



www.hankooktire.com

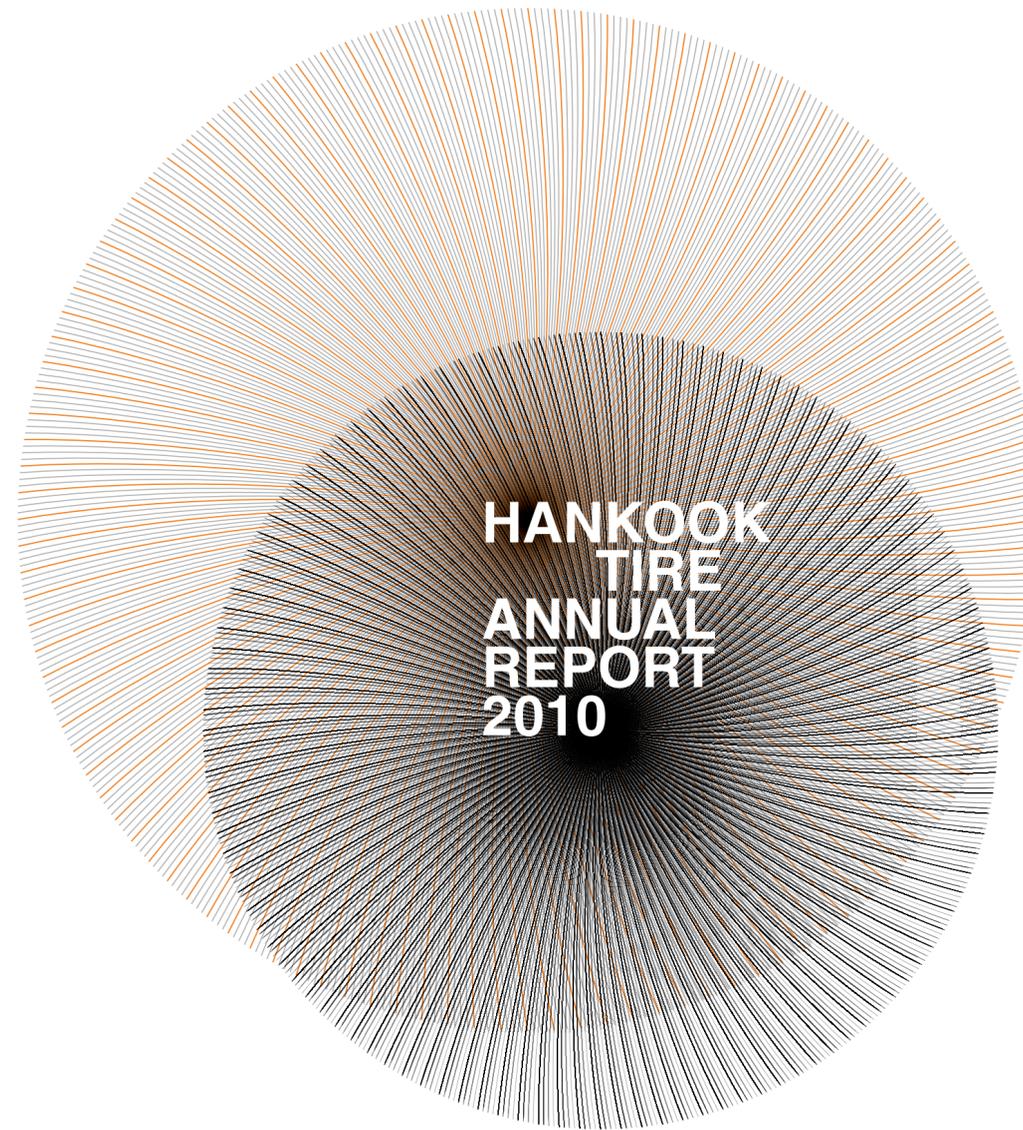
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At Hankook Tire, we strive to protect the environment in every way we can, no matter how small. This Annual Report uses environment-friendly paper printed in soybean oil ink.

HANKOOK TIRE ANNUAL REPORT 2010



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## Global Network

2010 Hankook Tire  
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## Corporate Data

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

**2011 IR Schedule**

January Announcement of 2010 earnings results and 2011 earnings target

March Conference (Hong Kong)

Public announcement of schedule for 56th general shareholders' meeting

April Announcement of 1Q 2011 earnings results

May Conference (London, New York)

Samsung Global Conference (Seoul)

July Announcement of 2Q 2011 earnings results

October Announcement of 3Q 2011 earnings results

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

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>

## History

**2010** - Announced plans to build the company's 6th plant in Chongqing, China and 7th plant in Bekasi, Indonesia

**2009** - Winter tire receives top score in a test by Germany's "ADAC" magazine; Audi selects Hankook Tire as an official OE tire supplier

- Audi selects Hankook Tire as an official OE tire supplier

**2008** - Geumsan Plant's 2nd phase expansion completed

- Globally announced "Kontrol Technology"

**2007** - Hungary Plant begins production

**2006** - Only tire manufacturer to receive FAW-Volkswagen 10 Best Suppliers award

- Entered into Technical Agreement with premium car maker Audi

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

- Started construction of the Hungary Plant in July

**2005** - Roll-out of T'Station one-stop auto service concept

- Selected as strategic partner of Ford

- Completion of Geumsan Test Track (G'Trac)

**2004** - Unveiled new Corporate Identity

**2003** - Established strategic alliance with Michelin

**2001** - Opened Europe Distribution Center (EDC) in the Netherlands

**2000** - Introduced ERP System

**1999** - Completed Jiangsu and Jiaxing Plant (China)

**1998** - Established China Technical Center (CTC)

**1997** - Completed Geumsan Plant (Korea)

**1996** - Established Europe Technical Center (ETC)

**1994** - Established Beijing branch in China

**1992** - Established Akron Technical Center (ATC)

- Established the Main R&D Center in Daejeon

**1982** - Established the Technology Center (Korea) in Daejeon

**1981** - Established Hankook Tire America Corporation

**1979** - Built Daejeon Plant (Korea)

**1941** - Founded

5<sup>th</sup>

# H. LOHAS

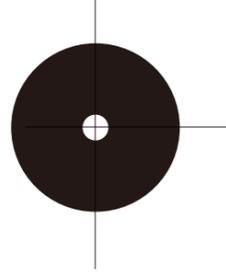
Great aspirations motivate us to take on new challenges, which in turn allows us to take giant steps forward. We continued our quest to become a "Leading Global Tire Company" in 2010, and our efforts resulted in major progress during the year.

5-1-1

Hankook Tire not only manufactures tires but also helps members of society realize their aspirations. Since our foundation in 1941, we have focused solely on the tire business in an effort to fulfill our mission of advancing both people and society in general through corporate growth. Solid financial results are the foundation for us to fulfill that mission. In 2010, we maintained our stature as the world's seventh largest tire maker, a rank held for the fifth consecutive year. Our sales have averaged 13.9 percent annual growth over the past ten years, solidifying our foundation for sustainable growth. Our achievements enable us to be a company that advances society.

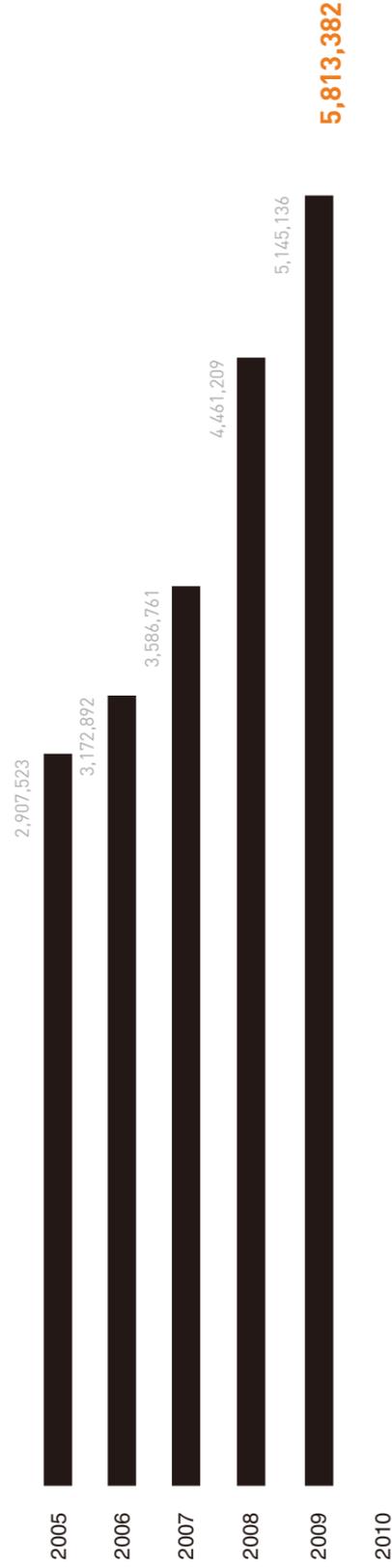
# FOCUSING

Financial Growth Rates



# 13.9%

Average annual growth (2000~2010)



Unit: KRW million

# Global

## DEVELOPING

Technology and Design

## CHANGING

Tire Sales by Region

# 7<sup>th</sup>

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

## EXPANDING

Global Manufacturing System

## SHARING

CSR Activities

DEVELOPING

Technology and Design

Winter i\*cept evo

The 70-year history of Hankook Tire is in step with the development of tire technology. We have provided drivers around the world with tires that feature outstanding performance, safety, ride comfort and eco-friendliness, making driving a safer and more pleasant experience. Our commitment to unrivaled quality and design have been recognized highly in evaluations from the world's leading automotive magazines and prizes from the most prestigious design award programs. Going forward, we will continue to apply our unique development philosophy, which we call "Kontrol Technology," to make the breakthroughs that extend the limits of technology ever further.



Kontrol Technology is a philosophy as well as a set of proprietary innovations — applied throughout research, development and production — developed by Hankook Tire to ensure controlled driving experiences. The 'K' denotes 'kinetic' and reflects the idea that the interaction of the tire with the road while in motion lies at the heart of driving control and performance.



reddot design award

Tire Magazine Test Results (2010)

- Ventus S1 evo received top marks grade on a performance test by the "Auto Motor Und Sport" magazine.
- Ventus S1 evo received the maximum "Very Recommendable" mark in the "Gute Fahrt" performance comparison test.
- Ventus R-s3 selected as a top-performing product by Japan's leading automobile magazine "Rev Speed".

Design Awards

- Winter i\*cept evo received the reddot design award in the Product Design segment.
- enfre and Optimo 4S received awards at the iF Product Design Awards in 2009.

CHANGING

Tire Sales by Region

EXPANDING

Global Manufacturing System

SHARING

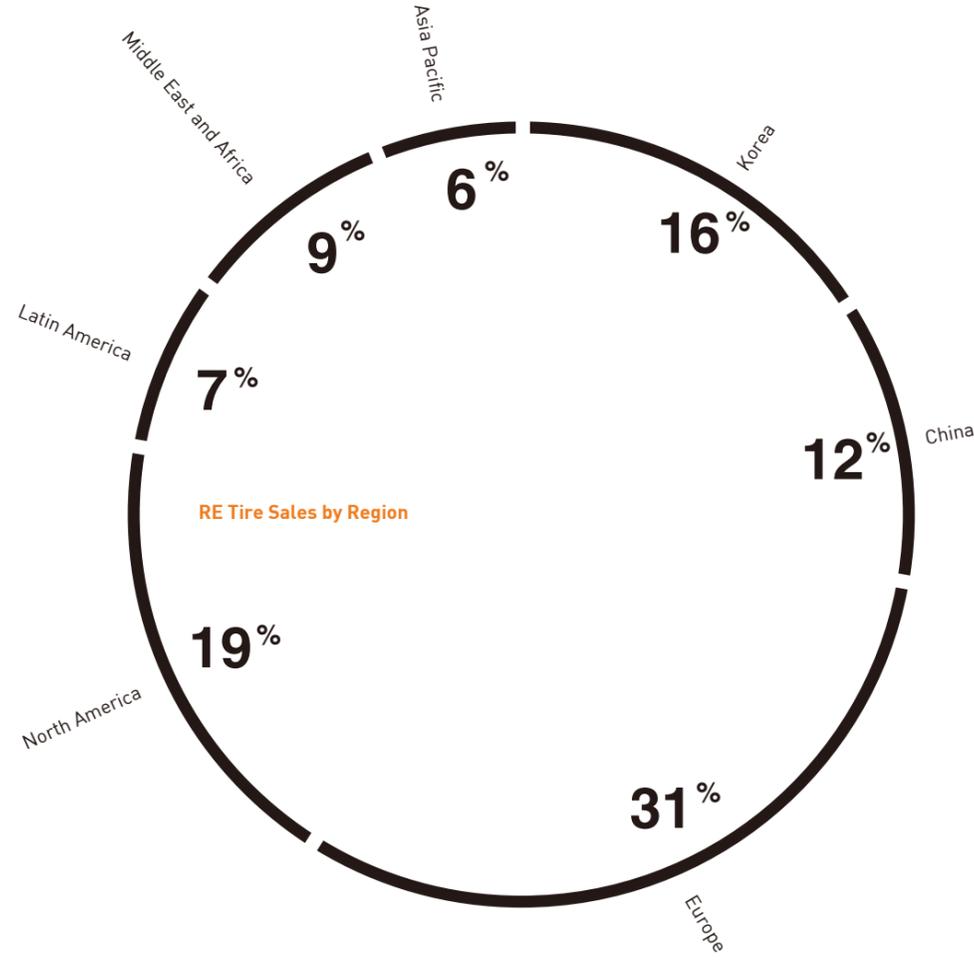
CSR Activities

# CHANGING

## Tire Sales by Region

Hankook Tire products are becoming increasingly popular around the world. More than 80 percent of our revenue was earned outside Korea in 2010, as a growing number of automobile companies chose Hankook Tire as one of their official suppliers. Our global distribution network consists of four regional headquarters (Korea, China, Europe and America), along with subsidiaries & sales offices in 27 countries. Our products are now sold in about 180 countries, playing an important role the lives of people around the world.

# Market



## FOCUSING

Financial Growth Rates

## DEVELOPING

Technology and Design

## CHANGING

Tire Sales by Region

## EXPANDING

Global Manufacturing System

For a tire company, manufacturing facilities are the source of competitiveness and opportunities because they are the main driver for breaking into new markets and acquiring new customers. We established a global expansion strategy to accommodate growing tire demand, calling for new plants in Chongqing, China, and Bekasi, Indonesia, in addition to the current network of two Korean plants (at Daejeon and Geumsan) two Chinese plants (at Jiaying and Jiangsu), and one Hungarian plant. Our expanded global manufacturing system will be the foundation for us to rise to fifth-largest among the world's tire manufacturers.

**6th plant being built in Chongqing, China**

**7th plant being built in Bekasi, Indonesia**

th

th

# 5111

The mid-term goals for Hankook Tire (by 2014)---to become the world's fifth-largest tire maker, earn EBITDA of US\$1 billion and produce 100 million tires annually

## SHARING

CSR Activities

# FOCUSING

Financial Growth Rates

Reduced fuel consumption by using our eco-friendlyer enfren tires

# DEVELOPING

Technology and Design

# CHANGING

Tire Sales by Region

# EXPANDING

Global Manufacturing System

# 6%

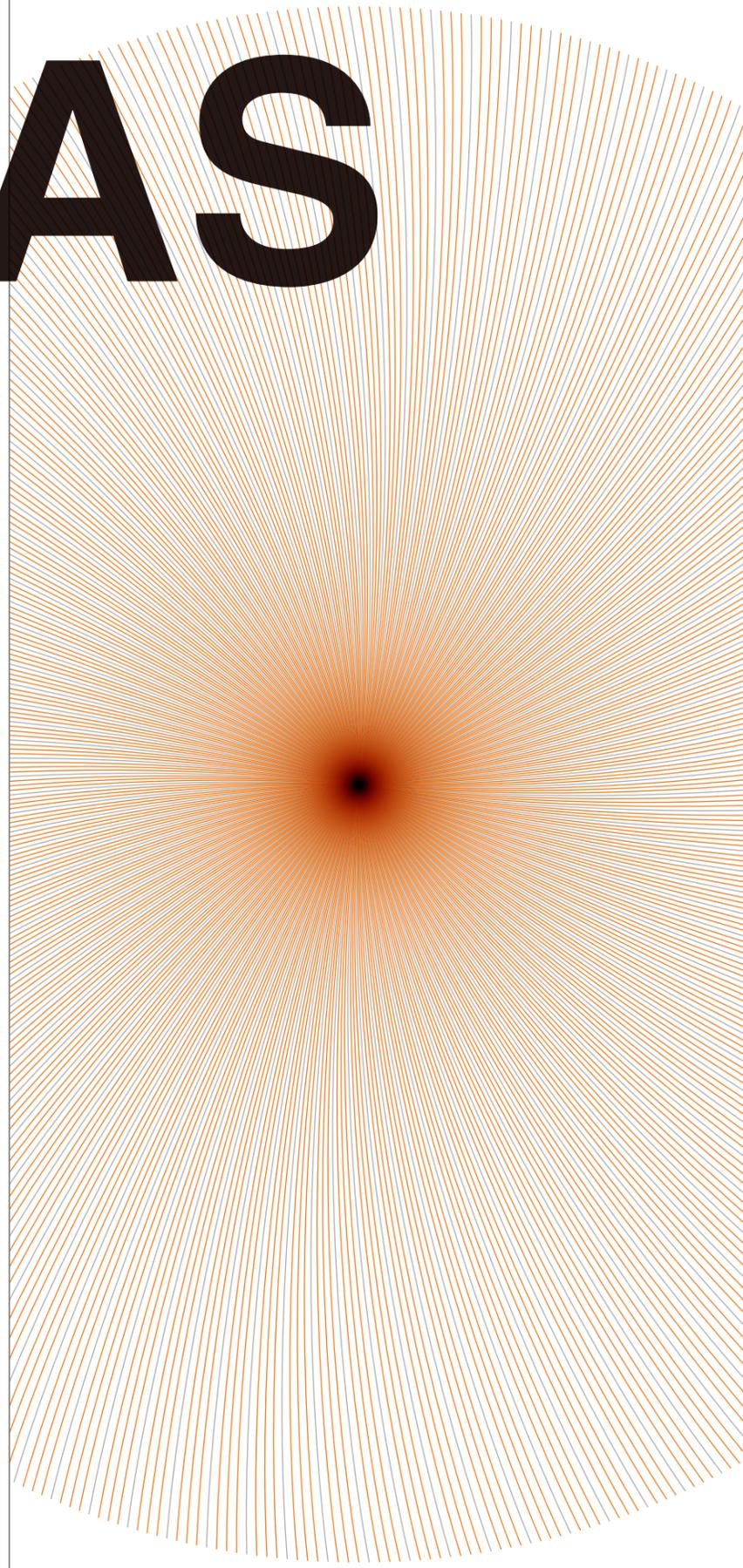
Hankook Lifestyle of Health and Sustainability program to fulfill environmental and social responsibilities

# LI OHAS

# SHARING

CSR Activities

Tires roll by staying in close contact with the road surface. In the same way, Hankook Tire advances into the world by providing products that minimize the environmental impact of driving. We will continue to develop eco-friendlyer products under our vision of becoming a "Leading Global Tire Company." In the process, we will also offer customers economic value such as lower fuel costs and provide society as a whole with environmental value, including lower CO<sub>2</sub> emissions. We will fulfill our corporate social responsibilities to create a sustainable future and a society where all can advance together.



## Message from the CEO

**We remain committed to building the necessary platform for being one of the best.**

To Our Shareholders:

Let me begin by thanking you for your unwavering support for Hankook Tire.

Business-friendly developments for tire makers were few and far between in 2010. Raw material prices soared incessantly; the global economy barely moved forward; the world order for trade showed signs of realignment; and exchange rates were volatile.

However, our people were undeterred by the adverse circumstances, continued to bolster their competencies and devoted themselves to accomplishing their assigned tasks. As a result, our global operations managed to achieve, on a consolidated basis, KRW 670.2 billion in operating profit on sales of more than KRW 5.81 trillion in 2010. Sales were 13 percent higher than the figure posted a year earlier, while operating profit was also up 8.1 percent. Thus, our average annual growth rate for sales has remained above 10 percent for each of the past ten years.

The global economic outlook for the coming year is not promising by any means: Oil prices will remain unstable; raw material prices will rise steadily; and the US and Europe will remain mired in economic slumps. However, we expect Hankook Tire to continue growing as a world-class player despite the adverse economic conditions. Our targets for the year are ambitious for our global operations: KRW 716.4 billion in operating profit on more than KRW 6.6 trillion in sales, 12 percent higher than the figure posted in 2010.

To make this happen, our people will work hard as a team to provide the very best products and services. Diverse marketing activities will be implemented to elevate brand value. At the same time our efforts will focus on laying the groundwork for Hankook Tire to reach the industry's top tier and be recognized as such by consumers worldwide.

At the same time, our labor relations policy is based on openness so that we can create a place where all employees like to work and can look forward to a rewarding career. At the same time, we are committed to fulfilling our obligations to society. This starts by ensuring that our work environment is safe and environmentally friendly.

Hankook Tire has managed to overcome numerous hardships and challenges over the years. Our history has been marked by our significant contributions to Korea's amazing economic development and growth. Today, however, we are setting out on a new quest: to realize the vision of becoming one of the world's foremost tire makers.

I can assure you that our people are excited about our future and will do what it takes to achieve the targets we have set for 2011. At the same time, I ask for your continued support as shareholders.

**Suh, Seung Hwa** Vice Chairman & Global CEO




# Corporate Profile

016

The Stature of Hankook Tire

020

Mission & Vision

022

Top Management

027

Organizational Structure

028

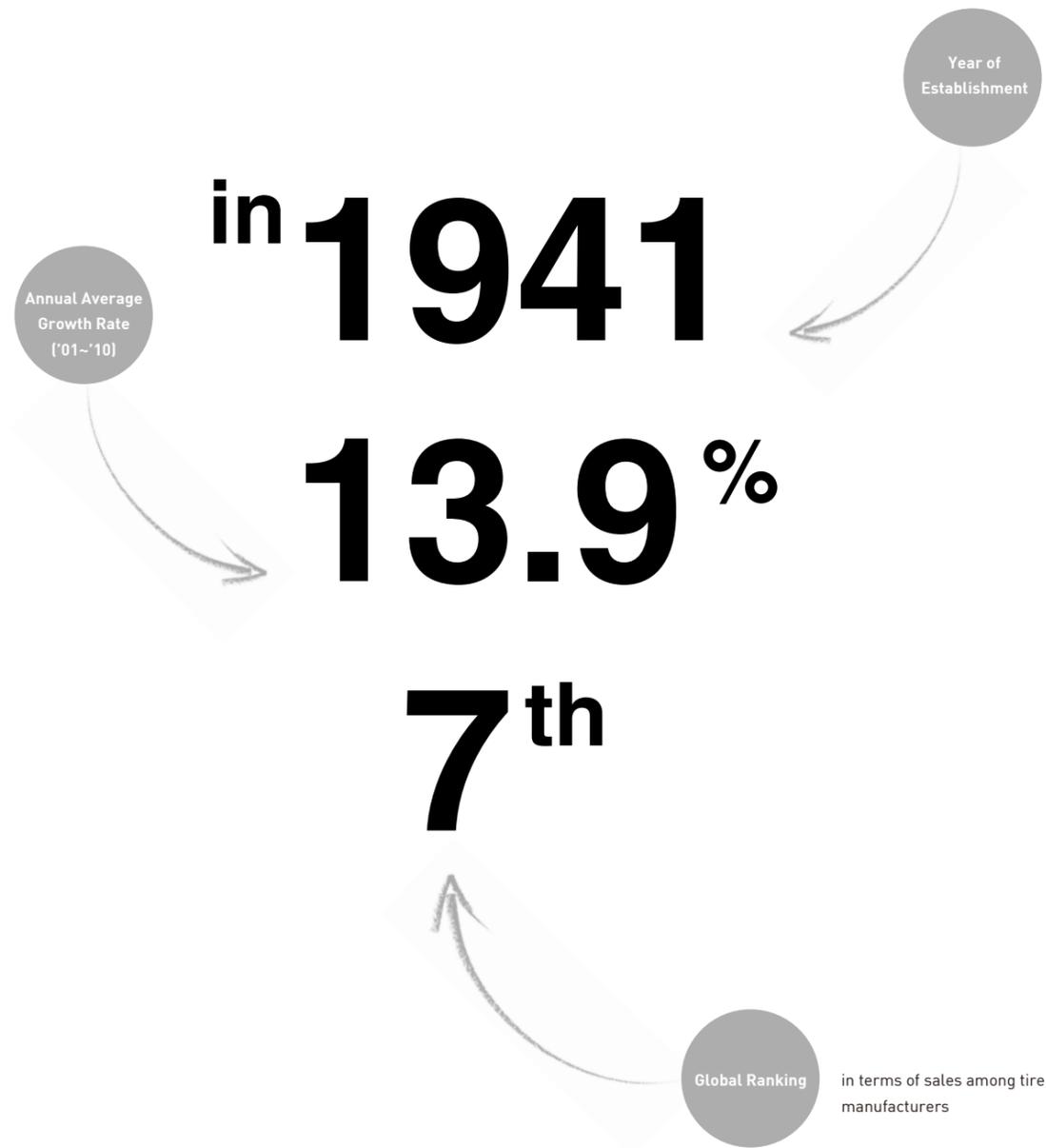
Global Network

030

Business Portfolio

Ample statistics tell the story of Hankook Tire today. We have ranked seventh among global tire companies (in terms of revenue) for five straight years and continue to maintain our No. 1 stature in Korea's tire industry. Our sales have grown an average of 13.9 percent annually over the past decade. However, the true value of Hankook Tire can be found beyond mere numbers. Our true corporate profile is reflected in our continued innovation efforts to provide customers with the safest and most comfortable driving experience.

## The Stature of Hankook Tire



## Current Status

### The Oldest, Largest and Best Tire Maker in Korea

The history of Hankook Tire mirrors the history of the Korean tire industry. We were established in 1941 and have continued to lead the tire industry in Korea for more than 70 years. In 2010, our product portfolio was the largest in Korea, helping us to sell the most passenger car radial (PCR) tires of any domestic tire manufacturer.

### World's 7th for 5th Consecutive Year

The January 2011 issue of "Modern Tire Dealer" magazine carried the 2010 sales data for the global tire industry, and Hankook Tire placed seventh on the list for the fifth consecutive year (since 2006). Our sales have grown an average of 13.9 percent annually for the past decade, proving our stature as a company with sustainable growth.

More than 80 percent of our revenue is earned outside Korea. Our global sales network consists of four regional headquarters and subsidiaries & sales offices in 27 countries, and our products are sold worldwide in about 180 countries.

The main driver of Hankook Tire's solid performance in the global market is outstanding technological competitiveness and a global production system. Our five R&D centers and five large-scale plants in three countries have enabled us to produce and provide quality products that cater to the needs of customers around the globe. Recently, we began to build additional plants in China and Indonesia to expand our production facilities, contributing to our effort to rise further in the ranks of the global tire manufacturers.

## Accolades & Awards

### On Deloitte Top 250 in Consumer Products Industry for 4th Year

Deloitte, a global consulting firm, has published a report titled the "Global Powers of the Consumer Products Industry" based on FY2008 corporate disclosure statements. The report ranked Hankook Tire 174th on the list of the top 250 global consumer products companies. We have been the only Korean tire maker to make the list for each of the past four years. Moreover, in 2010, we also ranked 22nd on Deloitte's list of the 50 fastest-growing consumer product companies.

### Tire Manufacturer of the Year at Tire Technology Expo 2011

The Tire Technology Award for Innovation and Excellence 2011 named Hankook Tire "Tire Manufacturer of the Year." The awards were a part of the Tire Technology Expo 2011, held at Cologne, Germany. The Tire Technology Expo is the world's largest tire design and manufacturing exhibition and conference, during which UK-based "Tire Technology International" magazine presents the award to honor top-performing tire manufacturers.

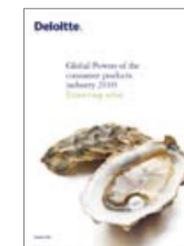
### The World's Top Tire Makers

Source: Modern Tire Dealer (MTD)

Rank	Name
1	Bridgestone Corp.
2	Group Michelin
3	Goodyear Tire & Rubber Co.
4	Continental AG
5	Pirelli & C. S.p.A
6	Sumitomo Rubber Industries Ltd.
7	Hankook Tire Co., Ltd.
8	Yokohama Rubber Co.*
9	Cooper tire & Rubber Co.
10	Cheng Shin Rubber Ind. Co. Ltd.

\* Due to the difference in fiscal year (March 31, 2010) it is impossible to make a direct comparison between Yokohama and other tire makers.

### "2010 Global Powers of the Consumer Products Industry"



### 2011 the Tire Technology Award Mark



#### Award Marks



K-BPI



Korea's Highest Brand



Most Admired Companies



Green Product Winner

#### Environmental Certification Mark



E-Mark

#### Design Award Marks



reddot design award

#### 1st on K-BPI, 1st on NBCI, and Korea's Highest Brand

Hankook Tire ranked first in tires and services at the 2011 Korea Brand Power Index (K-BPI). The K-BPI survey by Korea Management Association Consultants Inc. is one of the country's leading brand assessment programs for measuring customer confidence. Hankook Tire maintained the top position in the Passenger Car Tire category (9th year in a row), while T'Station was first in the Tire Service category (3rd consecutive year). We also received top honors in the Tire category on the 2011 National Brand Competition Index, compiled by the Korea Productivity Center, for the third consecutive year. Moreover, we were selected Korea's Highest Brand by Brand Stock, a brand evaluation firm in Korea.

#### Korea's Most Admired Tire Maker for 2nd Consecutive Year

We were named the Korea's Most Admired Companies in 2011 in the Tire Company category by Korea Management Association Consultants Inc. Hankook Tire received high marks in all six categories (Innovation Capability, Shareholder Value, Employee Value, Customer Value, Social Value and Image Value) covered by the KMAC survey. The survey results reflect our ongoing technology development and exceptional customer services for delivering greater value to members of society.

#### Green Product Winner for 3rd Consecutive Year

Korea Management Association Registration and Assessments Inc. named enfren its 2010 Green Product Winner in the Passenger Car Tire category for the third consecutive year. The enfren line was introduced in June 2008 after two and a half years of research at a cost of KRW 11 billion. It is regarded the frontrunner of the latest fuel-saving, eco-friendly tires.

#### 1st in 2010 KS-QEI

Hankook Tire ranked 1st in the 2010 Korean Standard-Quality Excellence Index survey organized by the Korean Standards Association. The Korean Standards Association and the Korean Society for Quality Management jointly release the KS-QEI, a comprehensive index for product quality and customer satisfaction. The index is compiled by surveying product users and industry experts, and Hankook Tire was recognized for outstanding quality and differentiated customer services.

#### Registration for Green Purchasing in Japan and Korea Eco-Label from KEITI

Our Optimo H426 was recognized for improving fuel efficiency in accordance with the Japan's Green Purchasing Law. Moreover, the Korea Environmental Industry & Technology Institute conferred its E-Mark on enfren in September 2009, acknowledging the effectiveness of the tires in conserving resources by lowering the fuel consumption of the vehicles on which they are mounted.

#### reddot design award in Product Design for Winter i\*cept evo

Our enfren and Optimo 4S won the 2009 iF Design Awards in the Product Design category, and in 2010, Winter i\*cept evo received the prestigious reddot design award in the Product Design segment. The reddot award program is regarded as one of the world's three most prestigious. Winners are picked according to various criteria, including design, quality, performance and ecological compatibility.



iF Design Awards



LACP Vision Awards

#### iF Design Awards 2010 for "Tire Production Process" Motion Graphic Brochure

Hankook Tire's motion graphic brochure demonstrating tire technology received the GD Mark at the 2009 Good Design Awards, which was organized by the Korea Institute of Design Promotion under the auspices of the Ministry of Knowledge Economy. In 2010, the motion graphic brochure depicting the tire production process was awarded at Germany's iF Design Awards.

#### LACP Award for 2009 Annual Report, and iF Design Award for 2009 CSR Report

The "2009 Hankook Tire Annual Report" received the Platinum Prize (highest possible) at the 2009 Vision Awards (in the Automobile & Components category) organized by the League of American Communications Professionals, a world-renowned marketing research agency. The "Hankook Tire 2009 CSR Report" likewise was honored at the iF Design Awards.

