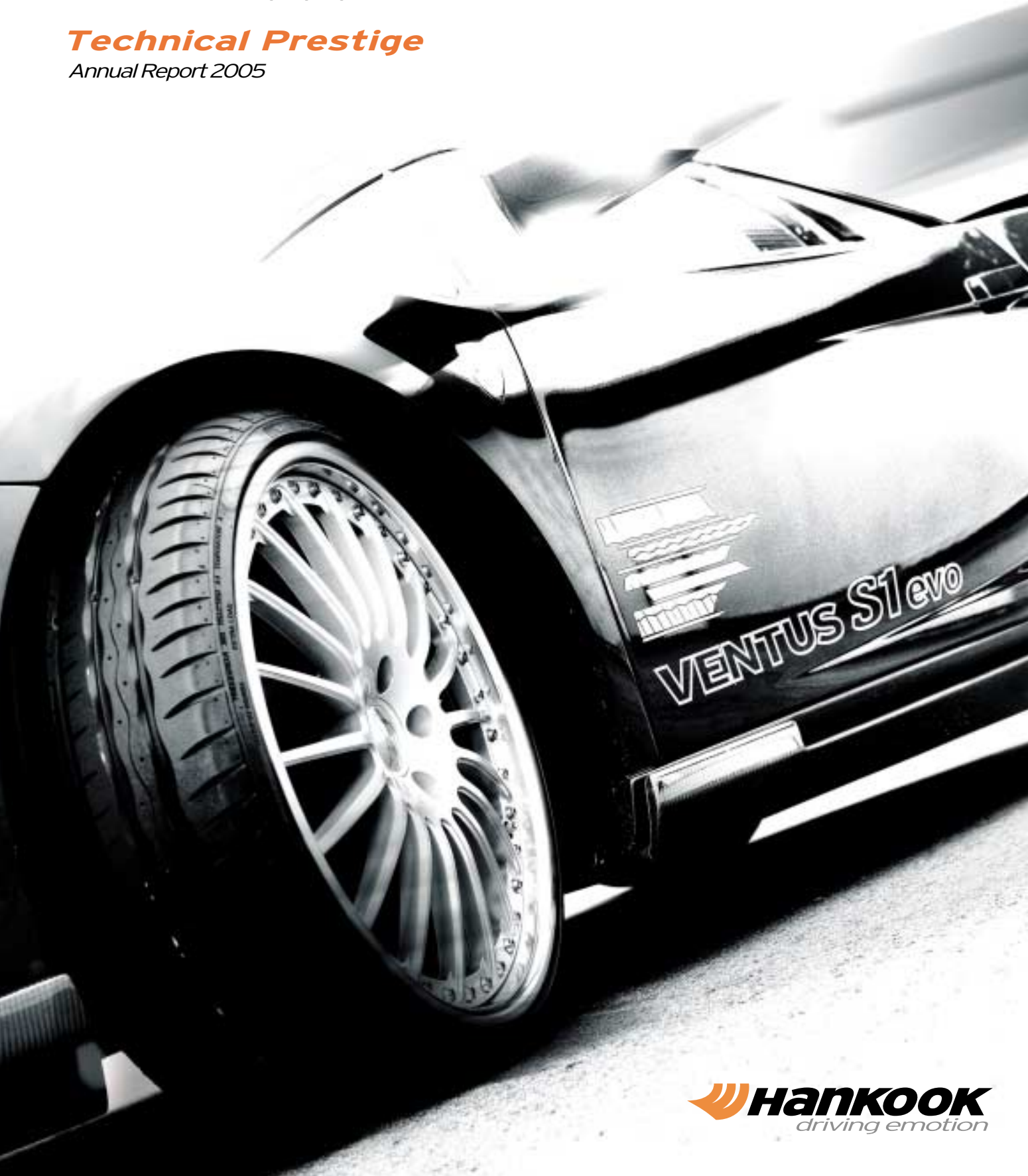


Technical Prestige

Annual Report 2005



Reaching the Winner's Podium

Driving with You through Ruggedness & Smoothness

Hankook Tire is a leading supplier of tires to consumers in 170 countries around the world. Since its establishment in 1941, the Company has remained true to the tire industry for 60 years with its vision of delivering "Trust and Value to the World." 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 and, to a greater extent, a global player.

Aggressively embracing more efficient and broader-market-oriented marketing strategies, Hankook Tire continues to expand its markets into a broader world from China to Europe to America. As evidence of this, our tires are preferred by such internationally known automobile manufacturers as Ford, Volvo, Mitsubishi, Renault, and Volkswagen. Anticipating and setting market trends, Hankook Tire will continue its drive to reach the winner's podium.



2005 Achievements

Tire Supplier to General Motors



Hankook Tire began supplying the passenger tire H725A as optional equipment for the 2006 Saturn ION, the first Korean tire maker to supply to General Motors. Hankook Tire supplies General Motors' Saturn Division with P205/55R16H size tires affixed with the Hankook Tire trademark, in the form of direct exports. The contract has not only brought recognition of Hankook Tire's technology in the advanced auto market, but will result in a significant boost to exports and overseas brand recognition.

T'Station Customer-friendly Tuning Station



Hankook Tire opened its first T'Station in Busan in March 2005. A tire-oriented customer-friendly auto service center, T'Station is a tune up station to enhance vehicle safety, where drivers are provided with one-stop car maintenance services from repairs to tire replacement to sales of accessories. With an advanced nation-wide network, T'Station is the standard in next-generation car maintenance.

The Official Tire Supplier of Hankook USTCC



Hankook Tire's aggressive marketing activities included the supply of tires for the Hankook United States Touring Car Championship (USTCC). Hankook Tire

signed an exclusive contract with the USTCC authority for the annual supply of 3,000 tires for three years through 2007. With our logos and trademarks affixed on participating cars and drivers' uniforms, we expect that our sales and brand awareness will improve in the North American market.

A 'First Tire Supplier' to Ford Motors



Hankook Tire was selected as one of the "First Tire Suppliers" involved in Ford Motor Company's new "Aligned Business Framework." As part of the deal, Hankook Tire will benefit from greater insight into future product planning as Ford Motors intends to significantly expand the volume of business it currently is sourcing with Hankook Tire. In the first phase of the newly-devised Framework, Hankook Tire was chosen as a strategic supplier as a result of its commitment to quality, technological innovation and outstanding delivery performance. Hankook Tire's selection is all the more encouraging given that Ford expects to reduce the number of suppliers for its 20 high-impact parts and commodities including tires by as much as 50%.



New Plant in Europe



Hankook Tire is currently building a new factory in Hungary as an outpost for its entry into the European market. The EURO500 million plant, with annual production capacity of 10 million tires, will be built on a 528,000-m² site in Dunaujvaros, 68km south of the Hungarian capital, Budapest. The aim is to begin operations in 2007. The majority of goods produced in this new plant in Central Europe will be supplied to Western Europe, the Company's major strategic market. With construction of the Central European plant, the Company will be equipped with a full-blown global production system linking Korea, China and Hungary.

Partnership with Hamann



Hankook Tire entered an exclusive worldwide technology partnership with the renowned automotive refiner Hamann Motorsport. Under the partnership, Hankook

Tire and its partner shall place the phrase "Technology Partner" on all advertising and promotional materials, appearances at events, and exhibition vehicles. Starting with the 2005 Frankfurt Motor Show, Hamann Motorsport equipped all show and exhibition vehicles exclusively with Hankook Tire's Ultra-High-Performance (UHP) tires.

Performance

World-recognized Technologies



The year 2005 belonged to Hankook Tire. Achieving perfect scores in a series of performance tests, Hankook Tire's products were recognized by several world-renowned auto magazines. *Autobild*, a top-rated German auto magazine select the 'Ventus Prime' as the best product in a comparison test in March over the world's top-notch tire makers, Michelin and Goodyear. *Gute Fahrt*, a Volkswagen Dealers' magazine, chose the 'Ventus S1 evo' as one of the best tires. In June, *Promobil* magazine of Germany, nominated the 'RA08' as a 'very recommendable product' at a tire performance comparison test. *Sport Auto* magazine lauded the 'Ventus RSS' as the best tire, and in November, the 'H725' was nominated as the 'best product' in a tire performance test by *Consumer Reports*, the most authoritative consumer survey organ in the United States.

The Sole Sponsor of Porsche Cup



Hankook Tire sponsored the "The 2nd F.A. Porsche Cup." From May 27 to 29, 2005, Hankook Tire, as the sole sponsor of the prestigious event, introduced its main products of ultra-high-performance (UHP) tires to more than 150 participants at an event area provided

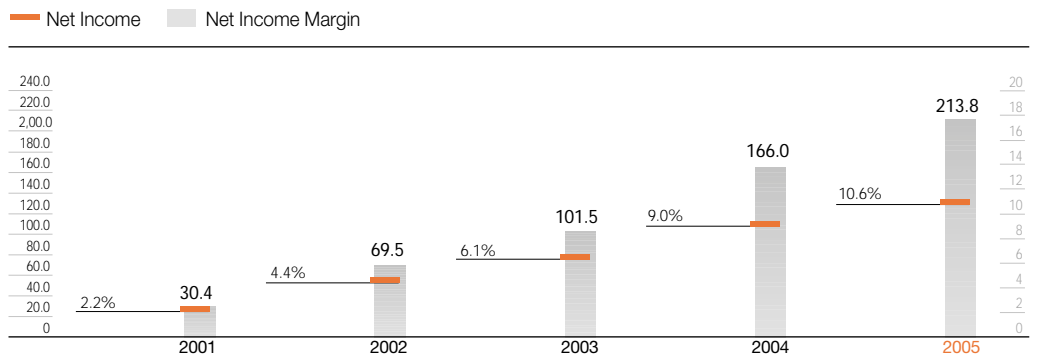
for the Company's exclusive use. As some of the Porsche cars competing in the races were equipped with Hankook Tire's Ventus S1 evo, specially designed for use on powerful upscale vehicles such as Porsches, this event provided a perfect opportunity for Hankook Tire to showcase the advantages of its premium products.

Financial Highlights

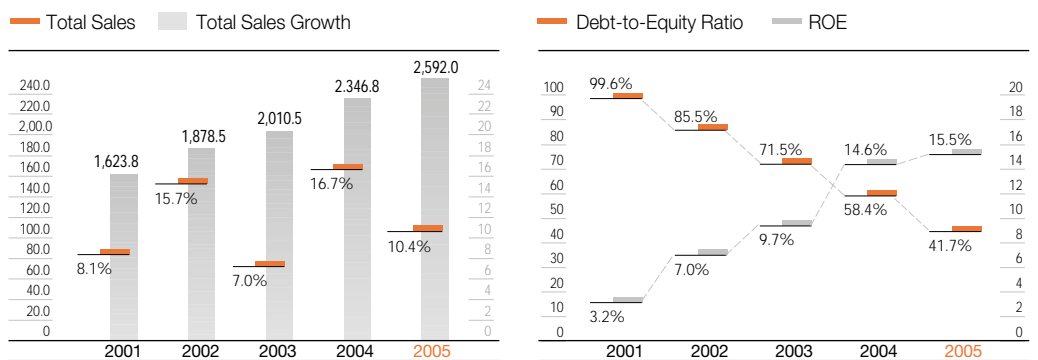
(In billions of KRW)	2005	2004	2003	2002	2001
Total Sales	2,592.0	2,346.8	2,010.5	1,878.5	1,623.8
Sales for Korean Operations	2,017.2	1,855.8	1,676.9	1,578.5	1,405.0
Sales for Chinese Operations	574.8	491.0	333.6	300.0	218.8
Hankook Tire(Korean Operations)					
Sales	2,017.2	1,855.8	1,676.9	1,578.5	1,405.0
Operating Income	230.7	225.2	170.4	103.3	119.0
Ordinary Income	282.7	243.0	143.6	74.2	41.0
Net Income	213.8	166.0	101.5	69.5	30.4
Total Assets	1,953.5	1,889.6	1,861.7	1,857.3	1,916.1
Total Liabilities	574.9	697.0	776.1	856.3	955.9
Total Shareholders' Equity	1,378.6	1,192.6	1,085.7	1,001.0	960.2
Earnings Per Share(In KRW)	1,462	1,136	694	476	210
Book-Value Per Share(In KRW)	9,178	7,941	7,229	6,665	6,393
Debt-to-Equity Ratio	41.7%	58.4%	71.5%	85.5%	99.6%
*Return On Equity	15.5%	14.6%	9.7%	7.0%	3.2%

*Restated financial statement for 2001 due to error

(In billions of KRW)



(In billions of KRW)



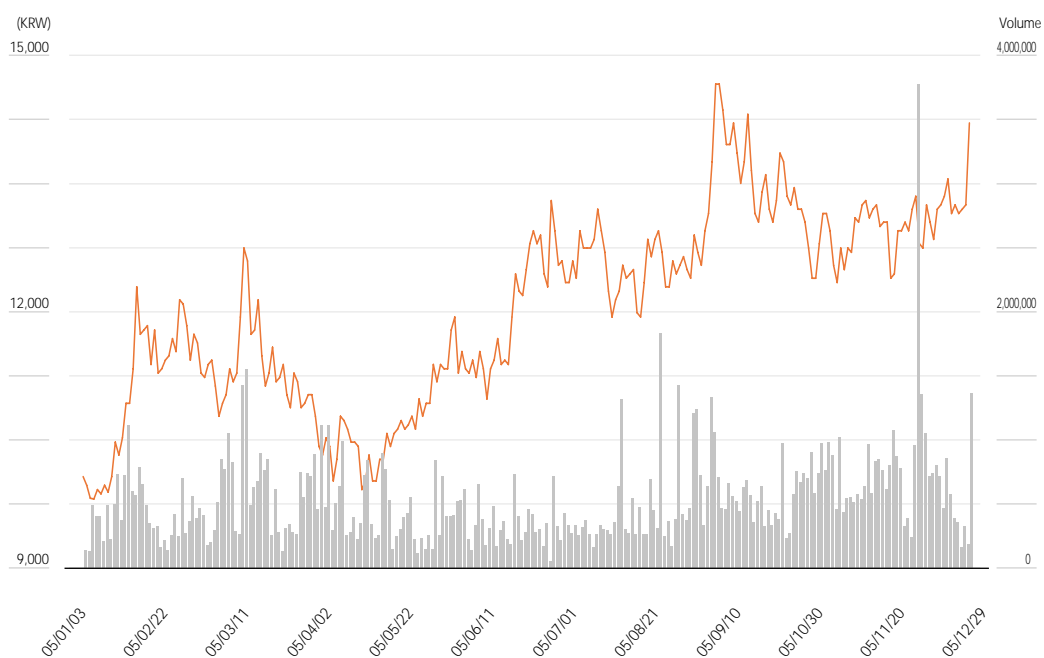
Our Shares


Rising Confidence, a Bullish Market

Korea's stock market rallied strongly in 2005, although economic growth remained at a relatively low rate of 3%. Buoyant sentiment in the Korean stock market pushed the share price of Hankook Tire to a historic high of KRW14,700 on Sept. 20, 2005. Starting the year strongly at KRW10,150, Hankook Tire's shares hit a low of KRW9,900 on January 20th, but increased steadily afterwards and ended the year at KRW14,250. Hankook Tire's shares rallied 40.4% over the year, moving in line with markets. In 2006, we believe that Hankook Tire's share price will rally further based on the Company's compelling valuations as it is expected to be able to offset hikes in raw material prices with rises in tire prices. We see the Company's valuation as still being attractive to investors with an expected 2006 operating profit margin of around 11%.

Earnings Ratio Trend of Hankook Tire shares

Trading Volume Hankook Tire





"We are certain that Hankook Tire's continuing drive to create a 'better future' will deliver another great success story to our shareholders and customers in 2006."

CEO's Message

Creating a Better Future, Delivering another Success

Hankook Tire will continue to drive forward, overcoming all challenges and creating new innovations, until we become a "World-class Global Leading Company."

Dear customers, shareholders, and partners,

On behalf of our people at Hankook Tire, I am pleased to report to you on another successful year. Despite an adverse management environment in 2005, we achieved yet another record-high performance in the Company's history. We ranked eighth among global tire makers in terms of sales while our exports surpassed US\$1.3 billion as of the end of 2005.

Our sales and ordinary income for the year 2005 were at KRW2,017.2 billion and KRW282.7 billion, up 8.7% and 16.3%, respectively, besting our record highs of 2003 and 2004. These stellar results can be traced to management innovations aimed at creating a market-oriented company.

While we are proud that Hankook Tire has grown to compete with major global players, we do not intend to sit on our laurels. We will continue to drive forward, overcome all challenges and carry on with innovations, until we attain Hankook Tire's goal of becoming a "World-class Global Leading Company."



2005 Awards

US\$1 billion Export Tower

Having begun the first-ever export of tires from Korea in 1962, Hankook Tire exceeded US\$100 million in 1982 and US\$700 million in 2003 in total exports. Exporting tires worth US\$1.14 billion in 2005, it received a US\$1 billion Export Tower.

"2005 Korea Industrial Design Awards" MOCIE Prize

Hankook Tire's Winter I-PIKE tire received the MOCIE Prize at the "2005 Korea Industrial Design Awards" sponsored by the Korea Institute of Design Promotion.

