securities:										
KT Freetel Co., LTD.	231,752	231,752	0.13	0.13	₩1,791,536	₩ 1,791,536	₩ 5,724,275	₩4,426,463	₩ 5,724,275	₩ 4,426,463
SK Telecom Co., Ltd.	9,984	9,984	0.01	0.01	876,258	876,258	1,966,848	1,986,816	1,966,848	1,986,816
					2,667,794	2,667,794	7,691,123	6,413,279	7,691,123	6,413,279
Investment in non-marketable equity securities:										
The Korea Economic Daily	55,150	55,150	0.44	0.44	297,135	297,135	145,066	184,621	145,066	297,135
Wireless Data Communication	5,000	5,000	0.23	0.23	800,000	800,000	48,935	54,799	48,935	137,184
Jasperauto Corp.	106,255	106,255	3.16	3.16	200,000	200,000	60,135	761	58,756	58,756
K-Zone International Co., Ltd.	6,000	6,000	2.44	2.44	200,000	200,000	10,296	9,406	9,406	200,000
Power Comm	100,000	100,000	0.07	0.07	3,500,000	3,500,000	578,708	567,002	533,745	533,746
Wasol Co., Ltd.	10,000	10,000	4.17	4.17	200,000	200,000	5,560	18,008	5,560	200,000
MK2000-2 Tube Information and Telecommunication										
Partners I, L.P. ⁴⁾	10	10	6.67	6.67	1,000,000	1,000,000	1,102,204	1,081,396	1,000,000	1,000,000
RUBBERNETWORK.COM ⁶⁾	-	-	5.57	5.57	3,837,411	3,837,411	-	290,296	1	491,817
Korea Digital										
Satellite Broadcasting ³⁾	300,000	300,000	0.40	0.40	1,650,000	1,650,000	536,378	335,414	335,415	626,653
Valuemeet Investment Co., Ltd. ⁴⁾	30	30	13.95	13.95	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cash Office ⁵⁾	-	-	-	-	17,891	17,891	17,891	17,891	17,891	17,891
Stock Market Stabilization Fund	-	-	-	-	-	132,135	-	395,287	-	395,287
Daewoo Motors ²⁾⁵⁾	-	-	-	-	274,957	281,752	274,957	281,752	274,957	281,752
Others ⁵⁾	-	-	-	-	484,000	502,000	484,000	502,000	484,000	502,000
					15,461,394	15,618,324	6,264,130	6,738,633	5,913,732	7,742,221
Investment in debt securities:										
Government and public bonds	-	-	-	-	6,065	440	6,065	440	6,065	440
					6,065	440	6,065	440	6,065	440
					₩18,135,253	₩18,286,558	₩13,961,318	₩13,152,352	₩13,610,920	₩14,155,940

¹⁾ The net asset value is calculated based on the investees' most recent financial information available, some of which have not been audited or reviewed.

²⁾ On September 30, 2002, the restructuring plan for the troubled receivables from Daewoo Motors, a customer who filed for a court receivership under the Corporate Reorganization Act of Korea, was modified with the court's approval and agreement of concerned groups, including its creditors. In accordance with the modified restructuring plan, the Company acquired equity securities and beneficiary certificates, of which the fair value amounted to ₩2,265 thousand and ₩272,691 thousand, respectively.

³⁾ As of December 31, 2004, 9,000 shares of Korea Digital Satellite Broadcasting have been provided to Korea Digital Satellite Broadcasting as collateral related to the Company' agency contracts.

⁴⁾ The number of shares is equivalent to the number of accounts.

⁵⁾ Physical certificates of those shares have not been issued in accordance with the local laws or regulations.

⁶⁾ The Company filed a declaration with Korean Fair Trade Commission of the incorporation of Hanyangtire sales Co., Ltd., a sales agency of the Company, into its subsidiaries under Korean Fair Trade Law, on July, 2004. However, any amounts were not reflected to the book due to the possibility of the nominal shareholder's lawsuit and related possibility of being excluded from the subsidiaries.

Notes to Non-Consolidated Financial Statements

Details of held-to-maturity securities classified as non-current assets as of December 31, 2004 and 2003 are as follows:

(in thousands of Korean won)	December 31, 2004		December 31, 2003	
	Acquisition	Carrying	Acquisition	Carrying
	Cost	Book Value	Cost	Book Value
Subordinated bank debentures	₩ 1,496,680	₩ 1,498,543	₩ 1,496,680	₩ 1,497,963
Government and public bonds	-	-	15,275	15,275
Total	₩ 1,496,680	₩ 1,498,543	₩ 1,511,955	₩ 1,513,238

For the year ended December 31, 2004, interest income related to the above securities amounted to ₩124,956 thousand (2003 : ₩123,130 thousand).

The annual maturities in aggregate of available-for-sale securities and held-to-maturity securities outstanding as of December 31, 2004 and 2003 are as follows:

(in thousands of Korean won)	Available-For-Sale Securities		Held-to-Maturity Securities	
	December	December	December	December
	31, 2004	31, 2004	31, 2004	31, 2003
More than 1 year ~ 5 years	₩ 6,065	₩ 440	₩ 1,498,543	₩ 1,513,238

Unrealized gains and losses arising from the valuation of available-for-sale securities during the years ended December 31, 2004 and 2003, are as follows :

(in thousands of Korean won)	January 1,	Increase	Realized	December
	2004	(Decrease)	Gain (Loss)	31, 2004
KT Freetel Co., Ltd.	₩ 2,634,928	₩ 1,297,811	₩ -	₩ 3,932,739
SK Telecom Co., Ltd.	1,110,558	(19,968)	-	1,090,590
Stock Market Stabilization Fund	213,893	-	(213,893)	-
Total	₩ 3,959,379	₩ 1,277,843	₩ (213,893)	₩ 5,023,329

(in thousands of Korean won)	January 1,	Increase	Realized	December
	2004	(Decrease)	Gain (Loss)	31, 2003
KT Freetel Co., Ltd.	₩ 4,743,871	₩ (2,108,943)	₩ -	₩ 2,634,928
SK Telecom Co., Ltd.	1,410,078	(299,520)	-	1,110,558
Stock Market Stabilization Fund	-	244,043	(30,150)	213,893
Total	₩ 6,153,949	₩ (2,164,420)	₩ (30,150)	₩ 3,959,379

Notes to Non-Consolidated Financial Statements

Details of investments in equity method investees as of December 31, 2004 and 2003 are as follows:

(in thousands of Korean won)	Shares Owned		Percentage of		Acquisition Cost		Market or Net Asset Value ¹		Carrying Book Value	
	by the Company		Ownership (%)		2004	2003	2004	2003	2004	2003
ATLAS BX Co., Ltd. (Formerly										
Korea Storage Battery, Ltd.)	2,848,685	2,848,685	31.13	31.13	₩ 12,229,979	₩ 12,229,979	₩ 12,983,059	₩ 14,108,613	₩ 12,838,762	₩ 14,108,613
Daehwa Eng' & Machinery Co., Ltd.	380,000	380,000	95.00	95.00	1,900,000	1,900,000	14,674,972	2,609,317	3,666,412	2,609,317
ASA Co., Ltd.	2,200,000	2,200,000	73.33	73.33	11,000,000	11,000,000	4,589,952	5,472,914	5,328,952	5,472,914
EmFrontier Inc	2,000,000	2,000,000	50.00	50.00	1,000,000	1,000,000	2,489,852	1,967,988	2,035,437	1,967,988
Hankook Tire America Corp. ³	1,600	1,600	100.00	100.00	8,737,823	8,737,823	28,591,475	2,982,842	-	2,982,842
Hankook Tyre U.K. Ltd. ³	25,000	25,000	100.00	100.00	30,649	30,649	2,000,878	-	-	-
Hankook Tire China Co., Ltd.	²	²	94.83	94.83	144,702,118	144,702,118	171,276,084	152,091,423	141,965,995	152,091,423
Jiangsu Hankook Tire Co., Ltd.	²	²	38.68	33.92	53,086,544	30,709,344	40,383,731	24,774,026	43,260,345	24,774,026
Hankook Tire Netherlands B.V. ³	²	²	100.00	100.00	1,738,031	1,738,031	1,190,159	-	-	-
Hankook Tire Canada Corp.	50,000	50,000	100.00	100.00	30,950	30,950	676,335	15,500	29,129	15,500
Hankook Tire Japan Corp.	400	400	100.00	100.00	165,464	165,464	1,632,359	295,676	543,221	295,676
Hankook Reifen Deutschland GmbH ³	²	²	100.00	100.00	126,995	126,995	3,134,110	-	-	-
Hankook France SARL ³	²	²	100.00	100.00	1,601,630	1,601,630	-	-	-	-
Ocean Capital Investment (L) Limited	²	²	100.00	100.00	-	-	8,886,089	8,905,159	8,886,089	8,905,159
Hankook Tire Italia SARL	^{2/4}	^{2/4}	100.00	100.00	20,556	20,556	20,556	20,556	20,556	20,556
Hankook Espana S.A.	^{2/4}	^{2/4}	100.00	100.00	76,873	76,873	76,873	76,873	76,873	76,873
Hankook Tyre Australia Pty., LTD.	^{2/4}	^{2/4}	100.00	100.00	68,649	68,649	68,649	68,649	68,649	68,649
Hankook Tire Netherlands Sales B.V.	^{2/4}	^{2/4}	100.00	100.00	24,966	-	24,966	-	24,966	-
					₩ 236,541,227	₩ 214,139,061	₩ 292,700,099	₩ 213,389,536	₩ 218,745,386	₩ 213,389,536

In 2004, the Company participated in the issuance of new shares of Jiangsu Hankook Tire Co., Ltd. so that the book value of investments increased by ₩22,377,200 thousand and the Company's ownership ratio has risen up to 38.68 %.