## Tire Magazine Test Results

#### Icebear W440

- This winter tire received a "Very Recommendable" rating, the highest possible, from "ADAC," a leading European automotive industry journal. (September 2009)

#### Optimo 4S

- "Auto Bild" rated Optimo 4S "Very Recommendable," the top mark, in a tire performance comparison test. (September 2009)

#### Ventus S1 evo

- This tire received the highest score on a performance comparison test by "Auto Motor Und Sport." (March 2010)
- A "Very Recommendable" mark was received in the "Gute Fahrt" performance comparison test. (March 2010)
- "Very Recommendable," the top rating, was received on a performance comparison test by "Auto Zeitung." (April 2009)
- Ventus S1 evo was declared the Test Winner and granted a "Very Recommendable" rating on a performance comparison test by "Auto Bild Sportscars." (March 2009)
- "Very Recommendable," the top rating, was received on a performance comparison test by "Sport Auto." (March 2009)

#### Ventus V12 evo

- The US magazine "Car and Driver" named Ventus V12 evo an "Outstanding Product." (July 2009)
- This tire received "Auto Motor Und Sport"'s "Very Recommendable" evaluation in a performance comparison test. (March 2009)

#### Ventus Prime

- Ventus Prime was declared the Test Winner and granted a "Very Recommendable" rating on a performance comparison test by "Auto Bild." (March 2009)

#### Ventus R-s3

- Japan's most prestigious automobile magazine "Rev Speed" named Ventus R-s3 the "Best Product." (July 2010)

#### Magazine Tire Performance Comparison Tests



"ADAC"



"Auto Bild Sportscars"

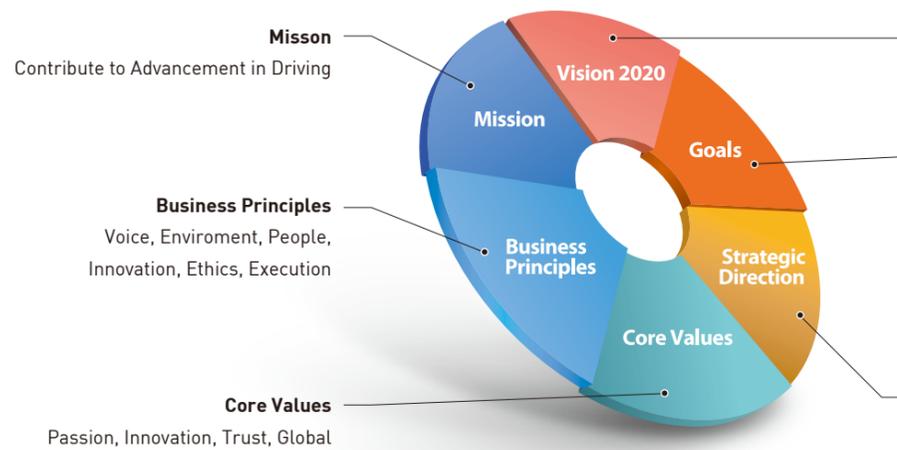


"Auto Motor Und Sport"

## Mission & Vision

We have defined "Contribute to the Advancement of Driving" as our corporate mission and reaffirm "Become a Leading Global Tire Company" as our vision. We are focusing our resources on the realization of these goals.

### Mission Frame



### Vision Frame

- Vision 2020**  
A Leading Global Tire Company Providing Customers with Value and Pleasure
- Mid-term 5-1-1**  
5: Global 5th Tire Maker  
Global M/S Over 5%  
1: Global EBITDA 1 Bil. USD  
1st in Profitability  
1: Global Production 1 Mil. Tires  
1st in Quality & Productivity
- Strategic Direction**  
Brand Value-up  
Global Growth Acceleration  
Global Operation Excellence

## Mission Framework

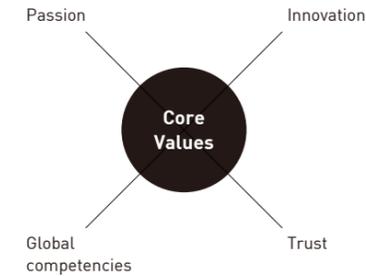
### The Mission

Our mission statement "Contribute to Advancement in Driving" shows our commitment to promoting progress in society and individual lives by making driving a safer, more pleasant, more comfortable experience.

### Business Principles

We have established six basic principles that serve as common standards in making decisions and setting the business direction, advancing us toward mission realization.

- Voice** A company that pursues excellence proactively by placing the highest priority on giving every customer a voice
- Environment** A company that ensures the environment comes first
- People** A company that ensures fairness in allowing all employees opportunities to realize their full potential
- Innovation** An innovative company filled with an entrepreneurial spirit that responds aggressively to changes in the business environment
- Ethics** A company that fulfills corporate social responsibilities and earns a sound reputation through transparent management
- Execution** A company that carries out strategies through active communication and cooperation



### Core Values

Our core values provide employees with a common set of priorities regarding how they go about their work. They are the standards for thinking and acting that all employees must respect and follow. The four core values for Hankook Tire can be summed up in one word: "proactive."

- Passion positive attitude, performance orientation, and ownership mindset
- Innovation creativity, flexibility, and change leadership
- Trust ethics, respect for others, and customer satisfaction
- Global competencies open mind, global communication, global perspective

## Vision Framework

### Vision 2020

The new vision for Hankook Tire is to become a "Leading Global Tire Company that Provides Customers with Value and Pleasure." To this end, we have established step-by-step goals to achieve this vision by 2020.

### Mid-term Goals

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

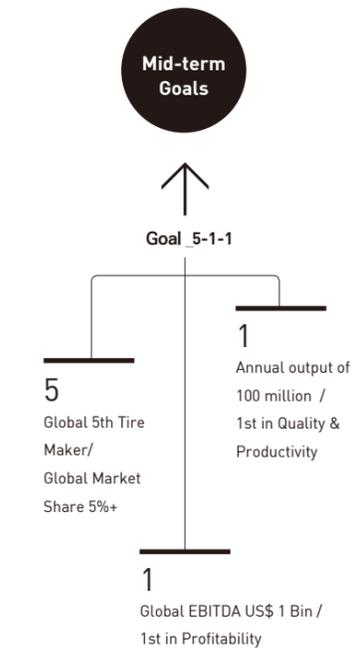
### Strategic Directions

We have clarified three strategic directions to help achieve the mid-term goals that were set to realize our ultimate vision. They are: Brand Value Enhancement, Global Operational Excellence and Global Growth Acceleration.

First, we will raise the value of our brand by improving our responsiveness to market changes through continued communication with customers and by leading the market trends. To this end, we are focusing on developing products that cater to customer needs, engaging in vigorous marketing activities, and strengthening distribution competencies.

Second, we will maximize business efficiency in order to prepare for uncertainties in the business environment, optimizing our global operation. To this end, we are seeking for ways to use company resources as efficiently as possible, including cost and investment rationalization schemes. Moreover, the global supply chain management (SCM) project is in progress as part of efforts to rationalize business processes. Innovations are also being made from the mid-/long-term perspective to manage potential risk better and respond quickly and comprehensively when actual problems occur.

Third, we will accelerate growth worldwide by continuing investment in expanding global production facilities. Relentless effort is being made to increase operational scale and raise profitability.



## Top Management

### Introduction of the Top Management



**Cho, Yang Rai**  
Chairman



**Huh, Ki Yeul**  
President, COO /  
China Regional Headquarters



**Cho, Hyun Shick**  
President, CMO



**Choi, Jin Wook**  
Executive Vice President, COO /  
Europe Regional Headquarters



**Suh, Seung Hwa**  
Vice Chairman & Global CEO



**Cho, Hyun Bum**  
Executive Vice President, CSFO



**Park, Cheol Ku**  
Executive Vice President, COO /  
Korea Regional Headquarters



**Lee, Soo Il**  
Vice President, COO /  
America Regional Headquarters



**Yoon, Jae Ryong**  
Executive Vice President /  
Product & Engineering Division



**Kang, Chang Hwan**  
Executive Vice President / Finance &  
Management Division



**An, Myung Hun**  
Vice President / R&D Division



**Lee, Byeong Jin**  
Vice President /  
Marketing & Sales Division /  
China Regional Headquarters



**Pae, Ho Youl**  
Vice President / Market Strategy  
Planning Division



**Woo, Byeong Il**  
Vice President / Global OE Division

#### Non-executive Directors (NEDs)

##### Hwang, Won Oh

- Graduated from Seoul National University in Economics
- Completed a Course on Taxation at the University of Southern California Graduate School
- Served as Head of the National Tax Tribunal under the Ministry of Finance
- Was a Standing Member of Securities and Exchange Commission
- Served as President of Korea Minting and Security Printing Corp. (KOMSCO)
- Was Chief Director at KMSPC (Non-standing)
- Taught as guest Professor in College of Economics and Commerce at Daejeon University

##### Min, Hae Yung

- Graduated from Seoul National University in Economics
- Served as Vice Minister of Political Affairs
- Was Chief Director of Korea Technology Credit Guarantee Fund
- Was Chairman of the Credit Finance Association

##### Lee, Yong Sung

- Graduated from Seoul National University in Economics
- Was Head of the Planning and Administration Office under the Ministry of Finance
- Was Outside Director at Hynix Semiconductor Co. Ltd.
- Was Outside Auditor for Hyundai Economic Research Institute

##### Chang, Sun Kon

- Completed MBA at Korea University
- Served as CEO of Hankook Tire Co., Ltd.
- Served as CEO of Dongshin Petrochemical Co., Ltd.

## Board of Directors

### Introduction of the Board of Directors

Times are changing and society expects companies to be managed more transparently and systematically. Most global corporations today use their Board of Directors and other designated bodies to protect shareholder interests and elevate the levels of transparency and professionalism within the organization.

The Board has three main functions: (1) monitor the top executives on behalf of the shareholders, (2) offer advice on management issues to the top executives, and (3) help the top executives secure the resources necessary for corporate success.

Global corporations with long histories in the market have secured proper conditions for their Board of Directors to play the role of control, service and resource dependence. However, most Korean enterprises began to realize the importance of the BOD in the wake of the 1997-1998 Asian Financial Crisis. Therefore, their Boards of Directors have short histories and limited roles.

Hankook Tire was one of Korea's first companies to adopt an exemplary governance system that clearly separates the activities of management from the vested interests of the business owners. Under this professional management system, performance is the top priority. At the same time, the Board of Directors controls the top management and a sound financial structure is maintained. A constant effort is also made to ensure decision making remains transparent and in the best interests of the company. In 2003, we announced our intentions to grow quickly as a market-driven company and we elucidated a corporate vision of maximum value to shareholders. Various activities have been pursued ever since in order to achieve these stated goals.

The Hankook Tire Board of Directors is organized in accordance with the laws and regulations of the Republic of Korea, including the Commercial Act and Capital Market & Financial Investment Services Act. The stipulations of these laws are also included in the Articles of Incorporation. A special set of rules and regulations also governs the operation of the BOD to ensure its management activities are efficient and accountable. The Hankook Tire Board consists of three executive directors and four non-executive directors (NEDs). The NEDs for Hankook Tire have extensive experience in either government service or the private corporate sector. They are upstanding citizens who have contributed exceptionally to society. The non-executive directors are selected in a transparent and fair process by the NED Nomination Committee.

Selecting experienced NEDs on the Board increases their control and monitoring functions, while they provide top management with valuable advice in support of decision-making.



### Roles and Composition of Technical Committees

Hankook Tire has established technical committees under the Board of Directors to maximize the efficiency and professionalism of the Board operations. Part of the BOD's authority is delegated to these committees, made up of specialists who systematically examine and settle issues within their area of expertise. Currently, under the BOD are the Audit, NED Nomination, and Management Committees. The Articles of Incorporation provide that additional committees can be established if necessary.

#### Audit Committee

The Committee was established under a resolution from the 2001 General Shareholders' Meeting, and has been in operation since then. Membership consists of three nonexecutive directors for maximum independence, and they have the right to veto the selection of the head of the internal auditing department for the company. The Audit Committee members also assist in the company audits, serving as an overseer and regulator of the top management.

Hankook Tire's regulations regarding the Audit Committee allow it to request reports from executive directors or examine the company's financial standing at any time. The Committee meets regularly each quarter, and additional meetings may be called whenever necessary.

#### NED Nomination Committee

The NED Nomination Committee consists of five members, of which the NEDs outnumber the internal directors. This is yet another way that Hankook Tire helps enhance transparency and fairness. The NED Nomination Committee was established as a technical committee under the BOD in 2007, after a resolution was passed at the General Shareholders' Meeting. The stipulations on the establishment of the Committee and related regulations are included in the Hankook Tire Articles of Incorporation. The NED nominations are confirmed by vote at the General Shareholders' Meeting.

#### Management Committee

The Management Committee, which has operated since 2008, deliberates and decides on general management and financial affairs to help raise corporate professionalism and efficiency by accelerating the decision-making process. Therefore, as the Committee plays such a role, regular BOD meetings become a forum for discussing the most important issues as part of efforts to guarantee the Board activities at an organizational level. Managerial accountability is promoted at the same time. Within five days of each meeting, the Management Committee is obligated to present the minutes and an explanation of the resolutions passed to the NEDs. During the following two days, the NEDs may call a Board meeting to deliberate further on the agenda deliberated on by the Management Committee. Should any of the resolutions passed by the Management Committee be vetoed during the ensuring Board meeting, then the issue is automatically disallowed according to regulations.

### Performance Assessment

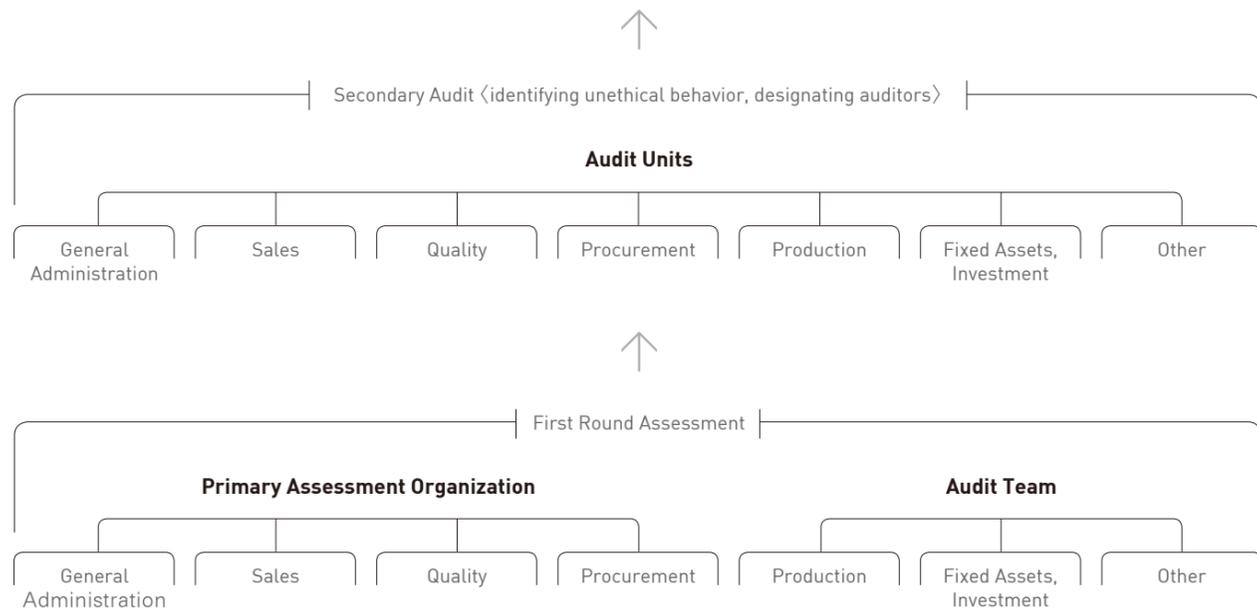
Hankook Tire has adopted a Code of Ethics to promote transparency and integrity in business conduct and ensure stable profitability for shareholders over the long term. Various performance assessment activities are deployed to monitor management processes regularly. Moreover, the roles of auditory bodies and units tasked with front-line inspection on the factory floor have been bolstered to expand work process monitoring, identify sources of waste, and prevent inefficiency through various management diagnosis programs.

From the first quarter of 2008, the new Management Diagnosis Committee began to oversee all monitoring and assessment processes from the corporate level. The new committee convenes regularly once a quarter, but in 2010, extraordinary committee meetings were held to review the effectiveness of follow-up measures after an initial committee audit. These committee activities will help to strengthen management monitoring.

#### Hankook Tire Performance Assessment System

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

Monitoring management activities with unified performance assessment processes  
 (Management Diagnosis Committee)



## Organizational Structure

Hankook Tire has the optimal organization to realize the vision of becoming a "Leading Global Tire Company." The company is largely divided into the Global Staff and Regional Headquarters. Effective communication among them allows us to establish strategies customized to the area each regional headquarters covers.

We carried out a reorganization in 2010. The Environment, Health & Safety team was transformed into the Corporate Social Responsibility team to fulfill our commitment to our role as a corporate citizen, and the Market Intelligence team was renamed the Business Intelligence team to implement corporate strategies more systematically. In addition, new organizations tasked with building new overseas plants were formed and some units were restructured to strengthen marketing competencies of The China Regional Headquarters.

Going forward, we will continue to build an organizational structure to maximize business efficiency.



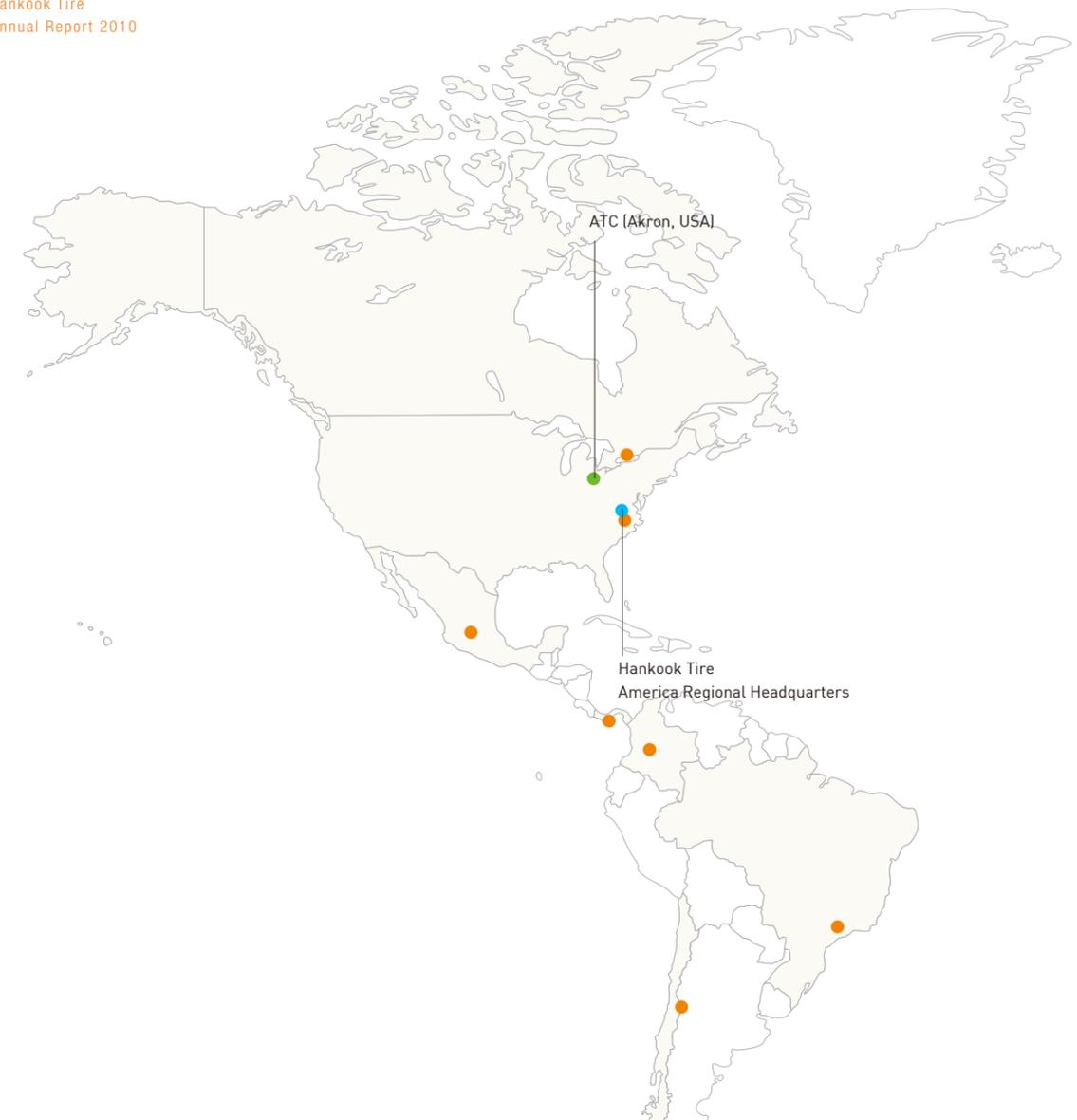
# Global Network



Hankook Tire is committed to providing customers around the world with tires that ensure safe and comfortable driving, enhancing life and pleasure. Our sales network currently spans 37 sales offices in Korea, where the Global Headquarters is located, along with locations in China (1 subsidiary & 14 sales offices), Europe (8 subsidiaries & 2 sales offices), Americas (3 sales subsidiaries & 4 sales offices), and the Middle East/Africa/Asia Pacific (2 subsidiaries & 7 sales offices). This network allows us to offer various products that meet the preferences of customers in different regions.

In addition, we operate liaison offices in Germany (Hanover) and North America (Detroit) for the OE tire business. These offices maintain close ties with automakers in order to supply them with tires as original equipment. Finally, a liaison office has been opened in Singapore to respond quickly to various issues regarding the supply of raw materials.

In 2010, we established sales offices in Jakarta, Indonesia, and Johannesburg, South Africa, which will serve as a platform for making inroads to the emerging ASEAN and Sub-Saharan African markets and for becoming a Leading Global Tire Company.



<b>Korea</b>	1 Subsidiary, 2 Plants, 37 Sales Offices, Main R&D Center, Academy House (6,076 employees)
<b>China</b>	1 Subsidiary, 2 Plants, 14 Overseas Sales Offices, China Technical Center (7,271 employees)
<b>Europe</b>	8 Subsidiaries, 1 Plant, 2 Overseas Sales Offices, 1 OE Liaison Office, Europe Technical Center (2,197 employees)
<b>Americas</b>	3 Subsidiaries, 4 Overseas Sales Offices, 6 Administrative Offices, 1 OE Liaison Office, Akron Technical Center (225 employees)
<b>Middle East, Africa and Asia-Pacific</b>	2 Subsidiaries, 7 Overseas Sales Offices, 1 Liaison Office, Japan Technical Liaison Office (83 employees)

- **R&D centers** Main R&D Center (Daedeok Innopolis, Korea), Akron Technical Center (Ohio, USA), Europe Technical Center (Hanover, Germany), China Technical Center (Jiexing, China), Japan Technical Liaison Office (Osaka, Japan)
- **Plants** Korea (Daejeon & Geumsan), China (Jiexing & Jiangsu), Hungary (Lacalmas)
- **Regional Headquarters** Korea, China, Europe and America
- **Subsidiaries & Sales Offices** Operating in 27 countries

## Business Portfolio

### Brand Portfolio

Hankook Tire operates three global tire brands. The original Hankook name is used worldwide; Aurora is for passenger car tires, and Kingstar is for customers outside Korea, who prefer affordable tires. Our global flagship brand Hankook has several product-brands that cover diverse segments in terms of applications and compatible vehicle types. These are: Ventus (UHP: Ultra High Performance tire line and racing tires), Optimo (for premium sedans), enfren (Korea's first eco-friendly tire), Dynapro (for SUVs), Smart (economy line sold inside Korea), and Vantra (for vans). In addition, winter tire lines are classified as Winter i\*pike (studded tires sold outside Korea), Winter i\*cept (studless tires sold outside Korea), and Nordic (winter tire line for the Korean market). We will launch a new eco-friendly line, Kinergy (standing for Kinetic + Energy), in 2011 for markets outside Korea.

Aurora has a product-brand named Route Master, meaning tires that are the masters of the road, while Kingstar runs a Road Fit, which stands for tires that deliver optimal on-road performance.

#### Hankook Tire Brands

### Distribution Portfolio

Hankook Tire provides customers in over 180 countries with our quality products and outstanding services through our global sales network. Our Korea Regional Headquarters operates more than 2,100 direct-run and franchised dealerships, leading a new trend in customer services. Our distribution channels are diversified to include T'Station, Tire Town and TBX according to different customer needs. These channels provide outstanding services for ultimate customer satisfaction.

These distribution channels are run all over the world. And they are run flexibly to respond to local market conditions.

In China, where tire demand is rapidly growing, we are focusing on expanding distribution network and providing premium tires. The network of Hankook Tire franchises was to satisfy growing demand for services that cater to owners of high-priced automobiles, particularly in cities. Our efforts have been well received and can be pointed to as a best practice in the development of local distribution networks.

In Europe, we are upgrading downstream distribution channel and strengthening market dominance through retail distribution. The Hankook Tire The Europe Regional Headquarters runs the Hankook Masters Membership program to secure the network of retailers with relatively high brand-loyalty. Moreover, we built local logistic centers for better logistics services, improving customer satisfaction and trust.

Major discount chains and automobile dealers are seeking to raise market share in the US and Canada. Responding to this trend, we are improving communications with these emerging channels. At the same time, we are engaged in various marketing and sales promotion activities to develop new, large-scale major players in these channels. In Latin America, we are running the Red Hankook Membership program for retail dealers to expand and strengthen sales channel network. In the Middle East, Africa and the Asia-Pacific region, the direct-run premium sales outlets have helped to increase our sales of high-end products, helping us to boost profitability and enhance brand value in these particular regions.

Various distribution channels that meet regional preferences have served as a platform for sustainable growth, helping Hankook Tire establish as a Leading Global Tire Company for customers around the globe.

#### Korean Distribution Channels

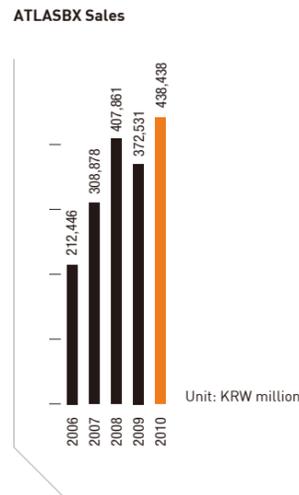
	Premium tire shops that offer a total service package with state-of-the-art equipment and facilities
	A multipurpose tire distribution network serving both dealers and general consumers
	A distribution network that specializes in the sale and retreading of truck & bus radial tires

#### Distribution Channels Outside Korea

	Hankook Masters Membership
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**Affiliates**

The Hankook Tire Group is led by Hankook Tire, the dedicated tire producer, and includes ATLASBX (automotive batteries), Daehwa Engineering & Machinery (tire manufacturing equipment), emFrontier (system integration) and FRIXA (brake pads). The Group today is firmly established as Korea's largest enterprise specialized in automotive parts and accessories.



**ATLASBX CO., LTD.**

ATLASBX was established in 1944 to make batteries for cars and trucks. Over the years, the operation has grown and transformed, expanding into marine batteries and industrial batteries to lead Korea's battery industry. After ATLASBX was acquired by Hankook Tire in 1977, battery sales were incorporated into the extensive Hankook Tire distribution network. Steady growth in battery sales resulted.

In the early 1990s, ATLASBX established a technology research center, which has helped to upgrade the product lines and solidify the company's position as a top-tier battery maker. In 1999, the Jeonju plant was established, which is now capable of producing 3.2 million batteries a year. Total annual output stands at 9.4 million units, making ATLASBX the world's sixth-largest battery maker.

In 2009 ATLASBX became Korea's first battery maker to receive the "R" Mark from the Ministry of Knowledge Economy, a testimony to outstanding product quality. The City of Daejeon also honored the company with its KRW 400 Billion Sales Tower award in 2009, while the Ministry of Labor designated ATLASBX as an outstanding company for labor-management relations. Finally, the Ministry of Knowledge Economy designated ATLASBX as the sole supplier of lead storage batteries for its Smart Grid pilot project. Thus, the groundwork has been laid for company to grow as an environment-friendly energy specialist. In 2010, the company was named "Fortune" magazine's 2010 "Great Workplace in Korea," showing its aspects as an industry forerunner.

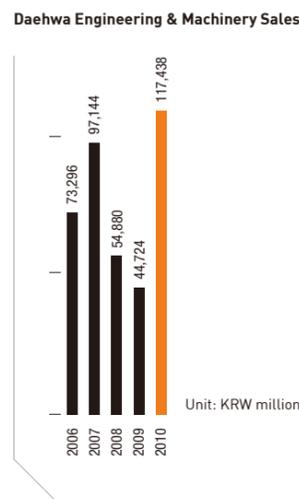
- Major Products**
- Automotive Batteries
  - Taxi Batteries
  - Marine Batteries
  - Industrial Batteries
  - SUV Batteries
  - AGM Batteries
  - Batteries for Imported Vehicles
  - Micro-HEV Batteries
  - Batteries for Renewable Energy Storage (under development)



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

Daehwa Engineering & Machinery was established in 1992 to build essential machines used in tire manufacturing. The company research center has localized its own tire-building machine, curing press, uniformity tester for mid-sized and large truck and bus radial (TBR) tires, high-speed driving performance tester for UHP tires, and one-operator TBR tire building machine that is now in operation at the Geumsan Plant.

The Chinese subsidiary, which was established in 2004, completed development of a tire builder for European-style tires in 2006. That machine model has been installed in the Hankook Tire plant in Hungary. In 2007, Daehwa Engineering & Machinery expanded into bead-related work on behalf of Hankook Tire. A world-class quality management system has also been put in place, as evidenced by the ISO 9001 certification received in 2009. The company is on the road toward becoming a world-class maker of tire production machinery.



- Major Products**
- Steel Belt Cutter
  - Bead Winder
  - Tire Builder
  - Curing Press
  - Uniformity Tester



**emFrontier Inc.**

The Data Systems Division at the Hankook Tire Corporate Headquarters was spun off to create emFrontier in August 2000. This e-business integrator applies know-how from operating the Hankook Tire information system to provide e-Business-based IT solutions that include system building and operation. emFrontier has performed diverse projects in the private and public sectors as well as in the service and security segments. Average annual sales growth stands at 12 percent, more than double the IT industry average of 5.5 percent.

The company has remained an industry leader in other ways as well. The Korea Contents Association bestowed its Industrial Award on emFrontier in 2003, and the Institute for Information Technology Advancement presented the company with the Excellent Supplier Award in 2005. The Ministry of Knowledge Economy designated the emFrontier warehouse optimization solution (air-WOS) as "new software" in 2008. Moreover, the Korea IT Industry Promotion Agency gave the air-WOS and "air-WMS" warehouse management solution Good Software certification. In the future, emFrontier serves as an outstanding partner that grows along with the customer by providing solutions in the specialized areas.

- Services**
- SM/Outsourcing
  - SI/Consulting
  - Enterprise Service



**FRIXIA Co., Ltd**

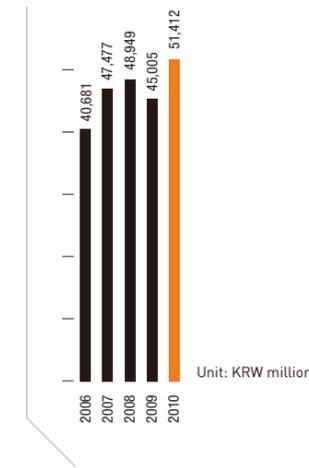
FRIXA was established in 1991 as a brake specialist, and the business portfolio now includes brake pads, brake lining, racing brake pads, disc rotors, and industrial-use brakes. The company has played a leading role in elevating Korean friction material technologies to world-class status. FRIXA is the sole supplier of racing brake pads and disc rotors to Korean auto racing events. These items are also selling well in the UK, where the automobile racing was born. The Hankook Tire Main R&D Center and FRIXA collaborate on new technology development.

At the same time, FRIXA products are sold through the Hankook Tire network, helping the company to increase sales consistently. FRIXA received QS 9000 and ISO 9001 certification in 2004 as well as TS 16949 certification in 2008, attesting to outstanding product quality that is internationally recognized. As a result, the company now exports its products to more than 20 countries.

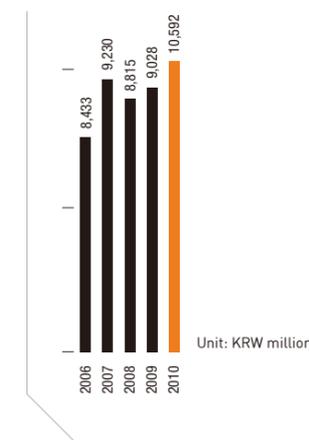
In 2009, FRIXA received an exclusive right to use the logo of CARPOS, the largest automotive repair shop association in Korea, helping to spur sales growth going forward. At the same time, the company has stepped up development of environmentally friendly materials for brakes in order to lower pollution, improve auto shop working conditions and protect the health of mechanics.

- Major Products**
- Racing Brake Pads & Disc Rotors
  - Brakes for S1
  - Brakes for EVs
  - Brakes for Taxis & Ultra Taxis
  - Brake Pad & Shoe Assemblies
  - Brakes for Industrial Uses
  - Brake Lining for Trucks & Buses
  - Ordered Brake Pad & Shoe Assemblies

**emFrontier Sales**



**FRIXA Sales**



# Management Report

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Major Business  
Activities

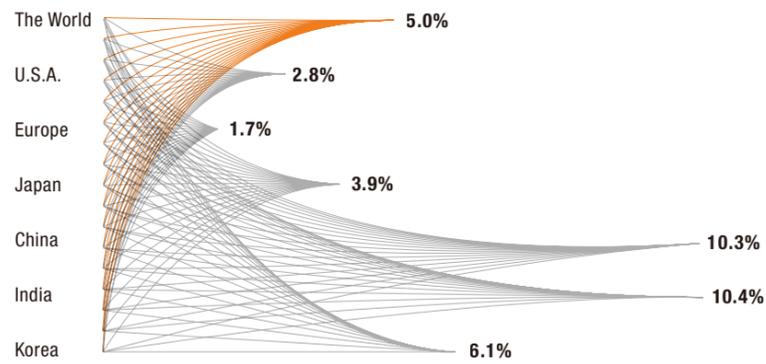
The pace of Hankook Tire's progress is accelerating with each passing year. Our dominance in the Korean market only grew stronger in 2010, while we continued to bolster our standing globally through ongoing activities to elevate our brand positioning and by expanding the sales of high-end products. Rapid sales growth in China, higher-than-expected growth in Europe and new inroads into the Middle Eastern, African and Asia-Pacific markets are making our global presence ever broader and stronger.