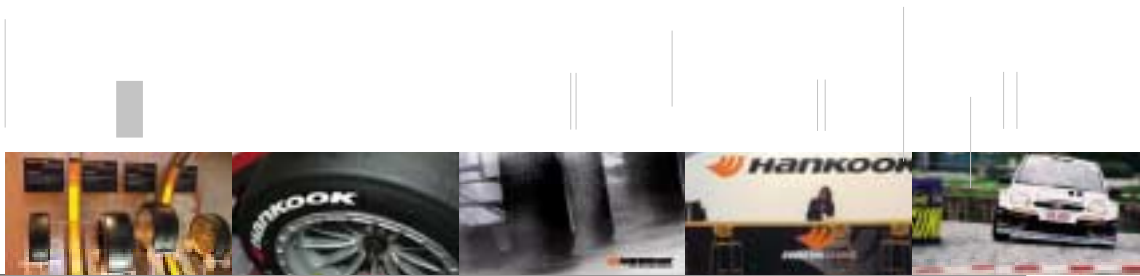
CEO's Message

Several steps are necessary to make Hankook Tire a global leading company. Hankook Tire will continue to offer industry-leading innovative products, make strategic inroads into target markets with localized production lines, expand into overseas OE markets, provide high quality services, and establish solid and efficient distribution channels.

First, we expect to make strategic inroads into our target market, Europe, having broke ground for a new plant in Hungary earlier this year. This EURO500 million investment is significant in that it will serve as a powerful foothold for penetrating European tire markets while allowing Hankook Tire to expand its presence in global markets. With a stable supply of locally produced products and strong distribution channels, we will be able to expand our presence in European markets and elsewhere.

Second, we will strengthen Hankook Tire's management by implementing global standards in practices and methods. We strongly believe that the keys to success in global markets are not only high quality, but an instantaneous and effective response to market demand, as well. Therefore, we will take bold and innovative steps across-the-board so as to effectively and quickly respond to ever-changing market demand. Our innovations include Supply Chain Management, an innovation in our supply chains, and Product Lifecycle Management, an innovation in our R&D processes. In short, we are integrating the overall process encompassing production to end-user.

Another challenging year in global markets is forecast for 2006 with soaring oil prices, fluctuating foreign exchange rates and back-to-back price hikes in raw materials. However, Hankook Tire will ride above these difficulties and attain its goals set for the year 2006, while paving the way for sustainable growth in the years to come.



2005 Awards

'Good Design' Certificate

The Ventus V4 ES and Ventus V2 LS won certificates for 'Fine Work' and 'Good Design,' respectively, at the "Korea Industrial Design Awards" run by the Korean Association of Industrial Designers (KAID).

Platinum LACP Vision Award

Hankook Tire received a prestigious Platinum LACP Vision Award for the Best Annual Report in 2004 from the League of American Communications Professionals (LACP). Obtaining perfect scores in 'Letter to Shareholders,' 'Report Narrative' and 'Report Financials,' its 2004 annual report ranked at the top of the 'Automotive & Related' industry.

Having entered the fast lane, we will leverage our past performances and increase 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 today's global leaders for the top spot in the industry and we are certain that the Company's continued drive to create a 'better future' will deliver yet another great success story to our shareholders and customers in 2006. 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 to 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 will go the distance and continue to break 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.



Chief Executive Officer | Cho Choong Hwan



2005 Awards

Ford Q1 Award

Hankook Tire's Jiaxing Plant received a Q1 Award from the Ford Motor Company, a first among tire plants operating in China. The Q1 Award, conferred by the U.S.-based carmaker as a certificate of component supplier, proves our advanced technology and high product quality. Hankook Tire is the only holder of this award among Korean tire makers.

Good TV Commercial

Hankook Tire's TV Commercial "Enjoy Driving Sequel 1 - Half Pipe (XQ-Optimo)" was selected by consumers as the best TV Commercial according to the Korea Advertisers Association and was named the very best TV commercial film at the "TV CF AWARDS 2004."

Corporate Governance

Bringing Global Standards to Corporate Governance

Ever since Hankook Tire came into being, our main concern has been tires and the creation of value. Through enhanced corporate governance, we aim to elevate corporate and shareholder value.

We have built advanced corporate governance systems that enhance shareholder rights, responsible management and transparency in audits. Now equipped with a reinforced internal accounting system, we will be able to further improve our corporate governance.

Protection of Shareholder Rights

In pursuit of sound and transparent management and sustainable profitability, Hankook Tire has adopted an “ethics code.” In respect of the rights of our shareholders, we hold a variety of investor relations (IR) activities and events. We also provide corporate information to our investors around the clock, while working to return benefits to investors through one of the best dividend policies in the industry.

Responsibilities of Management

To assist the board of directors in providing effective and accountable management, Hankook Tire has devised and implemented the “Hankook Tire Board of Directors Operating Guidelines.” By stipulating the rights and obligations of BOD members as well as operating procedures, the guidelines prescribe standards and procedures to ensure management accountability. We added one more outside director in 2005 and continue to encourage the active participation of all board members. As a result, Hankook Tire’s three outside directors attended 80% of the board meetings during the year of 2005. Through various training courses for directors, we instill ethics and accountability in our management.

Corporate Governance



T'Station,
a next-generation auto culture

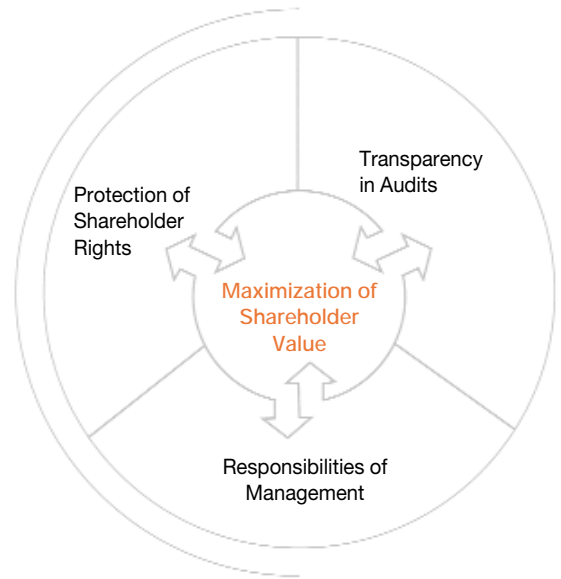


Ceremonies celebrating
our 64th anniversary

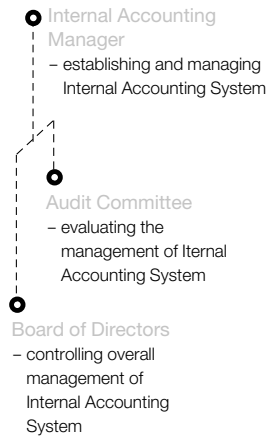


Corporate Governance

Protection of Shareholder Rights /
Transparency in Audits /
Responsibilities of Management



Transparency in Audits



Transparency in Audits

Hankook Tire operates an exclusive IR team to communicate with shareholders. Our IR activities include IR sessions and overseas conferences, and the Company operates a separate website that discloses material corporate information. Having set up an audit committee staffed by members of the board of directors, we pursue independence and transparency in audit activities. Comprised of outside directors, the audit committee holds the rights of approval for appointing or dismissing internal audits. This system works to secure positive and independent audit activities.

We employ an enterprise resource planning (ERP) system to ensure speed and accuracy in the settlement of accounts. We also strive to close the gap between disclosed estimates and final figures. With an internal accounting management system in place, we strive to disclose more accurate and open accounting information to the market.

Hankook Tire is fully committed to enhancing transparency and accountability in management. In further efforts to improve our corporate governance, we will continue to realign our organization, study global best practices and effectively utilize an outsourcing system. It is anticipated that corporate competitiveness in the future will depend on advanced corporate governance as well as transparent and accountable management, and for this reason, we continue to make strenuous efforts to improve corporate governance. We will push further ahead to bring global standards to our corporate governance in the years to come.



2005 Hankook Tire
Overseas OE Symposium



The 51st Hankook Tire
Annual Meeting of Shareholders

Board of Directors

Enhancing Corporate Value through Transparent Management

We will continue to strive to improve our corporate governance.



1
Cho Yang Rai
 1962.8 BA, University of Alabama
 1988.2 Hankook Tire, Chairman

4
Jin Seung Do
 1977.2 BBA, Yonsei University
 2004.1 Hankook Tire, Executive Vice President
 Head of Domestic Sales Division

7
Kim Ui Ha
 1973.2 BS, Sungkyunkwan University
 2005.1 Hankook Tire, Executive Vice President
 Head of Production Division

2
Cho Choong Hwan
 1964 BL, Seoul National University
 1979 Samsung Corporation Director
 1998.1 Hankook Tire, Chief Executive Officer

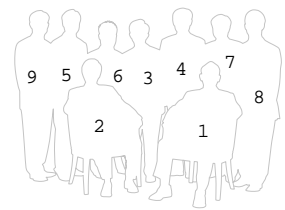
5
Cho Hyun Shick
 1995.5 BA, Syracuse University
 2004.1 Hankook Tire, Executive Vice President
 Head of Marketing Division

8
Cho Hyun Bum
 1996.12 BA Boston College
 2006.1 Hankook Tire, Executive Vice President
 Head of Corporate Strategy Division

3
Kim Hwi Joong
 1971.2 BS, Seoul National University
 1990.3 PhD, University of Akron, U.S.A.
 2003.1 Hankook Tire, Chief Technology Officer
 Head of Research & Development Division

6
Lee Jong Chul
 1979.2 BBA, Korea University
 2005.1 Hankook Tire, Chief Financial Officer
 Head of Management Support Division

9
Woo Young Soo
 1987.2 BS in Economics, Seoul National University
 1994.7 PhD in Economics, Cornell University
 2003.9 Hankook Tire, Vice President
 Head of L.A.A.M. Headquarters



* L.A.A.M = Latin, Asia-Pacific, Africa, Middle-East

Technical progress



Technical
progress



*For Smoothness
& **Comfort***

State-of-the-art Technologies Enhance Our Market Competitiveness

Hankook Tire continued to enhance awareness of its brand in global markets with the mounting of aggressive marketing activities in 2005, and such efforts led to increased sales of the Company's high value-added products. In addition, Hankook Tire received a Q1 Award from Ford Motors as one of its strategic partners and we became the first Korean tire maker to supply tires to General Motors. At the same time, several prestigious magazines such as Consumer Reports and Autobild acknowledged the quality of our products.

'Big 3 Best Product' by Consumer Reports

The 'H725,' one of our main products in the passenger car tire line, was selected as one of the best passenger car tires by the Consumer League of the U.S. and the relevant article was carried in the November issue of *Consumer Reports*, the most authoritative consumer survey organ in the U.S. The test covered nine areas including, braking, handling, hydroplaning, effect on gasoline mileage, rolling resistance and snow traction, in which the 'H725' outperformed the products of other prominent global tire makers. The H725 was chosen as one of the Big 3 Best Products from among 18 all-season tire models of major producers such as Michelin, Bridgestone, Goodyear and Pirelli.



H725

The H725 model is one of Hankook Tire's main products for compact passenger cars. We invested KRW5 million over two years and optimized the tire's improvement of gasoline mileage and high-speed performance. Strategically developed to target the North American market, having been chosen as the supplier for GM's Saturn ION, the tires are now rolling in every corner of the world.

Vision & Strategies

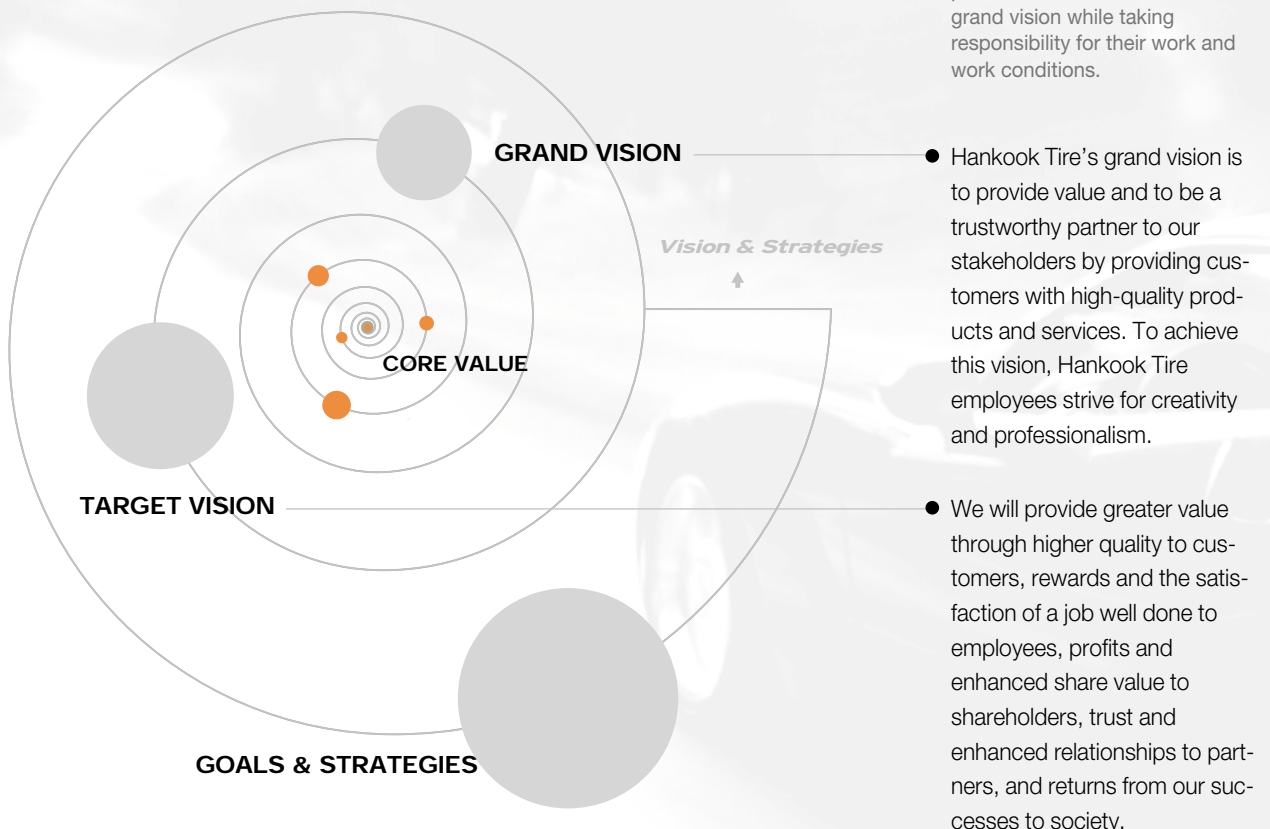
Pursuing the Top Brand Values

In supplying the world's most prestigious automakers with US\$100 million in tires in 2005, Hankook Tire was recognized for the high quality and reliability of its products. Such visibility enhanced awareness of the Company's brand in global markets.

Reinforcing our marketing activities further in 2006, we will continue our efforts to enhance Hankook Tire's brand value through aggressive R&D activities and the establishment of global practices in production, sales and marketing.

CORE VALUE

Hankook Tire employees are goal-oriented people who possess the creativity and professionalism to achieve a grand vision while taking responsibility for their work and work conditions.





Rolling Ahead in the world with enhanced global marketing

In 2006, Hankook Tire will enhance its global marketing activities so as to firmly position the Company as a second tier tire maker. To realize profitable growth, we will continue to focus on expanding our array of new and high value-added products; on securing a competitive edge in pricing; on improving our distribution network; on pushing our global brand marketing activities; and on establishing a profitable model for truck and bus radial (TBR) tire placement.

Optimal Product Mix

Hankook Tire will establish an optimum sales structure using the following three strategies: first, we will increase our sales of high value-added (HVA) products by expanding our R&D into new tires for racing and UHPT, and develop the market for SUV products; second, we will maximize our profitability by selecting and focusing on strategic countries with a high potential for profitable growth as well as size growth; and finally, we will optimize our production/sales mix to suit different production lines in different countries so as to cut costs while enhancing profitability.

Price Position Up

Increasing prices in strategic overseas markets is one of our strategies for entering the second tier group of tire makers. Based on the results of surveys on our current pricing position in global markets, we have set target prices to enhance our pricing positions by 2008. We will establish a comprehensive pricing position strategy through various methods such as new product launches, price controls at the level of distribution downstream, and sell-out price controls via our overseas local subsidiaries, while reinforcing our global brand marketing.

Distribution System Improvement

Besides products and pricing, effective distribution channels comprise the most important factors in marketing. Given that more than 70% of our sales income comes from overseas markets, it is critical to maintain efficient and effective control of distribution channels. Therefore, we studied advanced distribution channels in several select countries so as to build the best distribution model possible. In applying this model, we will analyze our distribution channel portfolio to identify stable and profitable markets.

Global Brand Marketing

Our global brand marketing dates back to 2003, when we established a global brand strategy to enhance Hankook Tire's brand value. Since then, following the introduction of a new corporate identity (CI) in 2004, we have been active throughout 2005 in enhancing our brand awareness through an "Enjoy Driving" campaign and through well-organized PR activities within and outside Korea. In 2006, we plan to systematize the management of our CI and BI in global markets while reinforcing our motor sports sponsorship activities. In addition to our current sponsorships of the BAT GT Championship, Germany's F3 Championship and five to ten other races held in Europe and North America, we will expand our sponsorship to the International Oval rally in Germany, the Japanese Super GT 300 and more in 2006. We will also increase our supply of tires as official sponsors and our sales with the introduction of specialized facilities for racing tires.