¹⁾ The equity method of accounting is applied based on the affiliates' most recent financial information available, some of which have not been audited or reviewed.

²⁾ Physical certificates of those shares have not been issued in accordance with the local laws or regulations.

³⁾ Due to the accumulated deficit and unrealized profit on inventories and property, plant and equipment arising from intercompany transaction, the investments of these investees were fully written off, and additional estimated losses were recorded as contingent loss reserve due to the company's substantial unlimited liability (Note 16).

⁴⁾ Certain investments in non-marketable equity securities in which the Company holds 20% or more interest in the investees have been recorded at cost if the total assets of each investee is less than ₩7 billion, and differences between investments using the equity and cost accounting methods are not significant.

Notes to Non-Consolidated Financial Statements

Details of the amortization of the differences between the purchase costs and net book value of investments for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004			
	January 1, 2004	Increase (Decrease)	Amortization	December 31, 2004
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ (143,933)	₩ -	₩ (28,685)	₩ (115,248)
Daehwa Eng'g. & Machinery Co., Ltd.	(40,665)	-	(10,166)	(30,499)
ASA Co., Ltd.	302,422	-	75,605	226,817
Jiangsu Hankook Tire Co., Ltd.	369,331	-	78,556	290,775
Total	₩ 487,155	₩ -	₩ 115,310	₩ 371,845

(in thousands of Korean won)	January 1, 2003 ~ December 31, 2003			
	January 1, 2003	Increase (Decrease)	Amortization	December 31, 2003
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ (173,283)	₩ -	₩ (29,350)	₩ (143,933)
Daehwa Eng'g. & Machinery Co., Ltd.	(61,665)	-	(21,000)	(40,665)
ASA Co., Ltd.	378,027	-	75,605	302,422
Jiangsu Hankook Tire Co., Ltd.	(894,812)	1,077,546	(186,597)	369,331
Total	₩ (751,733)	₩ 1,077,546	₩ (161,342)	₩ 487,155

Details of the elimination of unrealized profits arising from intercompany transactions which have been reflected on the net income for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		
	Current Assets	Long-Lived Assets	Total
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 252,074	₩ -	₩ 252,074
Daehwa Eng'g. & Machinery Co., Ltd.	-	(1,201,516)	(1,201,516)
ASA Co., Ltd.	451,760	-	451,760
EmFrontier Inc.	-	330,230	330,230
Hankook Tire America Corp.	(5,288,369)	-	(5,288,369)
Hankook Tyre U.K. Ltd.	(3,359,485)	-	(3,359,485)
Hankook Tire China Co., Ltd.	(692,214)	-	(692,214)
Jiangsu Hankook Tire Co., Ltd.	135,133	263,032	398,165
Hankook Tire Netherlands B.V.	(5,495,331)	-	(5,495,331)
Hankook Tire Canada Corp.	(356,669)	-	(356,669)
Hankook Reifen Deutschland GmbH	(3,223,392)	-	(3,223,392)
Hankook France SARL	(3,189,876)	-	(3,189,876)
Total	₩ (20,766,369)	₩ (608,254)	₩ (21,374,623)

Notes to Non-Consolidated Financial Statements

(in thousands of Korean won)	2003		
	Current Assets	Long-Lived Assets	Total
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ (96,320)	₩ -	₩ (96,320)
Daehwa Eng'g. & Machinery Co., Ltd.	-	(2,721,854)	(2,721,854)
ASA Co., Ltd.	(429,202)	-	(429,202)
EmFrontier Inc.	-	327,499	327,499
Hankook Tire America Corp.	(7,717,227)	-	(7,717,227)
Hankook Tire China Co., Ltd.	(25,450)	-	(25,450)
Jiangsu Hankook Tire Co., Ltd.	(330,589)	(10,522,519)	(10,853,108)
Hankook Tire Japan Corp.	(1,089,425)	-	(1,089,425)
Hankook Tire Canada Corp.	(290,537)	-	(290,537)
Total	₩ (9,978,750)	₩ (12,916,874)	₩ (22,895,624)

Details of the changes in investments in equity method investees for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004				
	January 1, 2004	Acquisition	Gains (Losses) on Valuation	Others ¹⁾	December 31, 2004
ATLAS BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.) ³⁾	₩ 14,108,613	₩ -	₩ (1,269,795)	₩ (56)	₩ 12,838,762
Daehwa Eng'g. & Machinery Co., Ltd. ³⁾	2,609,317	-	1,056,694	401	3,666,412
ASA Co., Ltd. ³⁾	5,472,914	-	(145,508)	1,546	5,328,952
EmFrontier Inc. ³⁾	1,967,988	-	186,370	(118,921)	2,035,437
Hankook Tire America Corp. ^{2/3)}	2,982,842	-	(1,779,739)	(1,203,103)	-
Hankook Tyre U.K. Ltd. ^{2/3)}	-	-	(2,607,007)	2,607,007	-
Hankook Tire China Co., Ltd. ³⁾	152,091,422	-	22,844,260	(32,969,687)	141,965,995
Jiangsu Hankook Tire Co., Ltd. ³⁾	24,774,026	22,377,200	1,996,482	(5,887,363)	43,260,345
Hankook Tire Netherlands B.V. ^{2/3)}	-	-	(4,663,677)	4,663,677	-
Hankook Tire Canada Corp. ³⁾	15,500	-	26,765	(13,136)	29,129
Hankook Tire Japan Corp. ³⁾	295,677	-	360,131	(112,587)	543,221
Hankook Reifen Deutschland GmbH ^{2/3)}	-	-	(2,404,246)	2,404,246	-
Hankook France SARL ^{2/3)}	-	-	(3,149,255)	3,149,255	-
Ocean Capital Investment(L) Limited ³⁾	8,905,159	-	(19,070)	-	8,886,089
Hankook Tire Italia SARL ⁴⁾	20,556	-	-	-	20,556
Hankook Espana S.A. ⁴⁾	76,873	-	-	-	76,873
Hankook Tyre Australia Pty., LTD. ⁴⁾	68,649	-	-	-	68,649
Hankook Tire Netherlands Sales B.V. ⁴⁾	-	24,966	-	-	24,966
Total	₩ 213,389,536	₩ 22,402,166	₩ 10,432,405	₩ (27,478,721)	₩ 218,745,386

¹⁾ Represent the changes in investment securities caused by foreign currency translation and changes in retained earnings of the investees.

²⁾ Due to the accumulated deficit and unrealized profit on inventories and property, plant and equipment arising from intercompany transaction, the investments of these investees were fully written off, and additional estimated losses were recorded as contingent loss reserve due to the company's substantial unlimited liability (Note 16).

³⁾ The equity method of accounting is applied based on the affiliates' most recent available financial information, which have not been audited or reviewed.

⁴⁾ Certain investments in non-marketable equity securities in which the Company holds 20% or more interest in the investees have been recorded at cost if the total assets of each investee is less than ₩7 billion, and differences between investments using the equity and cost accounting methods are not significant.

Notes to Non-Consolidated Financial Statements

(in thousands of Korean won)	January 1, 2003 ~ December 31, 2003				
	January 1, 2003	Acquisition	Gains (Losses) on Valuation	Others ¹	December 31, 2003
ATLAS BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 15,795,593	₩ -	₩ (1,686,026)	₩ (954)	₩ 14,108,613
Daehwa Eng'g. & Machinery Co., Ltd. ³⁾	1,281,353	-	1,336,429	(8,465)	2,609,317
ASA Co., Ltd.	6,523,436	-	(1,017,850)	(32,672)	5,472,914
EmFrontier Inc.	1,156,604	-	757,836	53,548	1,967,988
Hankook Tire America Corp.	7,638,427	-	(4,544,696)	(110,889)	2,982,842
Hankook Tyre U.K. Ltd. ²⁽³⁾	-	-	-	-	-
Hankook Tire China Co., Ltd.	66,490,153	77,939,701	6,959,247	702,321	152,091,422
Jiangsu Hankook Tire Co., Ltd.	66,709,606	(41,033,437)	(839,858)	(62,285)	24,774,026
Hankook Tire Netherlands B.V. ²⁽³⁾	-	-	-	-	-
Hankook Tire Canada Corp. ³⁽⁵⁾	-	-	16,458	(958)	15,500
Hankook Tire Japan Corp. ³⁽⁵⁾	-	-	521,779	(226,102)	295,677
Hankook Reifen Deutschland GmbH ²⁽³⁾	-	-	-	-	-
Hankook France SARL ²⁽³⁾	-	1,342,790	(249,345)	(1,093,445)	-
Ocean Capital Investment(L) Limited ³⁾	8,871,606	-	33,553	-	8,905,159
Hankook Tire Italia SARL ⁴⁾	20,556	-	-	-	20,556
Hankook Espana S.A. ⁴⁾	76,873	-	-	-	76,873
Hankook Tyre Australia Pty., LTD. ⁴⁾	68,649	-	-	-	68,649
Total	₩ 174,632,856	₩ 38,249,054	₩ 1,287,527	₩ (779,901)	₩ 213,389,536

¹⁾ Represent changes in investment securities caused by foreign currency translation and changes in retained earnings of the investees.