## Key Figures for 2010

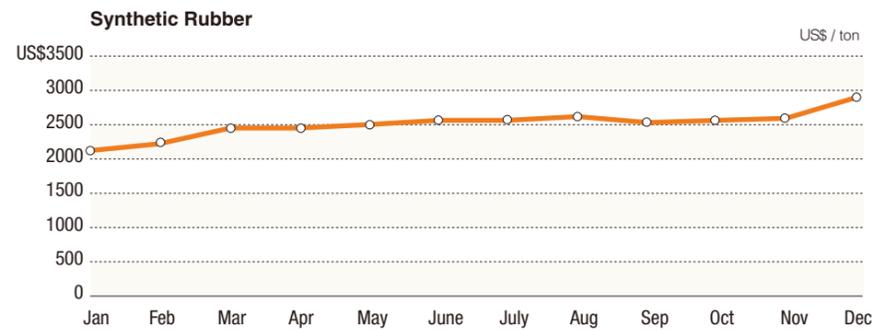
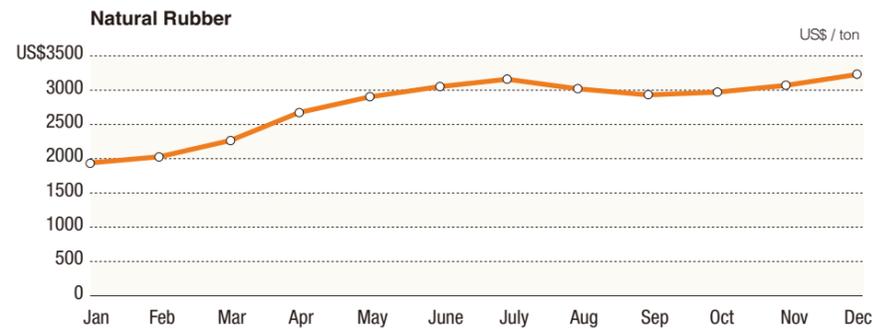
### Economic Variables

Global Economic Growth Rate in 2010

Source: IMF

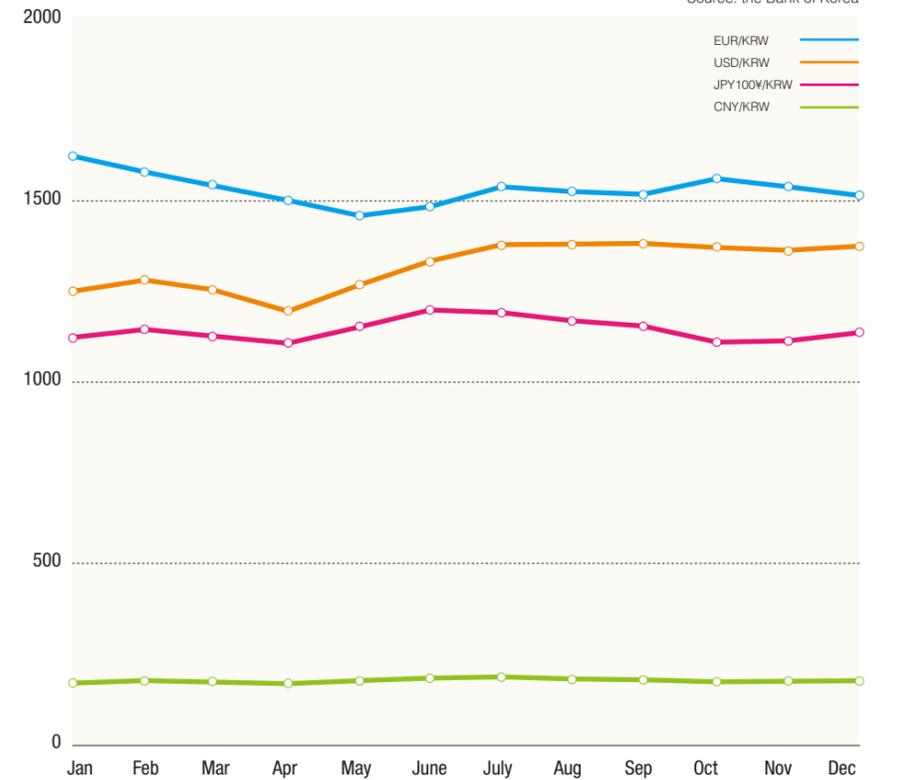


Raw Material Prices in 2010



Exchange Rates in 2010

Source: the Bank of Korea

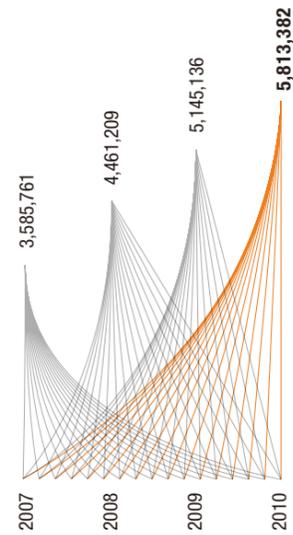


WTI Prices in 2010

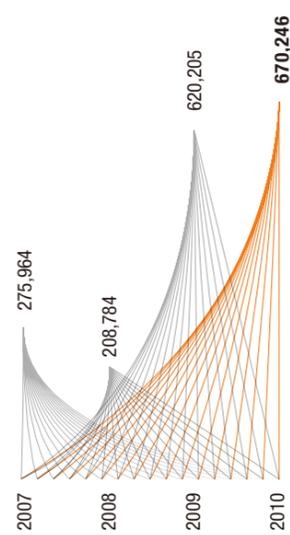
Source: Ministry of Strategy & Finance, as of the end of 2010, US\$)



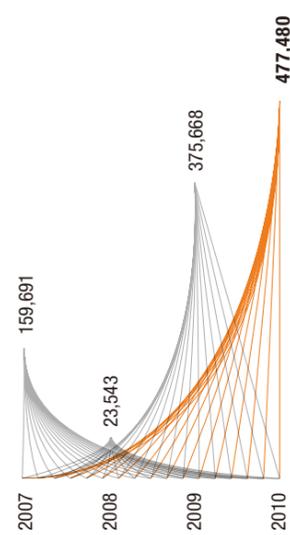
**Financial Highlights**



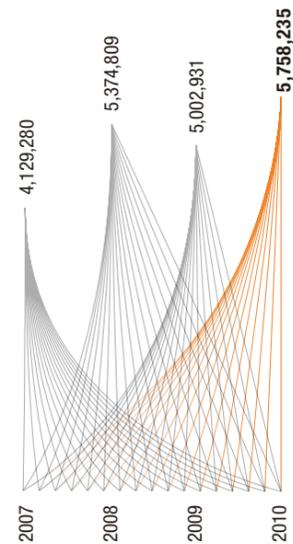
**Sales** Unit: KRW million



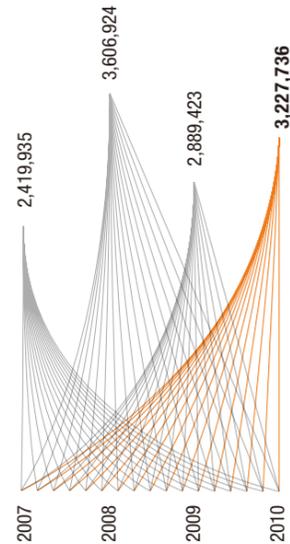
**Operating Profit** Unit: KRW million



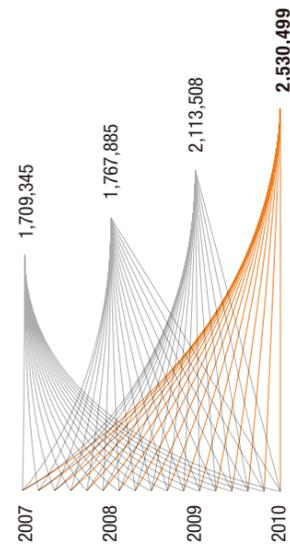
**Net Income** Unit: KRW million



**Assets** Unit: KRW million



**Liabilities** Unit: KRW million



**Capital** Unit: KRW million

**Stock Data**

**Stock Market Data**

	2010	2009	2008	2007	2006
Year High (Unit: KRW)	34,450	25,950	14,350	21,500	15,800
Year Low (Unit: KRW)	20,000	11,200	9,800	13,800	10,350
High /Low	1.72	2.32	1.46	1.56	1.53
Fiscal year-end final offering (Unit: KRW)	31,750	25,500	15,300	17,900	15,800
Annual KOSPI floating rate index (Unit: %)	21.88	49.65	-40.73	32.25	3.99
Total number of shares (Unit: %)	24.51	66.67	-14.53	13.29	10.88
Market capitalization (Unit: shares)	152,189,929	152,189,929	152,189,929	152,189,929	152,189,929
Average daily trading volume (Unit: trillions of KRW)	4.83	3.88	2.33	2.72	2.40
Average annual trading volume (Unit: shares)	721,002	1,061,162	973,816	1,019,911	702,024
Dividend per share (Unit: KRW)	350	350	150	250	250

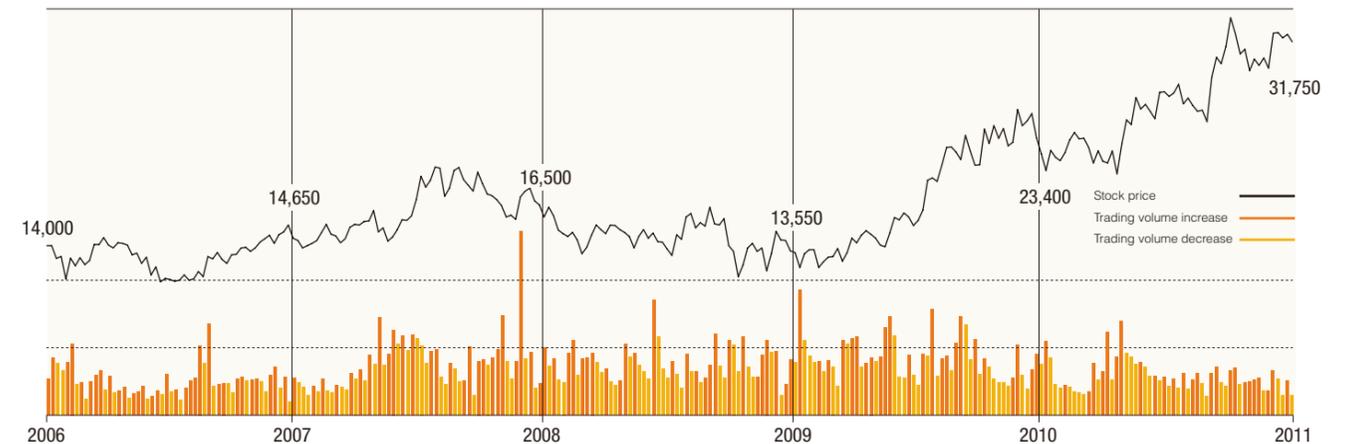
Listed on the Korea Exchange (KRX) Par Value: 500 KRW  
 ISIN Code: KR700024002 Total number of voting shares: 145,189,929

**Data Per Share**

	2010	2009	2008	2007	2006
Net income (Unit: millions of KRW)	427,434	350,887	25,412	162,306	170,173
Earnings per share/ Net income (Unit: KRW)	2,944	2,417	173	1,095	1,152
Pay-out ratio (Unit: %)	11.89	14.48	85.70	23.30	21.77
Dividend payout ratio (Unit: %)	1.10	1.43	0.98	1.30	1.67

\* Based on Korean GAAP

**Stock Price Trend (2006-2010)**



## Global Business Review for 2010



## Performance Review by Region

### 2010 Results in Korea

Sales growth rate

**22%**

Growth rate for the sales of high-end products

**43%**

### Korea Regional Headquarters



### Korea

The Korean tire market grew 17 percent in 2010 compared to the previous year, as Korea, with a GDP growth rate of 5.9 percent, overcame the global financial crisis faster than any other OECD country. Moreover, automakers launched a series of new models, expanding the overall automobile market by 5 percent and increasing the number of registered vehicles. There was also pent-up demand for replacement tires as Koreans had put off tire purchases during the economic downturn. Therefore, we expected fierce competition in the domestic market during the year.

The Korea Regional Headquarters set "Marketing as the Undisputed No. 1" as the key business goal for 2010 to maintain Hankook Tire's dominant position. To this end, the HQ established three action plans: strengthening the brand as No. 1, ensuring the tire shops reflect Hankook Tire's No. 1 stature, and cultivating the best sales representatives in the business.

First, to strengthen the No. 1 brand, we engaged in yearlong marketing activities such as highlighting the awards and honors Hankook Tire has received to enhance brand recognition and launching a safety campaign for customers. We initiated campaigns to raise the competitiveness of Hankook Tire franchise shops, the contact point for tire customers. These included opening the shops every day and ensuring that the premises are spotless at all times. Moreover, we prepared intensive training programs to nurture topnotch salespeople, an essential component for taking our service quality to the next level.

As a result, Hankook Tire scored more than twice as high as the second-place competitor on an in-house ad tracking survey measuring the recognition of tire makers and tire shops. The sales of value-added UHP tires and winter tires rose 43 percent in 2010 year on year by taking advantage of the "No. 1 Marketing" drive and continued expansion of distribution channels for premium products. Accordingly, the Korea Regional Headquarters recorded KRW 830 billion in sales in 2010, up 22 percent from the previous year.

The Korean economy is expected to grow 3.8 percent in 2011, lower than the figure for 2010, amid uncertainties in oil and commodity prices and inflation pressure. The Korean tire market is likely to grow around 2 percent year on year, through the influence of the tire labeling regulation and the Korea-EU FTA which will go into force in the second half.

The Korea Regional Headquarters plans to increase the proportion of products sold through directly-run dealerships to as high as 60 percent of total sales to reorganize the distribution channels into a retail-centered model and to build safety net to cushion against external shocks. We will upgrade the operation systems of our premium franchises T'Station for passenger car radials and TBX shops for truck & bus radials. Moreover, we will strengthen our special programs for retail channels and expand our "The Tire Shop" channel specializing in economy lines, thereby improving our responsiveness to the economy tire market, now a key segment.

In addition, as Korea's No. 1 brand, we will conduct marketing activities that can set new market trends. For example, we will reinforce our sales effort targeting imported car dealers and train and equip the people at our franchise tire shops to handle foreign cars. This will enable us to take an early lead in Korea's fast-growing imported car replacement tire segment. Other plans call for the launch of the enfren eco line, a successor to the current enfren tires, to lead the segment for eco-friendlier tires.

The coming year marks the 70th anniversary of Hankook Tire. In 2011, we will launch various campaigns to repay customers for their support and encourage the customer-oriented mindset in our employees.

#### 2010 Results in China

PCR tire sales growth

23%

UHP tire sales growth

52%

TBR tire sales growth

20%

#### CTC (China Technical Center)



#### Jiaxing Plant (China)



#### China

China's GDP growth rate stood at 10.3 percent for 2010, up 1.1 percentage-points from a year ago, as the Chinese government continued to provide stimulus packages (according to statistics from the National Bureau of Statistics of China). As a result, China surpassed Japan to become the world's second-largest economy in 2010. Sales of new cars in China rose 32% from the previous year to 18.06 million units, making the country the world's largest car market for the second straight year.\* Accordingly, the local tire market is growing steadily and the competition over market share is intensifying, as tire makers expand investment to increase production capacity.

\*Source: China Association of Automobile Manufacturers

The China Regional Headquarters continued to pursue the strategy of "Becoming the No. 1 Player in China" to maintain a strong position in a rapidly-changing market. Product competitiveness was bolstered by the timely launch of the premium eco-friendlier enfren tires and other new products that meet the changing needs of Chinese drivers. Investment in distribution channels exclusively handling Hankook Tire products was considerably increased to expand the sales of premium tires. In addition, we raised the proportion of value-added taller tires in the sales mix and engaged in various marketing efforts to position Hankook Tire as a premium brand.

Our continued efforts to strengthen the Hankook Tire brand position and market-oriented sales strategies resulted in a significant growth in sales, taking us a step closer to being China's top tire maker. In 2010, the sales volume of PCR tires rose 23 percent year on year, while the figure for value-added UHP tires soared by 52 percent. Moreover, 20 percent more truck & bus radial tires were sold compared with the previous year.

China's GDP growth rate for 2011 is expected to drop slightly but remain in the range of nine percent, which is still higher than most of other regions. The Chinese automotive market is likely to grow by ten percent, even though the government program to promote automobile purchases, which was initiated in 2010, expires in 2011.

The China Regional Headquarters will continue to pursue the strategy of "Become the No. 1 Player in China." The new plant in Chongqing will add production capacity to help maintain quantitative growth, while we will continue to pursue qualitative growth by positioning Hankook Tire as a premium brand.

#### 2010 Results in Europe

Sales growth

10%

#### Hungary Plant



#### DTM



#### Essen Reifen Show



#### Europe

Despite the lingering effect of the 2008-09 financial crisis, the European economy grew by about two percent in 2010. Importantly, the GDP growth rate for Russia, CIS members, and East European countries stood at 4.2 percent on average. However, the European market for new vehicle sales began to fall from April 2010 because new car subsidy programs in Germany and other West European countries ended. As a result, about 13 million units were sold in 2010, down by some 700,000 units from the previous year.

On the other hand, the replacement tire market reflected overall economic growth. It was increased by 9 percent, while winter tires performed particularly well in Germany, Italy and the Netherlands, where the combined sales surged 21 percent over 2009. Moreover, demand for TBR tires, which had fallen by 24 percent year on year in 2009, rebounded 18 percent a year later.

The Europe Regional Headquarters took advantage of these trends to record a 10 percent increase in sales over the previous year, higher than the market benchmark. Moreover, profitability rose as the proportion of value-added products, including UHP tires, significantly increased in the total sales figure. The second-phase facility expansion at the Hungary plant started in 2010 to improve responsiveness to diversifying customer needs in the European region. The Europe Regional Headquarters aims to normalize the operation ahead of schedule to raise productivity and quality.

Moreover, the Europe Regional Headquarters launched various marketing campaigns by airing TV commercials and sponsoring motor sport and athletic events. These efforts were aimed at raising public recognition of the Hankook Tire brand to strengthen the current stature as the top 2nd-tier brand as well as to lay the groundwork for positioning Hankook Tire among the 1st-tier in the future.

TV commercials were broadcast in Hungary and Russia as well as in five West European countries. In 2011, we will introduce a new TV ad series entitled "Be One with It." Meanwhile, we took part in, DTM motor racing, the most prestigious motor event in Europe, as well as the Le Mans series and IRC. Noteworthy is that Hankook Tire will be the exclusive tire supplier to DTM in 2011.

Given that soccer is the most popular sport in Europe, we elevated our brand exposure by running ads at major soccer matches. Our ads were shown at the home games of major teams in five West European countries and Russia: AC Milan (Italy), Borussia Dortmund and Bayer 04 Leverkusen (Germany), Valencia (Spain), Paris Saint-Germain (France), Aston Villa (England), and CSKA (Russia). We also attended the Frankfurt Motor Show, Essen Reifen Show and other major trade events to boast our technological prowess. Articles about Hankook Tire were covered by some major European press media. All these efforts helped to strengthen the stature of the Hankook Tire brand.

The Europe Regional Headquarters also aggressively responded to tire magazine tests, which strongly influence European customers' tire purchase decisions. Our products were evaluated in 15 tests conducted by prestigious magazines, including "ADAC," "Auto Bild" and "Auto Motor Und Sport", in 2010. Hankook Tire products fared very well, winning six "Very Recommendable" and five "Recommendable" marks.

Our efforts to make Hankook Tire a premium brand will continue unabated in Europe in 2011.

#### 2010 Results in Americas

RE tire sales growth in America

19%

Sales growth in Latin America

71%

#### America Regional Headquarters



#### ATC (Akron Technical Center)



#### Canada Subsidiaries



#### Americas

Expectations for a US economic turnaround started to appear in 2010, as consumer confidence rose and manufacturers' output and inventories increased. Thus the US managed to escape the recession that had lingered since 2009. In the US automotive market, 11.55 million units were sold in 2010, increased 11.1 percent from a year ago. Automakers enjoyed soaring sales, including the Big Three, who focused on developing smaller models with high fuel efficiency.

The America Regional Headquarters saw rapid growth in Brazil and Mexico. Brazil, which is preparing for the 2014 FIFA World Cup and 2016 Summer Olympics, has supported and invested in the automotive industry. As a result, Brazilian automobile production grew 18 percent, from 3 million units in 2009 to more than 3.55 million units in 2010.

In line with these trends, the America Regional Headquarters put a priority on stable growth in 2010. The regional headquarters diversified production sources to circumvent the additional 35 percent safeguard tariff on Chinese-made tires that was imposed from the fourth quarter of 2009. Moreover, we expanded warehouse retail sales and optimized the distribution channel portfolio to concentrate sales in channels that are growing steadily.

In the US, a mail-in rebate program on Ventus V12 evo tires and other strategically important models led to a 19-percent growth in the sales of RE tires, including UHP tires, from 2009. In Canada, new warehouses were built and the existing ones in Ontario and Vancouver were expanded, diversifying distribution channels to boost retail sales in the Western region.

The Latin American region grew the fastest globally, and we focused on minimizing sales uncertainties stemming from external factors. The Mexican sales office was upgraded to subsidiary status and began local-currency transactions for greater stability in settling payments. The increased investment in the franchise network (the Red Hankook) in Brazil and other key countries enabled us to expand our distribution channels and provide a solid sales base. The Latin America Department adopted a more-precise sales forecasting system and concentrated resources on managing orders from customers. As a result, regional sales rose by 71 percent over 2009.

In addition, we have prepared and implemented strategies to reinforce the stature of the Hankook Tire brand and raise our product prices in the Americas. We computed optimal prices by monitoring market demand and supply, and applied brand-specific pricing policies through different distribution channels, bolstering our sales competencies in the advanced North American and fast-growing Latin American markets.

We expect that the protective trade policy of the US against China, unbalanced supply and demand and inflation pressure will persist for the foreseeable future. Therefore, the current situation requires careful business strategies in the American automotive and tire markets. In 2011, the America Regional Headquarters will create new distribution channels to achieve quantitative and qualitative growth and adopt a suggested retail price system to build the platform for growing together with dealerships. Moreover, we will enhance the image of the original "Hankook" brand and expand the number of customer contact points to secure a solid footing in the Americas.

#### 2010 Results in the Middle East, Africa & Asia-Pacific

UHP tire sales growth in the Middle East, Africa

46%

Tire sales growth in Asia-Pacific

11%

Tire sales growth in South Africa

35%

Tire sales growth in Indonesia

80%

#### TV commercials in the Middle East



#### The Middle East, Africa & Asia-Pacific

Domestic demand increased in the Middle East and Africa in 2010. Large-scale plant projects were carried out in step with the global economic recovery and rising oil prices. In the Asia-Pacific region, rising commodity prices and government-led stimulus packages resulted in robust market activity in India and ASEAN emerging economies.

Hankook Tire engaged in strategies to reinforce sales competencies and to maximize customer satisfaction, therefore bolstering the brand value in these regions with high growth potential.

First, we began to run our first-ever TV commercials in the Middle East and Africa. As a result, our brand recognition was enhanced and the sales of UHP tires were up 46 percent from the previous year. In the Asia-Pacific region, we saw sales rise by 11 percent year on year as we reinforced our brand recognition in India and ASEAN emerging economies. Therefore, both qualitative and quantitative growth was achieved in these regions.

Second, we systematically managed and supported the new dealers that had been recruited in 2009 to create new growth engines in the face of the economic slowdown. As a result, their sales performance became stronger, rising 35 percent year on year in South Africa were up 80 percent in Indonesia from 2009.

Third, we focused our competencies on reorganizing the current distribution network, and on securing and strengthening new customer contact channels. In the Middle East and Africa, we strove to position our brand as a premium tire maker and enhance the brand image. We also laid the foundation for building a franchise network to provide customers with premium services. In the Asia-Pacific region, we expanded sales volume through the warehouses and recruited new tire retailers to secure a solid sales network.

Fourth, we reinforced our own organization to boost sales competencies. A new sales office was established in Indonesia, establishing a foothold for advancing into the ASEAN market in the future. Another new office was open in Johannesburg to play an important role in our establishing an early lead in the emerging Sub-Saharan African market, where countries rich in natural resources are concentrated.

These strategies enabled us to see solid growth in the Middle East, Africa & Asia-Pacific and to position ourselves to advance into the emerging markets in these regions.

In 2011, political uncertainties are clouding the market outlook for the Middle East, Africa & Asia-Pacific. However, the economic growth rates are expected to reach at least the 2010 level or higher, led by those countries with an abundance of natural resources. Hankook Tire will engage in aggressive and targeted marketing activities to gain an early mover advantage in these regions, which are expected to outperform the advanced markets over the long term. In addition, we will improve our distribution channels in the countries where the brand recognition for "Hankook Tire" is relatively high, providing premium and distinctive products.

**2010 Global OE Tire Sales**

Growth rate from a year earlier

**30%**

RE tire sales growth by region



**Performance in the OE Tire Market**

Original equipment (OE) tires are important in proving the product competitiveness of a tire manufacturer as well as in raising the brand image because a tire company must meet the strict requirements of each automaker. In addition, original equipment will directly influence the vehicle owner's purchase decision when replacement tires are needed. Thus, the importance of the OE tire business on the company-wide sales growth cannot be overstated.

The 2010 global vehicle sales volume is estimated to stand at 697 million units, up 9.6 percent from a year earlier, exceeding the 2007 pre-crisis level. This has resulted from the rapid growth in emerging markets. Hankook Tire was in step with these trends and strengthened marketing activities. As a result, our OE tire sales rose by 30 percent year on year to reach US\$1 billion worldwide. The figure is well above the global OE tire market growth benchmark.

To break down the figure by region, Korea saw sales rise by 24 percent year on year, because the tire market grew thanks to the recovery of the domestic economy. Another factor was the launch of numerous new models in the three most popular segments (compact, mid-sized and SUV), which combined account for more than half of the total market. In Europe, demand fell in the face of the fiscal crisis in South European countries and the expiration of the large-scale scrappage programs in Italy, England and Spain. However, we expanded supply to major automakers such as Volkswagen and General Motors, and sales increased by 35 percent from a year earlier.

Sales in the Americas rose, as GM, Chrysler and Ford showed signs of recovery and Brazil and other emerging Latin American markets grew. In China, the government raised purchase taxes for sub-compact cars, which slowed market growth. However, Hankook Tire sold 30 percent more tires in China in 2010 than in the previous year, as the economy continued to grow significantly, and scrappage incentive programs and other policies to promote vehicle purchases were extended.

Global automobile sales are expected to be 8.8 percent higher in 2011 than in 2010 to reach 75.80 million units. The recovery of the US and European markets, rapid growth of emerging markets, and the development of eco-friendlier vehicles will all have repercussions for tire makers in 2011. We will implement the following strategies to respond to the changing business environment and to maintain our growth momentum:

First, we will expand the weight of premium tires in our global OE portfolio. We will continue to strive to increase our supply volume to global automakers, including GM, Volkswagen and Audi. Marketing efforts will be bolstered to ensure our UHP tires, supplied mainly to the five Korea-based automakers today, will be mounted on luxury vehicles from global automakers. We will also continue to expand our supply of OE tires to European automotive manufacturers and their local plants for their premium-class vehicles.

Second, we will allocate more resources to developing future-oriented technologies. For example, we will develop technologies for lightening the tire and reducing rolling resistance, thereby raising fuel efficiency while lowering emissions. In the process, we aim to expand our lineup of eco-friendly tires. Also, we will continue to advance the optimization technology that ensures our tires and the vehicles on which they are mounted perform at their best at all times.

Third, we will increase the profitability of our OE tire segment. We will adjust product

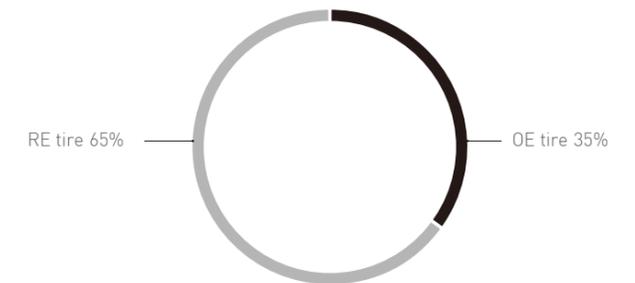
prices by reflecting the fluctuations in raw material and oil prices and build the optimal price portfolio in order to put our business on a solid footing. Fundamentally, we will take advantage of our original technologies to produce higher quality tires at lower cost, which will enhance our price competitiveness.

**Performance by Product Group**

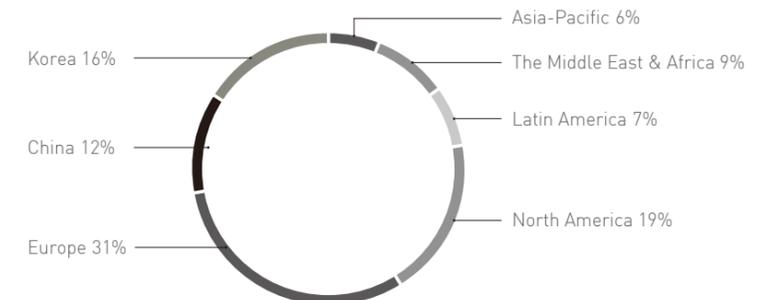
Hankook Tire sold some 80 million units in 2010, up 15 percent from 2009. This figure can be broken down as 65 percent replacement (RE) tires and 35 percent original equipment (OE) tires.

By region, the Korean market accounted for 16 percent of our RE tire sales. The other regions are China (12%), Europe (31%), North America (19%), Latin America (7%), the Middle East & Africa (9%), and the Asia-Pacific (6%). Noteworthy is that Europe and North America, the most advanced markets in the world, together accounted for more than 50 percent of total RE tire sales. Considering the RE and OE segments collectively, the growth of two specific countries — Korea (22%) and China (22%) — is also significant. In China, combined RE and OE tire sales rose 23 percent in 2010 from the year before, significantly contributing to companywide sales expansion.

**2010 Tire Sales by Product Group**



**2010 RE Tire Sales by Region**



**2010 RE Tire Sales by Region**



**2010 TBR Tire Sales Growth from a Year Earlier**



By product line, more than 70 million PCR tires were sold in 2010, up 16 percent from 2009. The sales volume for UHP tires rose 36 percent year on year, reaching the 15 million mark and leading the sales growth in the PCR segment. UHP models accounted for 21 percent of the PCR sales portfolio, 3 percentage points higher than the figure for 2009.

PCR tire sales for 2010 break down as 63 percent for the RE segment and 37 percent for the OE segment. The proportions of each region in replacement PCR tire sales are as follows: Korea (16%), China (11%), Europe (34%), North America (18%), Latin America (6%), the Middle East & Africa (9%) and the Asia-Pacific (6%). As is in the total sales figure, Europe and North America collectively accounted for the majority of total sales at 52 percent. Korea and China took up 21 and 23 percent shares, respectively, in total PCR tire sales, and China was the single largest country for PCR tire sales (over 1 million units) for the second straight year.

UHP tire sales for 2010 break down as 59 percent for the RE segment and 41 percent for OE. Over the mid-/long term, the share of UHP tires in total RE tire sales is likely to rise, since the OE segment performance directly influences future RE tire sales. The regional proportions for replacement UHP tire sales are as follows: Korea (10%), China (8%), Europe (40%), North America (28%), Latin America (2%), the Middle East & Africa (5%) and the Asia-Pacific (7%). Europe and North America combined took up a 68 percent share, higher than in any other product category.

Of total UHP tire sales, Korea and China accounted for 17 percent and 23 percent, respectively. As with total PCR tire sales, China was also the nation with the highest UHP tire sales. The sales volume in China surged 52 percent year on year to more than 3.5 million units in 2010.

TBRs for replacement were mainly sold in high-profitability markets: Korea (21%, up 9% YoY); China (24%, up 26% YoY); and Latin America (10%, up 55% YoY). In total sales, Korea and China accounted for 26 percent and 24 percent, respectively. Importantly, sales grew by 11 percent in the lucrative Korean market, with the sales volume reaching 1.15 million units, leading companywide TBR tire sales growth.

**Major Business Activities**

**Expanding Global Production Capacity**

In 2010, we expanded the annual output capacity at our existing plants by two million units per year to accommodate growing exports and increasing domestic tire sales. This was accomplished by using idle space at Factory 3 at the Geumsan Plant and Factory 2 at the Daejeon Plant, and completing the third-phase expansion at the Jiaying Plant. Annual capacity will be further increased by six million units after we complete the expansion project at the Geumsan TBR plant and the second-phase expansion project at the Hungarian Plant.

We are implementing our global expansion strategy to secure enough production capacity to respond to the recent rise in demand by taking into account strategic fit, balance in sales and production, and personnel & financial competencies. Under this strategy, new plants are under construction in Chongqing, China, and in Bekasi, Indonesia. Their completion will add another 50 million units to our annual production capacity by 2018, helping us advance to the position of the world's fifth-largest tire manufacturer.

**Developing Eco-friendlier Technologies**

Today, environmental protection is a requirement for all corporate citizens if we are to have a sustainable future. We started emphasizing the development of eco-friendly tires in 2008, working with dedication to obtain environment-friendly technologies and to comply with stricter global environmental regulations. The results of such efforts include several air-quality protection technologies.