2006 Business Plans

Laying the Foundation for Sustainable Growth

In 2006, we will continue to implement our management innovations and enhance our core capabilities so as to leap forward to become a global leading company. Meanwhile, we will not merely sit on our laurels but will continue our march forward with a firm resolve to achieve ever-greater heights of success.

Hamann AD Winter 'cept



Continuous Management Innovations

Hankook Tire will continue to push forward with management innovation to stay on track in a fast-changing business environment. With our accumulated R&D capabilities, we have developed innovative products so as to lead the industry. Aggressively making inroads into strategic markets and localizing production lines, we have continued to increase sales of OE products in global markets and to enhance service quality through the rearranging of distribution channels. We will continue to work on productivity enhancement and cost reductions in 2006. In addition, we will continue to proliferate knowledge management, innovate logistics and improve internal decision-making processes to secure advanced core competencies.

Improving Market Competitiveness

In 2006, we will continue with efforts to enhance the market competitiveness of our products as we plan to introduce supply chain management as a core internal process. We will also aim to improve R&D processes through product lifecycle management as we will take customer opinions into consideration when developing R&D. With these new plans we will be able to integrate our entire business process from production to distribution at the customer end.



Hamann AD
Winter 'cept

Building Global Management

Hankook Tire will continue to work to establish global-level management in the years to come. In 2006, in particular, we will put our full efforts into building a global-level management system that will implement across-the-board innovations in structure, strategies and competitiveness. We at Hankook Tire will set specific goals and work to realign our business processes to meet global standards.

One step closer to the European market

The year 2006 will mark an important chapter in our history, as we finally enter the European market with a new outpost under construction in Hungary. With the building of a new production line in Hungary, the years of struggle to improve Hankook Tire's brand value in Europe will soon begin to bear fruit, as we will be able to expand our sales in local markets. Although unsatisfied with our achievements to date, we will continue to work for more opportunities.

Cooperative Industrial Relations

We are different in that our labor and management cooperate to create a positive working environment. Hankook Tire will continue to place a priority on achieving cooperative and reliable industrial relations. By collaborating and harmonizing our relationships, we create efficiency and better productivity for the Company and bring happiness to all of our people. With trust and integrity, we will continue to work together to build a highly competitive company.



New Products

New Products with State-of-the-Art Technologies

While staying sensitive to the ever-changing demands of the market, we are proud to introduce such products as high performance tires to meet the needs of customers at home and abroad.

2005 Overseas Market

RADIAL K109 (K109)

Launched in March 2005, the Radial K109 is an ultra-high performance tire designed for a luxury sedan. Applying an asymmetric and aggressive design to reflect market trends, the tire is an upgraded version of the K103 with a better performance in dry and wet handling and a better appearance. In developing new UHP products that update the latest market trends, Hankook Tire expects to reinforce its sales prowess and profitability. This product has become established as a representative AURORA UHP tire of the Company's UHP sport line.

Winter i*cept (W605)

The Winter i*cept (W605), a sequel to the previous W604, but with a better performance in winter season, is an upgraded product targeted at the Japanese and North European markets. New trends in compound technology have resulted in improvements in the tire's performance in ice braking, and its safety-oriented design is expected to appeal to sophisticated customers in Japan and European markets. Following its launch in the Japanese market in October, 2005, introduction into the North European market is slated for the 2006 winter season.

RADIAL H107 (H107)

In an effort to expand our AURORA Brand product line in North America, we launched the RADIAL H107 in March, 2005, an all-season UHP tire with an H grade exclusively targeted at the North American market. With the addition of this new product line, we provide a more diversified product line in Aurora Brand UHPT tires, and this has resulted in improved sales and increased UHPT sales to Aurora dealers. By adding more UHPTs with strong price competitiveness to our product line, we will continue to increase our transactions in Aurora brand products.

RADIAL RH08 (RH08)

Developed and added to the Aurora SUV UHP line in the North American market, the Radial RH08 is targeted at answering and leading the rising demand in the market for SUV UHP products. Launched in May 2005, the Radial RH08 is a high-endurance tire designed to improve handling and smoothness.

Dynapro MT (RT03)

Introduced in April 2005, the Dynapro MT (RT03) is a wild and exclusive off-road tire that applies a dynamic design. Launched in response to rising demand for an exclusive off-road tire both at home and abroad, the Dynapro MT (RT03) boasts excellent driving handling and endurance. The tire's smoothness on both paved roads and the most rugged off-roads comes from its ability to absorb impacts, while improving stability and driving performance.

2005
Domestic
Market



BLACK BIRD V2 (H424)

Developed in response to rising demand for a sequel to the PLC, a tire equipped with Sport & Comfort functions, the Black Bird V2 (H424) performs excellently in wet braking. A highly technical product that performs well at high speeds, it has significantly improved performances in hand grip, braking distance and wet driving. The H424 is rapidly replacing previous products, while securing the leading share of the domestic market.

VENTUS S1 evo (K107)

An up-scale UHP tire designed for premium luxury sports cars and car tuning enthusiasts, the VENTUS S1 evo (K107) was launched as a replacement tire for imported cars in response to rising market demand in conjunction with increased sales of imported cars and larger tires. Hiring the best of our UHP technologies, the outer wave-form straight grooves and variable side angles contribute to the tire's outstanding handling characteristics at ultra high speeds of above 300kms per hour and excellent braking capabilities in all conditions.



Sports Marketing

A Reliable Partner Plus Advanced Technology Equals an Exciting Ride

We sponsor world-renowned motor sports and provide tires to racing teams. We will continue to enhance Hankook Tire's brand recognition in global markets by expanding sports marketing activities.



Driving Technology



U.S. Touring Car Championship

24-hour Endurance Race in Germany

United States Touring Car Championship



Ventus GT Puma Challenge - Korea

The Ventus GT Puma Challenge is Korea's largest grass-root motor sport event and only production cars are eligible to participate. We provide normal PCR tires, the Ventus R-s2 and other UHP tires for the vehicles of participants.



BAT GT Championship - Korea

Having begun in 2001, the BAT GT Championship series is Korea's best touring and formula car series. Hankook Tire supplies tires to the 'High-car class' that attracts the largest number of participants.



United States Touring Car Championship (USTCC)

The USTCC was held for the sixth time in 2005. In touring the U.S. and holding 14 races every year, the USTCC is the largest touring car race in North America. As the official tire supplier, Hankook Tire is the exclusive provider of tires to participants.



F-3 Championship - Germany

The German F-3 Championship is one of the biggest national Formula-3 championships in Europe. As an official tire supplier, Hankook Tire has supplied about 3,000 tires per annum for two years since 2005.



Hankook Fiat Punto Cup - Spain

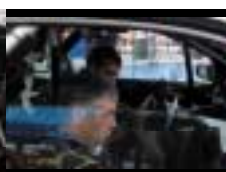
The second largest race in Spain, in terms of scale, the Hankook Fiat Punto Cup promotes Hankook Tire, contributing to increased sales of the Company's rally tires in the open market.

Hankook 205 Challenge - United Kingdom

Previously known as the Peugeot 205 Challenge, this event is one of the most popular motor sports events in the U.K. As a sponsor and the exclusive official tire supplier of the event, Hankook Tire makes its presence in the most important grass-root motor sports competition in the U.K.

France Rally Championship & Regional Rally Championship - France

Hankook Tire continues to sponsor a number of events so as to gain entry into the French market where entrance barriers are very high for foreign tire suppliers. We continue to participate in promotions at selected rallies, which allows for greater exposure of our brand.



*Korea's best touring and formula car series
BAT GT Championship series*

*World's renowned circuit racing
24-hour Endurance Race in Germany*

*A strategic partner to
Ford Motors*



Technical
challenges



*For Ruggedness
& Reliability*

Leaping Forward to Become a Global Leading Brand

We supplied tires worth US\$100 million during the past year to a number of the world's most renowned automakers such as Ford, Volvo, Opel, Daihatsu, Mitsubishi, Volkswagen and others. As Hankook Tire's quality products are highly recognized in the global market, we expanded our supply of original equipment (OE) tires to these global carmakers. Furthermore, with the exposure gained from our partnerships with such leading automakers, our marketing activities have been greatly enhanced. Hankook Tire's products will enjoy increasing consumer awareness of the Company's brands and increased recognition in global markets as we expect our OE supply of tires to automakers to eventually lead to increased sales of replacement equipment (RE). We will work to increase our share in the OE market, paving the way for Hankook Tire to become a global leading tire maker.

'Very Recommendable' by Promobil

The RA08 model for light trucks was selected as 'a very recommendable product' at a tire performance comparison test carried out by *Promobil* magazine of Germany, pushing aside Bridgestone and Dunlop. The test involved nine leading brands sold in Europe including Hankook Tire, Michelin, Bridgestone, Goodyear and Continental, and the RA08 performed superbly in the tests for wet traction, steering stability and skid control.



RA08

The RA08, one of our main light truck radial tire products, is supplied to Ford Motors for the Transit, the motor company's strategic van model for the European market. The RA08 boasts excellent wet braking, handling and hydroplaning capabilities.

Global Activities

A Reliable Partner to World-recognized Automakers

A growing number of global automakers have come to recognize our competitive technologies and have chosen us as their main supplier. With such recognition, we will continue to expand our position in the OE market.

OE-oriented Business Strategies

Hankook Tire sold tires worth US\$100 million to a number of world-leading automakers in 2005. As our cutting-edge technologies have gained greater recognition in the U.S. market and as several automakers have chosen us as their major tire supplier, we expect to see increased sales of replacement tires as well as enhanced brand awareness and trust. We currently supply to and are in negotiations with global automakers such as General Motors, Chrysler, Toyota and others to supply original equipment (OE) tires. We will continue to put all of our efforts into expanding Hankook Tire's share of the OE market.

2.2 million Tires to Ford Motors

Since 1999, Hankook tire has supplied tires to Ford Motor Company, the world's second largest automaker. Since acquiring a 'Q1-Award' in 2000 from the U.S.-based Ford Motors, we have expanded our volume of tire sales to the automaker. In 2003, we signed a contract for the annual supply, until 2008, of 550,000 tires to Ford, for the company's "F-150" model. In 2004, we entered into a five-year agreement to supply 380,000 tires per annum for the Ford "Econoline E-350." Furthermore, we signed a contract and supplied our first ultra high performance tire for the "Mondeo," a model manufactured by Ford Europe. In 2003, we began the supply of 50,000 Temp tires and in 2004, expanded our supply of UHP tires to reach sales of 170,000 tires to Ford each year. All in all, by 2004, Hankook Tire had supplied 1.78 million tires worth US\$70 million per year to the Ford Motor Company.

2,017.2 billion **Total Sales ...**

10.6 % **Net Profit Margin ...**

1 million Tires to Volkswagen

In 2006, we entered into an agreement with Volkswagen to supply one million tires worth US\$25 million annually, including UHP models, for the Golf, Caddy and Polo vehicles, which are manufactured at seven plants across the European continent. The Golf, in particular, is one of the German automaker's most popular models with sales of 500,000 units annually, the largest number of sales for a single model of car in Western Europe.

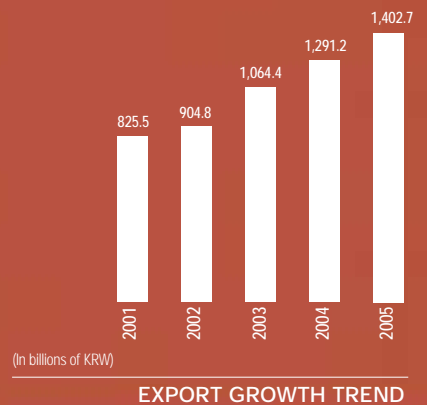
2.07 million Tires to General Motors

Starting in 2005, we began the supply of tires to General Motors (GM) for the Saturn ION model and expect an increase in transactions with the U.S. automaker in the future.

150,000 Tires to Renault

Having entered into an agreement with French carmaker, Renault in 2003, we supply 150,000 tires annually for the 'Kangoo,' one of Renault's most popular models. The 'Kangoo' sells more than 500,000 units every year in France, and Hankook Tire exports tires worth approximately US\$1.9 million to meet this demand.


41.7% Debt-to-equity ratio ...



Daihatsu MIRA
OPEL 
 TRANSIT



VOLVO


SMART


Aggressive On-going Investment in Research & Development

As one of the most active Korean companies in R&D investment, Hankook Tire maintains competitive production and R&D capabilities through continuous Process Innovation in the R&D sector. We also channel our resources into securing core strategic products in order to penetrate high value-added tire markets.

We had stellar accomplishments in 2005 with the development of new high value-added (HVA) products and materials, and processing technologies. Based on the results of our continuous research activities in fundamental science fields, we continue to build and enhance the efficiency of our production lines by equipping them with state-of-the-art technologies.

New Product Development

Hankook Tire developed 27 new products in 2005, including a 30-inch ultra-high performance (UHP) tire that was a first in the world's tire industry; a (Y)-Grade UHP tire that is able to function at extremely high speeds of over 300kms per hour; a Self-supporting Run-flat tire developed from new technology; and the TBR Ultra Super Single tire. Leveraging our advanced technologies, we developed strategic products timed to enter the markets at the most opportune moments. With plans for new products in 2006 including tires for hybrid cars; the Max Speed tire, able to function at very high speeds of over 400kms per hour; the TBR very low profile 45 Series tire; further development of the Self-supporting Run-flat tire; and many more, we will continue to pursue higher sales of OE tires in markets at home and abroad.

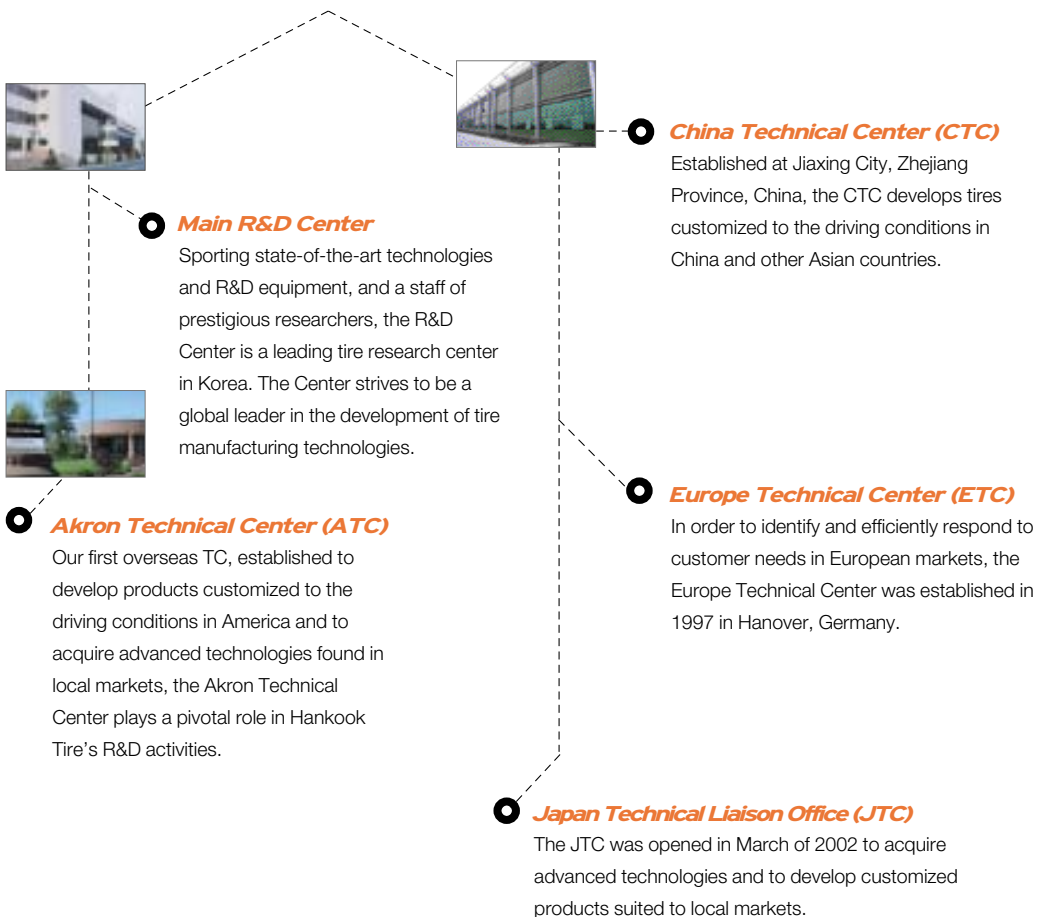
New Technology Development

With a number of achievements in design and materials in 2004, Hankook Tire established basic technologies to meet the growing demand from automakers for better functioning UHP products. We continued our research into the optimal mixing and processing of Silica and had a breakthrough in this area with the development of Silica Compound. Equally, we improved the productivity and quality of our pressing processes by improving our manufacturing process translating technologies. We will continue to invest heavily in R&D activities in 2006 so as to develop more environmental-friendly technologies and to further development of Low PAH Compound. We will also continue with R&D activities in new low rolling resistance (LRR) tires and intelligent tires and build a Virtual Engineering System, which will allow us to design tires and evaluate their performance in a virtual space.