²⁾ The equity method of accounting has been suspended due to accumulated deficits.

³⁾ The equity method of accounting is applied based on the affiliates' most recent available financial information, which have not been audited or reviewed.

⁴⁾ Certain investments in non-marketable equity securities in which the Company holds 20% or more interest in the investees have been recorded at cost if the total assets of each investee is less than ₩7 billion, and differences between investments using the equity and cost accounting methods are not significant.

⁵⁾ The Company restarted to apply the equity method of accounting for investments in equity method investees because the subsequent cumulative changes in its proportionate net income of the investees exceeds its cumulative proportionate net losses not recognized during the periods that the equity method was suspended.

Unrealized gains and losses arising from the valuation of investments in equity method investees during the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004			
	January 1, 2004	Increase (Decrease)	Realized Gain (Loss)	December 31, 2004
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 845,276	₩ (56)	₩ -	₩ 845,220
Daehwa Eng'g. & Machinery Co., Ltd.	(8,466)	401	-	(8,065)
ASA Co., Ltd.	(32,672)	1,546	-	(31,126)
EmFrontier Inc.	118,920	(118,920)	-	-
Hankook Tire America Corp.	3,223,322	(3,223,322)	-	-
Jiangsu Hankook Tire Co., Ltd.	1,707,185	(5,887,363)	-	(4,180,178)
Hankook Tire China Co., Ltd.	9,653,908	(32,969,687)	-	(23,315,779)
Hankook Tire Canada Corp.	107,453	(13,138)	-	94,315
Hankook Tire Japan Corp.	(120,933)	(112,585)	-	(233,518)
Total	₩ 15,493,993	₩ (42,323,124)	₩ -	₩ (26,829,131)

Notes to Non-Consolidated Financial Statements

(in thousands of Korean won)	January 1, 2003 ~ December 31, 2003			
	January 1, 2003	Increase (Decrease)	Realized Gain (Loss)	December 31, 2003
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 846,230	₩ (954)	₩ -	₩ 845,276
Daehwa Eng'g. & Machinery Co., Ltd.	-	(8,466)	-	(8,466)
ASA Co., Ltd.	-	(32,672)	-	(32,672)
EmFrontier Inc.	65,372	53,548	-	118,920
Hankook Tire America Corp.	3,334,211	(110,889)	-	3,223,322
Jiangsu Hankook Tire Co., Ltd.	2,140,011	(62,284)	(370,542)	1,707,185
Hankook Tire China Co., Ltd.	8,951,587	702,321	-	9,653,908
Hankook Tire Canada Corp.	-	107,453	-	107,453
Hankook Tire Japan Corp.	-	(120,933)	-	(120,933)
Total	₩ 15,337,411	₩ 527,124	₩ (370,542)	₩ 15,493,993

Details of the Company's contingency loss reserve recognized for the years ended December 31, 2004 and 2003, are as follow:

(in thousands of Korean won)	2004			2003		
	Excessive Losses ¹⁾	Contingency Loss Reserve	Unrecognized Losses	Excessive Losses ¹⁾	Contingency Loss Reserve	Unrecognized Losses
Hankook Tire America Corp.	₩ (2,020,218)	₩ 2,020,218	₩ -	₩ -	₩ -	₩ -
Hankook Tyre U.K. Ltd.	(2,607,007)	2,607,007	-	(1,562,457)	-	(1,562,457)
Hankook Tire Netherlands B.V.	(4,663,677)	4,663,677	-	(5,325,082)	-	(5,325,082)
Hankook Reifen Deutschland GmbH	(2,404,246)	2,404,246	-	(1,149,498)	-	(1,149,498)
Hankook France SARL	(3,252,701)	3,252,701	-	(3,611,079)	103,447	(3,507,632)
Total	₩ (14,947,849)	₩ 14,947,849	₩ -	₩ (11,648,116)	₩ 103,447	₩ (11,544,669)

¹⁾ The amounts represent additional losses due to the accumulated losses of investees and unrealized profit arising from intercompany transactions.

Details of the Company's adjustments of investees' net asset due to the differences of accounting principles and other reasons for the year ended December 31, 2004, are as follows:

(in thousands of Korean won)	Net asset value before adjustments		Adjustments	Net asset value after adjustments		Reason for adjustments
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 43,413,633	₩ (1,707,692)	₩ 41,705,941	Depreciation method and etc.		
Daehwa Eng'g. & Machinery Co., Ltd.	16,286,365	(839,026)	15,447,339	"		
ASA Co., Ltd.	13,681,199	(7,421,889)	6,259,310	"		
Hankook Tire America Corp.	31,667,909	(3,076,434)	28,591,475	"		
Jiangsu Hankook Tire Co., Ltd.	135,537,628	(31,132,946)	104,404,682	"		
Hankook Tire China Co., Ltd.	220,871,886	(40,263,720)	180,608,166	"		
Hankook Tire Japan Corp.	1,941,578	(309,219)	1,632,359	"		
Hankook Tire Canada Corp.	821,102	(144,767)	676,335	"		
Total	₩ 464,221,300	₩ (84,895,693)	₩ 379,325,607			

Investments in non-marketable equity securities of non-controlled investees are reported at cost, except for declines in the Company's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded as valuation losses amounting to ₩1,408,406 thousand (2003 : ₩7,138,687 thousand) for the year ended December 31, 2004.

Notes to Non-Consolidated Financial Statements

9. Property, Plant and Equipment

Changes in property, plant and equipment as of December 31, 2004 and 2003, are as follows:

	(in thousands of Korean won)							
	January 1, 2004 ~ December 31, 2004							
	January 1, 2004	Increase	Decrease	December 31, 2004	Depreciation Expense	Accumulated Depreciation	Accumulated Impairment	Book Value
Land	₩ 270,477,284	₩ 16,864	₩ 317,149	₩ 270,176,999	₩ -	₩ -	₩ -	₩ 270,176,999
Buildings	429,717,202	8,832,995	45,000	438,505,197	14,743,037	67,759,602	580,767	370,164,828
Structures	17,780,986	242,625	-	18,023,611	1,050,074	5,789,568	355,540	11,878,503
Machinery and equipment	672,651,485	147,827,950	4,653,057	815,826,378	104,361,692	516,761,712	517,255	298,547,411
Vehicles	11,061,525	2,144,867	606,637	12,599,755	1,704,894	8,811,400	953	3,787,402
Tools, furniture and fixtures	260,980,303	38,764,405	11,821,314	287,923,394	34,549,795	204,510,253	-	83,413,141
Machinery in transit	7,517,504	39,702,380	27,573,957	19,645,927	-	-	-	19,645,927
Construction in progress	56,073,098	159,155,889	118,125,867	97,103,120	-	-	-	97,103,120
	₩1,726,259,387	₩396,687,975	₩163,142,981	₩1,959,804,381	₩156,409,492	₩803,632,535	₩ 1,454,515	₩1,154,717,331

	(in thousands of Korean won)							
	January 1, 2004 ~ December 31, 2004							
	January 1, 2003	Increase	Decrease	December 31, 2003	Depreciation Expense	Accumulated Depreciation	Accumulated Impairment	Book Value
Land	₩ 273,391,132	₩ 3,384,032	₩ 6,297,880	₩ 270,477,284	₩ -	₩ -	₩ -	₩ 270,477,284
Buildings	402,201,695	30,470,318	2,954,811	429,717,202	15,108,633	53,024,889	-	376,692,313
Structures	15,997,432	1,785,436	1,882	17,780,986	1,130,077	4,739,494	-	13,041,492
Machinery and equipment	569,533,225	118,890,000	15,771,740	672,651,485	106,287,650	415,229,192	-	257,422,293
Vehicles	9,573,158	2,744,287	1,255,920	11,061,525	1,537,590	7,699,971	-	3,361,554
Tools, furniture and fixtures	225,934,141	51,547,564	16,501,402	260,980,303	32,219,742	180,283,210	-	80,697,093
Machinery in transit	26,921,044	14,448,593	33,852,133	7,517,504	-	-	-	7,517,504
Construction in progress	114,740,956	87,682,640	146,350,498	56,073,098	-	-	-	56,073,098
	₩1,638,292,783	₩310,952,870	₩222,986,266	₩1,726,259,387	₩ 156,283,692	₩ 660,976,756	₩ -	₩1,065,282,631

As of December 31, 2004, the appraised tax basis of land, as determined by the local government of Korea for property tax assessment purposes, amounted to approximately ₩298,161 million (2003 : ₩261,394 million).