In 2009, we completed the development of 24 new compounds in preparation for new restrictions on polycyclic aromatic hydrocarbons (PAHs). These breakthroughs, which follow the 23 low-PAH compounds completed in 2008, include 3 for PCR treads, 1 for TBR treads, 7 for TBR cases, 7 for bias treads and 7 for bias cases. A total of 50 low-PAH compounds were developed between 2005 and 2009, and we began to apply them to our products in 2010.

In addition, we created a next-generation tread carcass compound that helps lower rolling resistance, which is closely associated with vehicle emission volume. Our new mixing and vulcanizing technologies improve silica dispersion, and our latest sub-tread design technology and technology for carcass with low shrinkage & twist features are being applied to new products. enfren tires, our flagship eco-friendlier line, have been developed after years of dedicated R&D effort. The new tire line features reduced rolling resistance, resulting in higher fuel efficiency than regular tires can provide.

Our efforts to fulfill our responsibility as a corporate citizen go beyond developing eco-friendlier tires. We are building systems and honing the skills needed to analyze air quality. Air quality regulations have been tightened, as evidenced by the 2005 legislation of the Odor Control Law in Korea. At the same time, the number of complaints about odor from residents around tire plants is growing, while automakers are demanding tires that do not give off a strong smell.

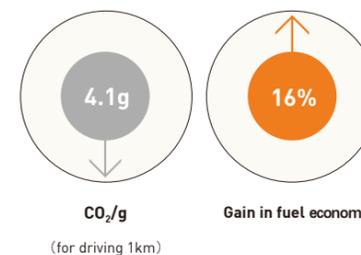
Therefore, we completed the development and test of new odor-prevention systems, and have installed concentration catalytic oxidizers for the rubber mixing processes at the Daejeon Plant (Korea) and the Jiaying Plant (China). As a result, the odor control rates of the two production facilities rose 91 percent and 90 percent, respectively. Also we developed analytical methods for five legally-designated odor compounds as part of our effort to scrutinize odor-causing particles and identify their sources. Thus the total of analytical methods developed in-house now stands at 22. Our research on the odor characteristics of compounds and raw materials has allowed us to identify 84 odor-causing substances.

In addition, we built testing facilities for road noise and wet-road braking performance, which will help assess the eco-friendliness of tires. Going forward, we will accelerate our efforts to secure environmentally-friendly technologies.



Our flagship eco-friendlier line, reduced rolling resistance, resulting in higher fuel efficiency than regular tires can provide

**Eco-friendliness of enfren**



Hankook Tire  
 Annual Report 2010

### VENTUS ME01



Asymmetrical pattern and heat-resistant compound combined to minimize noise and vibration, featuring outstanding driving performance and durability

### DYNAPRO HL2



Asymmetrical pattern with wide groove brings exceptional wet weather grip force and evacuates water well

Ranked first in the tire category on the Korea Standard-Quality Excellence Index (KS-QEI)



#### JD Power North America TSI Index

	2009	2010
Overall average	9th	5th
PCR tires	4th	4th

### Developing New Technologies

Our aggressive R&D expenditure and 826 dedicated researchers have allowed us to develop new products featuring new technologies. The new Ventus ME01 features outstanding performance and ride comfort. Its asymmetric tread patterns and heat-resistant rubber compound are combined to minimize vibration and noise, while delivering exceptional driving performance and durability. Ventus ME01 can be used safely at speeds of up to 240km/h (V grade), and its six different pitches are optimally arrayed to reduce noise even at high speeds. Moreover, our state-of-the-art proprietary micro-spring-vent technology is applied to provide a high-end look and reduce initial noise.

Dynapro HL2 for urban SUVs is an asymmetrical tire that combines the latest technology with excellent design. Its asymmetrical tread pattern with wide groove allows for solid grip and superior water evacuation on wet road surfaces. Moreover, the optimized grip pattern delivers exceptional driving control on dry roads. A high-dispersed carbon compound improves fuel mileage, and the alignment indicator allows drivers to discover irregular wear early and replace the tires before performance deteriorates.

Ventus R-s3 is designed for high-performance automobiles (such as tuned-up models and "super-cars"). This is the first time that Hankook Tire has applied a compound developed for racing competition to tires for cars used on the street. We have developed technologies for extreme-ultra-high performance through our competition in the Japan Super GT and Le Mans 24hr race. The R-s3 brings superior grip performance.

### Achieving the World's Best Quality

Hankook Tire ranked first in the Korea Brand Power Index for the eighth straight year in 2010. This record is testimony to the quality of our products in terms of performance, safety, ride comfort and eco-friendliness. We understand customer needs and provide products and services that fully satisfy those needs. Our vision is to provide our customers with the world's best quality tires, and to this end, we are now engaged in the following activities:

First, we put customer safety first. Internally, we established the Zero Defect quality assurance system to ensure that not even one defective tire ever reaches the customer. Externally, we engaged in a safety campaign for customers as part of our efforts to ensure safety once customers use our tires. Visitors to our franchise tire shops are taught methods to check tire air pressure and read tire wear and learn various tire safety tips.

Second, we develop eco-friendlier products. Our fuel-efficient enpren tires deliver economic benefits to customers and contribute to the environmental protection. International environmental regulations are becoming stricter and a growing number of countries are adopting legislation that requires tire makers to put a label on their products to display specifications. We are ahead of the competition in responding to these trends proactively.

Third, we offer quality services from the perspective of customer. Our focus is on building infrastructure that makes our services more easily accessible. Moreover, we engage in vigorous community activities inside and outside the organization to reflect customer needs from the development stage.

These efforts have paid off, as Hankook Tire received the "Excellent Product Quality Prize" at the National Quality Management Convention 2010, and ranked first in the tire category on the Korea Standard-Quality Excellence Index. Moreover, our ranking on the 2010 JD Power North America TSI Index rose from the ninth in 2009 to the fifth in 2010, gaining more points than any other competitor did. The growing recognition of our product quality has elevated our brand image and our OE tire supply for premium vehicles has been increased accordingly.

Hankook Tire  
 Annual Report 2010

### 2010 New Products

#### Dynapro HL2



#### VENTUS V2 concept



#### Winter i\*cept evo



#### VENTUS Prime 2



#### OPTIMO ME02



#### KINERGY ECO



#### OPTIMO H426



### Launching New Products

We launched various new products that reflect market characteristics, regulations and customer preferences in diverse regions, while maintaining our uniqueness. This helped us strengthen our global stature. Our new products were aimed at leading the market trends in various segments inside and outside Korea, solidifying the platform for us to become one of the top five global tire makers.

New Hankook Tire products that hit the market in 2010 include the stylish Dynapro HL2, the first asymmetrically patterned SUV tire made by a Korean tire maker; Ventus V2 concept, a UHP tire at an affordable price; Winter i\*cept evo, a new successful winter tire; Ventus Prime 2, a UHP tire well received by major European automakers; Optimo ME02, which has been welcomed by customers in the Middle East and beyond. We also focused our resources on developing eco-friendlier tires. As a result, we launched Kinergy eco, which is being mounted on key models in Europe, and Optimo H426 in Japan, where the eco-label certification is in force.

Our e-Cube (named for the energy, economic and environmental benefits) TBR tires bring premium driving comfort and low noise while offering economic and environmental benefits from higher fuel efficiency and improved wear resistance. The e-Cube hit the Chinese, Middle Eastern and Asia-Pacific markets in 2010. In the Americas, we will launch products with the EPA's Smart Way certifications in 2011. Our 3D kerf technology and fuel-efficient compounds have upgraded the performance of our TBR tires.

### Expanding Supply of Premium OE Tires and Developing Relevant Technologies

Hankook Tire continues to expand the supply of OE tires to various global automotive manufacturers, and our efforts are focused on the premium vehicles. These efforts have reaped tangible results, as we began to supply tires for the Ford Lincoln MKT crossover SUV in 2010. Moreover, we are raising the proportion of the premium OE tire segment in our sales mix. For example, we increased the supply volume for the Audi A3 model in 2010.

We are now negotiating with several of the world's major automakers to supply additional premium OE tires. Chances are good that more luxury vehicles will be rolling out of the factory equipped with Hankook Tire products mounted on them in the near future.

Our supply of OE tire for premium vehicles is made possible because our technologies allow us to meet the requirements of each vehicle type. In 2010, we strove to develop technologies needed for premium OE tires. Our R&D focuses were on maximizing tire suitability for diverse vehicle types, lightening tires for higher fuel economy, and improving wear resistance. Other efforts were aimed technologies for enhanced safety, to include better handling performance; next-generation low rolling resistance technology; and new materials.

Going forward, we will boldly invest in developing core technologies for OE tires to accommodate the needs of Ford, GM, Volkswagen, Audi and various other automakers. We will further hone our technologies for new materials and performance enhancement to guarantee technological competitiveness as well as to expand supply for global automakers in the premium segments.

Hankook Tire  
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Auto China



Tokyo Auto Salon



Global Ad Campaign



Le Mans 24h



"The Wall Street Journal Asia"



**Brand Communication**

Hankook Tire is engaged in diverse brand communication programs around the world. Our activities are mainly focused on the Hankook brand, and we are implementing various region-specific strategies based on the brand recognition in each region.

A global campaign under the "Tame the Road" theme had been carried out through 2010 in Europe and the Americas, and a new campaign entitled "Be One with It" will start in 2011. In China, the new "Road to Success" campaign was launched, which features famous actress (Zhang Jing Chu) as the lead spokes-model. She is respected and highly regarded as one of the top actresses in China; some even call her the "new Zhang Ziyi." The Middle East has emerged as a strategic market for Hankook Tire. Therefore, we developed a region-specific ad campaign that emphasizes the performance of our tires under hot and dusty conditions. The new campaign will help us to elevate our posture in this region. In Korea, the new "Driving Emotion" campaign was launched, featuring top entertainers Jang Dong-geun and Shin Min-ah, reinforcing our leadership in the Korean market.

Meanwhile, our "Kontrol Technology" theme has been used in various marketing and PR activities for corporate image enhancement. The stature of our brand as a global player is being reinforced through our participation in various motor sports events and trade shows such as the Le Mans 24h, Nurburgring 24h, Super GT in Japan, Auto China, Tokyo Auto Salon, Essen Reifen Show, and SEMA Show. In 2011, our efforts to position Hankook Tire as a premium brand will continue by sponsoring DTM motor racing, one of the world's most prestigious motor events, and taking part in the IAA Frankfurt Motor Show. These diverse communication programs will promote our brand image among consumers, dealers, and industry insiders.

**Strengthened External Communication**

We are raising our stature by engaging in PR efforts via mass-media, both inside and outside Korea. In 2008, Forbes magazine, and in 2009, CNBC Asia, "the Wall Street Journal Asia", Reuters and other overseas press organizations did stories on us, which helped us position as a world-leading tire company. In 2010 the major TV networks Discovery Channel and Eurosport introduced people at Hankook Tire. Our history of about 70 years, thorough quality control, continuous R&D investment and sound labor-management relations have all attracted their attention.

**Securing Outstanding R&D Personnel**

Hankook Tire concentrates resources on recruiting and cultivating superior R&D personnel to gain the technological edge in competing with other top global players. Our newly recruited researchers all must take a basic technology training program and complete a project to learn tire development processes. Once they are assigned to a department, they are required to devise a career development plan based on a systematic competency analysis program.

The results of such an analysis will be taken into account to determine the kinds of training needed for individual researchers. Leadership training, mandatory courses, special training for tire R&D and a six-month OJT program help them improve their competencies from early on. Besides the official OJT, senior researchers act as mentors for the newly recruited personnel, helping them to become accustomed to Hankook Tire's corporate culture and build relations with colleagues.

Moreover, outstanding performers are granted training opportunities at research institutes inside and outside Korea. Various internal and external training sessions and the job rotation

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system also allow researchers to achieve their career goals. They attend internal and external seminars and conferences, both domestic and abroad, to widen their perspectives. Meanwhile, global competencies are enhanced through courses on foreign languages (English and Chinese) and cultures as well as assignments at overseas offices.

**Building a Corporate Culture to Realize the Vision**

A corporate culture is a comprehensive concept covering the value framework, belief system and knowledge that members of an organization share. This is the source of core competitiveness to achieve the corporate vision, as it influences how decisions are made at the organizational level, the standards by which individual performances are measured, and ultimately how well the entire organization performs.

Hankook Tire is engaged in the following efforts to create a corporate culture that contributes to realizing the vision of becoming a "Leading Global Tire Company Providing Customers with Value and Pleasure":

First, we established a webpage for the global CEO to promote effective communication between the company and employees as well as among the employees themselves. We host internal IR activities on a quarterly basis to share the company's strategies, systems and management performance with stakeholders and employees. We also support the mentoring program that links senior employees with newly hired members to promote loyalty to the company and help the new employees adapt to the organization.

Second, we organize the annual Proactive Awards to disseminate the corporate vision and missions and to foster a proactive corporate culture. Employees that have put the values and behavior promoted by the corporate vision into practice are awarded. This encourages employees and helps Hankook Tire to enhance performance at the corporate level and achieve the vision.

Third, we implement various programs to support the work-life balance so that employees can pursue their professional life while not sacrificing their family lives. Our in-house childcare center was opened in 2010 at the Korean Headquarters, and the T'Café was established, where employees can relax and read books of interest. To promote employee health, we have engaged in an anti-smoking program and a campaign to promote sound company outings. Going forward Hankook Tire will continue to create a pleasant work environment and allow employees to grow together with the company.

**T'Café where employees can relax and read books of interest**



**Proactive Awards Ceremony**



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CSR Activities

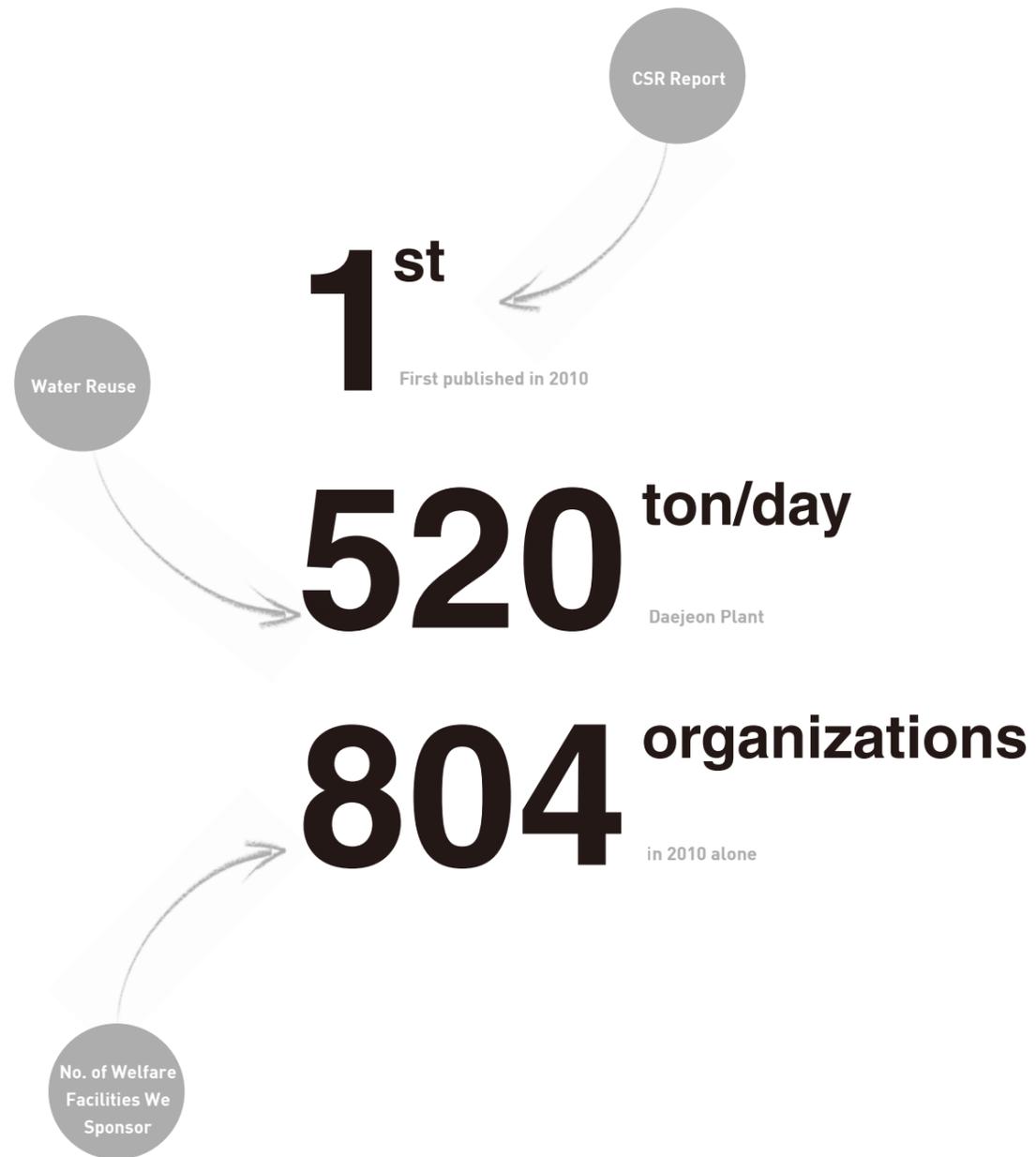
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Risk Management

**A society can only be harmonious when its members fulfill their responsibilities and duties. Likewise, a social framework for sustainable development can be achieved only after corporate citizens fulfill their financial and social responsibilities. We established the CSR Committee to ensure sustainability in our management activities and to strengthen our effective communication with stakeholders. Of course, our great challenge is ongoing to make the world a better place for all.**

# Corporate Social Responsibility

## CSR Activities



## Building a Framework for CSR Activities and Publishing CSR Report

"2009 CSR Report"

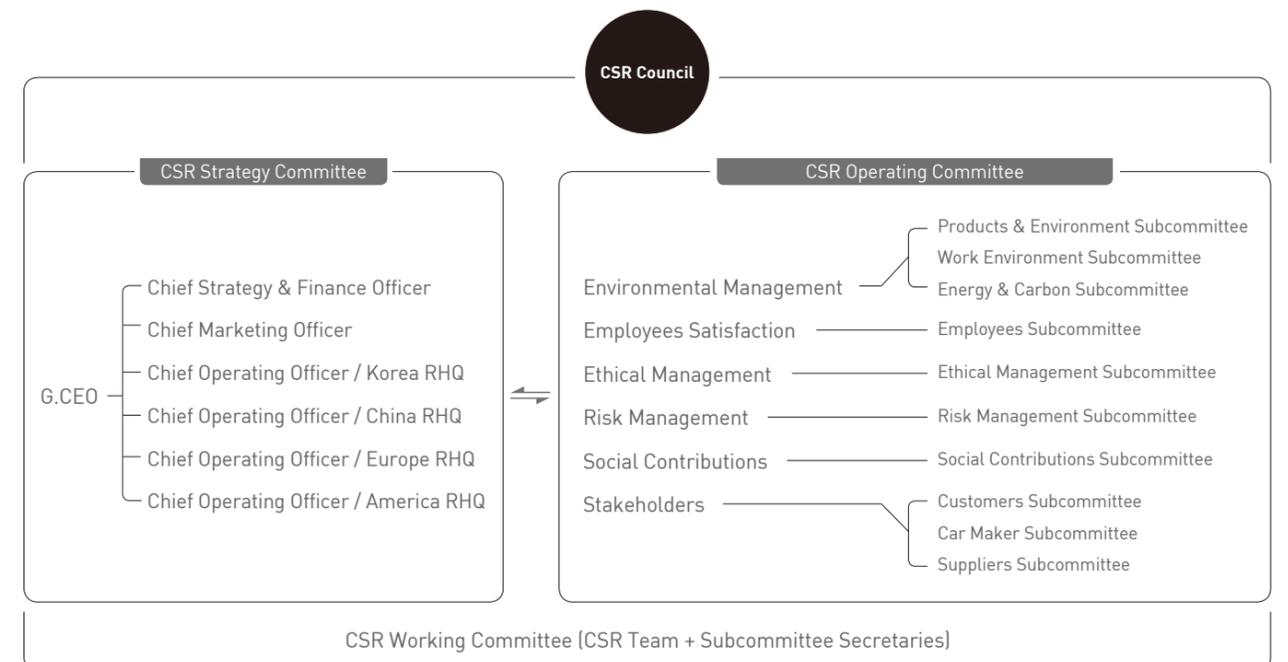


Hankook Tire's CSR activities achieved great progress in 2010. A solid platform for socially responsible management was established by the Global and Korea Regional Headquarters, and the first "Hankook Tire CSR Report" was published.

We established the CSR Committee in an effort to build a framework for integrated CSR management. The Committee consists of the CSR Strategy Subcommittee attended by the Global CEO; the CSR Steering Subcommittee, where designated executives work on six key areas (environment management, ethical management, employee satisfaction, social contributions, risk management, communication with various stakeholders & corporate disclosure); and the CSR Working-level Council, which promotes discussions and information sharing on key issues among these sub-committees.

The CSR Strategy Subcommittee established mid-/long-term CSR strategies, reviewed 2010 performance and deliberated on 2011 plans at the Strategy Reporting Conference and Integrated Meeting. These events were attended by all relevant chiefs and executives. In this process, statements on key CSR areas, operational guidelines and action plans were set up, and the company is now implementing them.

We published our first CSR Report in 2010 to ascertain how far our corporate sustainability has advanced and to strengthen our lines of communication with various stakeholders. Internal experts, top management, and outside specialists conducted materiality tests to identify the four areas that require intensive monitoring (environment, external stakeholders, risk and employees) and the two areas to be monitored constantly (corporate governance and ethical management). The report contains the list of mid-/long-term action plans and performance results as part of a commitment to disclose the information that stakeholders want to know.



## CSR Activities

We operate the Hankook Tire Welfare Foundation to fulfill our corporate social responsibilities. The Foundation is involved in education & scholarship programs, support for charity hospitals in Korea, building charity hospitals in underdeveloped countries, providing children from low-income families with living expenses and supplying free lunches for hungry children. In addition, we donate vehicles to non-profit home care service centers and other resources to social welfare facilities.

### 2010 Performance and 2011 Plan

	2010 Performance		2011 Plan	
	No. of recipients	Amount	No. of recipients	Amount
Scholarships for high school students	5	25,975	5	36,000
Scholarships for university students	79	80,000	80	84,000
After-school program	5 schools	30,240	5 schools	40,000
Total		136,215		160,000

### Scholarship and Educational Programs

#### Scholarship Program

Hankook Tire provides academic scholarships to promising high school and university students who lack the financial resources to pay for their education. Recipients can focus on their studies and grow into healthy and productive members of society.

#### After-school Program

We run after-school programs for middle school students from low-income families in regions with poor education infrastructure. This helps improve the educational environment, reduce regional disparity, and nurture talented students.

### 2010 Performance and 2011 Plan

	2010 Performance		2011 Plan	
	No. of recipients	Amount	No. of recipients	Amount
Support for charity hospitals	7 hospitals	120,392	5 hospitals	100,000
Support for building charity hospitals in underdeveloped countries	Tanzania	30,000	Paraguay	30,000
Total		150,392		130,000

### Programs for Public Health

#### Support for Charity Hospitals in Korea

Hankook Tire provides financial support to Seong-ga Welfare Hospital (Seoul) and other institutions that offer free medical services to the socially underprivileged, who lack access to regular healthcare services.

#### Hospitals in Underdeveloped Countries

The company is contributing to a project to build charity hospitals in East Timor, Africa and Latin America.

### Support for Children from Low-income Families

#### Support for Children from Low-income Families

The company gives monthly living expenses to children from low-income families facing financial difficulties, including child- and youth-headed households, grandparent-grandchildren families, single-parent families and traffic accident-stricken families.

#### Lunches for Hungry Children

Hankook Tire pays the expenses to provide lunches to needy elementary schoolchildren who live in poor neighborhoods, helping to ensure that they grow up healthily.

### 2010 Performance and 2011 Plan

	2010 Performance		2011 Plan	
	No. of recipients	Amount	No. of recipients	Amount
Support for children from low-income families	100	180,000	100	180,000
Support for hungry children	250	50,000	250	50,000
Total		230,000		230,000

### 2010 Performance and 2011 Plan

	2010 Performance		2011 Plan	
	No. of recipients	Amount	No. of recipients	Amount
Support for social welfare facilities	71 organizations	330,155	60 organizations	330,000
Donation of vehicles	32 organizations	292,833	70 organizations	700,000
Donation of tires	701 organizations	362,904	500 organizations	260,000
Total		985,892		1,290,000

### Support for Social Welfare Facilities

#### Support for Local Communities

Hankook Tire sponsors welfare centers for children, the elderly and disabled, group homes, and local childcare centers. We provide them with daily essentials, school and medical supplies, and resources needed to repair and improve their facilities. This helps to improve the quality of their lives.

#### Donation of Vehicles

The Hankook Tire Welfare Foundation donates vehicles to various social welfare facilities that provide the elderly living alone, single-parent families and the disabled with home care services. These services include delivering free box-lunches, accompanying people on hospital visits, and making medical house calls.

#### Donation of Tires

The company provides free replacement tires for the vans used by social welfare centers.

#### Donation of Rice



#### Community Services for Migrants



#### Donation of Vehicles



## Risk Management

Hankook Tire continuously monitors risks and changing factors, both internal and external, as part of a proactive risk management approach.

### Strategic Risks

We studied tire recalls by other tire makers and analyzed their causes in 2010 as part of our effort to scrutinize our own strategies and operations. The findings were shared among team chiefs and executives. We also formed task forces by combining relevant departments in an effort to ensure effective communication company-wide. These task forces are in charge of responding to policy issues such as the enforcement of free trade agreements or the implementation of eco-label regulations.

### Plant Safety Training



### Operational Risks

Every unit at Hankook Tire is committed to minimizing risks that exist in daily operations. We regularly hold the Occupational Health & Safety (OHS) Council for plant safety management, the Occupational Health & Safety (OHS) Council for partners. Communication on these issues is ongoing in various other ways as well.

As a result, all Korean plants received OHSAS 18001 certification, an international occupational health and safety standard, in November 2010. We replaced the conventional bunker C-fired boilers with LNG-fired models, and we have applied for the Korean government's Process Safety Management certification. We were qualified for on-the-spot inspections in February 2010, and in July, we obtained the "S" grade, which is the highest level given to a first-time applicant for the certification.

Our vision is to provide customers with the world's best quality tires. To this end, we have held our Global Quality Academy program to raise our employees' awareness of quality issues. Other efforts to upgrade quality include the adoption of the Hankook Tire Production System (HPS) and the implementation of Six Sigma initiatives.

We have expanded the utilization of our Legal Affairs Management Portal system, contributing to our companywide legal risk management. In 2010, we reorganized and strengthened our legal advisory network (to include domestic and foreign law firms, patent lawyers and labor attorneys) to assist in drawing up and examining contracts for domestic and overseas business transactions. These advisors also provide legal advice on various projects as well as on the legal issues that arise at the division level in the course of doing business. Other types of assistance include general legal research (laws and rulings related to company activities), support for dispute settlement (domestic and foreign lawsuits and arbitration) and joint projects with outside partners.

Several legal issues were raised both at home and abroad in 2010. In China, for example, the Tort Law went into effect and the Chinese government stepped up its monitoring of contract violations. In Korea, Article 47 Section 1 of the Electronic Communication Fundamental Law, which criminalizes "false communication in public through electronic communication networks for the purpose of demoting the public interest," was found to be unconstitutional. The Korean Constitutional Court ruled that the joint penal provisions were also in violation of the Constitution. A constitutional petition was filed against fictitious employment provisions of the Act on the Protection, etc. of Temporary Agency Workers. We have implemented all possible measures to ensure the changing legal environment does not expose the company to additional to legal risks. Noteworthy is that no product liability case was filed against Hankook Tire in North America in 2010, a testimony to our ability to manage legal risks in this regard. Going forward, we will expand our areas of legal risk management to include the new plant projects and intellectual properties.

In addition, we adopted the Hankook Tire Document Security Management system.

Furthermore, we are making better use of our Document Rights Management System and reinforcing our control of confidential documents, core technologies, drawings and specifications. Hankook Tire is also a member of the Korean Association for Industrial Technology Security, which provides employees with security training.

### Financial Risks

Regular programs are in place to protect us against financial risks, and we are particularly thorough in our efforts guard against currency and liquidity risks.

The financial market turbulence caused by the European fiscal crisis in early 2010 has been gradually stabilized through international cooperation. However, the global quantitative easing has resulted in rising commodity and food prices, and inflation pressure in emerging markets. Moreover, watchers are concerned about a rise in interest rates, as countries are expected to adopt exit strategies from the financial crisis. As a result, volatility in the financial market is growing.

Hankook Tire aims to achieve solid growth by taking an aggressive stance in foreign investment, while maintaining a conservative approach in risk management. To minimize financial market exposure risks, we are monitoring and managing our funding expenses and exposed currency position. We are upgrading our risk early warning system to identify financial market volatility quickly and maximize the effectiveness of top management's decision making. We employ various forms of communication, both internal and external, to share market information.

The Currency Management Committee convenes quarterly, and the cash flows of the Global Headquarters in Korea as well as the overseas subsidiaries are monitored to ensure solid cash management. As of the end of 2010, Hankook Tire was transacting in twelve different currencies, including the US Dollar and Euro. We regularly calculate and assess the currency risk stemming from these activities, and then devise the appropriate risk aversion methods and standards.

Key internal methods for currency risk aversion include matching and netting foreign currency assets and liabilities. Externally, currency futures and derivatives are the main ways to hedge against currency risk. Our risk aversion strategy focuses mainly on establishing a natural hedge by matching assets and liabilities. When necessary, we do not rule out the use of artificial hedges such as financial products.

We carefully monitor the borrowings, liquidity level, and short-/long-term cash flows of the Hankook Tire Global Headquarters in Korea as well as the subsidiaries located around the world. The enormous changes in global financial markets have prompted us to take a conservative management approach to ensure operational stability. Moreover, we continue to adopt efficient capital management tools as new financial systems and products are developed. In 2010, our global capital management system was extended to the China and Europe Headquarters.

### Ethical Risk

Hankook Tire conducts various management diagnosis programs to ensure transparent and sound management practices. In 2010, we published the "Hankook Tire Ethical Management Guidebook" and organized training sessions on ethical management. These are part of our efforts to elevate operational transparency.

### Fire Risk

Given the nature of tire manufacturing, our plants bear a high risk of fire. Therefore, all of our facilities are equipped with fire prevention systems, and we have conducted regular inspections, safety checks and training and held in-house fire drills as well as joint fire safety exercises with local fire stations. In addition, we have prepared numerous emergency scenarios to ensure quick response in the event of an actual accident.

### Fire Safety Drill



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# Financial Report

## Financial Statements (Consolidated)

### 1. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended December 31, 2010 and 2009		Korean won (In thousands)	
ASSETS	2010	2009	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 13)	603,290,137	516,653,210	
Short-term investment assets (Notes 3 and 5)	422,446,854	41,099,989	
Trade receivables, net of allowance for doubtful accounts of ₩14,353,745 thousand in 2010 and ₩14,887,101 thousand in 2009 (Notes 13, 14 and 23)	761,394,040	715,525,712	
Other accounts receivable, net of allowance for doubtful accounts of ₩730,770 thousand in 2010 and ₩782,203 thousand in 2009	76,377,197	52,820,027	
Inventories (Notes 4 and 14)	978,303,701	895,305,350	
Accrued income	3,673,172	3,366,300	
Forward foreign currency contracts (Note 11)	22,877	2,944,508	
Current deferred income tax assets (Note 20)	8,316,693	10,448,470	
Other current assets	139,167,931	129,987,606	
<b>TOTAL CURRENT ASSETS</b>	<b>2,992,992,602</b>	<b>2,368,151,172</b>	
<b>NON-CURRENT ASSETS</b>			
Long-term financial instruments (Note 3)	49,215	51,292	
Available-for-sale securities (Note 6)	12,746,422	11,032,786	
Held-to-maturity securities (Note 6)	18,000,000	18,000,000	
Investment securities accounted for using the equity method (Notes 7 and 14)	4,619,314	3,474,410	
Long-term loans	3,481,032	3,572,016	
Other investments	7,597,493	7,437,925	
Property, plant and equipment, net of accumulated depreciation (Notes 8, 14 and 16)	2,555,096,289	2,426,193,329	
Intangible assets, net of amortization (Note 9)	33,241,817	23,858,100	
Guarantee deposits	6,990,765	6,656,945	
Non-current deferred income tax assets (Note 20)	122,827,784	133,245,931	
Dishonored notes receivable, net of allowance for doubtful accounts of ₩779,938 thousand in 2010 and ₩3,529,750 thousand in 2009	592,288	1,256,654	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,765,242,419</b>	<b>2,634,779,388</b>	
<b>TOTAL ASSETS</b>	<b>5,758,235,021</b>	<b>5,002,930,560</b>	

(Continued)

		Korean won (In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY	2010	2009	
<b>CURRENT LIABILITIES</b>			
Trade payables (Note 13, 23)	497,965,967	458,384,237	
Short-term borrowings (Notes 8, 10, 13 and 14)	1,295,519,762	1,066,971,622	
Current portion of long-term liabilities (Notes 8, 10, 13 and 14)	287,108,214	192,856,362	
Other accounts payable	262,765,913	116,135,095	
Accrued expenses	78,459,881	81,506,885	
Income tax payable	69,805,719	83,492,351	
Dividends payable	44,123	34,773	
Advances from customers	63,865,896	25,146,555	
Forward foreign currency contracts (Note 11)	314,957	283,314	
Other current liabilities	153,994,509	161,295,994	
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,709,844,941</b>	<b>2,186,107,188</b>	
<b>LONG-TERM LIABILITIES</b>			
Debentures, net of present value discount of ₩ 296,890 thousand in 2010 and ₩ 617,690 thousand in 2009 (Note 10)	149,703,110	199,382,310	
Long-term borrowings (Notes 8, 10, 13 and 14)	253,843,702	389,133,177	
Accrued severance benefits, net of National Pension Fund of 2,212,188 thousand in 2010 and ₩1,759,866 thousand in 2009, and severance insurance deposits of ₩128,007,667 thousand in 2010 and ₩119,696,338 thousand in 2009 (Note 2)	52,573,433	50,986,187	
Long-term guarantee deposits payable	11,711,871	14,615,344	
Other non-current liabilities (Notes 12, 13 and 14)	50,058,943	49,199,115	
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>517,891,059</b>	<b>703,316,133</b>	
<b>TOTAL LIABILITIES</b>	<b>3,227,736,000</b>	<b>2,889,423,321</b>	
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock - common stock (Note 15)	76,094,965	76,094,965	
Capital surplus (Note 16)	624,003,949	624,003,949	
Capital adjustments (Note 15)	(57,506,881)	(58,462,239)	
Accumulated other comprehensive income (Notes 6, 11 and 22)	101,635,479	118,567,374	
Retained earnings (Note 17)	1,636,127,750	1,239,637,213	
Minority interests	150,143,759	113,665,977	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,530,499,021</b>	<b>2,113,507,239</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,758,235,021</b>	<b>5,002,930,560</b>	

See accompanying notes to consolidated financial statements.