Development Process Innovation

Hankook Tire is proactive and positive in dealing with rapidly changing market conditions. Ahead of our competitors, we introduced a Product Lifecycle Management (PLM) system in 2005. Applying innovative strategies to the R&D sector, we built a comprehensive IT system that stores, manages and utilizes a vast database of information built from data accumulated in the process of production and development. We also built a new project management system; an IT system covering integrated testing, BM, DFM, customer voice database and technology documents; and a Business Object Integration (BOI) system, consisting of a CAD management and design revision system. In 2006, we plan to establish the new systems and transfer them to our Akron Technical Center (TC). In the long run, we plan to expand the new systems into other TCs and production lines abroad.

HANKOOK TIRE R&D CENTERS



Global Technical Centers & Production Facilities



Technical Centers

Main R&D Center (Daedeok Science Town), Akron Technical Center (Akron, U.S.)
Europe Technical Center (Hannover, 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, China) Co., Ltd.
Jiangsu Hankook Tire Co., Ltd. (China)

Social Responsibilities

Fulfilling Our Responsibilities as a Good Corporate Citizen

While we contribute to the national economy, we are committed to making a positive difference in the communities we do business in. Through corporate donations and sponsorships, and the volunteer spirit of employees, Hankook Tire makes important contributions towards the strengthening of the social fabric.

Hankook Tire Welfare Foundation, Hearts Sharing Togetherness

We established a foundation in 1990 to commemorate Hankook Tire's fiftieth anniversary of incorporation and to give back to society through the setup of systemized and organized social activities. Founded on KRW3 billion, the foundation has continued to increase its capital by KRW1 billion every year to reach KRW20 billion in 2005. Through the foundation we offer scholarships to children of low-income families and provide support to educational institutions, medical support to homeless persons and financial support to under-aged heads of households, as well as to a variety of charitable organizations.

In 2005, we brought hope to the marginalized and encouraged and supported them through their difficulties. Through the Hankook Tire Welfare Foundation, we extended grants to low-income families to help out with living expenses. We also extended financial aid to our neighbors suffering from unemployment, disease and accidents and donated staple foods and school supplies worth KRW32 million to many charities including Francisco's House, Anna's House, Thomas' House, the Seoul Association of the Deaf, the Human Care Center, the Mongolian School in Korea, alternative schools and others.



In-house Volunteer Groups

Our plant in Geumsan has an in-house volunteer group consisting of 210 members. The group raises funds and every month extends a helping hand to those who are marginalized. At the end of 2005, the group visited neighborhoods in need and donated and delivered fuel to residents.

Our plant in Daejeon has two volunteer clubs, the One Family Volunteer Group and the Boram Volunteer Group, who support under-aged heads of families and visit charities every month. The One Family Volunteer Group raised funds to buy 32 wheelchairs for differently-abled neighbors living below the poverty line. Another volunteer club at the Daejeon R&D Center called "Sasama" donated a Korean staple food, Kimchi, to a soup kitchen in Daejeon.

Hearts Sharing Togetherness

Hankook Tire has mounted a variety of campaigns to bring happiness to all. Since 2000, we have provided school supplies to classes for children from communities vulnerable to car accidents. About 100,000 children attend traffic safety classes every year. In 2005, we produced and supplied teaching aids and held an event for the prevention of car accidents involving children. In collaboration with the Citizens' Coalition for Safety (CCS), we held the fifth Zero Traffic Accident for Children Promotion Rally and presented 100,000 educational texts and materials related to traffic safety for children including miniature pedestrian crossings and traffic signals. We also announced 10 guidelines for reducing the number of traffic accidents involving children.

Hankook Tire also served its communities by offering activities related to the Company's specialties. During the "Lunar New Years Day" holidays, when more than half the Korean population is on the road to their hometown, we provide tire inspection services for free. In efforts to promote 'careful driving,' we checked and repaired tires of cars taking the Seoul-Busan Highway at Yangjae IC and provided consultation to drivers regarding tire choice, air pressure checks and refills, tire quality and other matters related to tires.

Environmental Management of a Green Factory

While we work hard to make profits, we also care about the environment. With the introduction and attachment of the "Green Factory" to our business operations, we have been able to enhance productivity while preserving the environment. We started an "Environment & Safety Team" in 2003 to enhance the effectiveness of our environmentally-safe management practices. Since 1998, we have operated a 'Green Class' in cooperation with the Geumsan-gu Office of Seoul City. Through this non-profit field trip program for children, we are awakening our future generations to the importance of preserving the environment. More than 5,500 children participate in the class every year.





Technical
Horizons



*For Speed
& Handling*

Continuing Development, Creating Value

While remaining active in R&D activities, we aim to establish global business practices in production, sales and marketing. By strengthening and expanding our production line in Europe, we will continue to work vigorously to enhance our brand value and expand local sales so as to pave the way for Hankook Tire to become a global leading company. While staying sensitive to customers' needs, we will realign our production and sales system. While continuing the brand strategy of a marketing-driven company and in pursuing profitable growth, we will continue our drive towards a broader technical horizon.

'Very Best Product' in Sport Auto Tests

The Ventus RSS, a representative racing brand, was picked as the 'very best product' by *Sport Auto*, a magazine for motor sport and car tuning enthusiasts, pushing aside Pirelli and Yokohama and other global leading tire makers. In a test conducted by *Sport Auto* on racing tires that are sold in global markets, the Ventus RSS outperformed its competitors in dry traction and steering stability. Such results are significant to Hankook Tire. Winning the approval of an auto magazine from Germany, the global tire trendsetter, will add to the rising recognition of our quality technologies, resulting in an improved brand image in overseas markets and significant increases in Hankook Tire's supply of tires to global markets.

Ventus RSS

The Ventus RSS, a racing tire, has been widely recognized at a number of rallies at home and abroad for its excellence in steering stability at speeds above 300km/h, and for its outstanding performances in braking and acceleration.

Management's Discussion & Analysis

Overview of 2005

Korea's economy in 2005 reflected simultaneous growth in the domestic sector and exports. Exports remained strong despite surging oil prices and the appreciation of the Korean won, sustaining two-digit growth for the third consecutive year. This robustness of exports was due to continuing corporate and government efforts to enhance competitiveness through restructuring, investment, new market development, and high value-added production. Another important issue in Korea was that of globalization. While many Korean companies made strong headway in overseas markets on the strength of their global competitiveness, which improved performances and significantly increased exports despite heated global competition, quite a few foreign companies aggressively entered the Korean market, as well.

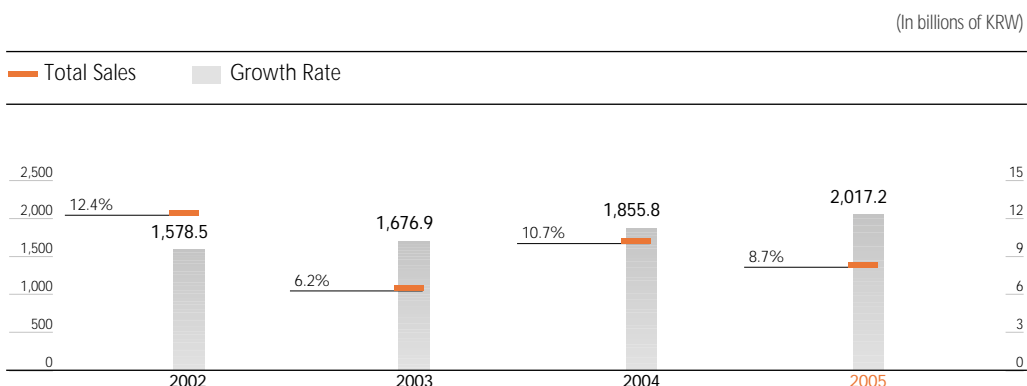
With the increase of foreign companies in Korea, the growth of major industries was not enough to influence recovery in other sectors of the economy, due to delays in the restructuring of weak sectors, a slump in the creation of new growth engines, and weak domestic investment. Finally, recovery in the overall economy has been hampered by a shortage of new growth engines and the inadequacy of investment resources. All of these factors contributed to a slowdown in annual growth of the Korean economy to below 4%. However, the tire industry improved despite severe conditions such as high raw material costs since tire companies could offset the problems by raising prices and improving the product mix.

Domestic Market Share

	2005	2004	2003
RE	44.3%	45.6%	46.0%
OE	43.7%	43.4%	42.5%

Ultra High performance tires (UHPT) sales saw an increase of 32.2% compared to the previous year, accounting for 13.6% of total sales in 2005 up by 2.4%p from 11.2% in 2004. The OP margin on Ultra High performance tires was around 35%, much higher than that on regular tires. The increasing contributions from this segment and the rise in average selling prices were the driver of Hankook Tire's earnings growth, which amounted to KRW2,017 billion for 2005, at a growth rate of 8.7% year-on-year.

Annual sales Growth Trend



Results of Operations

Summary of Income Statement

	2005	2004	Change
Sales	2,017.2	1,855.8	8.7%
Cost of Goods Sold	1,385.9	1,247.1	11.1%
Gross Profit	631.3	608.7	3.7%
Selling & Administrative Expenses	400.6	383.4	4.5%
Operating Income	230.7	225.2	2.4%
Non-operating Income	122.6	103.9	18.0%
Gains on Equity Method	48.8	10.4	369.2%
Gains on Foreign Currency	37.1	61.5	-39.7%
Others	36.7	32.0	14.7%
Non-operating Expenses	70.7	86.2	-18.0%
Interest Expenses	4.5	9.7	-53.6%
Loss on Foreign Currency	34.5	33.7	2.4%
Loss on Equity Method	6.9	0.0	100.0%
Others	31.7	42.8	-25.9%
Ordinary Income	282.7	243.0	16.3%
Net Income	213.8	166.0	28.8%

Although the Company's overall operating environment worsened as raw material costs rose 15% year-on-year and the Korean won appreciated 10.5% on average against currencies such as the US dollar and the euro, Hankook tire has continued to deliver earnings growth every year since 2000, including KRW2,017.2 billion in sales and KRW230.7 billion in operating profit in 2005. For 2005, we also saw operating profit grow 2.4% on sales growth of 8.7%, enough to keep the operating profit margin above 11% (11.4%), though lower than the 12.1% of the previous year due to rises in raw material prices.

2005 Exports, Domestic

	2005	2004	2003
Export Sales	1,402.7	1,291.2	1,064.4
Domestic Sales	614.5	564.6	612.5
Total	2,017.2	1,855.8	1,676.9

Management's Discussion & Analysis

Ordinary income increased 16.3% year-on-year in 2005, ahead of Company estimates for the year, and we believe that this solid recurring figure was driven by equity-method gains that rose by KRW31.5 billion. These results suggest that our efforts to expand into China have begun to pay off with better earnings from our operations there. Hankook Tire's non-operating income rose by KRW18.7 billion or 18.0% in 2005 compared to the previous year, and our non-operating expenses dropped by 18.0% or KRW15.5 billion to KRW70.7 billion from KRW86.2 billion in 2004. These performances were a result of a considerable improvement of KRW34.2 billion year-on-year in net non-operating results. In terms of non-operating expenses, interest expense dropped drastically by 53.0% to record KRW4.5 billion, down from KRW9.7 billion in 2004.

Sales by Region

	(In billions of KRW)		
	2005	2004	2003
North America	382.5	352.5	277.4
Mid-South America	85.9	57.5	64.2
Asia	277.7	249.2	220.6
Europe	428.8	439.2	366.3
Other areas	61.7	52.8	42.1
Local sales	166.1	140.0	93.8
Domestic sales	614.5	564.6	612.5
Total	2,017.2	1,855.8	1,676.9

Financial Conditions

While total assets increased slightly by 3.4%, total liabilities fell even more, by 17.5% to KRW574.9 billion, mainly due to a 22.8% reduction in current liabilities to KRW462.8 billion from KRW599.5 billion in 2004. Inventory and non-current assets increased to KRW1,539.8 billion and KRW213.3 billion, up by 13.2% and 7.0%, respectively, due to continued facility investment. The most notable change on the liabilities side in 2005 was a KRW44.2 billion decline in total borrowings.

Summary of Balance Sheet

	(In billions of KRW)		
	2005	2004	Change
Total Assets	1,953.5	1,889.6	3.4%
Current Assets	413.7	451.1	-8.3%
Quick Assets	200.4	262.6	-23.7%
Inventories	213.3	188.5	13.2%
Non-current Assets	1,539.8	1,438.5	7.0%
Investments	356.2	273.9	30.0%
Property, Plant & Equipment	1,174.8	1,154.7	1.7%
Intangible Assets	8.8	9.8	-10.2%
Total Liabilities	574.9	697.0	-17.5%
Current Liabilities	462.8	599.5	-22.8%
Long-term Liabilities	112.1	97.5	15.0%
Total Shareholders' Equity	1,378.7	1,192.6	15.6%
Total Liabilities & Total Shareholders' Equity	1,953.5	1,889.6	3.4%

Key Financial Ratio

	2005	2004	Change
Current Ratio	89.4	75.2	14.2
Debt-to-Asset Ratio	9.91	12.6	-2.69
ROA	10.9	8.9	2.0
ROE	15.5	14.6	0.9
Debt-to-Equity Ratio	41.7	58.4	-16.7

(%)

With sufficient cash inflows from operating activities, Hankook Tire was able to improve its financial flexibility, and therefore decrease the net gearing ratio by 5.2%p. In 2005, the volume of short-term borrowings including the current portion of long-term debt was down by KRW52.8 billion to KRW154.9 billion from KRW207.8 billion in 2004, while our long-term liabilities increased to KRW112.1 billion from KRW97.5 billion. Given that liabilities dropped by KRW122.1 billion and equity rose by KRW186.1 billion, Hankook Tire's debt-to-equity ratio declined to 41.7%, compared to 58.4% in 2004. Meanwhile, total shareholders' equity stood at KRW1,379 billion, up 18.3% from the previous year, which was reflected in retained earnings due to the favorable operating results.

Long-term and Short-term Borrowings

	2005	2004	Change
Short-term Borrowings	154.9	207.8	-25.5%
Long-term Borrowings	38.6	29.9	29.1%
Total Borrowings	193.5	237.7	-18.6%

(In billions of KRW)

Outlook for 2006

Domestic demand will contribute more to GDP growth in 2006 than it did in 2005. The problem of high household debt is expected to be alleviated to some degree, and employment is likely to increase. Recovery of consumption looks set to continue, while facility investment in non-manufacturing industries is likely to expand. Exports are expected to slow to single-digit growth due to a global economic slowdown and a rise in the value of the Korean won. However, in terms of volume, exports in 2006 are predicted to rise to over USD313.0 billion. In 2006, margins for Korean tire makers should improve once raw material prices stabilize, and there is much room for further ASP hikes, thanks to the attractive pricing of such tires relative to their quality. As a result, Korean tire manufacturers expect to see a boost in operating margins resulting from a focus on profitability. Although natural rubber prices have again recently strengthened, we believe the strong Korean won and the Company's rapidly improving product mix coupled with ongoing export price hikes will offset such price concerns to a large extent. Amidst an unfavorable business environment arising from higher raw material costs and heated competition in the ultra high-performance tire market, we will put forth concerted efforts to maintain a steady pace of profitability. To this end, continuing ASP increases, increasing usage of bigger tires, improvements in our product mix, and increasing sales of UHPT in 2006 will help to improve profitability. Hankook Tire deserves attention given its limited downside risks and sound mid-to long-term growth prospects. As Hankook Tire aims to move up as a second-tier global tire maker by 2008, we expect to see more benefits from the Company's enhanced profitability with further growth in 2006 on the back of improvements in the product mix and increasing sales of UHPT.

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, 2005 and 2004, 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, 2005 and 2004, 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.