Notes to Non-Consolidated Financial Statements

As of December 31, 2004, a certain portion of the Company's land and buildings pledged as collateral for long-term and short-term debt obligations (Notes 12 and 13) are summarized as follows:

(in thousands)	Creditor	Pledged Assets	Pledged Amount	
	The Korea Development Bank		₩	266,845,000
	and others	Land and buildings	US\$	153,200

As of December 31, 2004, a certain portions of the Company's property, plant and equipment are pledged as leasehold deposits.

10. Insured Assets

As of December 31, 2004, inventories and property, plant and equipment are insured against fire and other casualty losses up to approximately ₩2,489,708 million.

The Company is insured against future claims that may be asserted under the Product Liability Act in Korea, which was effective July 1, 2002, and which imposes the responsibility on a manufacturer or seller when a product is defective and causes injury or damage to a person or property. With respect to the product liability insurance contracts, ₩8,350,400 thousand was deposited and classified as other investments as of December 31, 2004. Also, vehicles are insured by a general and liability insurance policy. In addition, the Company has directors' and officers' liability insurance up to ₩5 billion.

11. Intangible Assets

Change in intangible assets as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004						
	January 1,	December 31,		Amortization Accumulated		Book Value	
	2004	Increase	Decrease	2004	Expense		Amortization
Software costs	₩ 13,999,949	₩ -	₩ -	₩ 13,999,949	₩ 1,399,995	₩ 4,765,034	₩ 9,234,915
Trademark rights	958,974	136,499	-	1,095,473	153,265	756,280	339,193
Intellectual property rights	581,536	-	-	581,536	116,307	421,147	160,389
Patent rights	145,500	8,775	-	154,275	27,772	68,823	85,452
Others	68,499	3,554	-	72,053	9,918	51,997	20,056
	₩ 15,754,458	₩ 148,828	₩ -	₩15,903,286	₩ 1,707,257	₩ 6,063,281	₩ 9,840,005

(in thousands of Korean won)	January 1, 2003 ~ December 31, 2003						
	January 1,	December 31,		Amortization Accumulated		Book Value	
	2003	Increase	Decrease	2003	Expense		Amortization
Software costs	₩ 13,999,949	₩ -	₩ -	₩13,999,949	₩ 1,399,995	₩ 3,365,039	₩10,634,910
Trademark rights	844,5081	14,466	-	958,974	165,189	603,015	355,959
Intellectual property rights	581,536	-	-	581,536	116,307	304,841	276,695
Patent rights	145,500	-	-	145,500	26,017	41,053	104,447
Others	68,499	-	-	68,499	9,207	42,079	26,420
	₩15,639,992	₩ 114,466	₩ -	₩ 15,754,458	₩ 1,716,715	₩ 4,356,027	₩11,398,431

Notes to Non-Consolidated Financial Statements

Details of amortization expense for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Selling and administrative expenses	₩	1,702,827	₩	1,712,285
Manufacturing costs		4,430		4,430
	₩	1,707,257	₩	1,716,715

Details of the most significant intangible asset as of December 31, 2004 are as follows:

(in thousands of Korean won)		Book Value	Remaining Useful Lives
Software costs	Enterprise Resource Planning installation costs	₩ 9,234,915	7 years

12. Short-Term Borrowings and Current Maturities of Long-Term Debt

Short-term borrowings as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	Lender	Annual Interest Rate (%) Dec. 31, 2004	2004	2003
USANCE	Woori Bank and others	3.09 - 3.19	₩ 92,619,586	₩ 85,078,325

As of December 31, 2004, a certain portion of the Company's property, plant and equipment are pledged as collateral for the repayment of the above short-term debt (Note 9).

Current maturities of long-term debt as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Debentures	₩	60,000,000	₩	120,000,000
Long-term borrowings		55,311,960		93,015,997
		115,311,960		213,015,997
Less: Discounts on debentures		(149,892)		(625,526)
	₩	115,162,068	₩	212,390,471

13. Long-Term Debt

Long-term debt as of December 31, 2004 and 2003, consist of the following:

A. Debentures(Non-guaranteed)

(in thousands of Korean won)	Maturity	Annual Interest Rates (%) Date Dec. 31, 2004	2004	2003
The 70 th debenture payable	Jan. 8, 2004	-	₩ -	₩ 30,000,000
The 71 st debenture payable	Feb. 5, 2004	-	-	30,000,000
The 72 nd debenture payable	July 13, 2004	-	-	30,000,000
The 73 rd debenture payable	Oct. 25, 2004	-	-	30,000,000
The 74 th debenture payable	Feb. 25, 2005	6.00	30,000,000	30,000,000
The 76 th debenture payable	April 18, 2005	6.00	30,000,000	30,000,000
The 77 th debenture payable	Feb. 28, 2006	5.00	30,000,000	30,000,000
			90,000,000	210,000,000
	Less : Current maturities		(60,000,000)	(120,000,000)
	Discounts on debentures		(113,941)	(970,203)
			₩ 29,886,059	₩ 89,029,797

Notes to Non-Consolidated Financial Statements

B. Long-Term Borrowings

(in thousands of Korean won)		Annual Interest Rates (%)		
Lende	Purpose	Date	2004	2003
Won currency loans:				
The Korea Development Bank	General facility loans and others	4.28 - 4.43	₩ 10,428,560	₩ 58,785,680
	Less: Current maturities		(10,428,560)	(35,857,280)
			-	22,928,400
Foreign currency loans:				
KEXIM Bank	Foreign direct investment	-	-	2,407,279
Koram Bank and others	Foreign facility loans	3.10 - 3.37	44,883,400	54,751,438
			44,883,400	57,158,717
	Less: Current maturities		(44,883,400)	(57,158,717)
			-	-
			₩ -	₩ 22,928,400

Monetary liabilities denominated in foreign currencies, including current maturities of long-term debt, as of December 31, 2004 amounted to US\$43,000 thousand (2003 : US\$47,720 thousand) (Note 5).

The annual maturities in aggregate of long-term debt outstanding as of December 31, 2004 are as follows:

(in thousands of Korean won)		Debentures		Total	
For the year ending December 31,					
2006		₩	30,000,000	₩	30,000,000

As of December 31, 2004, a certain portion of the Company's property, plant and equipment is pledged as collateral for the above long-term debt (Note 9).

14. Leases

As of December 31, 2004 and 2003, the Company has lease agreements with several leasing companies, which are recognized as capital leases. Details are as follows:

(in thousands of Korean won)		Acquisition Cost		Depreciation Expense	
Accounts	2004	2003	2004	2003	
Machinery and equipment	₩ 10,075,072	₩ 10,075,072	₩ 179,730	₩ 261,615	

15. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)		2004		2003	
Balance at the beginning of the year	₩	75,295,574	₩	76,358,638	
Actual payments		(17,590,340)		(27,079,676)	
Provision for severance benefits		24,554,750		26,016,612	
		82,259,984		75,295,574	
Less: Cumulative deposits to the					
National Pension Fund		(2,213,267)		(2,811,767)	
Severance insurance deposits		(69,007,331)		(51,606,517)	
Balance at the end of the year	₩	11,039,386	₩	20,877,290	

Notes to Non-Consolidated Financial Statements

16. Long-Term Other Payables

Details of long-term other payables as of December 31, 2004 and 2003 are as follows:

(in thousands of Korean won)	2004		2003	
Contingency loss reserve	₩	14,947,849	₩	103,447
Product liability reserve		11,544,792		11,544,792
Warranty reserve		8,920,731		8,920,731
Others		1,231,975		1,231,975
	₩	36,645,347	₩	21,800,945

17. Commitments and Contingencies

As of December 31, 2004, the Company has provided guarantees amounting to ₩201,228 million (equivalent to US\$192,784 thousand) (2003 : ₩215,355 million, equivalent to US\$179,792 thousand), with respect to financing by its overseas subsidiaries. Such guarantees are as follows:

(in millions of Korean won)			
Subsidiaries			
Jiangsu Hankook Tire Co., Ltd.		₩	76,931
Hankook Tire China Co., Ltd.			46,875
Hankook Tire Netherlands B.V.			21,356
Hankook Tire America Corp.			14,352
Hankook Reifen Deutschland GmbH			12,807
Others			28,907
2004 Total		₩	201,228
2003 Total		₩	215,355

As of December 31, 2004, short-term financial instruments amounting to ₩4,800 million are subject to withdrawal restrictions in relation to the guarantee for the repayment of borrowings by Frixia Co., Ltd. (Formerly Hanta M&B Co., Ltd.), an affiliated company (Note 3).