## 2. CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2010 and 2009

Korean won (In thousands, except per share amounts)

	2010	2009
<b>SALES (Notes 19, 23 and 25)</b>	<b>5,813,381,548</b>	<b>5,145,135,732</b>
<b>COST OF SALES (Notes 4, 9, 19 and 23)</b>	<b>4,104,077,158</b>	<b>3,626,695,677</b>
<b>GROSS PROFIT</b>	<b>1,709,304,390</b>	<b>1,518,440,055</b>
<b>SELLING AND ADMINISTRATIVE EXPENSES (Notes 9 and 24)</b>	<b>1,039,058,476</b>	<b>898,235,392</b>
<b>OPERATING INCOME</b>	<b>670,245,914</b>	<b>620,204,663</b>
NON-OPERATING INCOME	251,352,856	251,131,118
Interest income	23,554,095	16,117,974
Dividend income	1,058,888	922,229
Commission income	587,884	1,554,901
Royalty fee income	378,573	583,513
Rental income	2,911,550	2,423,204
Gain on foreign currency transactions	135,171,784	167,776,434
Gain on foreign currency translation	55,032,677	25,751,150
Reversal of allowance for doubtful accounts	454,463	-
Gain on forward foreign currency transaction (Note 11)	7,940,828	3,290,783
Gain on valuation of forward foreign currency contracts (Note 11)	-	2,541,115
Gain on valuation of trading securities	55,547	-
Gain on disposal of available-for-sale securities	-	208,820
Gain on valuation of investment securities accounted for using the equity method (Note 7)	636,052	440,125
Gain on disposal of property, plant and equipment	2,051,758	3,498,012
Gain on disposal of intangible assets	1,000	-
Others	21,517,757	26,022,858
NON-OPERATING EXPENSES	274,616,969	359,152,236
Interest expense	47,418,026	84,661,714
Donations	2,686,176	1,989,466
Loss on foreign currency transactions	130,928,462	175,824,818
Loss on foreign currency translation	52,454,614	25,328,854
Loss on valuation of short-term investments	-	22,512
Loss on disposal of trade receivables	14,061,885	23,524,053
Loss on disposal of inventories	2,210,824	405,185
Loss on forward foreign currency transaction (Note 11)	8,439,860	-
Loss on valuation of forward foreign currency contracts (Note 11)	255,420	283,314
Loss on disposal of available-for-sale securities	62,519	10,660
Impairment loss on available-for-sale securities	23,511	25,943
Loss on valuation of investment securities accounted for using the equity method (Note 7)	-	1,929,496
Loss on disposal of property, plant and equipment	4,098,991	31,128,111
Loss on disposal of other investment assets	-	55,087
Others	11,976,681	13,963,023

(Continued)

Korean won (In thousands, except per share amounts)

	2010	2009
INCOME BEFORE INCOME TAX	646,981,801	512,183,545
INCOME TAX EXPENSE (Note 20)	169,501,567	136,515,232
<b>NET INCOME</b>	<b>477,480,234</b>	<b>375,668,313</b>
<b>The Parent Company interest</b>	<b>437,863,524</b>	<b>342,187,206</b>
<b>Minority interests</b>	<b>39,616,710</b>	<b>33,481,107</b>
<b>NET INCOME PER SHARE (Note 21)</b>		
<b>Basic and Diluted earnings per share of the Parent Company</b>	<b>3,016</b>	<b>2,357</b>

### 3. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2010 and 2009

Korean won (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	Total
<b>As of January 1, 2009</b>	<b>76,094,965</b>	<b>624,003,949</b>	<b>(58,462,239)</b>	<b>123,570,284</b>	<b>919,228,496</b>	<b>83,449,786</b>	<b>1,767,885,241</b>
Cash dividends	-	-	-	-	(21,778,489)	(3,150,658)	(24,929,147)
Retained earnings after appropriations	76,094,965	624,003,949	(58,462,239)	123,570,284	897,450,007	80,299,128	1,742,956,094
Net income	-	-	-	-	342,187,206	33,481,107	375,668,313
Gain (loss) on valuation of available-for-sale securities	-	-	-	2,138,644	-	(114,258)	2,024,386
Change in capital adjustments - due to investment securities accounted for using the equity method	-	-	488	-	-	488	-
Gain on valuation of forward foreign currency contracts, net (Note 11)	-	-	-	305,771	-	-	305,771
Loss in translation of foreign operations	-	-	-	(7,447,813)	-	-	(7,447,813)
<b>As of December 31, 2009</b>	<b>76,094,965</b>	<b>624,003,949</b>	<b>(58,462,239)</b>	<b>118,567,374</b>	<b>1,239,637,213</b>	<b>113,665,977</b>	<b>2,113,507,239</b>
<b>As of January 1, 2010</b>	<b>76,094,965</b>	<b>624,003,949</b>	<b>(58,462,239)</b>	<b>118,567,374</b>	<b>1,239,637,213</b>	<b>113,665,977</b>	<b>2,113,507,239</b>
Cash dividends (Note 18)	-	-	-	-	(50,816,475)	(3,150,658)	(53,967,133)
Retained earnings after appropriations	76,094,965	624,003,949	(58,462,239)	118,567,374	1,188,820,738	110,515,319	2,059,540,106
Net income	-	-	-	-	437,863,524	39,616,710	477,480,234
Change in scope of consolidation	-	-	-	-	(350,105)	-	(350,105)
Changes in subsidiaries' equity -	-	955,358	(10,748,951)	9,793,593	-	-	-
Gain (loss) on valuation of available-for-sale securities	-	-	-	880,975	-	-	11,730,892,705
Gain on valuation of forward foreign currency contracts, net (Note 11)	-	-	-	(333,559)	-	-	(333,559)
Loss in translation of foreign operations	-	-	-	(6,730,360)	-	-	(6,730,360)
<b>As of December 31, 2010</b>	<b>76,094,965</b>	<b>624,003,949</b>	<b>(57,506,881)</b>	<b>101,635,479</b>	<b>1,636,127,750</b>	<b>150,143,759</b>	<b>2,530,499,021</b>

See accompanying notes to consolidated financial statements.

### 4. CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

Korean won (In thousands)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income</b>	<b>477,480,234</b>	<b>375,668,313</b>
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Loss (gain) on valuation of inventories, net	402,592,866	486,089,873
Provision for severance benefits	2,079,023	(8,559,599)
Sales damage expense	39,303,589	55,853,847
Depreciation	3,231,861	2,310,006
Amortization of intangible assets	347,060,045	373,937,331
Provision for doubtful accounts, net	4,479,589	4,115,993
Amortization of discounts on debentures	(454,463)	5,541,194
Loss (gain) on foreign currency transactions, net	309,476	241,810
Gain on foreign currency translation, net	(9,046,776)	6,946,192
Loss on valuation of short-term investments	(2,661,706)	(859,127)
Loss on disposal of trade receivables	-	22,512
Loss on disposal of inventories	14,061,885	23,524,053
Loss (gain) on forward foreign currency transaction, net	2,210,824	405,185
Loss (gain) on valuation of forward foreign currency contracts, net	2,658,297	(3,290,783)
Gain on valuation of trading securities	255,420	(2,257,801)
Loss (gain) on disposal of available-for-sale securities, net	(55,547)	-
Impairment loss on available-for-sale securities	62,519	(198,160)
Loss (gain) on valuation of investment securities accounted for using the equity method, net	23,511	25,943
Loss on disposal of property, plant and equipment, net	(636,052)	1,489,371
Gain on disposal of intangible assets	2,047,233	27,630,099
Loss on disposal of other investment assets	(1,000)	-
Others	-	55,087
	(2,334,862)	(843,280)
<b>Changes in operating assets and liabilities:</b>		
Increase in trade receivables	(22,931,031)	249,859,898
Decrease in other accounts receivable	(113,227,440)	(13,187,262)
Decrease (increase) in inventories	6,329,455	13,223,361
Increase in accrued income	(93,858,165)	291,544,918
Increase in other current assets	(275,251)	(1,741,632)
Decrease (increase) in deferred income tax assets	(19,108,140)	(47,434,485)
Increase in dishonored notes receivable	14,180,837	(17,627,674)
Increase in trade payables	(138,758)	(2,291,075)
Increase (decrease) in other accounts payable	76,628,211	131,187,585
	138,942,874	(123,541,304)

(Continued)

#### 4. CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the years ended December 31, 2010 and 2009		Korean won (In thousands)	
	2010	2009	
Increase (decrease) in accrued expenses	(18,298,332)	9,550,878	
Decrease in income tax payable	(13,835,279)	(11,303,281)	
Increase in advances from customers	32,833,854	4,183,480	
Increase in other non-current liabilities	7,645,367	55,090,370	
Decrease in long-term guarantee deposits payable	(3,031,861)	(2,360,491)	
Payment of severance benefits	(29,074,064)	(14,296,244)	
Increase in severance insurance deposits	(8,932,721)	(20,605,010)	
Decrease in contributions to the National Pension Fund	169,069	127,552	
Increase (decrease) in other non-current liabilities	119,313	(659,788)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>857,142,069</b>	<b>1,111,618,084</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Disposal (acquisition) of short-term investment assets, net	(383,046,610)	27,765,893	
Increase of long-term financial instruments	(307)	-	
Disposal of available-for-sale securities, net	43,625	399,179	
Acquisition of held-to-maturity securities, net	-	(5,997,600)	
Decrease (increase) in currency futures, net	(400,496)	3,288,550	
Acquisition of investment securities accounted for using the equity method	(558,852)	(1,960,105)	
Extension of long-term loans, net	(717,460)	(38,267)	
Acquisition of other investments, net	(162,599)	(116,073)	
Acquisition of property, plant and equipment, net	(513,863,289)	(258,072,565)	
Acquisition of intangible assets, net	(11,357,680)	(516,176)	
Decrease (increase) in guarantee deposits	(1,647,285)	175,417	
Increase in government subsidies	63,000	-	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(911,647,953)</b>	<b>(235,071,747)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from (repayment of) short-term borrowings, net	435,375,498	(634,047,214)	
Repayment of current portion of long-term debts	(179,554,254)	(186,222,761)	
Proceeds from (repayment of) long-term borrowings, net	(65,778,821)	(5,230,241)	
Issuance of debentures	-	199,140,500	
Payments of dividends	(53,957,783)	(24,925,515)	
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>136,084,640</b>	<b>(651,285,231)</b>	
<b>EFFECT OF CHANGE IN CONSOLIDATED SUBSIDIARIES</b>	<b>12,011,220</b>	<b>71,512</b>	
<b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>(6,953,049)</b>	<b>(5,374,818)</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>86,636,927</b>	<b>219,957,800</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>516,653,210</b>	<b>296,695,410</b>	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>603,290,137</b>	<b>516,653,210</b>	

See accompanying notes to consolidated financial statements.

#### 5. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### 1. GENERAL INFORMATION

###### The Parent Company

Hankook Tire Co., Ltd. (the "Parent Company," the "Company") was incorporated in May 1941 to manufacture and sell tires, tubes and alloy wheels. In 1968, the Company offered its shares for public ownership and all of the Company's shares were registered with the Korea Stock Exchange. The Company's headquarters is located in Gangnam-gu, Seoul and two manufacturing factories are located in Daejeon and Geumsan.

The authorized number of the Company's common shares is 250 million with a par value of ₩ 500 per share. As of December 31, 2010, the capital stock of the Company is ₩ 76,094,965 thousand (common shares: 152,190 thousand) and the Company's shareholders as of December 31, 2010 are as follows:

	Number of shares owned	Percentage of ownership (%)
Cho, Yang Rai	24,335,507	16.0
Compagnie Financiere Michelin	15,195,587	10.0
Cho, Hyun Bum	10,798,251	7.1
Cho, Hyun Shick	8,817,786	5.8
Others (*)	93,042,798	61.1
	<b>152,189,929</b>	<b>100.0</b>

(\*) Including 7 million in treasury stock as of December 31, 2010 and 2009.

###### Consolidated Subsidiaries

###### 1) ATLASBX CO., LTD.

The company was incorporated in November 1944 to manufacture and sell battery. In 1994, 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 and manufacturing factories are located in Daejeon. As of December 31, 2010, the capital stock of the company is ₩ 9,150,000 thousand, and the Parent Company has 31.13% ownership interest.

###### 2) Daehwa Eng' & Machinery Co., Ltd.

The company was incorporated in February 1992 to manufacture and sell tire and tube manufacturing machine. The company's headquarters and manufacturing factories are located in Daejeon. As of December 31, 2010, the capital stock of the company is ₩ 2,000,000 thousand, and the Parent Company has 95% ownership interest.

###### 3) emFrontier Inc.

The company was incorporated in August 2000 to provide e-business, system management and service. The company's headquarters is located in Gangnam-gu, Seoul. As of December 31, 2010, the capital stock of the company is ₩ 2,000,000 thousand, and the Parent Company has 50% ownership interest.

###### 4) Hankook Tire China Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2010, the capital stock of the company is RMB 1,515,974 thousand through the series of increases in paid-in capital, and the Parent Company and Hankook Tire America Corp. have a total of 100% ownership interest.

5) Jiangsu Hankook Tire Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2010, the capital stock of the company is RMB 1,575,974 thousand through the series of increases in paid-in capital, and the Parent Company, Hankook Tire America Corp. and Hankook Tire China Co., Ltd. have a total of 100% ownership interest.

6) Shanghai Hankook Tire Sales Co., Ltd.

The company was incorporated to sell products which Hankook Tire China Co., Ltd. and Jiangsu Hankook Tire Co., Ltd. manufacture in China. As of December 31, 2010, the capital stock of the company is RMB 22,000 thousand, and Hankook Tire China Co., Ltd. and Jiangsu Hankook Tire Co., Ltd. have a total of 100% ownership interest.

7) Hankook Tire Japan Corp.

The company was incorporated in 1994 to sell products of the Parent Company in Japan. As of December 31, 2010, the capital stock of the company is JPY 20,000 thousand, and the Parent Company has a total of 100% ownership interest.

8) Hankook Tire America Corp.

The company was incorporated in 1981 to sell products of the Parent Company in the United States of America. As of December 31, 2010, the capital stock of the company is USD 8,000 thousand through the series of increases in paid-in capital, and the Parent Company has a total of 100% ownership interest.

9) Hankook Tire Canada Corp.

The company was incorporated in 1993 to sell products of the Parent Company in Canada. As of December 31, 2010, the capital stock of the company is CAD 50 thousand, and the Parent Company has a total of 100% ownership interest.

10) Hankook Tyre U.K. Ltd.

The company was incorporated in 1993 to sell products of the Parent Company in UK. As of December 31, 2010, the capital stock of the company is GBP 25 thousand, and the Parent Company has a total of 100% ownership interest.

11) Hankook Reifen Deutschland GmbH

The company was incorporated in 1995 to sell products of the Parent Company in Germany. As of December 31, 2010, the capital stock of the company is EUR 128 thousand, and the Parent Company has a total of 100% ownership interest.

12) Hankook France SARL

The company was incorporated in 1996 to sell products of the Parent Company in France. As of December 31, 2010, the capital stock of the company is EUR 1,191 thousand, and the Parent Company has a total of 100% ownership interest.

13) Hankook Tire Netherlands B.V.

The company was incorporated in 1996 to sell products of the Parent Company in Europe. As of December 31, 2010, the capital stock of the company is EUR 1,594 thousand, and the Parent Company has a total of 100% ownership interest.

14) Hankook Tire Espana S.A.

The company was incorporated in 1999 to sell products of the Parent Company in Spain. As of December 31, 2010, the capital stock of the company is EUR 60 thousand, and the Parent Company has a total of 100% ownership interest.

15) Hankook Tire Europe Holdings B.V.

The company was incorporated in 2006 to operate controlling structure effectively in Europe. As of December 31, 2010, the capital stock of the company is EUR 39,025 thousand, and the Parent Company has a total of 100% ownership interest.

16) Hankook Tire Italia S.R.L.

The company was incorporated in 1997 to sell products of the Parent Company in Italy. As of December 31, 2010, the capital stock of the company is EUR 21 thousand by several paid-in capital increases and Hankook Tire Europe Holdings B.V. has a total of 100% ownership interest.

17) Hankook Tire Hungary Ltd.

The company was incorporated in 2005 to manufacture and sell tire. As of December 31, 2010, the capital stock of the company is HUF 11,087,730 thousand through the series of increases in paid-in capital, and Hankook Tire Europe Holdings B.V. has a total of 100% ownership interest.

18) Hankook Tire Budapest Kereskedelmi Kft

The company was incorporated in 2007 to sell products of the Parent Company in Hungary. As of December 31, 2010, the capital stock of the company is HUF 3,000 thousand, and Hankook Tire Europe Holdings B.V. has a total of 100% ownership interest.

19) Hankook Tire Australia Pty., Ltd.

The company was incorporated in 1998 to sell products of the Parent Company in Australia. As of December 31, 2010, the capital stock of the company is AUD 1,575 thousand, and the Parent Company has a total of 100% ownership interest.

20) Chongqing Hankooktire Co., Ltd.

The company was incorporated in 2010 to sell products of the Parent Company. As of December 31, 2010, the capital stock of the company is RMB 132,610 thousand, and the Parent Company has a total of 100% ownership interest.

**Changes in Scope of Consolidation**

Location	Subsidiary	Changes	Description
Australia	Hankook Tire Australia Pty., Ltd.	Inclusion	Total asset exceeded ₩ 10 billion as of December 31, 2009
China	Chongqing Hankooktire Co., Ltd.	Inclusion	Capital stock exceeds ₩ 10 billion at the time of establishment in 2010

**Details of Investments in Subsidiaries**

Details of investments in subsidiaries as of December 31, 2010, are as follows:

Subsidiaries	The Parent Company		Subsidiaries		Total		Location	Fiscal year end
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Simple ratio of shareholding percentage		
ATLASBX CO., LTD.	2,848,685	31.13	-	-	2,848,685	31.13	Korea	Dec. 31
Daehwa Eng' & Machinery Co., Ltd.	380,000	95.00	-	-	380,000	95.00	Korea	Dec. 31
emFrontier Co., Ltd.	2,000,000	50.00	-	-	2,000,000	50.00	Korea	Dec. 31
Hankook Tire China Co., Ltd.	(*1)	96.15	(*1)	3.85	(*1)	100.00	China	Dec. 31
Jiangsu Hankook Tire Co., Ltd.	(*1)	34.67	(*1)	65.33	(*1)	100.00	China	Dec. 31
Shanghai Hankook Tire Sales Co., Ltd.	-	-	(*1)	100.00	(*1)	100.00	China	Dec. 31
Hankook Tire Japan Corp.	400	100.00	-	-	400	100.00	Japan	Dec. 31
Hankook Tire America Corp.	1,600	100.00	-	-	1,600	100.00	America	Dec. 31
Hankook Tire Canada Corp.	50,000	100.00	-	-	50,000	100.00	Canada	Dec. 31
Hankook Tyre U.K. Ltd.	25,000	100.00	-	-	5,000	100.00	U.K.	Dec. 31
Hankook Reifen Deutschland GmbH	(*1)	100.00	-	-	(*1)	100.00	Germany	Dec. 31
Hankook France SARL	(*1)	100.00	-	-	(*1)	100.00	France	Dec. 31
Hankook Tire Netherlands B.V.	(*1)	100.00	-	-	(*1)	100.00	Netherlands	Dec. 31

Subsidiaries	The Parent Company		Subsidiaries				Total	Location	Fiscal year end	
	Number of	Ratio of	Number	Ratio of	Number	Simple ratio of				Ownership
	of shares	shareholding	of shares	shareholding	of shares	shareholding				percentage
Hankook Tire Espana S.A.	( <sup>*</sup> 1)	100.00	-	-	( <sup>*</sup> 1)	100.00	100.00	Espana	Dec. 31	
Hankook Tire Europe Holdings B.V.	390,253	100.00	-	-	390,253	100.00	100.00	Netherlands	Dec. 31	
Hankook Tire Italia S.R.L.	-	-	( <sup>*</sup> 1)	100.00	( <sup>*</sup> 1)	100.00	100.00	Italia	Dec. 31	
Hankook Tire Hungary Ltd.	-	-	( <sup>*</sup> 1)	100.00	( <sup>*</sup> 1)	100.00	100.00	Hungary	Dec. 31	
Hankook Tire Budapest	-	-	( <sup>*</sup> 1)	100.00	( <sup>*</sup> 1)	100.00	100.00	Hungary	Dec. 31	
Kereskedelmi Kft										
Hankook Tire Australia Pty., Ltd.	( <sup>*</sup> 1)	100.00	-	-	( <sup>*</sup> 1)	100.00	100.00	Australia	Dec. 31	
Chongqing Hankooktire Co., Ltd.	( <sup>*</sup> 1)	100.00	-	-	( <sup>*</sup> 1)	100.00	100.00	China	Dec. 31	

(<sup>\*</sup>1) Certain subsidiaries did not issue shares.

#### The Summary of Financial Information of Subsidiaries

Korean won (In thousands)

Subsidiaries	Assets ( <sup>*</sup> 1)	Liabilities ( <sup>*</sup> 1)	Net assets ( <sup>*</sup> 1)	Sales ( <sup>*</sup> 1)	Net income (loss) ( <sup>*</sup> 1)
ATLASBX CO., LTD.	269,635,494	61,082,113	208,553,381	438,437,866	56,234,412
Daehwa Eng' & Machinery Co., Ltd.	69,338,134	51,098,204	18,239,930	117,437,745	2,465,782
emFrontier Inc.	27,296,259	13,823,498	13,472,761	51,412,092	1,994,458
Hankook Tire China Co., Ltd. ( <sup>*</sup> 2)	1,057,689,603	522,726,342	534,963,261	654,592,808	12,214,239
Jiangsu Hankook Tire Co., Ltd. ( <sup>*</sup> 2)	829,911,682	508,777,732	321,133,950	743,121,810	3,012,135
Shanghai Hankook Tire Sales Co., Ltd. ( <sup>*</sup> 2)	213,848,022	244,721,134	(30,873,112)	923,409,820	9,824,697
Hankook Tire Japan Corp. ( <sup>*</sup> 2)	35,919,554	32,454,959	3,464,595	68,629,999	1,818,113
Hankook Tire America Corp. ( <sup>*</sup> 2)	424,660,876	326,491,774	98,169,102	957,648,838	23,232,753
Hankook Tire Canada Corp. ( <sup>*</sup> 2)	51,765,696	43,761,105	8,004,591	124,252,700	1,891,540
Hankook Tyre U.K. Ltd. ( <sup>*</sup> 2)	78,894,670	73,857,919	5,036,751	158,600,838	839,280
Hankook Reifen Deutschland GmbH ( <sup>*</sup> 2)	145,911,469	136,271,849	9,639,620	316,337,875	3,727,575
Hankook France SARL ( <sup>*</sup> 2)	31,484,376	28,191,627	3,292,749	67,967,104	290,321
Hankook Tire Netherlands B.V. ( <sup>*</sup> 2)	65,171,434	58,383,007	6,788,427	177,539,513	2,583,424
Hankook Tire Espana S.A. ( <sup>*</sup> 2)	20,094,555	17,780,084	2,314,471	50,560,050	278,354
Hankook Tire Europe Holdings B.V. ( <sup>*</sup> 2)	255,634,172	-	255,634,172	-	(67,858)
Hankook Tire Italia S.R.L. ( <sup>*</sup> 2)	59,970,537	58,420,818	1,549,719	96,281,901	771,153
Hankook Tire Hungary Ltd. ( <sup>*</sup> 2)	867,667,236	746,700,427	120,966,809	323,698,289	19,497,025
Hankook Tire Budapest Kereskedelmi Kft ( <sup>*</sup> 2)	21,004,831	19,497,025	1,358,553	63,934,766	985,963
Hankook Tire Australia Pty., Ltd. ( <sup>*</sup> 2)	24,634,009	22,201,141	2,432,868	52,009,228	258,060
Chongqing Hankooktire Co., Ltd. ( <sup>*</sup> 2)	22,875,225	-	22,875,225	-	-

(<sup>\*</sup>1) The summary of financial information of subsidiaries above is before elimination of intercompany transactions and adjustment of the differences in accounting policy between the Company and consolidated subsidiaries.

(<sup>\*</sup>2) Assets, liabilities and equity of the overseas subsidiaries have been translated at the exchange rate in effect at the end of the fiscal year, and revenue, gains and losses have been translated at the weighted-average rate for the year.

#### Adjustment Due to Subsidiaries' Accounting Policies

Korean won (In thousands)

Subsidiaries	Net asset value	Adjustments	Net asset value	Reason for adjustments
	before adjustments		after adjustments	
Jiangsu Hankook Tire Co., Ltd.	321,133,950	(150,611,036)	170,522,914	Depreciation method and others
Hankook Tire China Co., Ltd.	534,963,261	(119,023,724)	415,939,537	Depreciation method and others
Hankook Tire Hungary Ltd.	120,966,809	(77,911,091)	43,055,718	Depreciation method and others
<b>Total</b>	<b>977,064,02</b>	<b>(347,545,851)</b>	<b>629,518,169</b>	

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company and consolidated subsidiaries in preparing its consolidated financial statements are summarized below:

#### Basis of Financial Statement Presentation

The Company and consolidated subsidiaries maintains its official accounting records in Korean won and prepares financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company and consolidated subsidiaries 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 consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

#### Principles of Consolidation

The consolidated financial statements include the individual accounts of the Company and its domestic and foreign subsidiaries over which the Company has control, except for companies with total assets of less than ₩ 10,000 million at the end of the preceding fiscal year. Under Korean GAAP, control is presumed when the Company is the largest shareholder and owns more than 30% of the voting shares. Investments in affiliates in which a consolidated entity is able to exercise significant influence over the operation and financial policies of a non-consolidated company are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than 20% of the investee's voting shares, unless there is evidence to the contrary. If the changes in the investment value due to the changes in the net assets of affiliates, whose individual beginning balance of total assets or paid-in capital at the date of its establishment is less than ₩ 10,000 million, are not material, investments in affiliates can be excluded from using the equity method.

The investment account of the Company and corresponding equity accounts of subsidiaries are eliminated at the dates the Company obtained control over the subsidiaries. The difference between the investment cost and the fair value of the Company's portion of assets acquired less liabilities assumed of a subsidiary is accounted for as goodwill or negative goodwill. Goodwill is amortized on a straight-line basis over its useful life, not exceeding 10 years. When the shareholders' equity of the subsidiary after the date of acquisition of control over a subsidiary is changed due to a reduction in capital stock, increase in capital stock and others, the minority interest is calculated on the basis of the changed shareholders' equity of the subsidiary.

When the Company acquires additional interests in a subsidiary after obtaining control over the subsidiary, the difference between incremental price paid by the Company and the amount of incremental interest in the shareholders' equity of the subsidiary is reflected in the capital surplus. In case

a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stock of subsidiaries to non-subsiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as capital surplus.

If negative consolidated capital surplus is incurred, it is charged to related consolidated capital surplus first, and remaining amount is recorded as consolidated capital adjustment.

Profits and losses on intercompany sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. Unrealized gains and losses arising from sales by a controlling company to its subsidiary (downstream sales) are eliminated entirely and charged (credited) to controlling interest, and unrealized gains and losses arising from sales by a subsidiary to its controlling company or from transactions among subsidiaries (upstream sales) are eliminated entirely and allocated to controlling interest and minority interests.

The accounting methods adopted by the Company and its subsidiaries for similar transactions and circumstances are generally the same. The fiscal year of the consolidated subsidiaries is the same as that of the Company. Differences in accounting policy between the Company and consolidated subsidiaries are adjusted in the consolidation.

Assets and liabilities of the overseas subsidiaries have been translated at the exchange rate in effect at the end of the fiscal year and equity accounts have been translated at historical rates. Revenue, expenses, gains and losses have been translated at the weighted-average rate for the year. Translation adjustments are accounted for as a separate component of equity as "accumulated other comprehensive gain (loss)" in the consolidated financial statements.

Minority interests represent the share in net operation results and net assets of a subsidiary other than controlling interest. When net loss attributable to minority shareholders exceeds the minority interests, the excess is charged to the equity of the controlling company. When the subsidiary subsequently generates income, such income is added to the equity of the controlling company until the minority interests' net loss charged to the controlling company has been fully recovered.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and short-term financial instruments with original maturities of less than 90 days, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

#### Allowance for Doubtful Accounts

The Company and its subsidiaries provide an allowance for doubtful accounts based on management's estimate of the collectibility of receivables and prior years' collection experience.

#### Transfer or Discounting of Accounts Receivable

The Company and its subsidiaries transfer or discount certain accounts or notes receivable to financial institutions and accounts for the transactions as a disposal of the receivables if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the disposal of the receivables are classified as other expenses.

#### Inventories

Inventories are stated at the lower of cost or net realized value, 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

#### Investments in Securities Other Than Those Accounted for Using the Equity Method

##### • Classification of securities

At acquisition, the Company and its subsidiaries classify securities into one of the three categories: trading, held to maturity or available for sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company and its subsidiaries have the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as current assets, whereas available-for-sale and held-to-maturity securities are classified as non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the end of the reporting period, which are classified as current assets.

##### • Valuation of securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is included in current operations.

However, available-for-sale securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the end of each reporting period. The fair value of non-marketable securities are measured at the discounted future cash flows using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each period-end date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counterevidence that recognition of impairment is unnecessary, the Company and its subsidiaries estimate the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already

recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in accumulated other comprehensive income (loss). Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in accumulated other comprehensive income (loss) and amortized over the remaining term of the securities using the effective interest method.

#### • **Entrusted assets to investment advisory companies**

The Company and its subsidiaries classify entrusted assets to investment advisory companies into one of the two categories: trading or available for sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Available-for-sale securities are those that were acquired to hedge market interest change by entrusted investments and advance redemption risk of bonds and to hedge risk against foreign exchange.

#### **Investments Securities Accounted for Using the Equity Method**

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. Differences between the initial purchase price and the Company and its subsidiaries' initial proportionate ownership of the net book value of the investee are amortized over five years using the straight-line method. Under the equity method, the change in the Company and its subsidiaries' portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company and its subsidiaries' net income (loss), retained earnings, capital adjustments and accumulated other comprehensive income (loss), in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings, changes in capital surplus, capital adjustments and accumulated other comprehensive income (loss).

#### • **Application of goodwill**

The difference between the fair value of the consideration given and the net fair value of the identifiable assets and liabilities acquired is recognized as goodwill or negative goodwill, which is amortized using the straight-line method for 10 years or reversed using the straight-line method based on the weighted-average useful life among discernable non-monetary assets of the investees.

#### • **Elimination of intercompany transactions' unrealized gain (loss)**

- a. Unrealized gain (loss) arising from sales by the Company and its subsidiaries to the investees is proportionately eliminated; however, unrealized gain (loss) arising from sales by the Company to its subsidiaries is fully eliminated.
- b. Unrealized gain (loss) arising from sales by the investees to the Company and its subsidiaries is proportionately eliminated.  
 Translation of overseas affiliates' financial statements

For overseas affiliates whose financial statements are prepared in foreign currencies, assets and liabilities are translated at the exchange rate at the end of each reporting period, shareholders' equity is translated at the historical exchange rate and the items in the statement of income are translated at the weighted-average exchange rate for the reporting period. Net translation adjustments are recorded as a component of shareholders' equity.

#### • **Impairment losses**

If the amount recoverable from an investment in an associate (hereinafter referred to as the "recoverable amount") is less than its carrying amount, the Company and its subsidiaries consider recognition of an impairment loss. Pursuant to Korea Accounting Standards for investments in securities, the Company and its subsidiaries determine whether there is objective evidence that impairment loss has been incurred, and when such evidence exists, impairment loss is recognized in accordance with Korea Accounting Standards for impairment losses. The recoverable amount is determined as the higher of value in use or expected amount of net cash inflows from disposal of the investment in the associate. If there is any amount of unamortized investment difference when the Company and its subsidiaries recognize impairment loss on an investment in an associate, the remaining balance of the investment difference is reduced first. If the recoverable amount of an investment in an associate increases after recognizing an impairment loss, the amount of increase is recognized as current income to the extent of the impairment loss previously recognized.