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 27, 2006

Samil PricewaterhouseCoopers

This report is effective as of January 27, 2006, 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, 2005 and 2004

(in thousands of Korean won)	2005	2004
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 34)	₩ 6,739,013	₩ 11,550,011
Trading securities (Note 8)	-	1,958,652
Trade accounts and notes receivable, net (Notes 4 and 5)	144,285,933	193,158,564
Short-term loans receivable (Notes 6 and 31)	90,778	212,392
Inventories, net (Notes 7 and 10)	213,327,854	188,522,549
Other receivables, net (Note 4)	17,288,042	26,500,538
Accrued income	21,694,822	20,104,583
Current deferred income tax assets (Note 25)	2,314,504	-
Other current assets	8,005,546	9,095,486
Total current assets	413,746,492	451,102,775
Property, plant and equipment, net (Notes 9 and 10)	1,174,845,799	1,154,717,331
Long-term financial instruments (Note 3)	21,500	4,821,500
Available-for-sale securities (Note 8)	15,495,693	13,610,920
Held-to-maturity securities (Note 8)	1,499,171	1,498,543
Investments in equity method investees (Note 8)	305,471,784	218,745,386
Long-term loans receivable (Notes 6 and 31)	1,658,172	1,285,969
Long-term other receivables, net (Note 4)	3,055	6,110
Non-current guarantee deposits	19,273,081	16,277,182
Non-current deferred income tax assets, net (Note 25)	12,745,691	17,699,158
Intangible assets, net (Note 11)	8,781,228	9,840,005
	₩ 1,953,541,666	₩ 1,889,604,879

(in thousands of Korean won)	2005	2004
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Notes 5 and 12)	₩ 123,701,345	₩ 92,619,586
Current maturities of long-term debt, net (Notes 5 and 12)	31,235,552	115,162,068
Trade accounts and notes payable (Note 5)	130,948,735	138,271,629
Other accounts payable	99,436,512	168,126,963
Advances received	1,509,399	5,091,847
Dividends payable	23,985	16,807
Accrued expenses	16,138,830	17,382,903
Income taxes payable (Note 25)	45,675,952	51,408,467
Other current liabilities	14,147,721	11,465,501
Total current liabilities	462,818,031	599,545,771
Debentures, net of current maturities and discounts on debentures, net (Note 13)	29,865,496	29,886,059
Long-term borrowings, net of current maturities (Note 13)	8,750,000	-
Long-term guarantee deposits payable	17,742,299	19,889,447
Long-term other payables (Note 16)	32,431,108	36,645,347
Accrued severance benefits, net (Note 15)	23,278,048	11,039,386
Total liabilities	574,884,982	697,006,010
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 (Note 19)	727,049,203	549,379,318
Capital adjustments (Note 21)	(23,497,847)	(31,885,777)
Total shareholders' equity	1,378,656,684	1,192,598,869
Total liabilities and shareholders' equity	₩ 1,953,541,666	₩ 1,889,604,879

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

Non-Consolidated Statements of Income

Years Ended December 31, 2005 and 2004

(in thousands of Korean won, except for share amounts)	2005	2004
Sales (Notes 22, 32 and 33)	₩ 2,017,204,074	₩ 1,855,818,162
Cost of sales (Notes 22, 32 and 33)	1,385,898,555	1,247,143,867
Gross profit	631,305,519	608,674,295
Selling and administrative expenses (Notes 23 and 29)	400,603,026	383,434,227
Operating income	230,702,493	225,240,068
Non-operating income		
Interest income	4,607,458	6,778,954
Dividend income	413,220	182,772
Commission income	1,897,563	1,538,708
Gain on disposal of securities	-	125,254
Gain on valuation of trading securities (Note 8)	-	84,079
Gain from equity method investments (Note 8)	48,836,801	10,432,405
Foreign exchange gains	24,825,012	38,060,007
Gain on foreign currency translation	12,323,812	23,463,288
Gain on disposal of property, plant and equipment	183,215	211,828
Royalty fee income	18,087,279	16,004,887
Rental income	2,334,599	2,408,627
Reversal of allowance for doubtful accounts	629,783	-
Recovery of impairment losses on property, plant, and equipment	1,454,515	-
Gain on disposition of trading securities	57,423	-
Gain on prior period adjustment (Note 24)	2,042,060	-
Currency forward transaction gains (Note 17)	2,685,875	2,677,037
Others	2,255,031	1,980,329
	122,633,646	103,948,175
Non-operating expenses		
Interest expense	4,549,984	9,674,067
Foreign exchange losses	25,918,094	26,286,440
Loss on foreign currency translation	8,615,895	7,393,638
Loss on valuation of trading securities (Note 8)	-	161,421
Loss on disposal of securities	46,081	33,914
Loss on disposal of property, plant and equipment	2,428,206	1,798,999
Loss on sale of accounts receivable	17,535,931	13,489,954
Impairment loss on available-for-sale securities (Note 8)	56,957	1,408,406
Impairment loss on property, plant and equipment	-	1,454,515
Donations (Note 31)	268,300	3,082,000
Loss from equity method investments (Note 8)	6,931,706	-
Loss on disposal of inventories	1,296,618	1,526,889
Currency forward transaction losses (Note 17)	726,375	3,064,275
Supplementary payment of income taxes	-	15,732,989
Others	2,280,716	1,091,526
	70,654,863	86,199,033
Income before income taxes	282,681,276	242,989,210
Income tax expense (Note 25)	68,906,372	76,960,820
Net income	₩ 213,774,904	₩ 166,028,390
Earnings per share (in Korean won) (Note 26)		
Basic ordinary income per share	₩ 1,462	₩ 1,136
Basic earnings per share	₩ 1,462	₩ 1,136
Diluted ordinary income per share	₩ 1,462	₩ 1,136
Diluted earnings per share	₩ 1,462	₩ 1,136

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, 2005 and 2004

(Date of Appropriations: March 17, 2006 and March 11, 2005 for the years ended December 31, 2005 and 2004, respectively)

(in thousands of Korean won)	2005	2004
Retained earnings before appropriations		
Unappropriated retained earnings carried over		
from prior year	₩ 40,739,169	₩ 26,258,261
Cumulative effects of adoption of revised		
accounting standard (Note 16)	442,463	-
Net income	213,774,904	166,028,390
	254,956,536	192,286,651
Appropriations of retained earnings (Note 19)		
Reserve for dividend equalization	60,000,000	40,000,000
Reserve for the retirement benefits of directors	15,000,000	10,000,000
Voluntary reserves	85,000,000	65,000,000
Cash dividends (Note 20)	36,547,482	36,547,482
	196,547,482	151,547,482
Unappropriated retained earnings		
carried forward to subsequent year	₩ 58,409,054	₩ 40,739,169

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, 2005 and 2004

(in thousands of Korean won)	2005	2004
Cash flows from operating activities		
Net income	₩ 213,774,904	₩ 166,028,390
Adjustments to reconcile net income to net cash provided by operating activities		
Bad debts expense	446,806	3,096,725
Depreciation (Notes 9 and 29)	162,186,314	156,409,492
Amortization of intangible assets (Notes 11 and 29)	1,786,087	1,707,257
Provision for severance benefits (Notes 15 and 29)	24,644,196	24,554,750
Loss on valuation of inventories (Note 7)	1,513,834	1,168,538
Loss on disposal of inventories	1,296,618	1,526,889
Loss on valuation of trading securities, net (Note 8)	-	77,342
Loss on sale of accounts receivable	17,535,931	13,489,954
Loss from equity method investments (Note 8)	6,931,706	-
Amortization of discounts on debentures, net	267,545	679,269
Reversal of allowance for doubtful accounts	(629,783)	-
Currency forward transaction losses, net (Note 17)	(1,959,500)	387,238
Gain on disposition of trading securities	(57,423)	-
Gain from equity method investments (Note 8)	(48,836,801)	(10,432,405)
Gain on disposal of available-for-sale securities, net	46,081	(91,340)
Impairment loss on available-for-sale securities (Note 8)	56,957	1,408,406
Loss on disposal of property, plant and equipment, net	2,244,991	1,587,171
Impairment loss on property, plant and equipment	-	1,454,515
Recovery of impairment losses on property, plant, and equipment	(1,454,515)	-
Loss on foreign currency translation, net	(3,707,917)	(16,069,650)
Others, net	(69,467)	317,149
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable, net	31,735,247	(11,541,396)
Increase in inventories	(27,615,757)	(46,544,703)
Decrease (increase) in other accounts receivable, net	8,808,628	(3,723,834)
Increase in accrued income	(1,590,239)	(2,993,140)
Decrease in long-term accounts receivable	3,055	-
Decrease in other current assets	833,788	518,974
Decrease in dishonored notes	12,440	268,115
Decrease in deferred income tax assets (Note 25)	922,008	11,161,221
(Decrease) increase in trade accounts and notes payable	(5,847,364)	12,971,456
(Decrease) increase in other accounts payable	(68,690,451)	54,631,777
(Decrease) increase in accrued expenses	(1,244,073)	3,817,671
(Decrease) increase in income taxes payable	(5,731,361)	20,613,267
(Decrease) increase in advances received	(3,582,448)	(600,910)
(Decrease) increase in long-term guarantee deposits payable	(2,147,148)	281,950
Increase in other current liabilities	2,697,982	3,148,208
Payment of severance benefits	(10,542,167)	(17,590,340)
Increase in severance insurance deposits, net (Note 15)	(2,120,937)	(17,400,814)
Decrease in contributions to the National Pension Fund	257,571	598,500
Decrease in long-term other payables	(1,043,999)	-
Net cash provided by operating activities	₩ 291,131,339	₩ 354,915,692

(in thousands of Korean won)	2005	2004
Cash flows from investing activities		
Decrease in short-term financial instruments, net	₩ -	₩ 3,000,000
Proceeds from short-term loans, net	212,392	103,554
Disposal of securities	3,255,860	668,628
Disposal of long-term financial instruments	4,800,000	-
Increase in long term loans, net	(462,981)	(294,432)
Increase in non-current guarantee deposits, net	(1,216,299)	(198,734)
Decrease (increase) in currency forward assets, net	1,959,500	(387,238)
Proceeds from disposal of property, plant and equipment	1,076,293	1,740,123
Acquisition of securities	(40,357,007)	(22,703,188)
Acquisition of property, plant and equipment	(184,181,550)	(250,957,392)
Acquisition of intangible assets	(727,310)	(148,831)
Increase in other investments, net	(2,016,200)	(5,028,418)
Net cash used in investing activities	(217,657,302)	(274,205,928)
Cash flows from financing activities		
Issuance of debentures	29,846,710	-
Proceeds from long-term debts	40,358,000	77,916,200
Increase (decrease) in short-term borrowings, net	33,720,519	16,952,972
Payment of dividends	(36,540,304)	(21,925,161)
Repayment of current maturities of long-term debts	(145,669,960)	(212,390,471)
Early repayment of long-term debt	-	(40,049,240)
Net cash used in financing activities	(78,285,035)	(179,495,700)
Net decrease in cash and cash equivalents	(4,810,998)	(98,785,936)
Cash and cash equivalents (Note 34)		
Beginning of year	11,550,011	110,335,947
End of year	₩ 6,739,013	₩ 11,550,011

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

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

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 are located at Kangnam-Gu in Seoul and two manufacturing factories are in Daejeon and Kum-san.

The authorized number of the Company's common shares is 250 million with a par value of ₩500 per share. As of December 31, 2005, the number of issued and outstanding common shares of the Company is 150,189,929 shares.

The Company's shareholders as of December 31, 2005 and 2004, are as follows:

	2005		2004	
	Number of Shares Owned	Percentage of Ownership (%)	Number of Shares Owned	Percentage of Ownership (%)
Cho Yang Rai	23,808,097	15.9	23,808,097	15.9
Cho Hyun Bum	10,798,251	7.2	10,798,251	7.2
Cho Hyun Shick	8,817,786	5.9	8,817,786	5.9
Cho Yang Rai'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⁾	89,056,974	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 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. 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 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 current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Application of the Statements of Korean Financial Accounting Standards

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. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2004.

And as SKFAS Nos. 14 through 17 became effective for the Company on January 1, 2005, the Company adopted these Standards in its financial statements for the year ended December 31, 2005.

In accordance with SKFAS No. 15, Equity Method, equity in earnings and losses of the investees are shown in the statement of income as gross amounts. Likewise, positive and negative capital adjustments are shown in the balance sheet in gross amounts.

In accordance with SKFAS No. 16, Deferred Income Tax, which became effective on January 1, 2005, the Company classified deferred tax assets and liabilities into current and non-current, and within each classification, amounts for deferred tax assets and liabilities are offset against each other and presented as net amount. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity account.

In accordance with SKFAS No. 17, Provisions, Contingent Liabilities, and Contingent Assets, the Company recorded its warranty reserves at the net present value of future cash flows, by using the effective interest rate method at the time of the warranty execution. As the effect of the change in accounting policy, long-term liabilities and total liabilities decreased by ₩442,463 thousand, and retained earnings and shareholders' equity increased by ₩442,463 thousand.

The accompanying financial statements as of and for the year ended December 31, 2004, presented herein for comparative purposes, have not been restated in accordance with the transition rule of SKFAS.

Revenue Recognition

Sales of manufactured products and goods are recognized upon delivery when the significant risks and rewards of ownership of the goods are transferred to the buyer.

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.

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.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

Investments in equity securities, over which the Company exercises a significant control or influence, 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.
- The Company's proportionate unrealized profit arising from sales by the Company to equity method investee, sales by the equity method investees to the Company or sales between equity method investees are eliminated to the extent of the Company's ownership. Only unrealized profit arising from sales by the Company to subsidiaries is fully eliminated.
- 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 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.

However, the estimated contingent losses arising from the guaranteed obligations of the investee or commitments to provide further financial support for the investee are recorded as an allowance for contingent liabilities.

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 (borrowings) 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.

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 ₩3,865,268 thousand for the year ended December 31, 2005.

Recalculated items in the non-consolidated balance sheet as of December 31, 2005, 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	₩ 2,119,831,410	₩ 2,115,966,142	₩ 3,865,268
Accumulated depreciation	944,985,611	944,985,611	-
Carrying book value	1,174,845,799	1,170,980,531	3,865,268
Shareholders' equity ¹⁾	1,378,656,684	1,375,733,614	2,923,070

1) Calculated by using the effective tax rate.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

Recalculated items in the non-consolidated statement of income for the year ended December 31, 2005, after reflecting the effects of the adoption of SKFAS No. 7 are as follows:

(in thousands of Korean won)	Capitalized	Expensed	Difference
Depreciation expense	₩ 162,186,314	₩ 162,186,314	₩ -
Interest expense	4,549,984	8,646,526	(4,096,542)
Gain on foreign currency translation	12,323,812	12,323,812	-
Foreign exchange gains	24,825,012	25,056,286	(231,274)
Net income ²⁾	213,774,904	210,851,834	2,923,070

2) Calculated by using the effective tax rate.

For the year ended December 31, 2005, gain on foreign currency transaction amounting to ₩231,274 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.

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 exchange rates in effect at the balance sheet date (₩1,013.0 : US\$1 as of December 31, 2005 and ₩1,043.8 : US\$1 as of 2004), and resulting translation gains and 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 73.8% (2004 : 83.9%) as of December 31, 2005, 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 ₩7,895,019 thousand (2004 : ₩8,920,731 thousand) for the year ended December 31, 2005, were charged to current operations. In case the difference between the nominal value and the present value of the assets is important, the warranty reserves are recorded as a present value of expected future cash flows. 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 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 (2004 : ₩11,544,792 thousand) as of December 31, 2005, 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 that such deferred tax assets will be realized. Income tax effect of temporary differences is reflected as income tax expenses in the period incurred, and income tax effect of temporary differences in relation to items in shareholders' equity is directly reflected in the related shareholders' equity account. The total income tax provision includes the current income 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 carryforward amount.

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.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

Deferred income tax assets and liabilities are classified into current and non-current portions, and are presented in their net amounts. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity account.

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, Financial Instruments

Cash and cash equivalents, and short-term and long-term financial instruments as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Annual Interest Rates (%)		
	Dec. 31, 2005	2005	2004
Cash and cash equivalents			
Money market deposit account	3.25	₩ 3,000,000	₩ 9,100,000
Passbook accounts	0.00 - 0.10	3,739,013	2,450,011
		6,739,013	11,550,011
Long-term financial instruments			
Time deposits in Korean won	-	-	4,800,000
Key money deposit for checking accounts	-	21,500	21,500
		21,500	4,821,500
		₩ 6,760,513	₩ 16,371,511

As of December 31, 2005 and 2004, key money deposit for maintaining checking accounts amounting to ₩21.5 million are restricted as to its withdrawal. In addition, as of December 31, 2004, time deposits amounting to ₩4,800 million were pledged as collateral for guarantees for an affiliate.

4. Receivables

Receivables as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005			2004		
	Receivable	Allowance for Doubtful Accounts	Net Balance	Receivable	Allowance for Doubtful Accounts	Net Balance
Trade receivables						
Accounts receivable	₩ 132,695,936	₩ 2,600,061	₩ 130,095,875	₩ 134,283,608	₩ 3,518,849	₩ 130,764,759
Notes receivable	14,336,990	146,932	14,190,058	63,158,081	764,276	62,393,805
	147,032,926	2,746,993	144,285,933	197,441,689	4,283,125	193,158,564
Other receivables	17,708,729	420,687	17,288,042	28,721,344	2,220,806	26,500,538
Dishonored notes	671,025	671,025	-	692,198	692,198	-
Long-term other receivables	101,537	98,482	3,055	104,592	98,482	6,110
	₩165,514,217	₩ 3,937,187	₩161,577,030	₩226,959,823	₩ 7,294,611	₩219,665,212

5. Monetary Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2005 and 2004, are as follows:

(in thousands)	2005		2004		2005		2004	
Assets								
Trade accounts receivable	US\$	17,453	US\$	23,259	₩	17,679,716	₩	24,277,752
Other investment assets	US\$	10,000	US\$	8,000		10,130,000		8,350,400
					₩	27,809,716	₩	32,628,152
Liabilities								
Trade accounts payable	US\$	83,308	US\$	86,033	₩	84,390,611	₩	89,801,115
	EUR	1,173	EUR	1,572		1,406,570		2,236,395
	AUD	81	AUD	833		60,071		677,184
	GBP	18	GBP	33		30,807		66,697
	NZD	7	NZD	323		4,531		242,578
						85,892,590		93,023,969
Short-term borrowings	US\$	118,354	US\$	85,256		119,892,400		88,989,722
	EUR	2,812	EUR	2,395		3,372,907		3,408,342
	JPY	50,708	JPY	21,888		436,038		221,522
						123,701,345		92,619,586
Long-term borrowings ¹⁾	US\$	-	US\$	43,000		-		44,883,400
					₩	209,593,935	₩	230,526,955

1) Current maturities of long-term debts.