The Company is contingently liable for outstanding balance of trade accounts receivable discounted or assigned to financial institutions amounting to ₩353,373,408 thousand, (equivalent to US\$ 338,545 thousand), (2003 : ₩351,892,698 thousand, equivalent to US\$293,783 thousand), as of December 31, 2004. There are no outstanding notes receivable discounted or assigned outstanding as of December 31, 2004 and 2003.

As of December 31, 2004, the Company has purchase card agreements with two banks, including Woori Bank, up to an aggregate amount of ₩100,000 million, which were in effect since July 16, 2001.

The Company had bank overdraft agreements with five banks, including Woori Bank, amounting to ₩67,100 million as of December 31, 2004. In addition, the Company had agreements with four banks, including Woori Bank, to discount notes up to ₩20,900 million in aggregate, and to discount trade accounts receivable denominated in foreign currency up to an aggregate amount of ₩80,000 million and US\$ 698,000 thousand.

As of December 31, 2004, the Company had agreements on short-term borrowings in foreign trade with three financial institutions, including Woori Bank, up to an aggregate amount of ₩163,000 million and US\$5,000 thousand, and guarantee agreements with seven financial institutions, including the Korea Development Bank, to provide guarantees for the payment of imported goods up to ₩30,000 million and US\$334,270 thousand.

The Company's total outstanding credit amount from Citibank Korea (formerly KorAm bank) cannot exceed the credit limit amounting to ₩130,000,000 thousand.

As of December 31, 2004, the Company had purchase agreements on raw rubber materials with several suppliers, which are usually renewed annually. In addition, as of December 31, 2004, the Company had a long-term contract with EmFrontier Inc., one of its affiliated companies, to provide maintenance service for the Company's information system.

Notes to Non-Consolidated Financial Statements

As of December 31, 2004, the Company has technical assistance agreements with Jiangsu Hankook Tire Co., Ltd. and Hankook Tire China Co., Ltd., both affiliated companies. In accordance with the agreements, the Company receives 3 % of total revenue arising from radial tire sales of Jiangsu Hankook Tire Co., Ltd.; and 2.5 % from tire sales and 1% from tube sales of Hankook Tire China Co., Ltd. for five years starting from the contract date.

The Company has forward contracts to exchange different currencies on specified dates at a specified price, up to US\$ 80 million in aggregate.

A summary of forward contracts outstanding as of December 31, 2004, is as follows:

(in thousands)						
Counterparty	Bought	Sold	Settlement Rate	SettlementDate	Capital Adjustment	
Citibank Korea	₩3,537,500	EUR 2,500	1,415.0	2005-01-03	₩	(15,762)
Citibank Korea	₩3,562,750	EUR 2,500	1,425.1	2005-01-04		5,347
Citibank Korea	₩3,577,750	EUR 2,500	1,431.1	2005-01-05		24,468
Citibank Korea	₩3,592,500	EUR 2,500	1,437.0	2005-01-10		59,823
Citibank Korea	₩3,580,000	EUR 2,500	1,432.0	2005-01-20		50,189
Citibank Korea	₩3,582,500	EUR 2,500	1,433.0	2005-01-21		52,542
Citibank Korea	₩3,596,500	EUR 2,500	1,438.6	2005-02-11		63,780
					₩	240,387

For the year ended December 31, 2004, the Company recorded realized gains and losses amounting to ₩2,677,037 thousand and ₩3,064,275 thousand, respectively, and also recorded unrealized gains and losses amounting to ₩256,149 thousand and ₩15,762 thousand, respectively, on derivatives for cash flow hedging that is effective as capital adjustments as of December 31, 2004 (Note 21).

The Company is named as a defendant in various legal actions arising from normal business matters, including product liability. The Company believes that the outcome of these matters is uncertain. The Company provided a product liability allowance with respect to the litigation as of December 31, 2004 (Notes 2 and 16).

In 2004, the company filed a lawsuit against Korea Export Insurance Co., to pay export insurance benefit related to export insurance accident. As of December 31, 2004, the lawsuit is pending in court and the outcome is uncertain. On the other hand, the company recognizes allowance for doubtful accounts amounting to ₩2,079,067 thousand (equivalent to US\$ 1,992 thousand), as of December 31, 2004.

The Company was named as a defendant in legal actions filed at Tarrant County Court, Texas in the United States of America, with regard to an agreement executed by Ocean Capital (L) Limited, its subsidiary, relating to a US\$28,000 thousand zero-coupon note entered into in December 1998. The lawsuit was dismissed for lack of personal jurisdiction by an order of Tarrant County, Texas, USA. The plaintiffs filed an appeal in Texas and also filed a new lawsuit in the Court of Northern District of Ohio as referenced above. The Company believes that the outcome of these matters is uncertain. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying non-consolidated financial statements related to such uncertainties.

18. Revaluation Reserve

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

Notes to Non-Consolidated Financial Statements

19. Retained Earnings

Retained earnings as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Legal reserve	₩	39,260,000	₩	27,260,000
Reserve for improvement of financial structure		19,320,000		19,320,000
Voluntary reserve		298,512,667		232,512,667
Unappropriated retained earnings		192,286,651		126,186,750
	₩	549,379,318	₩	405,279,417

Legal Reserve

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

Reserve for Business Rationalization

Pursuant to the Regulation of Tax Reduction and Exemption Act ("RTREA"), the Company appropriated a reserve for business rationalization for an amount equal to the tax reduction arising under the RTREA. However, in accordance with the revision of the RTREA in 2002, such restriction for appropriation of the reserve is not required any more. Accordingly, these were transferred to voluntary reserve in 2002.

Reserve for Improvement of Financial Structure

In accordance with the provisions of the Financial Control Regulations for the companies listed on the Korea Stock Exchange, the Company is required to appropriate, as a reserve for the improvement of financial structure, an amount equal to a minimum of 10% of its net income, plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until shareholders' equity is equal to 30% of total assets. This reserve is not available for the payment of dividends but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders. However, the Company is not required to appropriate the reserve since the shareholders' equity of the Company is more than 30% of total assets as of December 31, 2004.

Voluntary Reserve

The Company appropriates a certain portion of retained earnings, pursuant to a shareholders' resolution, as a voluntary reserve. This reserve may be reversed and transferred to unappropriated retained earnings by the resolution of shareholders and may be distributed as dividends after reversal.

20. Dividend Information

Dividends for the years ended December 31, 2004 and 2003, are calculated as follows:

Number of common shares outstanding during the year

2004: 146,189,929 common shares

2003: 146,189,929 common shares

The 4 million shares in treasury are excluded in calculating the number of common shares outstanding during the years ended December 31, 2004 and 2003.

Dividend Amounts

Dividends for the years ended December 31, 2004 and 2003 are in the form of cash dividends. The dividends are calculated as follows:

			Formula	Total Dividends
2004	Cash dividends	Common stock	$146,189,929 \times \text{₩}500 \times 50\% \times 366/366$	₩ 36,547,482,250
2003	Cash dividends	Common stock	$146,189,929 \times \text{₩}500 \times 30\% \times 365/365$	₩ 21,928,489,350

Notes to Non-Consolidated Financial Statements

Dividend Payout Ratio

	2004		2003	
Total cash dividends	₩	36,547,482,250	₩	21,928,489,350
Net income for the year		166,028,389,824		101,483,223,926
Dividend payout ratio		22.01%		21.61%

Dividend Yield Ratio

	2004		2003	
Dividends per share	₩	250	₩	150
Market price as of December 31, 2004 and 2003		10,200		9,000
Dividend yield ratio		2.45%		1.67%

21. Capital Adjustments

Capital adjustments as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Treasury stock	₩	(10,320,362)	₩	(10,320,362)
Unrealized gain on available-for-sale securities		5,023,329		3,959,379
Unrealized gain on investments in equity method investees		(26,829,131)		15,493,993
Unrealized gain on derivatives		256,149		33,027
Unrealized loss on derivatives		(15,762)		(3,894,384)
	₩	(31,885,777)	₩	5,271,653

As of December 31, 2004, the Company holds 4 million shares in treasury to stabilize the market price of its shares of stock, and records treasury stock as a capital adjustment. The Company plans to resell the treasury stock in the future.