#### • **Discontinuance of equity method**

The Company and its subsidiaries discontinue the equity method of accounting for investments in equity method investees when the Company and its subsidiaries' share of accumulated losses equal the costs of the investments and until the subsequent cumulative changes in its proportionate net income of the investees equal its cumulative proportionate net losses not recognized during the periods that the equity method was suspended.

#### **Property, Plant and Equipment and Related Depreciation**

Property, plant and equipment are stated at cost (except for assets revalued upward in accordance with the Asset Revaluation Law in Korea), net of accumulated depreciation. Repairs and maintenance expenses that are recurring in nature are expensed as incurred. Expenditure that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to property, plant and equipment.

Upon the application of SKAS 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 3,467,091 thousand and 4,572,555 thousand in 2010 and 2009, respectively. As a result, net income in 2010 and 2009 increased by 2,628,055 thousand and 3,456,997 thousand, respectively.

Depreciation is computed using the declining-balance method (except for buildings and structures for which the straight-line method is used) based on the estimated useful lives of the assets as follows:

Assets	Useful lives (Years)
Building	2-60
Structures	2-50
Machinery and equipment	2-18
Vehicles	2-19
Tools, furniture and fixtures	2-30

The Company and its subsidiaries assess any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset are considerably less than its carrying amount as a result of technological obsolescence or rapid declines in market value. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal are less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss.

If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

## Intangible Assets

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

Assets	Estimated useful lives (Years)
Industrial property rights	5–20
Other intangible assets	2–50

The Company and its subsidiaries assess 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 is 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.

## Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loans (borrowings) transactions are stated at present value, if the difference between nominal value and present value is material. The difference between nominal value and present value is presented as present value discount. The present value discount is amortized using the effective interest method, and the amortization is included in interest expense or interest income.

## Foreign Currency Transactions and Translation

The Company and its subsidiaries maintain its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Accounts with balances denominated in foreign currencies are recorded and reported in the accompanying consolidated financial statements at the exchange rates prevailing at the end of each reporting period. The balances have been translated using the basic rate announced by Seoul Money Brokerage Services, Ltd., which was ₩ 1,138.90 and ₩ 1,167.60 to USD 1.00 at December 31, 2010 and 2009, respectively, and translation gain or losses are reflected in current non-operating income (expense).

## Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries, based on their tenure of employment and rate of pay at the time of termination.

The accrued severance benefits that would be payable assuming all eligible directors and employees were to resign amount to ₩ 182,793,288 thousand and ₩ 172,442,391 thousand as of December 31, 2010 and 2009, respectively. Before April 1999, the Company and its employees paid 3% and 6%, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law in Korea. The Company paid half of the employees' 6% portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables are presented as a deduction from accrued severance benefits.

The Company and its subsidiaries have purchased individual severance indemnity insurance with Samsung Life Insurance Co., Ltd. and

other insurance companies. The insurance deposits in which the beneficiary is a respective employee are presented as deduction from accrued severance benefits.

Actual payments of severance benefits amount to ₩ 29,074,064 thousand and ₩ 14,296,244 thousand in 2010 and 2009, respectively.

## Provisions

Provisions are recognized when the Company and its subsidiaries have a present obligation as a result of a past event or transaction, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. Accordingly, the Company and its subsidiaries provided provisions for product warranties and products liability (see Notes 12 and 14).

## Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecast transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as accumulated other comprehensive income (loss) and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income (loss) is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in accumulated other comprehensive income (loss) is added to or deducted from the asset or the liability.

## Revenue Recognition

Revenue from sale of goods is recognized when the Company and its subsidiaries have transferred significant risks and rewards of goods to the buyer.

## Income Tax Expense and Deferred Income Taxes

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the

deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

### Use of Estimates

The preparation of the 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 and its subsidiaries may undertake in the future, actual results may differ from those estimates.

### 3. RESTRICTED FINANCIAL INSTRUMENTS

Deposits with withdrawal restrictions as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)			
Accounts	2010	2009	Description
Short-term investment assets	96,301	5,589,103	Pledged
Long-term financial instruments	26,500	26,500	Guarantee deposits for checking accounts
<b>Total</b>	<b>122,801</b>	<b>5,615,603</b>	

### 4. INVENTORIES

Inventories as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)								
	Acquisition cost		Inventory valuation		Inventory valuation reserve		Loss (gain) on valuation of inventories	
	2010	2009	2010	2009	2010	2009	2010	2009
	Finished goods	279,040,576	312,789,352	275,532,375	308,948,942	3,508,201	3,840,410	(332,209)
Work-in-process	46,747,672	39,536,608	46,747,672	39,536,608	-	-	-	-
Raw materials	178,805,166	124,976,984	176,253,120	124,836,170	2,552,046	140,814	2,411,232	(1,665,704)
Supplies	22,509,064	20,061,000	22,129,880	19,681,816	379,184	379,184	-	-
Materials in transit	457,640,654	402,301,814	457,640,654	402,301,814	-	-	-	-
<b>Total</b>	<b>984,743,132</b>	<b>899,665,758</b>	<b>978,303,701</b>	<b>895,305,350</b>	<b>6,439,431</b>	<b>4,360,408</b>	<b>2,079,023</b>	<b>(8,559,599)</b>

For the years ended December 31, 2010 and 2009, the Company recognized gain (loss) on valuation of inventories amounting to ₩ 2,079,023 thousand and ₩ (8,559,599) thousand, respectively, which are reduced from (added to) cost of sales.

### 5. SHORT-TERM INVESTMENT ASSETS

Short-term investment assets as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)		
Accounts	2010	2009
Short-term financial instruments	416,000,206	34,485,631
Trading securities	154,298	98,751
Short-term loans	6,292,350	6,515,607
<b>Total</b>	<b>422,446,854</b>	<b>41,099,989</b>

### 6. SECURITIES

#### Available-for-sale securities

Available-for-sale securities as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)		
Accounts	2010	2009
Equity securities	3,742,398	3,449,742
Debt securities	-	50,810
Entrusted assets to investment service companies	9,004,024	7,532,234
<b>Total</b>	<b>12,746,422</b>	<b>11,032,786</b>

Valuation of equity securities as of December 31, 2010 and 2009, is as follows:

Korean won (In thousands)		
	2010	2009
Acquisition cost	32,884,338	35,207,471
Unrealized loss	(2,806,896)	(2,479,941)
Accumulated impairment loss	(26,335,044)	(29,277,788)
<b>Book value</b>	<b>3,742,398</b>	<b>3,449,742</b>

Fair value (net asset value in case the securities are not traded in an active market and whose fair values cannot be reliably estimated) of equity securities is ₩ 3,763,909 thousand and ₩ 5,108,479 thousand as of December 31, 2010 and 2009, respectively.

Valuation of debt securities as of December 31, 2010 and 2009, is as follows:

Korean won (In thousands)				
Descriptions	Face value		Book value	
	2010	2009	2010	2009
Government and public bonds	-	50,810	-	50,810

The Company and its subsidiaries have entered into discretionary asset management contracts with investment trust management company (FWS Investment Advisory Corporation) in order to manage cash equivalents, available-for-sale securities and derivatives amounting to ₩ 679,853 thousand, ₩ 8,163,018 thousand and ₩ 161,153 thousand, respectively, as of December 31, 2010. The Company recorded gain on valuation of the entrusted assets amounting to ₩ 1,472,943 thousand as accumulated other comprehensive income as of December 31, 2010.

#### Held-to-maturity securities

Korean won (In thousands)

Description	2010		2009	
	Acquisition cost	Carrying book value	Acquisition cost	Carrying book value
Privately placed bond	16,000,000	16,000,000	16,000,000	16,000,000
Subordinated bank debentures	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>18,000,000</b>	<b>18,000,000</b>	<b>18,000,000</b>	<b>18,000,000</b>

#### Maturity of debt securities

The annual maturities of debt securities as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)

	Available for sale		Held to maturity	
	2010	2009	2010	2009
Less than 1 year	-	-	-	-
More than 1 year-5 years	-	50,810	18,000,000	18,000,000
<b>Total</b>	<b>-</b>	<b>50,810</b>	<b>18,000,000</b>	<b>18,000,000</b>

#### 7. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

(1) Investment securities accounted for using the equity method as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)

Company	Percentage of ownership (%)		Acquisition cost		Book value	
	2010	2009	2010	2009	2010	2009
Hankook Tire Australia Pty., Ltd. (*1)	-	100.00	-	1,554,999	-	-
Hankook Tire Europe GmbH (*1)	100.00	100.00	30,716	30,716	30,716	30,716
Hanyang Tire Sales Corp. (*1)	100.00	100.00	150,000	150,000	150,000	150,000
FRIXA Co., Ltd.	100.00	100.00	2,030,670	2,030,670	3,879,746	3,243,694
ATLASBX Motor Sports Co., Ltd. (*1)	-	100.00	-	50,000	-	50,000
Hankook Tire Rus LLC (*1)	100.00	-	228,480	-	228,480	-
Hankook Tire DE Mexico S.A. DE C.V. (*1)	100.00	-	330,372	-	330,372	-
			<b>2,770,238</b>	<b>3,816,385</b>	<b>4,619,314</b>	<b>3,474,410</b>

(\*1) Investments in non-marketable equity securities, in which the Company's interest is more than 20%, have been recorded at cost as the total assets of each investee are less than ₩ 10 billion, and differences between investments using the equity method and cost method are not significant.

(2) The changes in the investment securities accounted for using the equity method for the years ended December 31, 2010 and 2009, consist of the following:

Korean won (In thousands)

	2010	2009
Beginning balance	3,474,410	3,003,050
Changes in scope of consolidation	-	-
Acquisition	558,852	1,960,105
Gain on valuation	636,052	440,125
Loss on valuation	-	(1,929,496)
Others	(50,000)	626
Ending balance	4,619,314	3,474,410

(3) The summarized financial information of investees

Korean won (In thousands)

Investee	Assets	Liabilities	Net assets	Sales	Net income (loss)
Hankook Tire Europe GmbH	6,576,664	4,576,179	2,000,485	17,907,807	918,638
Hanyang Tire Sales Corp.	1,503,148	2,112,608	(609,460)	1,233,797	24,247
FRIXA Co., Ltd.	7,750,514	3,870,768	3,879,746	10,592,418	636,052
Hankook Tire Rus LLC	538,661	5,216	533,445	1,542,459	316,412
Hankook Tire DE Mexico, S.A. DE C.V.	320,571	33,486	287,085	-	(43,763)

## 8. PROPERTY, PLANT AND EQUIPMENT

(1) As of December 31, 2010 and 2009, the published value of the Company and its subsidiaries' land is ₩ 529,761,429 thousand and ₩ 515,586,310 thousand, respectively, based on the disclosed public land price announced by the Korean Government.

(2) The changes in property, plant and equipment for the years ended December 31, 2010 and 2009, are as follows:

Korean won (In thousands)							
2010	Beginning balance	Changes in scope of consolidation	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	351,939,066	-	1,167,151	(62,149)	-	873,919	353,917,987
Buildings	914,510,923	-	10,295,664	(50,360)	(30,418,390)	(4,668,559)	889,669,278
Structures	63,967,571	-	607,664	(3)	(5,052,936)	(2,751,975)	56,770,321
Machinery and equipment	857,041,274	-	82,696,915	(1,200,458)	(234,685,141)	88,730,160	792,582,750
Vehicles 6,802,150	15,661	918,923	(290,879)	(3,935,501)	2,896,979	6,407,333	6,802,150
Tools, furniture and fixtures	148,104,528	225,567	42,573,829	(2,966,145)	(72,968,077)	26,652,778	141,622,480
Machinery in transit	2,203,810	-	13,591,443	-	-	(6,234,189)	9,561,064
Construction in progress	81,624,007	-	364,574,261	(39,800)	-	(141,593,392)	304,565,076
	<b>2,426,193,329</b>	<b>241,228</b>	<b>516,425,850</b>	<b>(4,609,794)</b>	<b>(347,060,045)</b>	<b>(36,094,279)</b>	<b>2,555,096,289</b>

Korean won (In thousands)							
2009	Beginning balance	Changes in scope of consolidation	Acquisition	Disposal	Depreciation	Others	Ending balance
Land	353,662,511	-	-	-	-	(1,723,445)	351,939,066
Buildings	926,076,228	-	4,092,734	(1,226,014)	(29,657,662)	15,225,637	914,510,923
Structures	71,683,146	-	619,677	(233,507)	(5,447,312)	(2,654,433)	63,967,571
Machinery and equipment	997,250,607	-	34,729,634	(36,614,355)	(248,367,159)	110,042,547	857,041,274
Vehicles	6,604,879	-	3,349,171	(2,519,620)	(4,576,317)	3,944,037	6,802,150
Tools, furniture and fixtures	171,157,465	-	59,371,397	(3,060,100)	(85,888,881)	6,524,647	148,104,528
Machinery in transit	15,100,322	-	36,034,881	-	-	(48,931,393)	2,203,810
Construction in progress	119,803,330	-	135,898,568	-	-	(174,077,891)	81,624,007
	<b>2,661,338,488</b>	<b>-</b>	<b>274,096,062</b>	<b>(43,653,596)</b>	<b>(373,937,331)</b>	<b>(91,650,294)</b>	<b>2,426,193,329</b>

As of December 31, 2010, a certain portion of the Company's land, buildings and equipment is pledged as collateral for long-term and short-term debt obligations (see Note 14). Also, the property, plant and equipment are insured against general insurance (see Note 14).

(3) Capitalization of Borrowing Costs

Recalculated items in the consolidated statement of income for the year ended December 31, 2010, after reflecting the effects of the adoption of SKAS No. 7, are as follows:

Korean won (In thousands)			
	Capitalized	Expensed	Difference
Interest expense	47,418,026	50,885,117	(3,467,091)
Net income (*1)	477,480,234	474,852,179	2,628,055

(\*1) Calculated using the effective tax rate

## 9. INTANGIBLE ASSETS

(1) Intangible assets as of December 31, 2010 and 2009, consist of the following:

Korean won (In thousands)						
	Acquisition cost		Accumulated amortization and impairment loss		Book value	
	2010	2009	2010	2009	2010	2009
Industrial rights	5,829,091	4,799,489	3,614,751	2,816,617	2,214,340	1,982,872
Other intangible assets	63,479,879	50,646,751	32,452,402	28,771,523	31,027,477	21,875,228
<b>Total</b>	<b>69,308,970</b>	<b>55,446,240</b>	<b>30,067,153</b>	<b>31,588,140</b>	<b>33,241,817</b>	<b>23,858,100</b>

(2) The changes in intangible assets for the years ended December 31, 2010 and 2009, are as follows:

Korean won (In thousands)						
2010	Beginning balance	Changes in scope of consolidation	Acquisition/ Disposal	Amortization	Others	Ending balance
Industrial rights	1,982,872	-	65,336	(798,710)	964,842	2,214,340
Other intangible assets	21,875,228	-	11,293,344	(3,680,879)	1,539,784	31,027,477
<b>Total</b>	<b>23,858,100</b>	<b>-</b>	<b>11,358,680</b>	<b>(4,479,589)</b>	<b>2,504,626</b>	<b>33,241,817</b>

Korean won (In thousands)						
2009	Beginning balance	Changes in scope of consolidation	Acquisition/ Disposal	Amortization	Others	Ending balance
Industrial rights	1,819,304	-	24,674	(710,816)	849,710	1,982,872
Other intangible assets	19,008,491	-	491,502	(3,405,177)	5,780,412	21,875,228
<b>Total</b>	<b>20,827,795</b>	<b>-</b>	<b>516,176</b>	<b>(4,115,993)</b>	<b>6,630,122</b>	<b>23,858,100</b>

Ordinary research and development expenses amounting to ₩ 103,266,498 thousand and ₩ 98,859,538 thousand are included cost of sales and in selling and administrative expenses for the years ended December 31, 2010 and 2009, respectively.

## 10. BORROWINGS AND DEBENTURES

(1) Short-term borrowings as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)				
	Lender	Annual interest rates (%)	2010	2009
Foreign trade financing	BOC and others	2.25-2.75	106,387,862	129,049,253
Borrowings	The Korea Development Bank and others	2.29-6.42	446,495,409	551,932,109
Bank overdrafts	Unicredit Bank and others	2.00-4.86	90,578,723	8,242,567
Usance borrowings	Woori Bank and others	1.03-3.27	184,445,993	115,099,870
Other	Woori Bank and others	1.44-6.87	467,611,775	262,647,823
<b>Total</b>			<b>1,295,519,762</b>	<b>1,066,971,622</b>

(2) Long-term borrowings as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)				
	Lender	Annual interest rates (%)	2010	2009
Long-term borrowings in Korean won	Woori Bank and others	2.00	400,000	30,000,000
Long-term borrowings in foreign currencies	The Korea Development Bank and others	1.49-4.89	490,563,240	551,989,539
<b>Total</b>			<b>490,963,240</b>	<b>581,989,539</b>
Less: Current portion				
Current portion of long-term borrowings in Korean won			-	11,250,000
Current portion of long-term borrowings in foreign currencies			237,119,538	181,606,362
<b>Sub-total</b>			<b>237,119,538</b>	<b>192,856,362</b>
Non-current portion of long-term borrowings in Korean won			400,000	18,750,000
Non-current portion of long-term borrowings in foreign currency			253,443,702	370,383,177
Long-term borrowings			253,843,702	389,133,177

Long-term borrowings in foreign currencies as of December 31, 2010 and 2009, amount to USD 430,734 thousand and USD 472,756 thousand (including current portion of long-term borrowings in foreign currencies) respectively.

(3) Debentures as of December 31, 2010 and 2009, are as follows:

Korean won (In thousands)					
Description	Issue dates	Maturity dates	Annual interest rates (%)	2010	2009
The 79th - 1 debenture payable	'09. 2.23	'11. 2.23	5.43	50,000,000	50,000,000
The 79th - 2 debenture payable	'09. 2.23	'12. 2.23	6.34	70,000,000	70,000,000
The 80th debenture payable	'09. 3.19	'12. 3.19	5.90	80,000,000	80,000,000
Discount on debentures				(308,214)	(617,690)
<b>Sub-total</b>				<b>199,691,786</b>	<b>199,382,310</b>
Less: Current portion					
<b>Total</b>				<b>149,703,110</b>	<b>199,382,310</b>

(4) Long-term borrowings and debentures as of December 31, 2010, will mature as follows:

Korean won (In thousands)				
Description	Total	2011	2012	Thereafter
Long-term borrowings	490,963,240	237,119,538	253,426,452	417,250
Debentures	200,000,000	50,000,000	150,000,000	-
<b>Total</b>	<b>690,963,240</b>	<b>287,119,538</b>	<b>403,426,452</b>	<b>417,250</b>

## 11. DERIVATIVES

(1) Derivatives for which cash flow hedge accounting is not applied to

The Company and its subsidiaries entered into forward foreign currency contracts to hedge against the currency risk of trade receivables in foreign currency in 2010.

Outstanding currency forward contracts as of December 31, 2010, are as follows:

Korean won (In thousands)				
Contractor	Forward currency sold (In thousands)	Sold amount	Fair market value	Loss on valuation
Hana Bank	EUR 1,581	2,308,643	2,393,152	(84,509)
Hana Bank	EUR 1,675	2,444,592	2,535,138	(90,546)
Hana Bank	EUR 1,494	2,180,601	2,260,966	(80,365)
<b>Total</b>	<b>EUR 4,750</b>	<b>6,933,836</b>	<b>7,189,256</b>	<b>(255,420)</b>

As of December 31, 2010, the Company and its subsidiaries recorded loss on valuation of forward foreign currency contracts amounting to ₩ (255,420) thousand and recorded realized gain and loss amounting to ₩ 2,706,423 thousand and ₩ (5,364,720) thousand, respectively.

(2) Derivatives for which cash flow hedge accounting is applied to

The Company and its subsidiaries entered into currency forward foreign currency contract to hedge against the currency risk of forecasted transaction in relation to trade receivables in foreign currency in 2010.

Outstanding currency forward contracts as of December 31, 2010, are as follows:

Korean won (In thousands)				
Contractor	Forward currency sold (In thousands)	Sold amount	Fair market value	Gain (loss) on valuation
Deutsche Bank AG	EUR 5,000	7,525,500	7,585,037	(59,537)
Credit Suisse	EUR 5,000	7,609,100	7,586,223	22,877
<b>Total</b>	<b>EUR 10,000</b>	<b>15,134,600</b>	<b>15,171,260</b>	<b>(36,660)</b>

The Company and its subsidiaries recorded gain and loss on valuation of forward foreign currency contracts amounting to ₩ 22,877 thousand and ₩ (59,537) thousand (net of tax effect of ₩ (27,788) thousand), respectively, as of December 31, 2010. The Company recorded realized gain and loss amounting to ₩ 5,234,405 thousand and ₩ (3,075,140) thousand, respectively, in 2010.

## 12. OTHER NON-CURRENT LIABILITIES

(1) Details of other non-current liabilities as of December 31, 2010 and 2009, are as follows:

	Korean won (In thousands)	
	2010	2009
Product liability reserve	9,111,200	11,676,000
Warranty reserve	40,947,743	37,523,115
<b>Total</b>	<b>50,058,943</b>	<b>49,199,115</b>

(2) Details of changes in non-current liabilities for the year ended December 31, 2010, are as follows:

	Korean won (In thousands)				
	Beginning balance	Increase	Decrease	Others	Ending balance
Product liability reserve	11,676,000	-	(2,335,200)	(229,600)	9,111,200
Warranty reserve	37,523,115	3,231,861	-	192,767	40,947,743
<b>Total</b>	<b>49,199,115</b>	<b>3,231,861</b>	<b>(2,335,200)</b>	<b>(36,833)</b>	<b>50,058,943</b>

(3) The expected period, for which the warranty reserve will be used, is as follows:

	Korean won (In thousands)	
Year		
2011. 1. 1 – 2011.12.31		13,685,353
2012. 1. 1 – 2012.12.31		11,534,031
2013. 1. 1 – 2013.12.31		8,415,538
2014. 1. 1 – 2014.12.31		5,502,511
2015. 1. 1 – 2015.12.31		2,657,702
<b>Sub-total</b>		<b>41,795,135</b>
Less: Present discount value		(847,392)
<b>Total</b>		<b>40,947,743</b>

## 13. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies of the Company as of December 31, 2010 and 2009, are as follows:

Accounts	Foreign currencies	Foreign currencies		Korean won (In thousands)		
		2010	2009	2010	2009	
<b>Assets:</b>						
Cash and cash equivalents	AED	58,302	37,132	18,078	11,803	
	BRL	62,770	48,000	43,077	32,212	
	CLP	2,622,040	3,260,606	6,398	7,499	
	COP	1,637,411	27,616,635	966	15,741	
	EGP	24,906	-	4,887	-	
	EUR	1,496,163	5,361,573	2,264,592	8,976,774	
	INR	642,219	-	16,325	-	
	MXN	2,653,702	10,060	244,008	899	
	NOK	3,828,470	-	741,039	-	
	RUB	-	21,900,000	-	843,588	
	SAR	51,140	46,094	15,530	14,349	
	SGD	8,814	11,087	7,791	9,216	
	THB	1,593,032	1,894,333	60,185	66,340	
	USD	12,872,082	49,535,283	14,660,014	57,837,397	
	Trade receivables	AUD	16,732,079	20,630,295	19,374,409	21,559,896
CAD		1,317,476	1,510,696	1,500,170	1,672,325	
CHF		-	1,684,742	-	1,897,744	
EUR		16,421,391	12,485,306	24,855,418	20,903,897	
GBP		773,111	1,610,546	1,358,912	3,024,170	
JPY		74,070,169	127,232,360	1,034,820	1,606,716	
MXN		118,679,124	-	10,912,545	-	
NZD		1,520,185	1,650,864	1,334,251	1,394,584	
SEK		11,524,866	9,390,855	1,941,594	1,531,648	
NOK		22,885,840	21,003,587	4,429,783	4,231,383	
RUB		790,379,104	231,768,646	29,465,333	8,927,728	
USD		37,077,404	150,502,825	42,227,456	175,727,098	
<b>Liabilities:</b>						
Trade payables		USD	162,615,001	125,129,694	185,202,225	146,101,431
		EUR	385,345	327,821	583,258	548,864
	AUD	80,962	80,962	93,748	84,610	
	GBP	45,542	-	80,050	-	
	NZD	6,560	6,560	5,758	5,542	
	SEK	246,663	826,805	41,555	134,852	
	NOK	177,305	229,745	34,319	46,284	
	CHF	-	118,486	-	133,466	
	USD	-	214,865	-	250,876	
Short-term borrowings	EUR	-	54,000,000	90,411,120	-	
Long-term borrowings	USD	-	-	-	-	
Other non-current liabilities	USD	8,000,000	10,000,000	9,111,200	11,676,000	

#### 14. COMMITMENTS AND CONTINGENCIES

(1) As of December 31, 2010, certain portion of the Company and consolidated subsidiaries' land, buildings and equipment is pledged as collateral for borrowings as follows (in thousands):

Creditor	Pledged assets	KRW, USD, and RMB (in thousands)	
			Pledged amount
The Korea Development Bank and others	Land, buildings, machinery and equipments	KRW	313,269,230
		USD	470,945
		RMB	722,698

(2) As of December 31, 2010, inventories and property, plant and equipment are insured against fire and other casualty losses for up to ₩ 7,445,310,669 thousand.

The Company and its subsidiaries are insured against future claims that may be brought against them under the Product Liability Act in Korea, which was effective July 1, 2002, which penalizes a manufacturer or seller when a product is defective and causes injury or damage to a person or property. The beneficial interest of insurance is pledged as collateral for the Company's borrowings (The Korea Development Bank: ₩ 122,000,000 thousand and USD 110,000 thousand, Woori Bank: ₩ 143,145,000 thousand). In addition, vehicles are insured against a general and liability insurance policy.

(3) The Company and local subsidiaries' outstanding notes receivable were discounted or assigned amounting to ₩ 11,591,775 thousand and ₩ 10,991,817 thousand as of December 31, 2010 and 2009, respectively. The Company and local subsidiaries are contingently liable for outstanding balance of trade receivable discounted or assigned to financial institutions, amounting to ₩ 537,693,554 thousand (equivalent to USD 472,117 thousand) and ₩ 341,070,241 thousand (equivalent to USD 292,112 thousand) as of December 31, 2010 and 2009, respectively.

(4) Outstanding credit facilities agreement of the Company

Description	Financial institutions	Currencies	Credit amount of agreements
			(In thousands)
Purchase card agreements	Woori Bank and others	KRW	90,000,000
Bank overdraft agreements	Woori Bank and others	KRW	54,100,000
Agreements to discount notes	Woori Bank and others	KRW	62,500,000
Agreements to discount trade receivable	Woori Bank and others	USD	835,000
in foreign currencies (*2)		EUR	35,000
Agreements on general purpose loan	Korea Exchange Bank and others	KRW	30,000,000
Agreements on short-term borrowings	Woori Bank and others	KRW	270,000,000
in foreign trade			
Guarantees for the payment of imported goods	Woori Bank and others	USD	340,000
Agreements to forward exchange contracts	Deutsche bank AG and others	EUR	10,000
<b>TOTAL (*1)</b>		<b>KRW</b>	<b>506,600,000</b>
		<b>USD</b>	<b>1,175,000</b>
		<b>EUR</b>	<b>45,000</b>

(\*1) The Company's total outstanding line of credit from Korea Exchange Bank cannot exceed the credit limit amounting to ₩ 180,000 million.

(\*2) As of December 31, 2010, the Company is provided guarantees by Korea Trade Insurance Corporation in regard to agreements to discount trade receivable in foreign currencies which were entered into with Deutsche Bank (USD 50,000 thousand), ING (USD 30,000 thousand) and RBS (EUR 35,000 thousand).

(5) As of December 31, 2010, the Company has purchase agreements on raw rubber materials with several suppliers, which are usually renewed annually. In addition, as of December 31, 2010, the Company has a long-term contract with EmFrontier Inc., one of its affiliated companies, to receive maintenance service for the Company's information system.

(6) As of December 31, 2010, the Company has technical assistance and export agent agreements with Jiangsu Hankook Tire Co., Ltd., Hankook Tire China Co., Ltd. and Hankook Tire Hungary Ltd. In accordance with the agreements, the Company receives royalties and commissions at a fixed rate.

(7) The Company and its subsidiaries are named as defendants in various legal actions arising from normal business matters, including product liability. As of December 31, 2010, the outcome of these matters is uncertain. The estimated loss of ₩ 9,111,200 thousand (USD 8,000 thousand) expected with respect to the litigations provided as product liability allowance.

The Company was named as a defendant in lawsuits filed at the Fifth Commercial Court of First Instance of Izmir in Turkey by BMC Sanayi ve Ticaret A.S, on December 24, 2007. The plaintiffs seek claims for cancellation of Distributorship Agreement on June 1, 2005. The aggregate amount of claims relating to these lawsuits was USD 3,359 thousand. The Court transferred the lawsuits to the Commercial Court of First Instance for lack of jurisdiction and the first debate date was held on April 6, 2009. On July 2, 2009, the Istanbul 9th Commercial Court of First Instance judged that Turkey has no jurisdiction over the stated trial and judging that the dispute should be resolved through the commercial arbitration of The Korean Commercial Arbitration Board in accordance with the contract signed between the Company and the plaintiff in 1991, the court ruled the decision rejecting the plaintiff's claims. In response to this decision, BMC Sanayi ve Ticaret A.S. submitted an appeal, and on October 15, 2010, Turkey Civil Supreme Court has rejected the plaintiff's appeal and decided the judgment to be the same as the original trial, and the case in Turkey came to a conclusion.

(8) The bankruptcy of a subsidiary

On April 3, 2008, ASA Co., Ltd., which was subsidiary of the Company, applied to the Daejeon District Court for permission of recovery process. On April 3, 2008, the Court decided to start the recovery process, but on July 3, 2008, as a result of investigation, the Court sentenced ASA Co., Ltd's bankruptcy. Accordingly, the Company could not exercise significant influence for ASA Co., Ltd., and the Company reclassified investment securities accounted for using the equity method to available-for-sale securities. In 2009, ASA Co., Ltd. has completed the sale of its assets.

## 15. CAPITAL STOCK

	Korean won (In thousands, except number of Shares)	
	2010	2009
Authorized (shares)	250,000,000	250,000,000
Par value	500	500
Outstanding (shares)		
Ordinary share	152,189,929	152,189,929
Capital stock		
Common stock	76,094,965	76,094,965

As of December 31, 2010, the Company holds seven million shares in treasury, amounting to ₩ 57,318,201 thousand, to stabilize the market price of its shares of stock, and records treasury stock as a capital adjustment.

## 16. ASSET REVALUATION

In accordance with the Asset Revaluation Law, the Company revalued 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, recorded as capital surplus.

## 17. RETAINED EARNINGS

	Korean won (In thousands)	
	2010	2009
Statutory reserves		
Legal reserve	41,134,655	40,978,989
Voluntary reserves:		
Reserve for financial structure improvements 1	9,320,000	19,320,000
Reserve for business rationalization	47,702,465	47,702,465
Reserve for export losses	4,770,000	4,770,000
Reserve for technology development	4,350,000	4,350,000
Reserve for overseas market development	7,369,667	7,369,667
Dividend equalization reserve	360,500,000	285,500,000
Reserve for officer's retirement benefits	74,013,000	64,013,000
Other voluntary reserve	632,303,901	442,227,969
	<b>1,150,329,033</b>	<b>875,253,101</b>
<b>Unappropriated retained earnings</b>	<b>444,664,062</b>	<b>323,405,123</b>
<b>Total</b>	<b>1,636,127,750</b>	<b>1,239,637,213</b>

### • 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 cash dividends but may be transferred to common stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

### • Reserve for financial structure improvements

In accordance with the provisions of the Financial Control Regulations for the companies listed on the Korea 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 Board of Directors or used to offset accumulated deficit, if any, with the ratification of the Company's majority shareholders. However, as the Financial Control Regulations was abolished in prior year, the reserve for financial structure improvements was transferred to voluntary reserves.

## 18. DIVIDENDS

The Company declared cash dividends amounting to ₩ 50,816,475 thousand (₩ 350 per share) for the years ended December 31, 2010 and 2009.