6. Short-Term and Long-Term Loans Receivable

Short-term and long-term loans receivable as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Annual Interest Rates (%) Dec. 31, 2005	2005	2004
Short-term loans			
Housing loans to employees	0.0 - 3.0	₩ 90,778	₩ 212,392
Long-term loans			
Housing loans to employees	0.0 - 4.0	₩ 1,658,172	₩ 1,195,969
Loans to affiliated company ¹⁾	-	-	90,000
		₩ 1,658,172	₩ 1,285,969

1) Loans to Frixia Co., Ltd. (Formerly Hanta M&B Co., Ltd.) (Note 28).

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

7. Inventories

Inventories as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Materials in transit	₩ 93,896,173	₩ 68,818,601
Finished goods	78,777,674	81,084,975
Supplies	13,220,421	9,769,354
Merchandise	10,774,478	12,242,723
Raw materials	10,052,412	9,716,603
Work-in-process	8,120,530	8,058,831
	214,841,688	189,691,087
Less : Allowance for valuation loss on inventories	(1,513,834)	(1,168,538)
	₩ 213,327,854	₩ 188,522,549

For the year ended December 31, 2005, the Company recognized loss on valuation of inventories amounting to ₩1,513,834 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 were 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

1) Equity securities consisting of 160,861 shares issued by 35 companies, including Samsung Electronics Co., Ltd., 10 futures and 50 put options, and others.

There are no trading securities as of December 31, 2005, as the whole amount of debt and equity securities were preterminated during the current year due to the dissolution of the investment consulting company.

Securities classified as non-current assets as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Investments in equity method investees	₩ 305,471,784	₩ 218,745,386
Available-for-sale securities	15,495,693	13,610,920
Held-to-maturity securities	1,499,171	1,498,543
	₩ 322,466,648	₩ 233,854,849

Details of available-for-sale securities classified as non-current assets as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Shares Owned by the Company		Percentage of Ownership (%)		Acquisition Cost		Market or Net Asset Value ¹⁾		Carrying Book Value	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Investments in marketable equity securities										
KT Freetel Co., LTD.	231,752	231,752	0.13	0.13	₩ 1,791,536	₩ 1,791,536	₩ 5,712,687	₩ 5,724,275	₩ 5,712,687	₩ 5,724,275
SK Telecom Co., Ltd.	9,984	9,984	0.01	0.01	876,258	876,258	1,807,104	1,966,848	1,807,104	1,966,848
					2,667,794	2,667,794	7,519,791	7,691,123	7,519,791	7,691,123
Investment in non-marketable equity securities										
The Korea Economic Daily	27,575	55,150	0.15	0.44	297,135	297,135	51,915	145,066	145,066	145,066
Wireless Data Communication ⁴⁾	2,500	5,000	0.23	0.23	800,000	800,000	21,296	48,935	21,579	48,935
Car123-Jasper Corp.(Formerly Jasperauto Corp.)	106,255	106,255	3.16	3.16	200,000	200,000	51,499	60,135	51,560	58,756
K-Zone International Co., Ltd.	6,000	6,000	2.44	2.44	200,000	200,000	10,300	10,296	1	9,406
Power Comm	100,000	100,000	0.07	0.07	3,500,000	3,500,000	636,519	578,708	533,746	533,745
Wasol Co., Ltd.	10,000	10,000	4.17	4.17	200,000	200,000	6,487	5,560	5,560	5,560
MK2000-2 Tube Information and Telecommunication Partners I, L.P. ⁴⁾	10	10	6.67	6.67	1,000,000	1,000,000	1,071,625	1,102,204	1,000,000	1,000,000
RUBBERNETWORK.COM ⁵⁾	-	-	5.57	5.57	3,837,411	3,837,411	-	-	1	1
Korea Digital Satellite Broadcasting ³⁾	300,000	300,000	0.40	0.40	1,650,000	1,650,000	185,081	536,378	335,415	335,415
Valuemeet Investment Co., Ltd. ⁴⁾	30	30	13.95	13.95	2,250,000	3,000,000	2,250,000	3,000,000	2,250,000	3,000,000
Cash Office ⁵⁾	-	-	-	-	17,891	17,891	17,891	17,891	17,891	17,891
Daewoo Motors ²⁵⁾	-	-	-	-	274,083	274,957	274,083	274,957	274,083	274,957
Others ²⁷⁾	-	-	-	-	453,000	484,000	453,000	484,000	453,000	484,000
					14,679,520	15,461,394	5,029,696	6,264,130	5,087,902	5,913,732
Investment in debt securities:										
SunnyYNK INC-bonds with subscription warrant	-	-	-	-	2,790,000	-	2,790,000	-	2,790,000	-
SunnyYNK INC-subscription right	-	-	-	-	98,000	-	98,000	-	98,000	-
Government and public bonds	-	-	-	-	-	6,065	-	6,065	-	6,065
					2,888,000	6,065	2,888,000	6,065	2,888,000	6,065
					₩20,235,314	₩18,135,253	₩15,437,487	₩13,961,318	₩15,495,693	₩13,610,920

- 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, whose fair values amounted to ₩1,391 thousand and ₩272,691 thousand, respectively (2004: ₩2,265 thousand and ₩272,691 thousand).
- 3) As of December 31, 2005, 9,000 shares of Korea Digital Satellite Broadcasting have been provided to Korea Digital Satellite Broadcasting as collateral related to the Company's 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) Investee company halved the number of shares, which has been decreased by the reduction of the capital stock without any refund.
- 7) 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 amount of each investee is less than ₩7 billion, and differences between investments using the equity and cost accounting methods are not significant.

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Details of held-to-maturity securities classified as non-current assets as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	December 31, 2005		December 31, 2004	
	Acquisition Cost	Carrying Book Value	Acquisition Cost	Carrying Book Value
Subordinated bank debentures	₩ 1,496,680	₩ 1,499,171	₩ 1,496,680	₩ 1,498,543

For the year ended December 31, 2005, interest income related to the above securities amounted to ₩119,366 thousand (2004: ₩124,956 thousand).

The annual maturities in aggregate of available-for-sale securities and held-to-maturity securities outstanding as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Available-For-Sale Securities		Held-to-Maturity Securities	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
More than 1 year ~ 5 years	₩ 2,888,000	₩ 6,065	₩ 1,499,171	₩ 1,498,543

Unrealized gains and losses, which were charged as capital adjustments, arising from the valuation of available-for-sale securities during the years ended December 31, 2005 and 2004, are as follows :

(in thousands of Korean won)	January 1, 2005	Increase (Decrease)	Realized Gain (Loss)	Income Tax effect	December 31, 2005
	KT Freetel Co., Ltd.	₩ 3,932,739	₩ (11,588)	₩ -	₩ (1,078,316)
SK Telecom Co., Ltd.	1,090,590	(159,744)	-	(255,983)	674,863
Total	₩ 5,023,329	₩ (171,332)	₩ -	₩ (1,334,299)	₩ 3,517,698

(in thousands of Korean won)	January 1, 2004	Increase (Decrease)	Realized Gain (Loss)	December 31, 2004
	KT Freetel Co., Ltd.	₩ 2,634,928	₩ 1,297,811	₩ -
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

Details of investments in equity method investees as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Shares Owned by the Company		Percentage of Ownership (%)		Acquisition Cost		Market or Net Asset Value ¹⁾		Carrying Book Value	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
ATLAS BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.) ⁵⁾	2,848,685	2,848,685	31.13	31.13	₩ 12,229,979	₩ 12,229,979	₩ 14,819,427	₩ 12,983,059	₩ 14,001,331	₩ 12,838,762
Daehwa Eng' & Machinery Co., Ltd.	380,000	380,000	95.00	95.00	1,900,000	1,900,000	18,101,951	14,674,972	4,476,230	3,666,412
ASA Co., Ltd.	2,200,000	2,200,000	73.33	73.33	11,000,000	11,000,000	1,492,047	4,589,952	1,613,406	5,328,952
EmFrontier Inc.	2,000,000	2,000,000	50.00	50.00	1,000,000	1,000,000	2,891,319	2,489,852	2,539,821	2,035,437
Hankook Tire America Corp. ³⁾	1,600	1,600	100.00	100.00	8,737,823	8,737,823	35,329,246	28,591,475	10,787,876	-
Hankook Tyre U.K. Ltd. ³⁾	25,000	25,000	100.00	100.00	30,649	30,649	1,952,694	2,000,878	-	-
Hankook Tire China Co., Ltd.	²⁾	²⁾	34.63	94.83	170,015,618	144,702,118	229,185,896	171,276,084	203,576,495	141,965,995
Jiangsu Hankook Tire Co., Ltd.	²⁾	²⁾	95.63	38.68	64,702,379	53,086,544	57,367,145	40,383,731	57,522,077	43,260,345
Hankook Tire Netherlands B.V. ³⁾	²⁾	²⁾	100.00	100.00	1,738,031	1,738,031	1,917,322	1,190,159	-	-
Hankook Tire Canada Corp. ³⁾	50,000	50,000	100.00	100.00	30,950	30,950	1,318,848	676,335	14,234	29,129
Hankook Tire Japan Corp.	400	400	100.00	100.00	165,464	165,464	2,458,496	1,632,359	1,629,851	543,221
Hankook Reifen Deutschland GmbH ³⁾	²⁾	²⁾	100.00	100.00	126,995	126,995	2,386,862	3,134,110	-	-
Hankook France SARL ³⁾	²⁾	²⁾	100.00	100.00	1,601,630	1,601,630	848,309	-	-	-
Ocean Capital Investment (L) Limited	²⁾	²⁾	100.00	100.00	-	-	9,016,276	8,886,089	9,016,276	8,886,089
Hankook Tire Italia SARL	²⁾	²⁾	100.00	100.00	20,556	20,556	20,556	20,556	20,556	20,556
Hankook Espana S.A.	²⁾	²⁾	100.00	100.00	76,873	76,873	76,873	76,873	76,873	76,873
Hankook Tyre Australia Pty., LTD.	²⁾	²⁾	100.00	100.00	68,649	68,649	68,649	68,649	68,649	68,649
Hankook Tire Netherlands Sales B.V.	²⁾	²⁾	100.00	100.00	24,966	24,966	24,966	24,966	24,966	24,966
Hanyang Tire Sales Corp. ⁴⁾	15,030	-	50.10	-	75,150	-	75,150	-	75,150	-
Hankook Tire Slovakia, s.r.o	²⁾	-	100.00	-	12,241	-	12,241	-	12,241	-
Hankook Tire Hungary, LTD.	²⁾	-	100.00	-	15,751	-	15,751	-	15,751	-
					₩273,573,704	₩236,541,227	₩379,380,024	₩292,700,099	₩305,471,783	₩218,745,386

In 2005, the Company participated in the issuance of new shares of Hankook Tire China Co., Ltd. so that the book value of investments increased by ₩25,313,500 thousand and the Company's percentage of ownership has risen up to 95.63 %. The Company also participated in the issuance of new shares of Jiangsu Hankook Tire Co., Ltd. so that the book value of investments increased by ₩1,615,835 thousand but the Company's percentage of ownership fell to 34.63 %.

1) The equity method of accounting is applied based on the affiliates' most recent financial statements, 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 investees' accumulated losses, the investments in these investees were fully written off, and additional estimated losses were recorded as contingent loss reserve due to the Company's receivables or guaranteed obligations (Note 16).

4) Certain investments in non-marketable equity securities in which the Company interest is 20% or more 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) Market value of equity-method investment in marketable equity securities as of December 31, 2005, is ₩14,471,320 thousand.

6) The Company reported Hanyang Tire Sales Corporation as an affiliate to Fair Trade Commission in June 2004. However, the Company was under dispute with nominal shareholders because of the cancellation of the nominal trust as of December 31, 2004. For the year ended December 31, 2005, due to this dispute, the Company recognized investment in Hanyang Tire Sales Corporation as an equity-method investment.

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Details of the amortization of the differences between the purchase costs and net book value of investments for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005			
	January 1, 2005	Increase (Decrease)	Amortization	December 31, 2005
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ (115,248)	₩ -	₩ (28,812)	₩ (86,436)
Daehwa Eng'g. & Machinery Co., Ltd.	(30,499)	-	(10,166)	(20,333)
ASA Co., Ltd.	226,817	-	75,605	151,212
Jiangsu Hankook Tire Co., Ltd.	290,775	-	66,217	224,558
Total	₩ 371,845	₩ -	₩ 102,844	₩ 269,001

(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

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, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005		
	Current Assets	Fixed Assets	Total
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 95,456	₩ -	₩ 95,456
Daehwa Eng'g. & Machinery Co., Ltd.	-	(887,134)	(887,134)
ASA Co., Ltd.	76,507	-	76,507
EmFrontier Inc.	-	102,917	102,917
Hankook Tire America Corp.	3,986,250	-	3,986,250
Hankook Tyre U.K. Ltd.	(302,860)	-	(302,860)
Hankook Tire China Co., Ltd.	(11,440,904)	-	(11,440,904)
Jiangsu Hankook Tire Co., Ltd.	(767,064)	263,033	(504,031)
Hankook Tire Netherlands B.V.	641,313	-	641,313
Hankook Tire Canada Corp.	512,820	-	512,820
Hankook Reifen Deutschland GmbH	(3,605,414)	-	(3,605,414)
Hankook France SARL	1,125,175	-	1,125,175
Hankook Tire Japan Corp.	(599,229)	-	(599,229)
Total	₩ (10,277,950)	₩ (521,184)	₩ (10,799,134)

(in thousands of Korean won)	2004		
	Current Assets	Fixed 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)

Details of the changes in investments in equity method investees for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005				
	January 1, 2005	Acquisition	Gains (Losses) on Valuation	Others ¹⁾	December 31, 2005
ATLAS BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.) ³⁾	₩ 12,838,762	₩ -	₩ 1,160,461	₩ 2,108	₩ 14,001,332
Daehwa Eng'g. & Machinery Co., Ltd. ³⁾	3,666,412	-	808,451	1,367	4,476,230
ASA Co., Ltd. ³⁾	5,328,952	-	(3,720,822)	5,276	1,613,406
EmFrontier Inc. ³⁾	2,035,437	-	504,384	-	2,539,821
Hankook Tire America Corp. ^{2/3)}	-	-	12,701,238	(1,913,362)	10,787,876
Hankook Tyre U.K. Ltd. ^{2/3)}	-	-	(236,356)	236,356	-
Hankook Tire China Co., Ltd. ³⁾	141,965,995	25,313,500	25,998,625	10,298,375	203,576,495
Jiangsu Hankook Tire Co., Ltd. ³⁾	43,260,345	11,615,835	2,206,407	439,490	57,522,077
Hankook Tire Netherlands B.V. ^{2/3)}	-	-	1,858,601	(1,858,601)	-
Hankook Tire Canada Corp. ^{2/3)}	29,129	-	20,383	(35,278)	14,234
Hankook Tire Japan Corp. ³⁾	543,221	-	1,388,222	(301,591)	1,629,852
Hankook Reifen Deutschland GmbH ^{2/3)}	-	-	(2,974,528)	2,974,528	-
Hankook France SARL ^{2/3)}	-	-	2,059,842	(2,059,842)	-
Ocean Capital Investment(L) Limited ³⁾	8,886,089	-	130,187	-	9,016,276
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
Hanyang Tire Sales Corp. ⁴⁾	-	75,150	-	-	75,150
Hankook Tire Slovakia, s.r.o. ⁴⁾	-	12,241	-	-	12,241
Hankook Tire Hungary, LTD. ⁴⁾	-	15,751	-	-	15,751
Total	₩ 218,745,386	₩ 37,032,477	₩ 41,905,095	₩ 7,788,826	₩ 305,471,785

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

2) Due to the investees' accumulated losses, the investments in these investees were fully written off, and additional estimated losses were recorded as contingent loss reserve due to the Company's receivables or guaranteed obligations (Note 16).

3) The equity method of accounting is applied based on the affiliates' most recent available financial statements, 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.