22. Sales and cost of sales

(in thousands of Korean won)	2004		2003	
Sales				
Saled of finished goods	₩	1,713,124,072	₩	1,505,384,998
Sales of merchandise		152,676,112		126,968,846
Lotting out revenue		-		48,424,800
Other sales		3,499,291		3,448,426
Sales discount		(13,481,313)		(7,334,963)
		1,855,818,162		1,676,892,107
Cost of sales				
Cost of finished goods sold		1,112,179,651		1,008,602,090
Cost of merchandise sold		136,078,532		114,205,759
Cost of lotting out		-		51,537,273
Loss on valuation of inventory		1,168,538		-
Customs duties reimbursed		(2,282,854)		(6,809,701)
	₩	1,247,143,867	₩	1,167,535,421

Notes to Non-Consolidated Financial Statements

23. Selling and Administrative Expenses

(in thousands of Korean won)	2004	2003
Salaries expenses	₩ 37,127,474	₩ 32,092,456
Severance benefits	5,636,265	4,800,769
Employee benefits	6,292,897	5,775,730
Entertainment expenses	2,746,647	2,632,723
Depreciation expenses	12,209,757	12,667,438
Amortization expenses on intangible assets	1,553,260	1,565,184
Tax and dues	4,573,507	2,018,741
Advertising expenses	39,311,164	25,751,455
Research and Development expenses	60,295,138	54,072,188
Bad debt expenses	3,096,725	84,294
Revenues-Services by contract	21,519,155	24,053,688
Utility expenses	1,540,904	1,521,592
Supplies expenses	3,171,478	2,880,301
Repairs expenses	4,941,949	4,122,445
Freight expenses	26,869,685	24,216,166
Shipping expenses	83,729,518	70,289,824
Packaging expenses	3,155,615	2,545,317
Commission on export	9,798,200	9,847,717
Other sorts of expenses on export	8,661,568	7,695,453
Overseas marketing expenses	407,796	370,581
Product warranty expenses	5,538,670	15,008,762
Expenses on experiment and analysis	911,737	729,290
Overseas maintenance expenses	5,233,463	3,553,687
Travel expenses	4,411,526	4,639,192
Training expenses	1,708,768	2,645,652
Communication expenses	2,001,645	1,963,192
Sales promotional rebate	3,576,260	2,754,210
Vehicle maintenance expenses	1,081,202	1,050,851
Publication expenses	288,679	342,973
Service fees	17,423,242	13,329,065
Rental expenses	275,304	266,617
Insurance expenses	3,872,857	3,223,266
Other	472,172	427,832
	₩ 383,434,227	₩ 338,938,651

Notes to Non-Consolidated Financial Statements

24. Income Taxes

Income tax expense for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Current income taxes	₩	65,799,599	₩	40,848,238
Deferred income taxes		11,161,221		1,310,767
	₩	76,960,820	₩	42,159,005

The components of the differences between taxable income and net income before income taxes for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
	Temporary Difference	Permanent Difference	Temporary Difference	Permanent Difference
Loss on investments using the equity method of accounting	₩ 31,890,718	₩ (42,323,123)	₩(14,814,942)	₩ -
Foreign exchange gain or loss	-	-	(910,561)	-
Provision for reserve for tax purposes	2,970,159	-	-	-
Provision for bad debts	2,568,877	-	23,389	-
Depreciation	1,534,984	-	7,729,494	-
Accrued revenue	40,676	-	1,154,602	-
Capitalized interest costs	(175,049)	-	(823,993)	-
Gain on trading of forward contracts	(4,101,742)	4,101,742	4,839,354	(3,861,356)
Additional taxes paid	-	15,732,989	-	5,264,606
Entertainment expenses	-	5,557,876	-	4,702,756
Gain on valuation of available-for-sale securities	(1,113,209)	1,063,950	(3,959,379)	-
Impairment loss on available-for-sale securities	1,408,406	-	7,138,687	-
Other reserves	-	-	8,400,000	-
Loss on disposal of property, plant and equipment	-	-	(4,079,337)	-
Others	791,390	479,881	(329,811)	(433,632)
	₩ 35,815,210	₩ (15,386,685)	₩ 4,367,503	₩ 5,672,374

During the year ended December 31, 2004, the Company recognized tax credits amounting to ₩18,254,578 thousand. The details of the tax credits are as follows:

(in thousands of Korean won)		
Equipment investment tax credits	₩	14,500,832
Foreign tax credits		1,293,454
Purchase card tax credits		176,486
Research and development expenditures tax credits		2,283,806
Total	₩	18,254,578

Notes to Non-Consolidated Financial Statements

Components of deferred income taxes as of December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2003	Increase (Decrease)	January 1, 2004	Increase (Decrease)	December 31, 2004
Loss on investments using the equity method	₩ 34,775,242	₩ (18,956,632)	₩ 15,818,610	₩ 10,162,921	₩ 5,655,689
Allowance for doubtful accounts	2,451,282	(13,136)	2,438,146	2,568,877	5,007,023
Depreciation	46,346,765	6,272,171	52,618,936	1,532,090	54,151,026
Loss on valuation of investment securities	5,130,151	7,438,721	12,568,872	1,237,076	13,805,948
Loss on valuation of inventories	2,671,671	(2,671,671)	-	-	-
Foreign exchange gains or losses	1,016,103	(910,560)	105,543	(105,543)	-
Rescheduling of troubled receivables	9,798,724	271,218	10,069,942	(8,264,105)	1,805,837
Operating income from offshore financial institutions	-	12,811,534	12,811,534	(352,209)	12,459,325
Others	(603,583)	3,843,188	3,239,605	10,191,019	13,430,624
	101,586,355	8,084,833	109,671,188	(3,355,716)	106,315,472
Income taxes	30,171,147	13,971	30,185,118	(948,363)	29,236,755
Less : allowance for deferred assets	-	(1,324,738)	(1,324,738)	(10,212,859)	(11,537,597)
Deferred income tax assets	₩ 30,171,147	₩ (1,310,767)	₩ 28,860,380	₩ (11,161,222)	₩ 17,699,158

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the asset to its estimated net realizable value.

The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2004 and 2003, and was amended to 27.5% effective for fiscal years beginning January 1, 2005, in accordance with the Corporate Income Tax Law enacted in December 2003. As a result, deferred income tax assets decreased by ₩1,415,933 thousand due to the amendment of the tax rate. The Company's effective income tax rate for the year ended December 31, 2004 is 31.7%.

25. Earnings Per Share

Basic earnings per share is computed by dividing net income allocated to common stock by the weighted-average number of common shares outstanding during the year. Basic ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the year.

The weighted-average number of common shares outstanding for the year ended December 31, 2004, is calculated as follows:

	Number of Shares	Number of Days Outstanding	Weighted Number of Shares Outstanding
January 1, 2004	150,189,929	366	54,969,514,014
Treasury stock	(4,000,000)	366	(1,464,000,000)
			53,505,514,014

Notes to Non-Consolidated Financial Statements

Weighted-average number of common shares outstanding:

53,505,514,014 shares / 366 = 146,189,929 shares

Basic earnings and ordinary income per share for the year ended December 31, 2004, is calculated as follows:

(in thousands of Korean won, except for per share amount)	2004
Net income	₩ 166,028,389,824
Interest for convertible bonds	-
Net income for common shares	166,028,389,824
Weighted-average number of common shares outstanding	146,189,929
Basic earnings per share	₩ 1,136

Basic ordinary income per share is identical to basic earnings per share since there is no extraordinary gain and loss.

Basic earnings and ordinary income per share for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 are as follows:

(in Korean won)	Weighted-Average	Ordinary Income	Net Income	Basic	Basic
Period	Number of Common Shares Outstanding	for Common Shares	for Common Shares	Ordinary Income Per Share	Earnings Per Share
Jan. 1, 2004 - Sept. 30, 2004	146,189,929	₩ 146,855,973,151	₩ 146,855,973,151	₩ 1,005	₩ 1,005
July 1, 2004 - Sept. 30, 2004	146,189,929	45,689,570,590	45,689,570,590	313	313
April 1, 2004 - June 30, 2004	146,189,929	46,433,862,683	46,433,862,683	318	318
Jan. 1, 2004 - March 31, 2004	146,189,929	54,732,539,878	54,732,539,878	374	374
Jan. 1, 2003 - Dec. 31 2003	146,189,929	101,483,223,926	101,483,223,926	694	694

Diluted earnings per share is computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of interest expense on any convertible debt and dividends on any convertible preferred stock, by the weighted-average number of common shares and diluted securities outstanding during the year. Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock, which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares and diluted securities outstanding during the year, assuming conversion into common shares at the beginning of the year.

Diluted earnings and ordinary income per share for the year ended December 31, 2004, is calculated as follows:

(in thousands of Korean won, except for per share amount)	2004
Net income	₩ 166,028,389,824
Weighted average number of common shares outstanding	146,189,929
Diluted earnings per share	₩ 1,136

Diluted ordinary income per share is identical to diluted earnings per share since there is no extraordinary gain and loss.

Diluted earnings and ordinary income per share for the nine-month period September 30, 2004 and the year ended December 31, 2003, are as follows:

Notes to Non-Consolidated Financial Statements

(in Korean won)

Period	Dilutive Potential Shares	Ordinary Income for Common Shares	Net Income for Common Shares	Diluted Ordinary Income Per Share	Diluted Earnings Per Share
Jan. 1, 2004 - Sept. 30, 2004	-	146,189,929	₩146,855,973,151	₩ 1,005	₩ 1,005
July 1, 2004 - Sept. 30, 2004	-	146,189,929	45,689,570,590	313	313
April 1, 2004 - June 30, 2004	-	146,189,929	46,433,862,683	318	318
Jan. 1, 2004 - March. 31, 2004	-	146,189,929	54,732,539,878	374	374
Jan. 1, 2003 - Dec. 31, 2003	-	146,189,929	101,483,223,926	694	694

There were no dilutive potential shares as of December 31, 2004.