## 19. SALES AND COST OF SALES

Details of sales and cost of sales for the years ended December 31, 2010 and 2009, are as follows:

	Korean won (In thousands)	
	2010	2009
Sales		
Sales of finished goods	6,007,162,337	5,307,032,234
Other sales	7,776,198	22,862,446
Sales discount	(94,867,251)	(56,454,625)
Sales incentive	(106,689,736)	(128,304,323)
	<b>5,813,381,548</b>	<b>5,145,135,732</b>
Cost of sales		
Cost of finished goods sold	4,023,327,393	3,573,323,636
Cost of other goods sold	91,022,410	72,831,129
(Reversal of) Loss on valuation of inventories, net	2,079,023	(8,559,599)
Customs duties reimbursed	(12,351,668)	(10,899,489)
	<b>4,104,077,158</b>	<b>3,626,695,677</b>

## 20. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

(1) Income tax expense for the years ended December 31, 2010 and 2009, is as follows:

	Korean won (In thousands)	
	2010	2009
Current income tax of the Parent Company	113,372,773	103,731,709
Changes in deferred income taxes	12,966,720	(2,510,577)
Charges in deferred income tax directly adjusted in equity	3,203,953	(525,010)
Income tax expense of the Parent Company	129,543,446	100,696,122
Income tax expense of consolidated subsidiaries and others	39,958,121	35,819,110
Income tax expense	169,501,567	136,515,232

(2) The components of temporary differences and deferred income tax assets (liabilities)

The changes in accumulated temporary difference for the year ended December 31, 2010, are as follows:

	Korean won (In thousands)	
Descriptions		
The Parent Company		
Beginning balance of accumulated temporary difference, net		170,977,907
Changes in the current year, net		(66,741,393)
Ending balance of accumulated temporary difference, net		104,236,514
Exclusion from temporary difference due to uncertainty of realization		(113,486,397)
Sub-total, net		(9,249,883)
Statutory tax rate		24.2%, 22%
Deferred income tax assets of the Parent Company		12,459,267
Deferred income tax assets of consolidated subsidiaries and others		118,685,210
Descriptions		
Ending balance of deferred income tax assets in consolidation		131,144,477
Current deferred income tax assets		8,316,693
Non-current deferred income tax assets		122,827,784

(3) The effective income tax rate for the years ended December 31, 2010 and 2009, is as follows:

	Korean won (In thousands)	
Descriptions	2010	2009
Income tax expense	169,501,567	136,515,232
Income before income tax	646,981,801	512,183,545
Effective income tax rate	26.2%	26.7%

## 21. EARNINGS PER SHARE

	Korean won (In thousands, except per share amounts)	
	2010	2009
Net income/ordinary income	437,863,524	342,187,206
Weighted-average number of common shares outstanding	145,189,929 shares	145,189,929 shares
Basic and diluted earnings per share	3,016	2,357

## 22. STATEMENTS OF COMPREHENSIVE INCOME

Other comprehensive income for the years ended December 31, 2010 and 2009, is as follows:

	Korean won (In thousands)	
	2010	2009
Net income	477,480,234	375,668,313
Changes in scope of consolidation	(350,105)	-
Other comprehensive income (loss)	(6,171,214)	(5,117,169)
Comprehensive income	470,958,915	370,551,144
The Parent Company interest	431,330,475	337,184,296
Minority interests	39,628,440	33,366,848

## 23. RELATED-PARTY TRANSACTIONS

(1) Major receivables, payables and transactions between the Parent Company and consolidated subsidiaries (or other related parties) as of December 31, 2010 and 2009, and for the years then ended are as follows:

	Korean won (In thousands)	
	2010	2009
Trade receivables	645,682,892	322,590,127
Trade payables	81,383,657	49,005,240
Sales and others	1,299,235,300	1,092,945,715
Purchases and others	236,016,522	186,283,363

(2) Major receivables, payables and transactions between consolidated subsidiaries and their related parties as of December 31, 2010 and 2009, and for the years then ended are as follows:

	Korean won (In thousands)	
	2010	2009
Trade receivables	469,805,898	470,364,902
Trade payables	469,805,898	470,364,902
Sales and others	1,573,501,448	1,459,962,900
Purchases and others	1,573,501,448	1,459,962,900

(3) The Company has provided guarantees with respect to financing by its overseas subsidiaries for the years ended December 31, 2010 and 2009. Such guarantees in the agreements with the overseas subsidiaries are as follows:

	Korean won (In thousands)	
	2010	2009
Jiangsu Hankook Tire Co., Ltd.	79,723,000	235,425,300
Hankook Tire Hungary Ltd. (*1)	755,915,540	489,868,240
Hankook Tire China Co., Ltd.	113,890,000	188,715,000
Other overseas affiliated companies	45,261,682	65,931,740
<b>Total</b>	<b>994,790,222</b>	<b>979,940,280</b>

(\*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 carry out the investment plan according to the investment contract; otherwise, the Company should return some or whole amount of the subsidy provided by the Hungarian Government.
Guarantee provided	HUF 15,881,000,000 + interest incurred
The term of guarantee	From October 31, 2005 to December 31, 2017

The Company has entered into a subordination agreement in relation to the borrowings of Hankook Reifen Deutschland GmbH, Hankook Tire Italia SARL and Hankook Tyre U.K. Ltd. as of December 31, 2010, as follows:

Creditor bank	Description			
	Korea Exchange Bank (Deutschland) AG	Shinhan Bank (Deutschland) GmbH	Korea Exchange Bank (Deutschland) AG	Korea Exchange Bank (England) AG
Borrowings	EUR 20,000,000	EUR 9,500,000	EUR 6,000,000	GBP 5,000,000
Subsidiaries	Hankook Reifen Deutschland GmbH		Hankook Tire Italia SARL	Hankook Tyre U.K. Ltd.
Description	The Company's accounts receivable from Hankook Reifen Deutschland GmbH, Hankook Tire Italia SARL, and Hankook Tyre U.K. Ltd. are subordinated by the borrowings from those banks.			

## 24. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for the years ended December 31, 2010 and 2009, are as follows:

Korean won (In thousands)

	2010	2009
Wages	131,174,693	117,260,400
Provision for severance benefits	8,728,554	8,648,742
Employee benefits	25,977,908	18,498,310
Subcontractor expenses	33,079,205	29,569,472
Advertisement	136,333,223	107,136,100
Provision for doubtful accounts	-	5,541,194
Depreciation	37,956,044	39,029,005
Fees and charges	58,136,291	56,960,008
Transportation	303,179,030	236,209,178
Warranty	24,429,899	26,659,181
Ordinary development	100,975,008	96,171,663
Others	179,088,621	156,552,139
	<b>1,039,058,476</b>	<b>898,235,392</b>

## 25. SEGMENT INFORMATION

Sales information of the Parent Company by geographical segment for the years ended December 31, 2010 and 2009, are as follows:

Korean won (In thousands)

Geographical segment	2010		2009	
	Amounts	Ratio	Amounts	Ratio
North America	750,627,318	22.4%	554,488,353	19.7%
South and Central America	223,485,595	6.7%	153,615,075	5.5%
Asia, except Korea	438,804,872	13.1%	460,762,992	16.4%
Europe	508,575,610	15.2%	618,338,606	22.0%
Local export	239,167,201	7.1%	177,072,785	6.3%
Domestic	1,193,755,211	35.5%	847,582,542	30.1%
<b>Total</b>	<b>3,354,415,807</b>	<b>100.0%</b>	<b>2,811,860,353</b>	<b>100.0%</b>

## 26. SUPPLEMENTAL CASH FLOW INFORMATION

Significant transactions not affecting cash flows for the years ended December 31, 2010 and 2009, are as follows:

Korean won (In thousands)

	2010	2009
Transfer to current portion of long-term liabilities from long-term debts	287,108,214	192,856,362
Reclassification of machinery in transit and construction in progress to specific property, plant and equipment accounts	147,827,581	223,009,284
Transfer to available-for-sale securities from investment securities accounted for using the equity method	50,000	-

The cash and cash equivalents in the non-consolidated statements of cash flows are the same as the cash and cash equivalents in the non-consolidated statements of financial position.

## 27. SUBSEQUENT EVENTS

(1) The Company has provided guarantees with respect to financing for its overseas subsidiary by the resolution of the Board of Directors on January 28, 2011, and the resolution of the management committee on January 24, 2011 and February 14, 2011.

	Banks	Borrowing	Guarantees	Period of guarantee
Hankook Tire China Co., Ltd.	The Korea Development Bank	USD 50,000,000	USD 50,000,000	2011.01.28 – 2014.01.27
Hankook Tire China Co., Ltd.	Standard Chartered (China) Limited.	USD 20,000,000	USD 20,000,000	2011.02.01 – 2012.01.31
Hankook Tire Europe Ltd. GmbH	Deutsche Bank AG Frankfurt Branch	EUR 20,000,000	EUR 20,000,000	2011.02.14 – 2012.02.13

(2) The Company has increased its credit line by the resolution of the management committee on January 14, 2011, January 27, 2011, and February 16, 2011, as follows:

Description	Financial institutions	Currencies	Credit amount of agreements (In thousands)	
			Before	After
Purchase card agreements	Hana Bank	KRW	20,000,000	35,000,000
Agreements to discount trade receivable in foreign currency	Standard Chartered (Korea) Limited	USD	30,000	40,000
Guarantees for the payment of imported goods	Australia & New Zealand Bank, Seoul Branch	USD	30,000	50,000

The Company took a loan of ₩ 400,000 thousand from Woori Bank in regard to childcare facilities of laboratory by the resolution of the management committee on January 14, 2011.

(3) The Company made an investment of USD 39,999 thousand for the establishment of Indonesian branch by the resolution of the management on January 14, 2011.

(4) The Company will invest ₩ 147,199,380 thousand to build and relocate a central research laboratory by the resolution of the Board of Directors on March 17, 2011, which is scheduled for completion by 2013.

## 28. K-IFRS ADOPTION PLAN AND IMPLEMENTATION

In accordance with the road map for Korean International Finance Reporting Standards(K-IFRS) adoption announced in March 2007, the Company is required to present financial statements prepared in accordance with K-IFRS starting from 2011.

The Company established an overall implementation plan for the preliminary analysis of its effect and preparation for K-IFRS adoption in 2009, and is currently in process of establishing accounting policies and financial reporting system. In addition, the Company plans to stabilize its financial reporting system through parallel application of the current accounting standards and K-IFRS and disclose its financial statements in accordance with K-IFRS starting from 2011.

As a result of the preliminary analysis of the effects of the differences between current accounting standards and K-IFRS, the Company anticipates that the accounting treatment of items such as postemployment benefits, future sales discount to customers based on certain percent of sales, changes of consolidation scope and others will have effects on its financial information.

# Corporate Governance

## 1. ISSUES REGARDING THE HANKOOK TIRE BOD OTHER INTERNAL ORGANIZATIONS AND SUBSIDIARIES

### 1. A Matter to Board of Directors

#### | 1 | Board of Directors

#### A. Composition

The Board of Directors is comprised of 7 directors including 3 regular directors and 4 NEDs. The Board of Directors operates 3 committees: Audit, NED Recommendation and Management

#### B. Key activities of the Board of Directors

No.	Date	Agenda	Result	Note
10-The 1st regular BOD meeting	Jan. 15, 2010	· FY2009 year-end separate financial reporting · FY2009 year-end financial statement reporting (consolidated) · Reporting on HR & organization in 2010 · Report on mid-to long- term companywide extension · Approval of financial statements and operating report for 56th term	Approved	-
10-The 1st ad-hoc BOD meeting	Jan. 28, 2010	· Payment guarant limits · Payment guarantee for Hungary subsidiary's borrowings · Adjustment of NEDs' pay	Approved	-
10-The 3rd ad-hoc BOD meeting	Feb. 25, 2010	· FY2009 H2 internal accounting management system operation · Convocation of 56th annual shareholder's meeting · Approval of financial statements for 56th term · Approval of transactions among affiliated persons · Designation and change of manager in Hankook Tire sales offices	Approved	-
10-The 4th ad-hoc BOD meeting	Mar. 15, 2010	· Payment extension for Jiangsu subsidiary's Standby L/C open · Extension of credit limits	Approved	-
10-The 5th ad-hoc BOD meeting	Mar. 26, 2010	· Appointment of Management Committee members · Revision of internal accounting control regulations · Revision of Audit Committee control regulations · Revision of BOD operation regulations · Appointment of CEO	Approved	-
10-The 2nd regular BOD meeting	Apr. 21, 2010	· FY2010 Q1 financial reporting · FY2010 Q1 financial statement reporting (consolidated)	Approved	-
10-The 6th ad-hoc BOD meeting	Apr. 23, 2010	· Guarantee for EUR 100 M loan by Hankook Tire Hungary Ltd.	Approved	-
10-The 7th ad-hoc BOD meeting	May 14, 2010	· Appointment of NED Recommendation Committee members	Approved	-
10-The 3rd regular BOD meeting	Jul. 19, 2010	· FY2010 H1 financial reporting · FY2010 H1 financial statement reporting (consolidated)	Approved	-
10-The 4th regular BOD meeting	Oct. 20, 2010	· FY2010 Q3 financial reporting · FY2010 Q3 financial statement reporting (consolidated) · FY2010 H1 internal accounting management system operation	Approved	-
10-The 8th ad-hoc BOD meeting	Nov. 23, 2010	· Investment to establish new production subsidiary in China	Approved	-
10-The 9th ad-hoc BOD meeting	Dec. 10, 2010	· Provide payment guarantee for loan by Hankook Tire Hungary Ltd.	Approved	-
10-The 10th ad-hoc BOD meeting	Dec. 22, 2010	· Investment to establish new production subsidiary in Indonesia	Approved	-

No.	Date	Agenda	Result	Not
		· Sign LOI to purchase land for Indonesia plant	Approved	-
		· Commissioning an executive advisor	Approved	-
11-The 1st regular BOD meeting	Jan. 14, 2011	· FY2010 year-end separate financial reporting	Approved	-
		· FY2010 year-end financial statement reporting (consolidated)	Approved	-
		· Reporting on HR & organization in 2011	Approved	-
		· Report on mid-to long- term companywide extension	Approved	-
11-The 1st ad-hoc BOD meeting	Jan. 28, 2011	· Guarantee for US\$50M loan by Hankook Tire China Co., Ltd.	Approved	-
		· Approval of financial statements and operating report for 57th term	Approved	-
11-The 2nd ad-hoc BOD meeting	Feb. 25, 2011	· Approval of financial statements for 57th term	Approved	-
		· Revision of executive management regulations	Approved	-
		· Approval of transactions among affiliated persons	Approved	-
		· FY2010 H2 internal accounting management system operation	Approved	-
		· Convocation of 57th annual shareholder's meeting	Approved	-
		· Recommendation of candidates for Audit Committee	Approved	-
11-The 3rd ad-hoc BOD meeting	Mar. 9, 2011	· Payment guarantee for loan by Hankook Tire Hungary Ltd.	Approved	-
11-The 4th ad-hoc BOD meeting	Mar. 17, 2011	· Relocation of Main R&D Center	Approved	-

### C. Non-executive directors (NEDs) participation in Board of Directors meeting

No.	Date	No. of NEDs attending the meeting	Note
10-The 1st regular BOD meeting	Jan. 15, 2010	3(4)	-
10-The 1st ad-hoc BOD meeting	Jan. 28, 2010	3(4)	-
10-The 2nd ad-hoc BOD meeting	Feb. 17, 2010	3(4)	-
10-The 3rd ad-hoc BOD meeting	Feb. 25, 2010	3(4)	-
10-The 4th ad-hoc BOD meeting	Mar. 15, 2010	4(4)	-
10-The 5th ad-hoc BOD meeting	Mar. 26, 2010	4(4)	-
10-The 2nd regular BOD meeting	Apr. 21, 2010	4(4)	-
10-The 6th ad-hoc BOD meeting	Apr. 23, 2010	3(4)	-
10-The 7th ad-hoc BOD meeting	May 14, 2010	3(4)	-
10-The 3rd regular BOD meeting	Jul. 19, 2010	4(4)	-
10-The 4th regular BOD meeting	Oct. 20, 2010	3(4)	-
10-The 8th ad-hoc BOD meeting	Nov. 23, 2010	3(4)	-
10-The 9th ad-hoc BOD meeting	Dec. 10, 2010	3(4)	-
10-The 10th ad-hoc BOD meeting	Dec. 22, 2010	3(4)	-
11-The 1st regular BOD meeting	Jan. 14, 2011	3(4)	-
11-The 1st ad-hoc BOD meeting	Jan. 28, 2011	3(4)	-
11-The 2nd ad-hoc BOD meeting	Feb. 25, 2011	4(4)	-
11-The 3rd ad-hoc BOD meeting	Mar. 9, 2011	3(4)	-
11-The 4th ad-hoc BOD meeting	Mar. 17, 2011	4(4)	-

Note) Number in the parenthesis represents the total number of NEDs.

## | 2 | Committees under the Board of Directors

### A. Composition of committees under the Board of Directors (Dec.31, 2010)

The Board of Directors operates 3 committees: Audit, NED Recommendation and Management.

1) Audit committee: please refer to "2. Matters related to the audit system" below.

2) NED Recommendation committee

Name of committee	Member	Name	Objective and authority	Note
NED Recommendation Committee	Currently the CEO of Hankook Tire  Currently an NED of Hankook Tire	Suh, Seung Hwa	Recommend candidates of NEDs	-
		Cho, Hyun Shick		
		Hwang, Won Oh		
		Min, Hae Yung Lee, Yong Sung		

3) Management committee

Name of committee	Member	Name	Objective and authority	Note
Management committee	Registered director of Hankook Tire	Suh, Seung Hwa	Deliberation and resolutions on general management	-
		Cho, Hyun Shick	Deliberation and resolutions on finance, etc.	
		Cho, Yang Rai		

Note) Decisions by the Management Committee shall be overruled when related laws and regulations require BOD decisions.

### B. Activities of Committees under the Board of Directors

1) Audit Committee: Please refer to "2. Matters related to the audit system" below.

2) NED Recommendation committee

Name of committee	Date	Agenda	Approved	Name of NEDs		
		of meeting				
NED Recommendation committee	Feb. 17, 2010	Chang, Sun Kon	Yes	Min, Hae Yung	Lee, Yong Sung	Hwang, Won Oh
		NED candidate recommended		(Attendance Rate 100%)	(Attendance Rate 100%)	(Attendance Rate 100%)
				<b>Agreed or disagreed</b>		
				-	Agreed	Agreed

Note) This represents 57th term (Jan. 1, 2010 – Dec. 31, 2010).

3) Management committee

Committee name	Date of meeting	Agenda	Result	Note
Management committee	Jan. 28, 2010	Agreement on facility renovation in Geumsan Plant (OTR building, TBR)	Approved	-
	Feb. 9, 2010	Approval of subordination agreement related to Italian subsidiary's borrowings	Approved	-
		Payment guarantee for Jiangsu subsidiary by head office	Approved	-
	Mar. 5, 2010	Extension of export insurance contract related to NEGO	Approved	-
		Capital increase of holding companies in Europe	Approved	-
	Mar. 26, 2010	Appointment of management committee chair	Approved	-

Committee name	Date of meeting	Agenda	Result	Note
	Apr. 8, 2010	Establish directly-run T'Station outlets	Approved	-
	Apr. 21, 2010	Extension of credit limits	Approved	-
	May 18, 2010	New payment guarantee for Hanam subsidiary by local financing	Approved	-
	May 24, 2010	Extension of credit limits	Approved	-
	Jun. 7, 2010	Establish directly-run Tire Town outlets	Approved	-
	Jun. 11, 2010	Extension of credit limits	Approved	-
	Jun. 22, 2010	Payment guarantee for Jiaxing subsidiary by head office	Approved	-
	Jun. 25, 2010	Approval of subordination agreement related to German subsidiary's borrowings	Approved	-
		Extension of credit limits	Approved	-
		Relocat Southern Regional HQ	Approved	-
	Jul. 5, 2010	Payment guarantee for Hungarian subsidiary by head office	Approved	-
		Extension of credit limits	Approved	-
	Jul. 19, 2010	Extension of credit limits	Approved	-
	Sep. 1, 2010	Establish directly-run T'Station outlets	Approved	-
	Oct. 6, 2010	Extension of credit limits	Approved	-
	Oct. 15, 2010	Extension of credit limits	Approved	-
	Oct. 18, 2010	Payment guarantee for Jiangsu subsidiary by head office	Approved	-
	Oct. 22, 2010	Payment guarantee for Italy subsidiary by head office	Approved	-
	Oct. 26, 2010	Payment guarantee for Hungary Plant by head office	Approved	-
	Nov. 16, 2010	Payment guarantee for Jiangsu subsidiary by head office	Approved	-
	Nov. 25, 2010	Payment guarantee for Hankook Tire Hungary Ltd. by head office	Approved	-
	Nov. 29, 2010	Financing for establishment of Mexico subsidiary	Approved	-
	Dec. 20, 2010	Payment guarantee for Jiangsu subsidiary by head office	Approved	-
	Dec. 23, 2010	Approval of subordination agreement related to UK subsidiary's borrowings	Approved	-
	Dec. 27, 2010	Financing for establishment of new China plant	Approved	-
		Loan guarantee for on-site daycare centers	Approved	-
		Extension of credit limit at ING Bank	Approved	-
	Jan. 14, 2011	Loan guarantee for daycare center at R&D center	Approved	-
		Increase of credit limit	Approved	-
		Financing for establishment of Indonesia plant	Approved	-
	Jan. 18, 2011	Establishment of directly run T'Station outlets	Approved	-
	Jan. 24, 2011	Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-
	Jan. 27, 2011	Increase of credit limit	Approved	-
		Payment guarantee for Hankook Tire Hungary Ltd. by head office	Approved	-
	Feb. 14, 2011	Payment guarantee for Hankook Tire Europe GmbH by head office	Approved	-
	Feb. 16, 2011	Increase of credit limit	Approved	-
	Feb. 25, 2011	Recommend candidates of NEDs	Approved	-
		Approval of financial statements for 57th term	Approved	-
	Mar. 11, 2011	Increase of credit limit	Approved	-
		Extension of head office-branch financing contract for short-term export insurance from Korea Trade Insurance	Approved	-
		Increase of credit limit	Approved	-
	Mar. 18, 2011	Decision to dispose of some equity in emFrontier Inc.	Approved	-
	Mar. 25, 2011	Open direct-run outlets of the Tire Shop	Approved	-
		Payment guarantee for Jiaxing subsidiary's borrowings	Approved	-

### | 3 | Independence of Board Directors

#### A. Notification of director candidates' profile before general shareholders' meeting and recommendation from shareholders

1) On February 25, 2010, reference documents on various management objectives were notified through the "Notice to Convene General Meeting of Shareholders".

a. Candidate's name, date of birth, person who recommends, relationship with major shareholder, whether the person is the candidate for NED or not

Name of candidate	Date of birth	Candidate for NED?	Relationship with major shareholder	Recommended by
Chang, Sun Kon	Sep. 13, 1925	Yes	None	NED Recommendation committee
Total (1)person				

b. Candidate's major occupation, profile and transactions with Hankook Tire for the past three years

Name of candidate	Major occupation (Current)	Profile	Transactions with Hankook Tire for the past three years
Chang, Sun Kon	NED of Hankook Tire	1969 Completed Korea University Business School courses 1970 CEO of Hankook Tire Co., Ltd. 1979 CEO Dongshin Petrochemical Co., Ltd.	None

2) On February 25, 2010, reference documents on various management objectives were notified through the "Notice to Convene General Meeting of Shareholders".

a. Candidate's name, date of birth, person who recommends, relationship with major shareholder, whether the person is the candidate for NED or not

Name of candidate	Date of birth	Candidate for NED?	Relationship with major shareholder	Recommended by
Hwang, Won Oh	Jan. 11, 1939	Yes	None	NED Recommendation committee
Lee, Yong Sung	Jan. 10, 1938	Yes	None	NED Recommendation committee
Total (2)person				

b. Candidate's major occupation, profile and transaction with Hankook Tire for the past three years

Name of candidate	Major occupation (Current)	Profile	Transactions with Hankook Tire for the past three years
Hwang, Won Oh	NED of Hankook Tire	1960 Graduated from Seoul National University in Economics 1990 Head of the National Tax Tribunal under the Ministry of Finance 1992 President of Korea Minting and Security Printing Corp.(KOMSCO) Currently NED of Hankook Tire	None
Lee, Yong Sung	NED of Hankook Tire	1960 Graduated from Seoul National University in Economics 1991 President of IBK 1993 Bank superintendent Currently NED of Hankook Tire	None

### B. NED Candidate Recommendation Committee

As of the end of the fiscal year, the NED Candidate Recommendation Committee is composed of three outside directors is three, for a majority.

Name	NED	Note
Suh, Seung Hwa	Yes	Chair
Cho, Hyun Shick	Yes	-
Min, Hae Yung	No	-
Lee, Yong Sung	No	-
Hwang, Won Oh	No	-

### C. Profile of NEDs

Name	Profile	Relationship with major shareholder	Recommended by shareholder	Transaction with Hankook Tire	Note
Cho, Yang Rai	1956 Graduated from Gyonggi High school 1962 Graduated from Univ. Of Alabama 1969 Executive Director of Hankook Tire 1979 President & CEO of Hankook Tire 1980 Chairman of Hankook Tire	Major shareholder	BOD	None	Hankook Tire Chairman
Suh, Seung Hwa	1967 Graduated from Bosung High school 1971 Graduated from Department of Political Science and Diplomacy of Hankook University of Foreign Studies 2006 Executive vice president of Europe RHQ	None	BOD	None	Hankook Tire Vice Chairman & CEO
Cho, Hyun Shick	1995 Graduated from Syracuse Univ. in Economics 1997 Joined Hankook Tire 2002 Promoted to Managing Dir 2004 Promoted to Vice President	Related to the major shareholder	BOD	None	Hankook Tire President
Chang, Sun Kon	1969 Completed Korea University Business School courses 1970 CEO of Hankook Tire Co., Ltd. 1979 CEO Dongshin Petrochemical Co., Ltd.	None	NED Recommendation committee	None	NED of Hankook Tire

## 2. MATTERS RELATED TO THE AUDIT SYSTEM

### | 1 | Audit Committee

#### A. Composition of Audit Committee

Hankook Tire establishes separately Audit Committee. Audit Committee is comprised of three directors, all NEDs.

#### B. Establishment and composition of the Audit Committee composed of auditors

Establishment of Audit Committee: Hankook Tire added to its Articles of Incorporation new provisions on establishing the Audit Committee through a resolution at the 47th ordinary general shareholders' meeting and established an Audit committee as prescribed under Article 415-2 of the Commercial Act. Composition, etc. of the Committee are as below.

##### 1) Composition

- Audit Committee members shall be appointed by the resolution of a general shareholders' meeting.
- The Committee shall be comprised of at least three members of the Board.
- Persons falling under any of the sub-paragraphs of Article 415(2)2 of the Commercial Act shall not exceed 1/3 of the total members of the Committee.
- In case the requirement stated in the foregoing paragraph 3 is no longer met for a reason such as resignation, death, etc. of a member who is an NED, the first general shareholders' meeting held after this reason arises shall ensure that such requirement is met.

##### 2) Responsibility and authority

- Audit Committee shall carry out audits on accounting and business operation of the Company.
- Audit Committee may request directors to make reporting on the business operation of the Company or examine the Company's financial status at any time.
- In addition to the responsibility and authority stated in the foregoing paragraph 1 and 2, the Audit Committee shall perform duties as prescribed under relevant laws or the Articles of Incorporation and those delegated by the Board of Directors.

##### 3) Making a resolution

- The passage of a resolution by the Audit Committee shall require the presence of the majority of its members and the consent by the majority of those present. The Committee may allow the whole or part of the members to take part in making a resolution by communication means that transmit and receive video and voice simultaneously without being present at a meeting in person. In this case, such members shall be deemed to be present at the meeting in person.

##### 4) Chairperson

- A Chairperson who will represent the Audit Committee shall be elected by the Committee among NEDs. Election of a Chairperson shall require the presence of the majority of Committee members and the resolution by the majority of those present. Several members may be elected as Co-Chairpersons to represent the Committee.
- The Chairperson generally manages operation of the Audit Committee and may divide duties among members for efficient operation of the Committee.
- In the event that the Chairperson is unable to carry out his /her duty, his /her duty shall be carried out by the member appointed by the Committee.

##### 5) Types of Audit Committee meetings

- Meetings of the Committee shall be comprised of ordinary and extraordinary meetings.
- An ordinary meeting shall be held once a quarter in principle. Provided, however, that there are any unavoidable circumstances, the Chairperson may postpone or suspend the ordinary meeting.
- An extraordinary meeting may be held from time to time when necessary.

6) Convocation authority

- a. Audit Committee meeting shall be convened by the Chairperson.
- b. Each member may request the Chairperson to convene a meeting by presenting agendas and the reason for the request. In the event that the Chairperson does not convene a meeting without any justifiable reason, the member who made such a request may convene a meeting.

7) Convocation procedure

- a. Audit Committee meeting schedule shall be notified to each member at least a week before the meeting.
- b. When unanimously agreed upon, an Audit Committee meeting may be held at any time without following the procedure stated in the foregoing paragraph 1.

8) Agenda

Agenda to be submitted to a meeting of the Committee for consideration shall be as follows:

- a. Matters related to general shareholders' meetings
- b. Matters related to directors and the Board of Directors
- c. Matters related to auditors

9) Minutes

- a. The Audit Committee shall keep meeting minutes regarding decisions made by the Committee.
- b. Meeting minutes shall contain records, such as agendas submitted, how the meeting proceeded, the result of the meeting and the name of those opposed to the passage of an agenda along with the reason. The minutes shall be signed or signed and sealed by members present at the meeting.

Establishment of internal control mechanism to ensure Audit Committee members (auditors) access to management data of the Company necessary for audits Internal control mechanism aimed at ensuring members' access to such data In order to make it easier for the members to have access to management data necessary for audits, "Audit Committee Operation Policy", an internal regulation was established to form the basis of the members' activities. Under this policy, the members of the Committee may request directors to make reporting on business operation of the Company or examine the Company's financial status at any time.

**C. Profile of Audit Committee members (auditors)**

Name	Work experience	Relationship with Major shareholder	Recommended by	Note
Hwang, Won Oh	1960 Graduated from Department of Economics of Seoul National University 1981 Completed tax courses in the Southern California Graduate School of in the US 1990-1991 Head of the National Tax Tribunal under the Ministry of Finance 1991-1992 Standing member of Securities and Exchange Commission 1992-1995 President of Korea Minting and Security Printing Corporation (KOMSCO) 1995-1996 Chief director of KMSPC (Non-standing) 1996-1998 Invited Professor of College of Economics and Commerce of Daejeon University	None	NEDs	-
Min, Hae Yung	1960 Graduated from Department of Economics of Seoul National University 1985-1988 Vice-minister of Political Affairs 1 1989-1995 Chief director of Korea Technology Credit Guarantee Fund 1998-2000 Chairman of the Credit Finance Association	None	NEDs	-
Lee, Yong Sung	1960 Graduated from Department of Economics of Seoul National University 1988 Head of the Planning and Administration office under the Ministry of Finance 2001 NED of Hynix Semiconductor Co., Ltd. 1999-Now NEW of Hyundai Research Institute	None	NEDs	-

**D. Key activities of the Audit Committee (Auditors)**

Meeting	Date	Agenda	Result	Name of NEDs		
				Min, Hae-Yung (Attendance rate 83.3%)	Lee, Yung Sung (Attendance rate 100%)	Hwang, Won Oh (Attendance rate 100%)
10-1st regular meeting	Jan. 15, 2010	· FY2009 year-end separate financial reporting	Approved	Yes	Yes	Yes
		· Approval of financial statements and operating report for 56th term	Approved	Yes	Yes	Yes
		· FY2009 year-end financial reporting (consolidated)	Approved	Yes	Yes	Yes
		· Appointment of external auditors	Approved	Yes	Yes	Yes
		· FY2009 Q4 audit report	Approved	Yes	Yes	Yes
10-2nd regular meeting	Apr. 21, 2010	· FY2010 Q1 separate financial reporting	Approved	Yes	Yes	Yes
		· FY2010 Q1 financial reporting (consolidated)	Approved	Yes	Yes	Yes
		· FY2010 Q1 audit report	Approved	Yes	Yes	Yes
10-3rd regular meeting	Jul. 19, 2010	· FY2010 H1 separate financial reporting	Approved	Yes	Yes	Yes
		· FY2010 H1 financial reporting (consolidated)	Approved	Yes	Yes	Yes
		· FY2010 Q2 audit report	Approved	Yes	Yes	Yes
10-4th regular meeting	Oct. 20, 2010	· FY2010 Q3 separate financial reporting	Approved	-	Yes	Yes

Meeting	Date	Agenda	Result	Name of NEDs		
				Min, Hae-Yung (Attendance rate 83.3%)	Lee, Yung Sung (Attendance rate 100%)	Hwang, Won Oh (Attendance rate 100%)
		· FY2010 Q3 financial reporting (consolidated)	Approved	-	Yes	Yes
		· FY2010 H1 internal accounting management system operation	Approved	-	Yes	Yes
		· FY2010 Q3 audit report	Approved	-	Yes	Yes
11-1st regular meeting	Jan. 14, 2010	· FY2010 year-end separate financial reporting	Approved	Yes	Yes	Yes
		· FY2010 year-end financial reporting (consolidated)	Approved	Yes	Yes	Yes
		· FY2010 Q4 audit report	Approved	Yes	Yes	Yes
11-1st ad-hoc meeting	Feb. 25, 2010	· Approval of financial statements for 57th term	Approved	Yes	Yes	Yes

### 3. Matters Related to Shareholders' Exercising Voting Rights

#### A. Accumulative voting

Not adopted

#### B. Voting in paper form or Voting in electronic form

Voting in paper form was adopted It was resolved at the general shareholders' meeting held on March. 17, 2000

#### C. Key activities of the Audit Committee (auditors)

N/A

## 4. MATTERS RELATED TO AFFILIATED COMPANIES

### A. Affiliated Companies of the Hankook Tire Group

Company name	Affiliated company	Ownership (%)	Note
Hankook Tire Co., Ltd.	ATLASBX CO. LTD.	31.13	-
	Daehwa Engineering&Machinery Co., Ltd.	95.00	-
	emFrontier Inc.	50.00	-
	Hanyang Tire Sales Corp.	100.00	-
	Hankook Tire America Corp.	100.00	-
	Hankook Tire Canada Corp.	100.00	-
	Hankook Tyre U.K. Ltd.	100.00	-
	Hankook Tire Japan Corp.	100.00	-
	Hankook Tire Europe Holdings B.V.	100.00	-
	Hankook Reifen Deutschland GmbH	100.00	-
	Hankook Tire France S.A.R.L.	100.00	-
	Hankook Tire Netherlands B.V.	100.00	-
	Hankook Espana S. A.	100.00	-
	Hankook Tyre Australia Pty., LTD.	100.00	-
	Hankook Tire China Co., Ltd.	96.15	-
	Jiangsu Hankook Tire Co., Ltd.	34.67	-
ATLASBX CO., LTD.	Chongqing Hankook Tire Co., Ltd.	100.00	-
	Hankook Tire DE Mexico, S.A. DE C.V.	99.99	-
	FRIXA Co., Ltd.	100.00	-
Daehwa Engineering&Machinery Co., Ltd	ATLASBX Motor Sports Co., Ltd	100.00	-
	Daehwa Engineering&Machinery Jiaxing Co., Ltd.	15.00	-
	Shinyang Corp.	85.00	-
Hankook Tire America Corp.	Daehwa Engineering&Machinery Jiaxing Co., Ltd.	85.00	-
	Hankook Tire China Co., Ltd.	3.85	-
	Jiangsu Hankook Tire Co., Ltd.	0.47	-
Hankook Tire China Co., Ltd.	Hankook Tire DE Mexico, S.A. DE C.V.	0.01	-
	Jiangsu Hankook Tire Co., Ltd.	64.87	-
	Shanghai Hankook Tire Sales Co., Ltd. (formerly, Hankook Tire China Regional Headquarters)	66.00	-
Jiangsu Hankook Tire Co., Ltd.	Shanghai Hankook Tire Sales Co., Ltd. (formerly, Hankook Tire China Regional Headquarters)	34.00	-
Hankook Tire Europe Holdings B.V.	Hankook Tire Italia S.R.L.	100.00	-
	Hankook Tire Hungary Ltd.	100.00	-
	Hankook Tire Europe GmbH	100.00	-
	Hankook Tire Budapest Kereskedelmi Kft	100.00	-

Note 1) As of December 31, 2010.