Unrealized gains and losses arising from the valuation of investments in equity method investees during the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005				
	January 1, 2005	Increase (Decrease)	Realized Gain (Loss)	Tax effect	December 31, 2005
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 845,220	₩ 2,107	₩ -	₩ (233,015)	₩ 614,312
Daehwa Eng'g. & Machinery Co., Ltd.	(8,065)	1,367	-	-	(6,698)
ASA Co., Ltd.	(31,126)	5,276	-	(1,979)	(27,829)
Hankook Tire America Corp.	-	106,857	-	(29,385)	77,472
Jiangsu Hankook Tire Co., Ltd.	(4,180,178)	439,490	-	(26,738)	(3,767,426)
Hankook Tire China Co., Ltd.	(23,315,779)	10,298,375	-	(75,303)	(13,092,707)
Hankook Tire Canada Corp.	94,315	(35,278)	-	(16,235)	42,802
Hankook Tire Japan Corp.	(233,518)	(301,591)	-	-	(535,109)
Total	₩ (26,829,131)	₩ 10,516,603	₩ -	₩ (382,655)	₩ (16,695,183)

January 1, 2004 ~ December 31, 2004

(in thousands of Korean won)	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)

Details of the Company's contingency loss reserve recognized for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005			2004		
	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.	(2,843,362)	2,843,362	-	(2,607,007)	2,607,007	-
Hankook Tire Netherlands B.V.	(2,805,076)	2,805,076	-	(4,663,677)	4,663,677	-
Hankook Reifen Deutschland GmbH	(5,378,774)	5,378,774	-	(2,404,246)	2,404,246	-
Hankook France SARL	(1,192,860)	1,192,860	-	(3,252,701)	3,252,701	-
Total	₩ (12,220,072)	₩ 12,220,072	₩ -	₩ (14,947,849)	₩ 14,947,849	₩ -

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, 2005, are as follows:

(in thousands of Korean won)	Net Asset Value before Adjustments	Adjustments	Net Asset Value after Adjustments	Reason for Adjustments
	Hankook Tire China Co., Ltd.	236,562,712	(7,371,601)	229,191,111
Jiangsu Hankook Tire Co., Ltd.	75,978,500	(18,614,442)	57,364,058	"
ASA Co., Ltd.	2,248,565	(756,518)	1,492,047	"
Total	₩ 314,789,777	₩ (26,742,561)	₩ 288,047,216	

Investments in non-marketable equity securities of non-controlled investees are reported at cost, except for declines in the Company's proportionate ownership in the underlying book value of the investee which are deemed permanent, and are recorded as valuation losses. These valuation losses amount to ₩56,957 thousand (2004: ₩1,408,406 thousand) for the year ended December 31, 2005.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

A summary of financial information of equity-method investees as of and for the year ended December 31, 2005, follows:

(in thousands of Korean won)	Assets		Liabilities		Sales	Net income		
Hankook Tire China Co., Ltd.	₩	488,425,931	₩	192,199,779	₩	288,547,696	₩	41,060,146
Jiangsu Hankook Tire Co., Ltd.		455,165,965		239,169,525		307,592,570		31,366,247
Hankook Tire America Corp.		196,261,447		156,273,030		489,214,563		7,587,877
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)		109,460,341		60,163,650		194,190,752		4,458,755
Others		459,739,432		418,737,776		975,220,468		(580,592)
Total	₩	1,709,053,116	₩	1,066,543,760	₩	2,254,766,049	₩	83,892,433

The above summarized balance sheets and income statements are based on the amount before eliminating internal transactions, and significant differences in accounting policies among the Company and equity method investees are adjusted. Some financial information has not been audited or reviewed.

9. Property, Plant and Equipment

Changes in property, plant and equipment as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005							
	January 1, 2005	Increase	Decrease	December 31, 2005	Depreciation Expense	Accumulated Depreciation	Accumulated Impairment	Book Value
Land	₩ 270,176,999	₩ -	₩ 26,309	₩ 270,150,690	₩ -	₩ -	₩ -	₩ 270,150,690
Buildings	438,505,197	4,792,631	727,119	442,570,709	14,338,229	81,940,962	-	360,629,747
Structures	18,023,611	852,534	337,134	18,539,011	1,015,921	6,548,424	-	11,990,587
Machinery and equipment	815,826,378	46,094,350	13,025,771	848,894,957	108,581,054	614,141,407	-	234,753,550
Vehicles	12,599,755	1,204,703	763,583	13,040,875	1,850,437	9,930,949	-	3,109,926
Tools, furniture and fixtures	287,923,394	41,776,577	9,769,629	319,930,342	36,400,673	232,423,869	-	87,506,473
Machinery in transit	19,645,927	12,618,743	5,126,398	27,138,272	-	-	-	27,138,272
Construction in progress	97,103,120	114,991,267	32,527,833	179,566,554	-	-	-	179,566,554
	₩ 1,959,804,381	₩ 222,330,805	₩ 62,303,776	₩ 2,119,831,410	₩ 162,186,314	₩ 944,985,611	₩ -	₩ 1,174,845,799

(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

As of December 31, 2005, the appraised tax basis of land, as determined by the local government of Korea for property tax assessment purposes, amounted to approximately ₩324,549 million (2004 : ₩298,161 million).

As of December 31, 2005, 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	Land, buildings and machinery	₩ 266,845,000
	and others	and equipments	US\$ 153,200

As of December 31, 2005, a certain portion of the Company's property, plant and equipment is pledged as leasehold deposits.

10. Insured Assets

As of December 31, 2005, inventories and property, plant and equipment are insured against fire and other casualty losses up to approximately ₩ 2,723,006 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, ₩10,130,000 thousand was deposited and classified as other investments as of December 31, 2005.

In addition, vehicles are insured by a general and liability insurance policy, and the Company has directors' and officers' liability insurance up to ₩10 billion.

11. Intangible Assets

Change in intangible assets for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005						
	January 1, 2005	Increase	Decrease	December 31, 2005	Amortization Expense	Accumulated Amortization	Book Value
Patent rights	₩ 154,275	₩ 319,454	₩ -	₩ 473,729	₩ 71,871	₩ 140,694	₩ 333,035
Intellectual property rights	581,536	5,131	-	586,667	117,334	538,481	48,186
Trademark rights	1,095,473	378,835	-	1,474,308	183,737	940,017	534,291
Others	14,072,002	23,890	-	14,095,892	1,413,145	6,230,176	7,865,716
	₩ 15,903,286	₩ 727,310	₩ -	₩ 16,630,596	₩ 1,786,087	₩ 7,849,368	₩ 8,781,228

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004						
	January 1, 2004	Increase	Decrease	December 31, 2004	Amortization Expense	Accumulated Amortization	Book Value
Patent rights	₩ 145,500	₩ 8,775	₩ -	₩ 154,275	₩ 27,772	₩ 68,823	₩ 85,452
Intellectual property rights	581,536	-	-	581,536	116,307	421,147	160,389
Trademark rights	958,974	136,499	-	1,095,473	153,265	756,280	339,193
Others	14,068,448	3,554	-	14,072,002	1,409,913	4,817,031	9,254,971
	₩ 15,754,458	₩ 148,828	₩ -	₩ 15,903,286	₩ 1,707,257	₩ 6,063,281	₩ 9,840,005

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

Details of amortization expense for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Selling and administrative expenses	₩ 1,781,657	₩ 1,702,827
Manufacturing costs	4,430	4,430
	₩ 1,786,087	₩ 1,707,257

Details of the most significant intangible asset as of December 31, 2005, are as follows:

(in thousands of Korean won)	Book Value	Remaining Useful Lives
Software costs	₩ 7,834,921	6 years

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

Short-term borrowings as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	Lender	Annual Interest Rate (%) Dec. 31, 2005	2005	2004
Usance	Woori Bank and others	4.90 - 4.99	₩ 123,701,345	₩ 92,619,586

Current maturities of long-term debt as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Debentures	₩ 30,000,000	₩ 60,000,000
Long-term borrowings	1,250,000	55,311,960
	31,250,000	115,311,960
Less: Discounts on debentures	(14,448)	(149,892)
	₩ 31,235,552	₩ 115,162,068

As of December 31, 2005, a certain portion of the Company's property, plant and equipment is pledged as collateral for the repayment of the above short-term debt (Note 9).

13. Long-Term Debts

Long-term debts as of December 31, 2005 and 2004, consist of the following:

A. Debentures (Non-guaranteed)

(in thousands of Korean won)	Maturity Date	Annual Interest Rates (%) Dec. 31, 2005	2005	2004
The 74 th debenture payable	Feb. 25, 2005	-	₩ -	₩ 30,000,000
The 76 th debenture payable	April 18, 2005	-	-	30,000,000
The 77 th debenture payable	Feb. 21, 2006	5.00	30,000,000	30,000,000
The 78 th debenture payable	Aug. 9, 2008	4.63	30,000,000	-
			60,000,000	90,000,000
Less: Current maturities			(30,000,000)	(60,000,000)
Discounts on debentures			(134,504)	(113,941)
			₩ 29,865,496	₩ 29,886,059

B. Long-Term Borrowings

(in thousands of Korean won)

Lender	Purpose	Annual Interest Rates (%)		
		Dec. 31, 2005	2005	2004
Won currency loans				
The Korea Development Bank	General facility loans and others	4.86	₩ 10,000,000	₩ 10,428,560
	Less: Current maturities		(1,250,000)	(10,428,560)
			₩ 8,750,000	-
Foreign currency loans				
Woori Bank	Foreign facility loans	-	-	44,883,400
	Less: Current maturities		-	(44,883,400)
			-	-
			₩ 8,750,000	₩ -

The aggregate annual maturities of long-term debts outstanding as of December 31, 2005, are as follows:

(in thousands of Korean won)

For the year ending December 31,	Debentures	Long-term borrowings	Total
2007	₩ -	₩ 5,000,000	₩ 5,000,000
2008	30,000,000	3,750,000	33,750,000
Total	₩ 30,000,000	₩ 8,750,000	₩ 38,750,000

As of December 31, 2005, a certain portion of the Company's property, plant and equipment is pledged as collateral for the above long-term debts (Note 9).

14. Leases

As of December 31, 2005 and 2004, the Company has lease agreements with several leasing companies, which are recognized as capital leases. Details are as follows:

(in thousands of Korean won)

Accounts	Acquisition Cost		Depreciation Expense	
	2005	2004	2005	2004
Machinery and equipment	₩ 10,075,072	₩ 10,075,072	₩ 123,474	₩ 179,730

15. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)

	2005	2004
Balance at the beginning of the year	₩ 82,259,984	₩ 75,295,574
Actual payments	(10,542,167)	(17,590,340)
Provision for severance benefits	24,644,196	24,554,750
	₩ 96,362,013	₩ 82,259,984
Less: Cumulative deposits to the National Pension Fund	(1,955,697)	(2,213,267)
Severance insurance deposits	(71,128,268)	(69,007,331)
Balance at the end of the year	₩ 23,278,048	₩ 11,039,386

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

16. Long-Term Other Payables

Details of long-term other payables as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Contingency loss reserve	₩ 12,220,072	₩ 14,947,849
Product liability reserve	11,544,792	11,544,792
Warranty reserve	7,895,019	8,920,731
Others	771,225	1,231,975
	₩ 32,431,108	₩ 36,645,347

Details of changes in warranty reserve for the year ended December 31, 2005, are as follows:

(in thousands of Korean won)	January 1, 2005	Increase	Decrease	Cumulative effect of adoption of revised accounting standard	December 31, 2005
Warranty reserve	₩ 8,920,731	₩ 4,849,750	₩ (5,432,999)	₩ (442,463)	₩ 7,895,019

The expected period of using warranty reserve is as follows,

(in thousands of Korean won)	Year	Warranty reserve
	2006. 1. 1 ~ 2006.12.31	₩ 3,589,240
	2007. 1. 1 ~ 2007.12.31	2,708,405
	2008. 1. 1 ~ 2008.12.31	1,531,513
	2009. 1. 1 ~ 2009.12.31	647,106
	2010. 1. 1 ~ 2010.12.31	171,569
		₩ 8,647,833

17. Commitments and Contingencies

As of December 31, 2005, the Company has provided guarantees amounting to ₩151,143 million (equivalent to US\$149,204 thousand) (2004: ₩201,228 million, equivalent to US\$192,784 thousand), with respect to financing by its overseas subsidiaries. Such guarantees are as follows:

(in millions of Korean won)

Subsidiaries

Hankook Tire Hungary Ltd. ¹⁾	₩ 83,503
Hankook Tire China Co., Ltd.	35,455
Hankook Tire Netherlands B.V.	13,842
Hankook Reifen Deutschland GmbH	4,797
Others	13,546
2005 Total	₩ 151,143
2004 Total	₩ 201,228

1) The above guarantee amount includes direct suretyship provided to the Hungarian government as follows:

	Description
Summary of agreements	To certify that the Company should sincerely work out the investment plan on the investment contract, otherwise, the Company should return some or whole amount of the subsidy provided by Hungarian government.
Guarantee provided	HUF 15,881,000,000 + interest incurred
The term of guarantee	From October 31, 2005 to December 31, 2016

Notes to Non-Consolidated Financial Statements

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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, 2005 (Notes 2 and 16).

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 personam 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. The Company believes that the outcome of these cases is uncertain. The ultimate effect of these cases 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.

19. Retained Earnings

Retained earnings as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Legal reserve	₩ 39,260,000	₩ 39,260,000
Reserve for improvement of financial structure	19,320,000	19,320,000
Voluntary reserve	413,512,667	298,512,667
Unappropriated retained earnings	254,956,536	192,286,651
	₩ 727,049,203	₩ 549,379,318

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 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, 2005.

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, 2005 and 2004, are calculated as follows:

Number of common shares outstanding during the year

2005: 146,189,929 common shares

2004: 146,189,929 common shares

The four million shares in treasury are excluded from the calculation of the number of common shares outstanding during the years ended December 31, 2005 and 2004.

Dividend Amounts

Dividends for the years ended December 31, 2005 and 2004, are in the form of cash dividends. The dividends are calculated as follows:

			Formula	Total Dividends
2005	Cash dividends	Common stock	$146,189,929 \times \text{₩}500 \times 50\% \times 365/365$	₩ 36,547,482,250
2004	Cash dividends	Common stock	$146,189,929 \times \text{₩}500 \times 50\% \times 366/366$	₩ 36,547,482,250

Dividend Payout Ratio

	2005	2004
Total cash dividends	₩ 36,547,482,250	₩ 36,547,482,250
Net income for the year	213,774,904,068	166,028,389,824
Dividend payout ratio	17.10%	22.01%

Dividend Yield Ratio

	2005	2004
Dividends per share	₩ 250	₩ 250
Market price as of December 31, 2005 and 2004	14,250	10,200
Dividend yield ratio	1.75%	2.45%

21. Capital Adjustments

Capital adjustments as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005 ¹⁾	2004
Treasury stock	₩ (10,320,362)	₩ (10,320,362)
Unrealized gain on available-for-sale securities	3,517,698	5,023,329
Capital changes under equity method	734,586	-
Negative capital changes under equity method	(17,429,769)	(26,829,131)
Unrealized gain on derivatives	-	256,149
Unrealized loss on derivatives	-	(15,762)
	₩ (23,497,847)	₩ (31,885,777)

1) Capital adjustments as of December 31, 2005, reflected the effect of tax adjustment.

As of December 31, 2005, the Company holds four million shares in treasury to stabilize the market price of its shares of stock, and records treasury stock as a capital adjustment.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

22. Sales and cost of sales

Details of sales and cost of sales for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Sales		
Sales of finished goods	₩ 1,855,610,879	₩ 1,713,124,072
Sales of merchandise	174,500,226	152,676,112
Other sales	3,350,413	3,499,291
Sales discount	(16,257,444)	(13,481,313)
	₩ 2,017,204,074	₩ 1,855,818,162
Cost of sales		
Cost of finished goods sold	₩ 1,235,546,785	₩ 1,112,179,651
Cost of merchandise sold	152,328,692	136,078,532
Valuation loss on inventory, net	345,296	1,168,538
Customs duties reimbursed	(2,322,218)	(2,282,854)
	₩ 1,385,898,555	₩ 1,247,143,867

23. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Shipping expenses	₩ 83,434,004	₩ 83,729,518
Research and development expenses	72,082,621	60,295,138
Salaries expenses	42,013,432	37,127,474
Advertising expenses	34,702,237	39,311,164
Freight expenses	29,121,317	26,869,685
Revenues-Services by contract	24,304,664	21,519,155
Service fees	19,256,811	17,423,242
Depreciation expenses	12,273,341	12,209,757
Commission on export	9,600,159	9,798,200
Other sorts of expenses on export	9,186,505	8,661,568
Employee benefits	6,638,246	6,292,897
Overseas maintenance expenses	5,296,339	5,233,463
Travel expenses	4,960,278	4,411,526
Product warranty expenses	4,849,750	5,538,670
Severance benefits	4,614,935	5,636,265
Insurance expenses	4,180,811	3,872,857
Repairs expenses	4,028,505	4,941,949
Sales promotional rebate	4,003,940	3,576,260
Packaging expenses	3,879,326	3,155,615
Supplies expenses	3,730,232	3,171,478
Entertainment expenses	3,199,332	2,746,647
Training expenses	3,049,239	1,708,768
Tax and dues	2,659,203	4,573,507
Communication expenses	2,043,347	2,001,645
Utility expenses	1,600,637	1,540,904
Amortization expenses on intangible assets	1,583,731	1,553,260
Vehicle maintenance expenses	1,230,116	1,081,202
Expenses on experiment and analysis	964,443	911,737
Bad debt expenses	446,806	3,096,725
Publication expenses	387,247	288,679
Rental expenses	289,141	275,304
Overseas marketing expenses	288,423	407,796
Others	703,908	472,172
	₩ 400,603,026	₩ 383,434,227

24. Prior period adjustments

Prior period adjustments as of and for the year ended December 31, 2005, are as follows:

Adjustments	Corresponding Year	(in thousands of Korean won)	
Error correction related to Customs duties	1998	₩	591,780
"	1999		802,970
"	2000		395,412
"	2001		251,898
		₩	2,042,060

25. Income Taxes

Income tax expense for the years ended December 31, 2005 and 2004, consists of:

(in thousands of Korean won)	2005		2004	
Current income taxes	₩	64,550,455	₩	65,799,599
Deferred income taxes		2,638,963		11,161,221
Items directly charged to shareholders' equity		1,716,954		-
	₩	68,906,372	₩	76,960,820