26. Research and Development Costs

Research and development costs incurred during the year ended December 31, 2004 amounted to ₩60,295,138 thousand (2003 : ₩54,072,188 thousand) were charged to current operations.

27. Related Party Transactions

Significant transactions with affiliated companies for the years ended December 31, 2004 and 2003, and related account balances as of December 31, 2004 and 2003, are summarized as follows:

(in thousands of Korean won)	Sales	Purchases	Accounts Receivable	Accounts Payable
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 1,506,841	₩ 29,598,087	₩ -	₩ 11,868,078
Daehwa Eng'g & Machinery Co., Ltd.	45,999	29,423,335	46,199	14,851,202
ASA Co., Ltd.	135,720	1,931,787	67,491	625,168
Frixa Co., Ltd. (Formerly Hanta M&B Co., Ltd.) ¹⁾	7,510	8,332,260	90,000	716,894
Emfrontier Inc.	-	15,716,983	-	5,770,856
Hankook Tire America Corp.	305,086,992	272,197	3,008,323	13,210
Hankook Tire Canada Corp.	16,231,946	1,556,475	173,620	-
Hankook Tyre U.K. Ltd.	56,914,501	786,841	2,945,053	239,206
Hankook Tire Japan Corp.	32,709,606	-	829	-
Hankook Reifen Deutschland GmbH	119,762,348	738,678	2,933,574	2,979
Hankook Tire Netherlands B.V.	65,676,379	1,732,995	442,653	28,098
Hankook France SARL	27,143,167	2,232,169	254,001	25,958
Hankook Tire China Co., Ltd.	9,016,540	28,788,401	8,637,808	2,701,361
Jiangsu Hankook Tire Co., Ltd.7,	908,172	49,865,748	9,868,934	4,399,498
Hankook Tire Italia SARL	361,532	970,696	-	118,880
Hankook Espana S.A.	746,882	1,965,686	-	-
Hankook Tyre Australia Pty., LTD.	-	2,690,999	-	111,516
2004 Total	₩ 643,254,135	₩ 176,603,336	₩ 28,468,486	₩ 41,472,904
2003 Total	₩ 510,197,776	₩ 132,235,288	₩ 25,475,302	₩ 37,597,492

¹⁾ Accounts receivable represents a loan to Frixa Co., Ltd. (Formerly Hanta M&B Co., Ltd.)

Notes to Non-Consolidated Financial Statements

28. Value Added Information

Accounts for computing value added for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		
	Selling and Administrative Expenses ¹⁾	Manufacturing Costs	Total
Salaries	₩ 55,774,235	₩ 123,747,379	₩ 179,521,614
Severance benefits	8,826,533	15,728,217	24,554,750
Welfare expenses	8,679,832	19,670,694	28,350,526
Rental charges	275,304	19,775	295,079
Depreciation	20,280,781	136,128,711	156,409,492
Amortization of intangible assets	1,702,827	4,430	1,707,257
Taxes and dues	4,779,315	1,482,196	6,261,511
	₩ 100,318,827	₩ 296,781,402	₩ 397,100,229

(in thousands of Korean won)	2003		
	Selling and Administrative Expenses ¹⁾	Manufacturing Costs	Total
Salaries	₩ 48,446,196	₩ 111,950,926	₩ 160,397,122
Severance benefits	7,637,242	18,379,370	26,016,612
Welfare expenses	7,653,441	17,398,527	25,051,968
Rental charges	266,617	14,867	281,484
Depreciation	20,836,491	135,447,201	156,283,692
Amortization of intangible assets	1,712,285	4,430	1,716,715
Taxes and dues	2,219,682	1,344,790	3,564,472
	₩ 88,771,954	₩ 284,540,111	₩ 373,312,065

¹⁾ Including ordinary research and development costs.

29. Environmental Investment

Environmental investment of the Company for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004	2003
Smell protection facilities	₩ 633,126	₩ 1,156,100
Dust collection facilities	660,854	153,980
Incinerator	467,200	5,760
Total	₩ 1,761,180	₩ 1,315,840

Notes to Non-Consolidated Financial Statements

30. Social Contributions

The Company's social contributions, including contributions to Hankook Tire Welfare Foundation, for the year ended December 31, 2004 amounts to ₩3,082,000 thousand (2003 : ₩3,406,120 thousand).

As of December 31, 2004, the Company provided housing loans to employees amounting to ₩1,408,361 thousand (2003 : ₩1,307,484 thousand) (Note 6).

31. Segment Information

Industry Segment Information

Financial information on industry segments as of and for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004			
	Tire	Housing ²⁾	Others ¹⁾	Total
Sales	₩ 1,699,642,760	₩ -	₩ 156,175,402	₩ 1,855,818,162
Operating income (loss)	589,745,962	-	(364,505,894)	225,240,068
Property, plant and equipment and intangible assets	799,570,102	-	364,987,235	1,164,557,337
Depreciation and amortization	136,133,141	-	21,983,608	158,116,749

(in thousands of Korean won)	January 1, 2003 ~ December 31, 2003			
	Tire	Housing ²⁾	Others ¹⁾	Total
Sales	₩ 1,498,050,036	₩ 48,424,800	₩ 130,417,271	₩ 1,676,892,107
Operating income (loss)	496,257,647	(3,112,473)	(322,727,139)	170,418,035
Property, plant and equipment and intangible assets	748,715,654	-	327,965,408	1,076,681,062
Depreciation and amortization	135,451,630	-	14,232,622	149,684,252

¹⁾ Other segments include the administration segment. There were no inter-segment transactions or allocation of administration costs among these three segments during 2004.

²⁾ In 2003, the Company finished its housing construction business.

Geographical Segment Information

(in thousands of Korean won)	Market	2004		2003	
		₩		₩	
	North America	₩	352,511,171	₩	277,361,953
	South and Central America		57,524,921		64,236,864
	Asia, except Korea		249,172,253		220,600,167
	Europe		439,222,912		366,305,518
	Other		52,818,899		42,115,945
	Local export		139,943,262		93,803,338
	Domestic		564,624,744		612,468,322
	Total	₩	1,855,818,162	₩	1,676,892,107

Notes to Non-Consolidated Financial Statements

32. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2004 and 2003 are as follows:

(in thousands of Korean won, except per share amounts)	2004		2003	
Sales	₩	487,081,542	₩	422,555,457
Operating income		30,924,411		21,260,911
Ordinary income		35,740,105		2,238,779
Net income		19,172,416		2,563,880
Basic earnings per share (in Korean won)		131		17
Diluted earnings per share (in Korean won)		131		17

33. Supplemental Cash Flow Information

Definition of Cash and Cash Equivalents

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

Transactions Not Affecting Cash Flows

Significant transactions not affecting cash flows for the years ended December 31, 2004 and 2003, are as follows:

(in thousands of Korean won)	2004		2003	
Transfer to specific property, plant and equipment accounts				
from construction-in-progress	₩	118,125,866	₩	145,650,928
Current maturities of long-term debt		115,311,960		213,015,997
Unrealized valuation gain on investment securities		43,387,073		2,037,999
Transfer to specific property, plant and equipment accounts				
from machinery in-transit		27,573,957		33,852,133

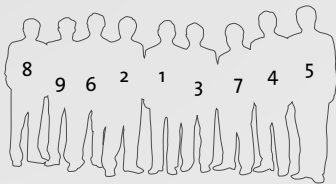
34. Approval of Financial Statements

The non-consolidated December 31, 2004 financial statements will be approved by the Company's Board of Directors on February 22, 2005.

Board of Directors



Organization Chart



1 Cho Yang Rai

- University of Alabama
- Hankook Tire, Chairman

2 Cho Choong Hwan

- Seoul National University, Department of Law
- Samsung Corporation Director
- Chief Executive Officer

3 Kim Hwi Joong

- Seoul National University, Department of Applied Chemistry
- USA AKRON, Master's degree in Department of Polymer Science and Engineering
- USA AKRON, PhD in Department of Polymer Science and Engineering
- Hankook Tire, CTO
- Head of Research & Development Division

4 Suh Seung Hwa

- Hankuk University of Foreign Studies, Department of Politics and Diplomacy
- Hankook Tire, CMO
- Head of Marketing Division

5 Jin Seung Do

- Yonsei University, Business Administration
- Hankook Tire, Executive Vice President
- Head of Domestic Sales Division

6 Cho Hyun Shick

- Syracuse University, Department of Economics
- Hankook Tire, Executive Vice President
- Head of Overseas Sales Division

7 Lee Jong Chul

- Korea University, Department of Business Administration
- Hankook Tire, CFO
- Head of Management Support Division

8 Kim Ui Ha

- Sungkyunkwan University, Department of Chemical Engineering
- Hankook Tire, CPO
- Head of Production Division

9 Woo Young Soo

- Seoul National University, Department of Economics
- Cornell University, Master's degree in Department of Economics
- Cornell University, PhD in Department of Economics
- Hankook Tire, CSO
- Head of Corporate Strategy Division

Corporate Chronology

- 1941 5 Established Hanseon Tire Industries
- 1942 10 First tires roll off at Yeongdeungpo Plant, with a production capacity of 110,000 tires/year
- 1962 1 Began the first-ever export of tires from Korea
- 1965 3 Received KS Marks for all products

- 1979 10 Completed construction of the Daejeon Plant, with production capacity of 6,500 tires/day
- 1980 8 Exported tires worth more than \$100 million USD- a first in the domestic tire manufacturing industry
- 1981 9 Established sales affiliate in the United States (HANAM)
- 1982 10 Established Central R&D Center
- 11 Received Best Quality Product Award
- 1985 11 Installed tire test tracks
- 1989 7 Developed Korea's first 65-series tires (OPTIMOPLUS)

1941~1965

1968~1977

1979~1989

1990



- 1968 2 Changed the company name to Hankook Tire Manufacturing
- 1968 12 Listed on the Korea Stock Exchange
- 1974 1 Developed Radial tires; the first passenger car tire in Korea
- 1975 8 Developed Korea's first steel Radial tires
- 1977 1 Completed construction of the Incheon Plant, specialized for manufacturing tubes
- 6 Received D.O.T from U.S. Department of Transportation
- 11 Acquired Korea Storage Battery

- 1990 5 Received Best Corporation award from the Korea Management Association
- 10 Partnership with BBS Germany over alloy wheel manufacturing technology
- Manufactured over 100 million tires- the most ever produced in Korea
- 11 Developed foam rubber tires for the first time in Korea (NORDIK)
- Established Akron Technology Center (Akron, U.S.A.)

- 1998 1 Received ISO14001 certification (Daejeon and Geumsan plants)
- 2 Developed 60 series tire for trucks buses for the first of its kind in Korea
- 4 Developed Silica tires for the first time in Korea
- 5 1998 Developed UMS (ULTRA MILEAGE & SAFETY) theory
- 7 Established Hanseon Tire Industries

- 10 Presented with the KMAM Management Innovation Award (the second consecutive year to receive KMAM awards, the best CEO Award)
- 11 Held shipping ceremony of plants in Jiangsu and operating ceremony of plants in Jiaxing, China
- Received best Korea Industrial Design Award (AURORA K103)
- 12 1998 Selected as one of the Top 30 Corporate Information Companies, by the Ministry of Information and Communication

1998

1999

2000



- 1999 1 Started supplying tires to Daihatsu for small vans
- Began construction of distribution center in Rotterdam, the Netherlands (EDC)
- 2 Received ISO14001 environment system certification for the Geumsan Plant
- 3 Awarded the highest ratings among competitors at tire tests in Germany and Greece
- Ranked 3rd in Swedish quality test
- Successfully developed Runflat tires
- 5 Held ceremonies for the completion of plants in Jiangsu and Jiaxing, China
- Received the Best Productivity Award from the Korea Productivity Center, in the Large Company Corporate Information category
- Received Best Large Size Corporation Digitalization Award
- 6 Began supplying tires to the Ford Motor Company
- 7 Developed Black Bird V, the first highspeed VR tire in Korea
- Supplied tires to the Ford Motor Company bearing the Hankook Tire name, a first among Asian tire manufacturers
- Received Volkswagen Corp. POLO Automobile Certification
- 11 Received ISO9002 certification at the Jiaxing Plant, China
- Received Fiat SpA Bravo Automobile Quality Certification
- Brazil Norm Mark Certification at China Plant
- Received the best Korea Industrial Design Award (VENTUS K102)
- 12 Presented with the Golden Tower Industrial Award in commemoration of the 36th Commerce Day

- 2000 3 Named as the Best Brand Power Company by Korea Management Association
- The K406 tire series was selected as the most recommendable tire at the Auto-Bild tire test, Germany
- 4 Closed Yeongdeungpo Plant
- 6 Received the Korea Marketing Award from the Korea Management Association
- Ranked 1st in H714 France Auto-Plus Magazine Test
- 7 Launched ERP Project
- 8 Established Frontier Corporation
- Received Q1 Award from the Ford Motor Company (Daejeon Plant)
- 12 Presented with the President Award at the second Korea Design Management Contest

- 1992 2 Established Dae Wha Industrial
- 7 Initiated sales of alloy wheels
- 1993 9 Received GD Marks, resulting in an award from the Prime Minister of Korea
- 11 Established affiliate in Canada
- 1994 3 Received ISO9001 Certification
- 7 Received Alloy Wheel Go Mark
- 1995 11 Manufactured over 200 million tires-the most ever produced in Korea
- Exported tires worth more than \$500 million USD

1991



- 1991 1 Joined top ten international tire makers list
- 4 Contributed to the development of a rocket for scientific observation
- 5 Manufactured and distributed Korea's first 50/55 series tires
- 9 Received Japan manufacturing standard J.I.S.

1992~1995

1996~1997



- 1996 3 Established affiliate in France
- 5 Established affiliate in the Netherlands
- 11 Held groundbreaking ceremony for the Jiaying, China plant
- 1997 1 Established ASA
- 5 Opened the Europe Technology R&D Center
- 9 Received QS9000 certification (Headquarters, R&D Center, Daejeon Plant and Geumsan Plant)
- 10 Completed first stage of construction for the Geumsan Plant

- 2002 3 Selected as official tire supplier for Formula 3 races, Italy
- 4 The K701 received very good results from tire tests conducted by ADAC Magazine
- Participated Busan Korea Auto Salon
- Expanded TBR production line at the Jiangsu factory, China
- 5 The LTR RA08 was selected Best Product in the European magazine tire test
- 6 Launched Europe ERP Project
- 9 Ventus K104 designated as best industrial design product
- First Korean tire company to participate in Paris motor show
- 10 Opened Europe ERP (Europe headquarters and German affiliate)
- Received silver award at the National Quality Management Contest (Daejeon Plant)
- 11 Participated in the Seoul International Motor Show 2002

2001

2002

2003~2004



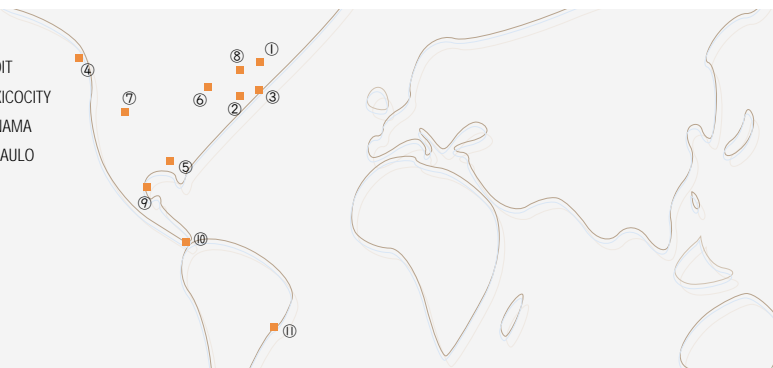
- 2001 3 The Blackbird V series was selected as the Best Brand Power product by Korea Management Association
- 6 Completed construction of the Europe Distribution Center (EDC)
- 7 Received the Best Marketing Award from the Korea Management Association, for the Ventus tire series marketing campaign
- Joined international e-trade RNC
- 8 Opened ERP system
- 9 Developed Ventus Sports K104
- 10 Optimo K406 ranked 2nd at World Tire Test
- 11 Received Quality Management Award at the national Quality Contest (Daejeon Plant)
- Began manufacturing the Nordic 3000, designed for winter driving conditions
- Received best Global Marketing Award by Seoul Economy Daily
- 12 Selected as an excellent company in the corporate information sector
- Selected as one of the most popular products by Hankyoreh Daily
- Received the best Global Marketing Award from the Seoul Economic Daily
- 2003 2 Appointed as official tire supplier for the North American SCCA
- 4 CEO Chung-hwan Cho named as the Best Korean CEO
- Began manufacturing XQ Optimo, premium passenger car tire
- 5 Received ISO/TS16949 quality management system certification
- 6 Established partnership with Michelin
- 7 Supplied Ford F150 tires
- 11 Started manufacturing Icebear W300 in Korea, designed for winter driving conditions
- Received Export Tower for exceeding \$600 million USD in exports
- 12 Exceeded \$700 million USD in exports
- 2004 3 Announced new CI
- 5 President of China visited Jiangsu factory, China
- Supplied UHP tire for Ford Mondeo
- 7 Launched 'SF-Optimo'
- 10 Hankook tires on automobiles that ranked 1st and 3rd at SCCA
- 11 Dynapro RH03 and RH08 ranked 3rd and 6th respectively by Consumer Reports Magazine

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