The components of the differences between taxable income and net income before income tax for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005		2004	
	Temporary Difference	Permanent Difference	Temporary Difference	Permanent Difference
Loss from equity method investments	₩ (52,362,660)	₩ 10,457,565	₩ 31,890,718	₩ (42,323,123)
Provision for reserve for tax purposes	2,437,680	-	2,970,159	-
Provision for bad debts	(2,771,602)	-	2,568,877	-
Depreciation	6,516,392	-	1,534,984	-
Accrued revenue	167,224	-	40,676	-
Capitalized interest costs	(772,290)	-	(175,049)	-
Gain on trading of forward contracts	240,387	(240,387)	(4,101,742)	4,101,742
Additional taxes paid	-	-	-	15,732,989
Entertainment expenses	-	5,171,252	-	5,557,876
Gain on valuation of available-for-sale securities	171,332	(171,332)	(1,113,209)	1,063,950
Impairment loss on available-for-sale securities	56,957	-	1,408,406	-
Other reserves	(1,486,462)	-	-	-
Others	654,981	3,506,381	791,390	479,881
	₩ (47,148,061)	₩ 18,723,479	₩ 35,815,210	₩ (15,386,685)

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

During the year ended December 31, 2005, the Company recognized tax credits amounting to ₩11,970,968 thousand. The details of the tax credits are as follows:

(in thousands of Korean won)

Equipment investment tax credits	₩	6,716,312
Foreign tax credits		1,694,901
Research and development expenditures tax credits		1,137,215
Other tax credits		2,422,540
Total	₩	11,970,968

The components of deferred income taxes as of December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	January 1, 2004	Increase (Decrease)	December 31, 2004	Increase (Decrease)	December 31, 2005
Loss from equity method investments	₩ 15,818,610	₩ (10,162,921)	₩ 5,655,689	₩ (41,964,133)	₩ (36,308,444)
Allowance for doubtful accounts	2,438,146	2,568,877	5,007,023	(2,771,565)	2,235,458
Depreciations	52,618,936	1,532,090	54,151,026	4,842,809	58,993,835
Loss on valuation of investment securities	12,568,872	1,237,076	13,805,948	56,956	13,862,904
Rescheduling of troubled receivables	10,069,942	(8,264,105)	1,805,837	(462,988)	1,342,849
Operating income from offshore financial institutions	12,811,534	(352,209)	12,459,325	3,620,051	16,079,376
Other reserves	21,697,498	-	21,697,498	(1,486,462)	20,211,036
Others, net	(18,352,350)	10,085,476	(8,266,874)	18,768,114	10,501,240
	109,671,188	(3,355,716)	106,315,472	(19,397,218)	86,918,254
Income taxes	30,185,118	(948,363)	29,236,755	(5,334,235)	23,902,520
Less : allowance for differed assets	(1,324,738)	(10,212,859)	(11,537,597)	2,695,272	(8,842,325)
Deferred income tax assets	₩ 28,860,380	₩ (11,161,222)	₩ 17,699,158	₩ (2,638,963)	₩ 15,060,195

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.

Components of directly charged to shareholders' equity as of December 31, 2005, are as follows:

(in thousands of Korean won)	2005	
	Temporary difference	Tax effect in temporary difference
Capital changes under equity method, net	₩ (1,391,474)	₩ (382,655)
Gain on valuation of available-for-sale securities	4,851,997	(1,334,299)
	₩ 3,460,523	₩ (1,716,954)

The components of deferred income taxes in aggregate before offset as of December 31, 2005, are as follows:

(in thousands of Korean won)	December 31, 2005		Deferred income tax			
	Temporary Difference		Current	Non-current		
Provisions for severance benefits	₩	55,861,511	₩	-	₩	15,361,916
Provision for bad debts		2,235,458		614,751		-
Other reserves		20,211,036		-		5,558,035
Depreciation		58,993,835		-		16,223,305
Impairment loss on available-for-sale securities		10,207,865		-		2,807,163
Bad debts expense		4,667,086		1,283,449		-
Rescheduling of troubled receivables		1,342,849		-		369,284
Operating income from offshore financial institutions		16,079,376		-		4,421,828
Provision for reserve for tax purposes		(7,009,851)		-		(1,927,710)
Severance insurance fee		(55,861,511)		-		(15,361,916)
Gain from equity method investments		(45,882,082)		-		(12,617,573)
Capital changes under equity method		(1,391,475)		-		(382,655)
Gain on valuation of available-for-sale securities		(4,851,997)		-		(1,334,299)
Others, net		162,247		416,304		(371,687)
Total	₩	54,764,347	₩	2,314,504	₩	12,745,691
Income tax rate		27.5%				

The statutory income tax rate applicable to the Company, including resident tax surcharges, was approximately 29.7% in 2004, and amended to 27.5% effective for the fiscal years beginning January 1, 2005. The Company's effective income tax rate for the year ended December 31, 2005, is 24.4%.

26. 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, 2005, is calculated as follows:

	Number of Shares	Number of Days Outstanding	Weighted Number of Shares Outstanding
January 1, 2005	150,189,929	365	54,819,324,085
Treasury stock	(4,000,000)	365	(1,460,000,000)
			53,359,324,085

Weighted-average number of common shares outstanding:
 $53,359,324,085 \text{ shares} / 365 = 146,189,929 \text{ shares}$

Basic earnings and ordinary income per share for the year ended December 31, 2005, is calculated as follows:

(in thousands of Korean won, except for per share amount)	2005
Net income	₩ 213,774,904,068
Interest for convertible bonds	-
Net income for common shares	213,774,904,068
Weighted-average number of common shares outstanding	146,189,929
Basic earnings per share	₩ 1,462

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

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

Basic earnings and ordinary income per share interim periods of 2005 and 2004, and for the years ended December 31, 2004 and 2003, are as follows:

(in Korean won)	Weighted - Average Number of Common Shares Outstanding	Ordinary Income for Common Shares	Net Income for Common Shares	Basic Ordinary Income Per Share	Basic Earnings Per Share
Period					
Jan. 1, 2005 - Sept. 30, 2005	146,189,929	₩ 167,378,586,477	₩ 167,378,586,477	₩ 1,145	₩ 1,145
April 1, 2005 - June 30, 2005	146,189,929	114,434,711,664	114,434,711,664	783	783
Jan. 1, 2005 - March 31, 2005	146,189,929	56,664,617,013	56,664,617,013	388	388
Jan. 1, 2004 - Dec. 31 2004	146,189,929	166,028,389,824	166,028,389,824	1,136	1,136
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 for 2005 and 2004 are identical to the basic earnings per share, since there is no dilutive effect of stock appreciation rights for both years.

27. Research and Development Costs

Research and development costs incurred during the year ended December 31, 2005, amounted to ₩72,082,621 thousand (2004 : ₩60,295,138 thousand) were charged to current operations.

28. Related Party Transactions

Significant transactions with affiliated companies for the years ended December 31, 2005 and 2004, and related account balances as of December 31, 2005 and 2004, are summarized as follows:

(in thousands of Korean won)	Sales	Purchases	Accounts Receivable	Accounts Payable
Atlas BX Co., Ltd. (Formerly Korea Storage Battery, Ltd.)	₩ 1,832,968	₩ 30,731,233	₩ 339	₩ 13,803,961
Daehwa Eng'g & Machinery Co., Ltd.	-	18,762,169	-	5,919,560
ASA Co., Ltd.	46,387	1,859,950	56,734	525,836
Frixa Co., Ltd. (Formerly Hanta M&B Co., Ltd.)	9,028	7,653,645	-	737,396
Emfrontier Inc.	-	22,076,623	-	8,248,802
Hankook Tire America Corp.	335,162,842	-	2,560,169	-
Hankook Tire Canada Corp.	15,331,387	960,317	-	141,147
Hankook Tyre U.K. Ltd.	50,410,858	333,966	97,496	16,877
Hankook Tire Japan Corp.	32,366,432	-	146,776	-
Hankook Reifen Deutschland GmbH	147,875,793	535,841	2,222,285	2,979
Hankook Tire Netherlands B.V.	57,129,477	1,496,682	711,725	28,098
Hankook France SARL	19,553,183	191,240	67,191	3,186
Hankook Tire China Co., Ltd.	9,387,308	33,082,997	10,171,667	1,243,461
Jiangsu Hankook Tire Co., Ltd.	8,707,752	50,329,477	10,629,848	1,570,593
Other affiliated companies	3,228,660	5,565,529	516,594	12,706
2005 Total	₩ 681,042,075	₩ 173,579,669	₩ 27,180,824	₩ 32,254,602
2004 Total	₩ 643,254,135	₩ 176,603,336	₩ 28,468,486	₩ 41,472,904

29. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2005 and 2004, are as follows :

(in thousands of Korean won)	2005		
	Selling and Administrative Expenses ¹⁾	Manufacturing Costs	Total
Salaries	₩ 63,626,506	₩ 146,202,268	₩ 209,828,774
Depreciation	22,376,099	139,810,215	162,186,314
Welfare expenses	9,487,100	22,150,317	31,637,417
Severance benefits	7,280,890	17,363,306	24,644,196
Taxes and dues	2,887,484	1,529,994	4,417,478
Amortization of intangible assets	1,781,657	4,430	1,786,087
Rental charges	289,141	44,028	333,169
	₩ 107,728,877	₩ 327,104,558	₩ 434,833,435

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

1) Including ordinary research and development costs.

30. Environmental Investment

Environmental investment of the Company for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
	Incinerator	₩ 1,150,200
Dust collection facilities	263,600	660,854
Smell protection facilities	165,350	633,126
Total	₩ 1,579,150	₩ 1,761,180

31. Social Contributions

The Company's social contributions, including contributions to Hankook Tire Welfare Foundation, for the year ended December 31, 2005, amounts to ₩268,300 thousand (2004 : ₩3,082,000 thousand).

As of December 31, 2005, the Company provided housing loans to employees amounting to ₩1,748,950 thousand (2004 : ₩1,408,361 thousand) (Note 6).

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

32. Segment Information

Industry Segment Information

Financial information on industry segments as of and for the years ended December 31, 2005 and 2004, follows:

(in thousands of Korean won)	January 1, 2005 ~ December 31, 2005		
	Tire	Others ¹⁾	Total
Sales	₩ 1,839,353,435	₩ 177,850,639	₩ 2,017,204,074
Operating income (loss)	₩ 606,128,867	₩ (375,426,374)	₩ 230,702,493
Property, plant and equipment, and intangible assets	₩ 791,483,733	₩ 392,143,294	₩ 1,183,627,027
Depreciation and amortization	₩ 139,814,645	₩ 24,157,755	₩ 163,972,400

(in thousands of Korean won)	January 1, 2004 ~ December 31, 2004		
	Tire	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

1) Other segments include the administration segment. There were no inter-segment transactions or allocation of administration costs among these three segments in 2005.

Geographical Segment Information

(in thousands of Korean won)		
	2005	2004
Market		
Domestic	₩ 614,513,264	₩ 564,624,744
Europe	428,771,532	439,222,912
North America	382,473,933	352,511,171
Asia, except Korea	277,669,214	249,172,253
Local export	166,136,868	139,943,262
South and Central America	85,933,507	57,524,921
Other	61,705,756	52,818,899
Total	₩ 2,017,204,074	₩ 1,855,818,162

33. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won, except per share amounts)	2005	2004
Sales	₩ 529,743,197	₩ 487,081,542
Operating income	35,971,118	30,924,411
Ordinary income	66,837,761	35,740,105
Net income	46,396,318	19,172,416
Basic earnings per share (in Korean won)	317	131
Diluted earnings per share (in Korean won)	317	131

34. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2005 and 2004, are as follows:

(in thousands of Korean won)	2005	2004
Current maturities of long-term debt	₩ 61,608,000	₩ 115,311,960
Reclassification to specific property, plant and equipment accounts from construction-in-progress	32,427,750	118,125,866
Unrealized valuation gain on investment securities	10,345,271	43,387,073
Reclassification to specific property, plant and equipment accounts from machinery-in-transit	5,126,398	27,573,957

35. Approval of Financial Statements

The non-consolidated December 31, 2005 financial statements will be approved by the Company's Board of Directors on February 23, 2006.

36. Reclassification of prior year financial statement presentation

Certain accounts in the financial statements as of and for the year ended December 31, 2004, have been reclassified to conform to the December 31, 2005 financial statement presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

Corporate Chronology

Establishment Period

1940~

- 1941 Chosun Tire Industrial Co., Ltd. established
- 1942 First tires roll off at Yeongdeungpo Plant, with production capacity of 110,000 tires/year

Growth Period

1980~

- | | |
|--|--|
| <ul style="list-style-type: none"> 1980 Exported tires worth more than US\$100 million - a first in the domestic tire manufacturing industry 1981 Established sales affiliate in the United States (HANAM) 1982 Established the Main R&D Center 1985 Installed tire test tracks - a first among domestic tire makers | <ul style="list-style-type: none"> 1989 Developed Korea's first 65-series tires (OPTIMO PLUS) 1990 Established Akron Technical Center (Akron, U.S.A.) 1991 Joined top ten international tire makers list 1992 Initiated sales of alloy wheels 1993 Established affiliate in Canada 1994 Received ISO9001 Certification |
|--|--|

driving technology



Profitable Growth Period

- 1999 Held ceremonies for the completion of plants in Jiangsu and Jiaxing, China
- 2000 Received Q1 Award from the Ford Motor Company (Daejeon Plant)
- 2001 Opened ERP system
- 2002 Launched the Europe ERP Project

Development Period

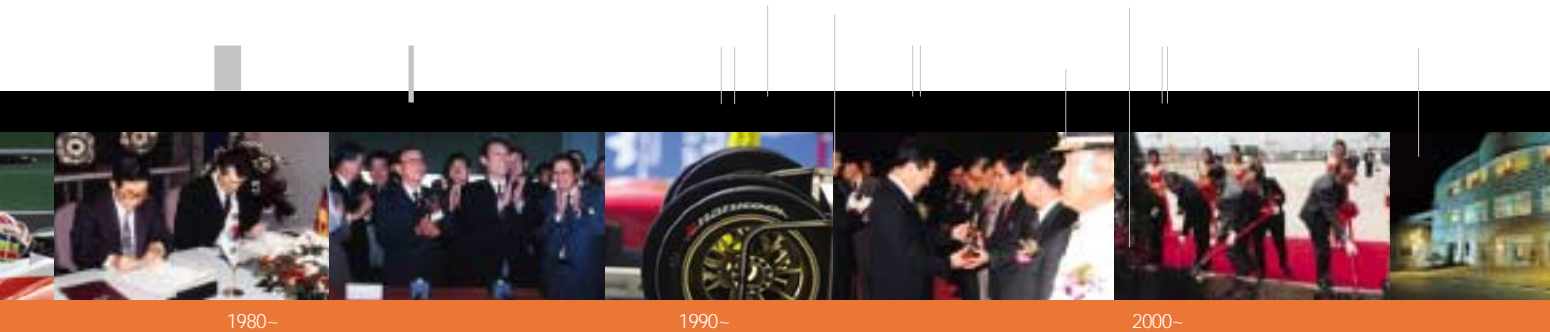
1960~1970

- | | | | |
|------|---|------|--|
| 1962 | Began the first-ever export of tires from Korea | 1975 | Developed Korea's first steel Radial tires |
| 1965 | Received KS Marks for all products | 1977 | Completed construction of the Incheon Plant, specialized for manufacturing tubes; Acquired Korea Storage Battery |
| 1968 | Changed the company name to Hankook Tire Manufacturing | 1979 | Completed construction of the Daejeon Plant, with production capacity of 6,500 tires/day |
| 1968 | Listed on the Korea Stock Exchange | | |
| 1974 | Developed Radial tires, first passenger car tire in Korea | | |

Maturity Period

1990~

- | | | | |
|------|--|------|--|
| 1995 | Exported tires worth more than US\$500 million | 1998 | Received ISO14001 Certification (Daejeon and Geumsan plants)
Established China Technical Center
Held ceremony for first roll-out of tires from Jiaxing Hankook Tire Co., Ltd.; Held ceremony for the establishment of Jiangsu Hankook Tire Co., Ltd. |
| 1996 | Held groundbreaking ceremony for the Jiaxing, China plant | | |
| 1997 | Received QS9000 Certification (Headquarters, R&D Center, Daejeon Plant and Geumsan Plant)
Completed first stage of construction for the Geumsan Plant | | |



1999~2005

- | | | | |
|----------|---|----------|---|
| 2003. 6 | Established partnership with Michelin | 2005. 9 | Established partnership with Hamann |
| 2003. 12 | Exceeded US\$700 million in exports | 2005. 10 | Entered into agreement to build plant in Hungary |
| 2004. 3 | Announced new CI | 2005. 12 | Received 'Good Design' award for its product 'W409' |
| 2005. 5 | Initiated supply to General Motors - a first among Korean tire makers | | |

Overseas Network

1. CANADA_TORONTO
2. U.S.A._AKRON
3. U.S.A._NEW JERSEY
4. U.S.A._L.A.
5. U.S.A._ATLANTA
6. U.S.A._CHICAGO
7. U.S.A._DALLAS
8. U.S.A._DETROIT
9. MEXICO_MEXICO CITY
10. PANAMA_PANAMA
11. BRAZIL_SAO PAULO



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