Note 2) Shinyang Corp., FWS Asset Management Co., Ltd., Another WTE Co., Ltd., H2 WTE Co., Ltd., Another Geumsam Co., Ltd. are "the affiliated companies related to Monopoly Regulation and Fair Trade Act" and Hankook Tire does not own any shares.

## 5. MATTERS RELATED TO DIRECTORS AND EMPLOYEES

### 1. Directors' Compensation

#### | 1 | Information on compensation paid to directors (including NEDs) and Audit Committee members (auditors)

Korean won (in millions)

Classification	Total amount paid	Amount approved at general shareholders' meetings	Average payment per person	Stock option fair value total		Note
Standing directors	2,439	5,700	813	-	-	-
Registered directors	140	5,700	36	-	-	-

#### | 2 | Status of stock options granted and exercised: None as of December. 31, 2010

## Proposed Resolution

### 1. RESOLUTIONS OF SHAREHOLDERS MEETING

#### | 1 | Public Disclosures, Revisions and General Shareholders' Meeting

##### A. The public disclosures and revisions are as follows.

Subject	Details	Progress
E. Europe plant investment plan announced based on Agreement outcome.	Disclose plant to build production base in Hungary (Investment period: 2005-11; Amount: HUF 131B)	Subsidiary established; investment ongoing. Investment period extended 1 year to 2011.
Decision to invest in the establishment of Hankook Tire's 3rd China plant (a new subsidiary).	The investment decision has been made. (Investment period: Dec. 2010-Dec. 2015; Amount: USD 954M)	Subsidiary established; investment ongoing.
Decision to invest in the establishment of Hankook Tire plant in Indonesia	The investment decision has been made. (Investment period: Jan. 2011-Sept. 2014; Amount: USD 353,237,000)	Subsidiary established (Feb. 2011); investment ongoing.
Relocation & rebuilding of Main R&D Center	The decision was made to relocate and rebuild the Main R&D Center to secure more research space. (Investment period: Mar. 2011-Jun. 2013; Amount: KRW 147,199,380,000)	

##### B. The Minutes for the 55th, 56th, and 57th shareholders' meetings are summarized below:

Date	Item	Resolution	Note
The 56th annual shareholders' meeting (Mar. 25, 2011)	1. Approval of balance sheet, income statement, and statement of appropriations of retained earnings (draft)	· Approved	-
	2. Amendment of Articles of Incorporation	· Cash dividend of KRW 350 (1.1% of market price)	-
		· Articles amended to establish the new position of "Executive Director"	-
	3. Appointment of NED to serve as Audit Committee member	· Hwang, Won Oh NED (Audit Committee) reappointed, Lee, Yong Sung NED(Audit Committee) reappointed	-
	4. Approval of directors' compensation limit	· Directors' compensation limit for 2011 shall be KRW 5.7 billion; specifics shall be delegated to Board of Directors.	-
The 56th annual shareholders' meeting (Mar. 26, 2010)	5. Change in regulation on executives' retirement pay	· Amend the Articles of Incorporation to allow the position of "Executive Director"	-
	1. Approval of balance sheet, income statement, and statement of appropriations of retained earnings (draft)	· Approved	-
		· Cash dividend of KRW 350 (1.4% of market price)	-
	2. Amendment of Articles of Incorporation	· This public announcement has been posted on the company website ( <a href="http://www.hankooktire.com">http://www.hankooktire.com</a> )	-
		· When an outside auditor is appointed, the fact is either reported at the regular general shareholders' meeting covering the fiscal year during which the appointment was made; or shareholders are notified of the fact in writing, by regular mail or email, on the closing date of the shareholder register; or the fact is posted on the company webpage.	-
3. Appointment of directors	· Amend the Articles of Incorporation to change the CEO position holder from President to Vice Chairman.	-	
	· Reappointment of Cho, Yang Rai as Exec. Dir.; Suh, Seung Hwa as Exec. Dir.; and Chang, Sun Kon as NED Appointment of Cho, Hyun Shick as Exec. Dir.	-	
	4. Approval of directors' compensation limit	· Directors' compensation limit for 2009 shall be KRW 5.7 billion; specifics shall be delegated to Board of Directors.	-

Date	Item	Resolution	Note
The 55th annual shareholders' meeting (Mar. 20, 2009)	1. Approval of balance sheet, income statement, and statement of appropriations of retained earnings (draft)	· Approved · Cash dividend of KRW 150 (1.0% of market price)	-
	2. Amendment of Articles of Incorporation	· Domestic and overseas operations, including sales offices, sales offices, local subsidiaries, and plants, may be established by resolution of the BOD or one of its committees. · Notice of meeting may be substituted by notice on electronic notification system operated by the Financial Supervisory Service or the Korea Exchange, in addition to announcements in newspapers. · Reorganized provisions following enactment of Financial Investment Services and Capital Markets Act.	-
	3. Appointment of NED to serve as Audit Committee member	· Min, Hae Yung reappointed as NED (Audit Committee member).	-
	4. Approval of directors' compensation limit	· Directors' compensation limit for 2009 shall be KRW 5.7 billion; specifics shall be delegated to Board of Directors.	-

## 2. RESOLUTION OF BOARD OF DIRECTORS

Please refer to **1. - 1. - | 1 | - B. Key activities of the Board of Directors** in Corporate Governance.

## 3. DIVIDENDS AND OTHER MATTERS

Each year, the dividend amount has been set according to the Articles of Incorporation and through resolutions by the BOD and at the general shareholders' meeting. In the future, the company shall continue to pay out a dividend, the amount of which is based on a balance between promoting the company's future growth and paying back shareholders part of company profits. Details on dividends paid over the past three fiscal years are below:

### 1. Dividend Information for the Past Three Fiscal Years

Item		FY2010	FY2009	FY2008
Face value per share (KRW)		500	500	500
Current net income (Million won)		427,434	350,887	25,412
Earning per share (KRW)		2,944	2,417	173
Total cash dividend (Million won)		50,816	50,816	21,778
Total stock dividend (Million won)		-	-	-
Cash dividend rate (%)		11.89	14.48	85.70
Cash dividend rate (%)	Common stock	1.07	1.43	1.01
	Preferred stock	-	-	-
Stock dividend yield (%)	Common stock	-	-	-
	Preferred stock	-	-	-
Cash dividend per share (KRW)	Common stock	350	350	150
	Preferred stock	-	-	-
Stock dividend per share (Number of stocks)	Common stock	-	-	-
	Preferred stock	-	-	-

Note) No quarterly/interim dividends in the current fiscal year

## Summary of Key Reports

### AUDIT COMMITTEE'S AUDIT REPORT

The Audit Committee of Hankook Tire Co. Ltd. carried out auditing on the Company's accounting and business operation from January 1, 2010 to December 31, and reports the results as following:

#### 1. Overview of Audit Methodology

As for the audit on accounting, ledgers, relevant documents, financial statements and supplementary schedules were closely reviewed. The committee made comparisons, performed due diligence, called on relevant personnel, raised inquiries and took other appropriate audit procedures, if found necessary. To audit business operation, audit committee members attended the Board of Directors' meeting and other important meetings, asked directors for an update, if found necessary, read and closely reviewed documents related to key business and took other appropriate measures.

#### 2. Balance Sheet, Income Statement and Cash Flow

Hankook Tire's assets, P&L and cash flow were accurately recorded in its balance sheet, income statement and cash flow according to relevant laws and the Articles of Incorporation.

#### 3. Statement of Appropriations of Retained Earnings

The statement of appropriations of retained earnings is in line with relevant laws and the Articles of Incorporation. In addition, it reflects the Company's financial status and other conditions.

#### 4. Operating Report

Operating report accurately captures the Company's circumstances according to relevant laws and the Articles of Incorporation.

February 25, 2011  
 Hwang, Won Oh (Signature)



Chairman of Hankook Tire Audit Committee

### INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean

## Deloitte.

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

We have audited the accompanying non-consolidated statements of financial position of Hankook Tire Co., Ltd. (the "Company") as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all 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 financial statements referred to above present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations, changes in its retained earnings and shareholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

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

March 7, 2011

*Deloitte Anjin LLC*

#### Notice to Readers

This report is effective as of March 7, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## AUDITOR'S OPINION ON INTERNAL CONTROL MECHANISM

### 1. A Overview of Internal Control Mechanism

#### | 1 | Hankook Tire has the following internal control mechanism and functions

##### A. Board of Directors

Board of Directors shall supervise individual director's execution of duties.

##### B. Audit committee

Audit committee shall supervise individual director's execution of duties. To this end, it may ask a director to submit reports on business operation or investigate the Company's operation and financial status.

##### C. Internal audit department

Internal audit department performs audit on various teams. The Business Diagnosis Team conducts regular audit and ad-hoc audit based on Hankook Tire's "Internal Audit Policy".

##### D. Other internal control mechanism

- a. Domestic subsidiaries' business performance management: Corporate Management Team2
- b. Due diligence on domestic sales offices: (KOR) Marketing Team
- c. Overseas sales company & offices' performance management: Global Sales Operations Team
- d. Regular inventory check: Production Management Team
- e. Internal quality assurance: Quality Management Team
- f. Internal environment assessment: Environment & Safety Team of each plant
- g. Operation of internal accounting management system: Accounting Team

#### | 2 | The board consists of seven directors including four NEDs.

#### | 3 | Appointment of the standing auditor and guaranteeing the employment status of Audit Team staff

- a. Audit committee members of Hankook Tire are appointed based on Article 415 (2) of the Commercial Act and Article 44 of the Company's Articles of Incorporation (Any shareholder who holds more than 3/100 of the total outstanding shares shall not exercise his/her vote in respect of the shares exceeding the ratio).
- b. Auditor shall be consulted before releasing or transferring staff in and out of the Audit Team in order to guarantee the employment status of Audit Team staff.

## 2. Operation of Internal Control Mechanism

### | 1 | Operation cycle

- a. Regular & ad-hoc audit: 10 times a year
- b. Domestic subsidiaries' business diagnosis: 1 time a year
- c. Domestic subsidiaries' performance management: 1 time a month
- d. Due diligence on domestic sales offices: 14 sales offices a year
- e. Overseas sales company's performance management: 1 time every quarter
- f. Overseas sales office's performance management: 1 time a month
- g. Regular inventory check: 1 time a year
- h. Internal quality assurance: 1 time a year
- i. Internal environment assessment: 1 time a year
- j. Report on the operation of internal accounting management system: 4 times a year

### | 2 | Audit results

Issues pointed out during the audit are immediately reported to the personnel with authority as specified in the 'Authority Policy', and follow-up measures are taken according to operational procedures of each internal audit mechanism.

## 3. Auditors' Opinion on Internal Control Mechanism Operation

| 1 | **Auditors concluded that the internal control mechanism of Hankook Tire Co., Ltd. operated effectively in the fiscal year ended December 31, 2010.**

| 2 | **Material weakness of the internal control mechanism has not been found.**

Audit committee member Hwang, Won Oh  
 Audit committee member Min, Hae Yung  
 Audit committee member Lee, Yong Sung

## Other Information

### 1. MAJOR MANAGEMENT AND OTHER CONTRACTS

#### 1. Purchasing Contracts for Raw Materials

- Counterparties: Kumho Petrochemical Co., Ltd. and others
- Contract times and periods: regular contract (price adjusted according to market conditions)
- Purpose and details: Procurement of synthetic rubber
- Terms of payment: Letters of credit
- Other important matters: No relevant data

#### 2. Discretionary Assets Management Contract

- Counterparty: FWS Investment Advisory Corporation
- Contract times and periods: July 19, 2007 – July 18, 2010 (To be renewed annually)
- Purpose and details: Profit taking through asset management
- Terms of payment: Commissions
- Other important matters: Contract can be adjusted or terminated by written notice one month before expiry date
- Risk management: After the end of trading every day, check the breakdown of trading and use, if important changes of profit, ask explanation from FWS Co., Ltd.

### 2. R&D ACTIVITIES

#### | 1 | R&D organization



#### | 2 | R&D expenses

Korean won (In thousands)

Source	57th	56th	55th	Note
Raw materials	-	-	-	-
Personnel	36,707,921	32,703,045	26,671,823	-
Depreciation	11,610,947	11,300,186	10,410,147	-
Consignment service fee	-	-	-	-
Other	51,029,623	51,266,652	48,764,267	-
<b>Total R&amp;D expenses</b>	<b>99,348,491</b>	<b>95,269,883</b>	<b>85,846,237</b>	-
Account settlements				
Selling and administrative expenses	99,348,491	95,269,883	85,846,237	-
Manufacturing expenses	-	-	-	-
Development expenses (intangible assets)	-	-	-	-
R&D expenses/ Sales ratio (Total R&D expenses ÷ Sales ×100)	3.0%	3.4%	3.2%	-

### 3. MATTERS RELATED TO OTHER INVESTMENT DECISIONS

#### 1. Legal Risk

Legal risk is on the rise, both qualitatively and quantitatively. In 2009, we were faced with legal risk in various areas, including the original equipment (OE) business (domestic and overseas), intellectual rights, product liability (both domestic and overseas), franchises, the Fair Trade Act, and the Unfair Competition Prevention Act.

Legal risk management is undertaken by our Legal Affairs Team, which works to prevent legal problems that can arise during our business activities. It does this by hiring specialists, including domestic and international law firms, patent attorneys, and certified public labor attorneys.

In addition, it is tasked with post - remedial operations, supporting the institution of lawsuits through speedy procedures when conflicts arise.

The team's duties include the preparation and examination of domestic and overseas business - related contracts, offering advice on legal matters for various projects and our ongoing business operations, examining legal information (including corporate activities - related laws, regulations, and judicial precedents), supporting the settlement of disputes (including the arbitration of both lawsuits at home and abroad), and external cooperation.

#### 2. Integrated EHS Control System

Hankook Tire is working to establish an integrated Environment, Health, and Safety (EHS) management system. The new system will increase the efficiency of data monitoring and management by setting standards in each of the three areas.

EHS computerized system will systemically manage previously scattered EHS information and data. The major advancements made in building the system are as follows: First, to improve environment-friendly work environment during production process; Second, to minimize potential risk factors; Third, to analyze data on employees' regular physical examination results and work capabilities to detect possible health problems; Fourth, to manage systemically chemical materials; Last, to reduce environmental load and assess the air quality of neighboring community.

First of all, the integrated EHS management system makes the company's environment-friendly management strategy more effectively bolster the competitiveness and the company will continue to upgrade advanced Environment, Health and Safety system.

#### 4. CREDIT RATINGS

Data	Rating target: securities, etc.	Credit rating	Credit agency	Credit rating categories	Rating classification
Jun. 4, 2008	Corporate bonds	AA-	Korea Ratings	(AAA ~ D)	Regular rating
Jun. 4, 2008	Corporate credit rating	AA-		(AAA ~ D)	Main rating
Feb. 12, 2009	Corporate bonds	AA-		(AAA ~ D)	Main rating
Feb. 27, 2009	Corporate bonds	AA-		(AAA ~ D)	Main rating
Jul. 1, 2009	Corporate bonds	AA-		(AAA ~ D)	Regular rating
May 28, 2010	Corporate bonds	AA		(AAA ~ D)	Regular rating
Jun. 4, 2008	Corporate bonds	AA-	Korea Investors Service	(AAA ~ D)	Regular rating
Jun. 04, 2008	Corporate credit rating	AA -		(AAA - D)	Main rating
Dec. 26, 2008	Corporate credit rating	AA -		(AAA - D)	Regular rating
Feb. 13, 2009	Corporate bonds	AA -		(AAA - D)	Main rating
Feb. 27, 2009	Corporate bonds	AA -		(AAA - D)	Main rating
Jul. 31, 2009	Corporate bonds	AA -		(AAA - D)	Regular rating
May 31, 2010	Corporate bonds	AA		(AAA - D)	Regular rating

#### Ratings definition

Rating agency	Rating target: Securities	Credit rating	Rating definition	Note
Korea Ratings	Commercial paper	A1	An obligor rated "A1" has an extremely strong capacity to timely meet its financial commitments.	Ratings between A2 and B categories can be designated with a
		A2	An obligor rated "A2" has a strong capacity to meet its financial commitments, although its redemption stability is somewhat weaker than that of an obligor in the A1 category.	plus (+) or minus (-) sign according to their relative status within each generic rating category
		A3	An obligor rated "A3" has an adequate capacity to meet its financial commitments, although its redemption stability is weaker than that of obligors in the upper rating categories.	
		B	An obligor rated "B" has the capacity to timely meet its financial commitments. However, its redemption stability contains speculative characteristics, so that it is susceptible to short - term changes in its business and economic environments.	
		C	An obligor rated "C" is speculative to a high degree.	
		D	An obligor rated "D" is in default.	
	Bonds/ Corporate credit ratings	AAA	An obligor rated "AAA" has an unquestionable capacity to redeem its financial obligations and holds an extremely low investment risk.	Ratings between the AA and B categories can be designated with a plus (+) or minus (-) signs

(Continued)

Rating agency	Rating target: Securities	Credit rating	Rating definition	Note
		AA	An obligor rated "AA" has a satisfactory capacity to redeem its financial obligations, although its solvency is relatively weaker than that of obligors in the AAA category.	according to their relative status within each generic rating category.
		A	An obligor rated "A" has a satisfactory capacity to redeem its financial obligations, although it is somewhat more susceptible to the adverse effects of changes in its business and economic environments than obligors in the AA rating categories.	
Korea Ratings		BBB	An obligor rated "A" has a satisfactory capacity to redeem its financial obligations, although it is somewhat more susceptible to the adverse effects of changes in its business and economic environments than obligors in the AA ratings categories.	
		BB	An obligor rated "BB" has the capacity to redeem its financial obligations. However, its redemption stability contains speculative characteristics that cannot be guaranteed in the long term.	
		B	An obligor rated "B" is speculative in meeting its financial commitments. Adverse circumstantial changes are likely to impair its capacity to pay interest.	
		CCC	An obligor rated "CCC" is highly speculative in meeting its financial commitments.	
		CC	An obligor rated "CC" is more speculative than an obligor in the CCC category.	
		C	An obligor rated "C" has a high default risk and no capacity for redemption.	
		D	An obligor rated "D" is in default.	
Korea Investors Service	Commercial paper	A1	Capacity for timely payments is the strongest and hardly likely to be adversely affected by foreseeable events.	The ratings from 'A2' to 'B' may be modified by the addition of a
		A2	Capacity for timely payments is strong, but not as great as A1 ratings in terms of the margin of safety.	plus (+) or minus (-) sign to show relative standings within the major
		A3	Capacity for timely payments is adequate but likely to be impaired by drastic changes in circumstances and economic conditions	categories.
		B	Capacity for timely payments is doubtful and speculative, as it is more likely to be impaired by adverse changes in circumstances and economic conditions	

(Continued)

Rating agency	Rating target: Securities	Credit rating	Rating definition	Note
		C	Capacity for timely payments and safety is very vulnerable to near- term adverse changes in financial and economic conditions and is very speculative	
		D	In default	
Corporate bonds	Corporate credit rating	AAA	Capacity for timely payments is extremely strong. AA Capacity for timely payments is very strong, but somewhat less than "AAA."	The ratings from 'AA' to 'B' may be modified by the addition of a plus (+) or minus ( - ) sign to show relative standings within the major categories.
		A	Capacity for timely payments is strong, but somewhat susceptible to external changes in the future.	
		BBB	Capacity for timely payments is adequate, but more likely to be weakened by future market changes.	
		BB	Capacity for timely payments faces no immediate problems, but is speculative in terms of its future stability	
		B	Capacity for timely payments is poor and speculative.	
		CCC	Contains the possibility of default.	
		CC	Contains more possibilities of default.	
		C	Highly likely to default.	
		D	In default.	

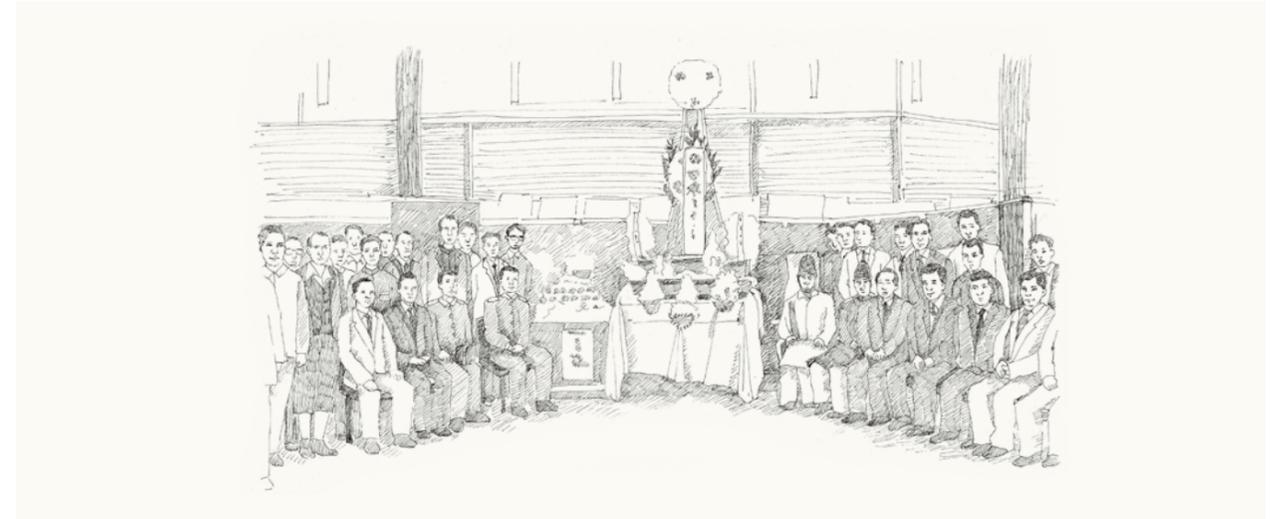
Hankook Tire was established in 1941 and is looking forward to its 70th anniversary in 2011. Throughout our history we strove to become a leading global player. The relentless effort of our people to generate better value enabled us to overcome the devastation of the Korean War and emerges today as the world's seventh-largest tire maker. Today, we pause to look back on the past seven decades. Herein lie many lessons that can be applied so that our future is even brighter.

Seven Decades of  
Challenge  
and  
Success

# 1941

Hankooktire Guinness 10

# 2010



The Journey Begins for Hankook Tire

## 1941

Hankooktire Guinness 01/10

On May 10, 1941, "Chosun Tire Co.," the first ever tire maker in Korea, began business. The company went through uncertain times amidst Korea's liberation from Japanese colonial rule and the outbreak of the Korean War. After the war, Chosun Tire was renamed "Hankook Tire Manufacturing Ltd." (now Hankook Tire Co., Ltd.), and operations stabilized at long last. A small tire maker with an annual production capacity of 110,000 units has become a major global enterprise that annually provides 87 million tires to users in more than 180 countries.

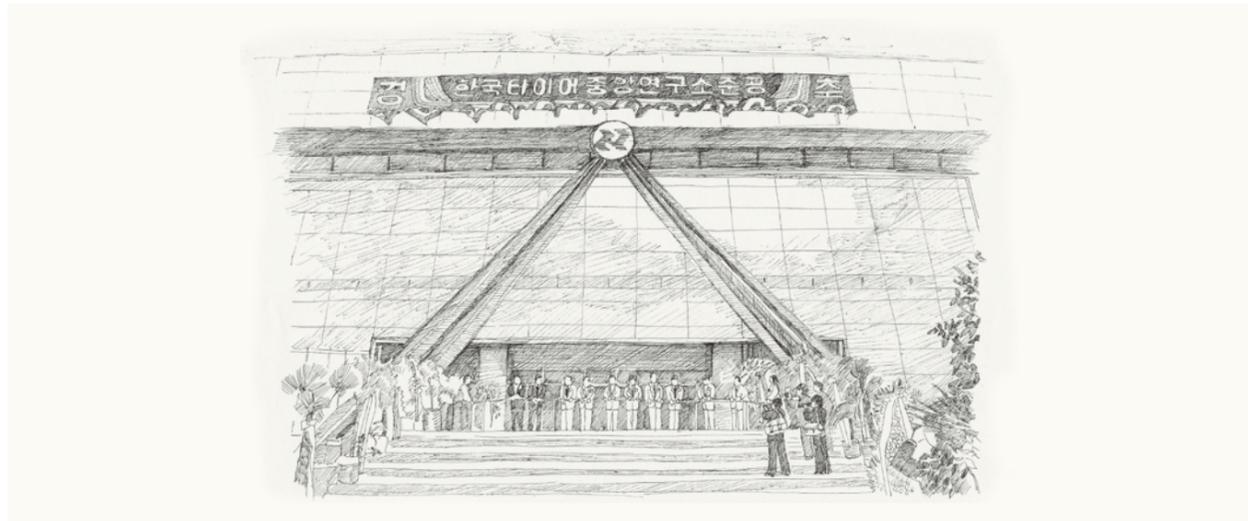
Hankook Tire built the Daejeon Plant, which was the single largest tire production facility in Asia at the time of its completion in 1979. The following year, Hankook Tire's exports broke the US\$1 million mark for the first time, which boded well for the company's future success. The Daejeon Plant was the world's largest facility dedicated to radial tire production, allowing the company to expand its market share in the US and Europe.

Hankooktire Guinness 02/10

## 1979

The Largest Tire Plant in Asia Established in Daejeon





Main R&D Center Opens

1992

Hankooktire Guinness 03/10

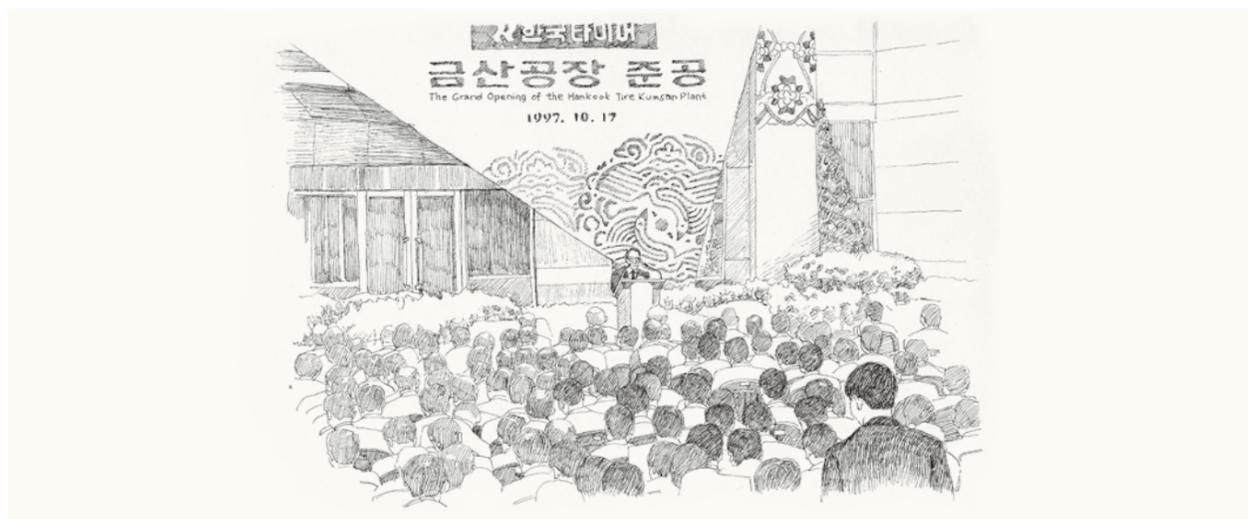
The Technology Center opened in Daejeon, Korea, in 1982 to develop superior technologies and products, thereby supporting Korean industrial development. In 1992, the Main R&D Center opened with state-of-the-art facilities inside the Daedeok Science Complex. The Main R&D Center is not just developing new products but also conducting research on new materials and other cutting-edge technologies. In addition, we established other technical centers in various regions include Akron Technical Center (ATC), Europe Technical Center (ETC) and China Technical Center (CTC) to hone our technological edge.

We completed the construction of the Geumsan Plant on October 17, 1997, the largest tire-making facility in the world at that time. The plant boasts the state-of-the-art facilities, with fully-automated processes that range from warehousing raw materials to shipping finished products. Automated interior climate control and lighting systems as well as other environmental facilities allow the plant to turn out top-quality tires most efficiently. The Geumsan Plant boasts triple the productivity found at conventional plants, laying the groundwork for Hankook Tire to compete shoulder to shoulder with the world's foremost tire makers.

Hankooktire Guinness 04/10

1997

World's Largest Plant Lays Foundation for Global Leadership



Global Competitiveness Heightened with the Completion of Jiaxing and Jiangsu Plants

1999

Hankooktire Guinness 05/10

We completed the construction of two tire plants in China, in the 1990s. These, our first offshore facilities, began an ongoing effort to build a global production system. The Jiaxing and Jiangsu Plants are capable of producing 2.45 million and 1.8 million tires per year, respectively. The production capacity represents 8.5 percent of total tire demand in China. Therefore, we were able to take an early lead in the emerging Chinese market and secured a foothold for exports to neighboring countries in Asia.

Hankook Tire has expanded production capacity steadily since being established in 1941. The Daejeon Plant helped us produce our 100 millionth tire in 1990, a first for the Korean tire industry. New facilities were installed at the Daejeon and Seoul Plants, helping Hankook Tire reach the 200 million-mark in aggregate output by November 1995. The Geumsan Plant and the two Chinese plants were subsequently opened, and aggregate production exceeded 300 million units in September 1999. In 2004, the 500 millionth tire was produced.

Hankooktire Guinness 06/10

2004

Aggregate Production Reaches 500 Million Units





Exports Exceed US\$1 Billion

2005

Hankooktire Guinness 07/10

We became Korea's first tire maker to receive the US\$1 Billion Annual Export Tower from the Korean government on November 30, 2005. This was 43 years after we shipped our first exports to Thailand and Pakistan. In 2005, Hankook Tire held the largest share of the Korean tire market and became the eighth largest tire maker in the world in terms of sales. Our exports have been accelerating since 1980, when the US\$100 million mark in export volume was reached for the first time. Exports topped US\$500 million in 1995, US\$600 million in 2002 and US\$700 million in 2003.

A groundbreaking ceremony was held for Hankook Tire's fifth production operation in Lacalmas, near Budapest, on July 14, 2006. The Hungary Plant has played an important role in our entry into the European market. Meanwhile, the US magazine "Modern Tire Dealer" ranked us the 7th among global tire makers in terms of sales. This was the result of our continuous R&D efforts, innovative new products, reinforced brand recognition through effective brand communications, and thorough quality management.

Hankooktire Guinness 08/10

2006

Construction of Hungary Plant Begins,  
and Hankook Tire Becomes the World's 7<sup>th</sup> Largest Tire Company



Kontrol Technology Makes its Debut

2008

Hankooktire Guinness 09/10

Our unique Kontrol Technology philosophy debuted at Auto China 2008. This philosophy defines our resolve to provide customers with the best driving environment by balancing performance, stability, ride comfort and environment friendliness of our products. As such, Kontrol Technology summarizes our relentless R&D effort and investment, which continues to strengthen our reputation.

Hankook Tire has accelerated business operations since 2010. We plan to build our sixth plant in Chongqing (China), and seventh in Bekasi (Indonesia) to take an early lead in the fast-growing Chinese and emerging East Asian tire markets. Once operation at the two new plants are normalized, our annual production capacity will reach 100 million units, which will enable us become the world's fifth largest tire maker.

Hankooktire Guinness 10/10

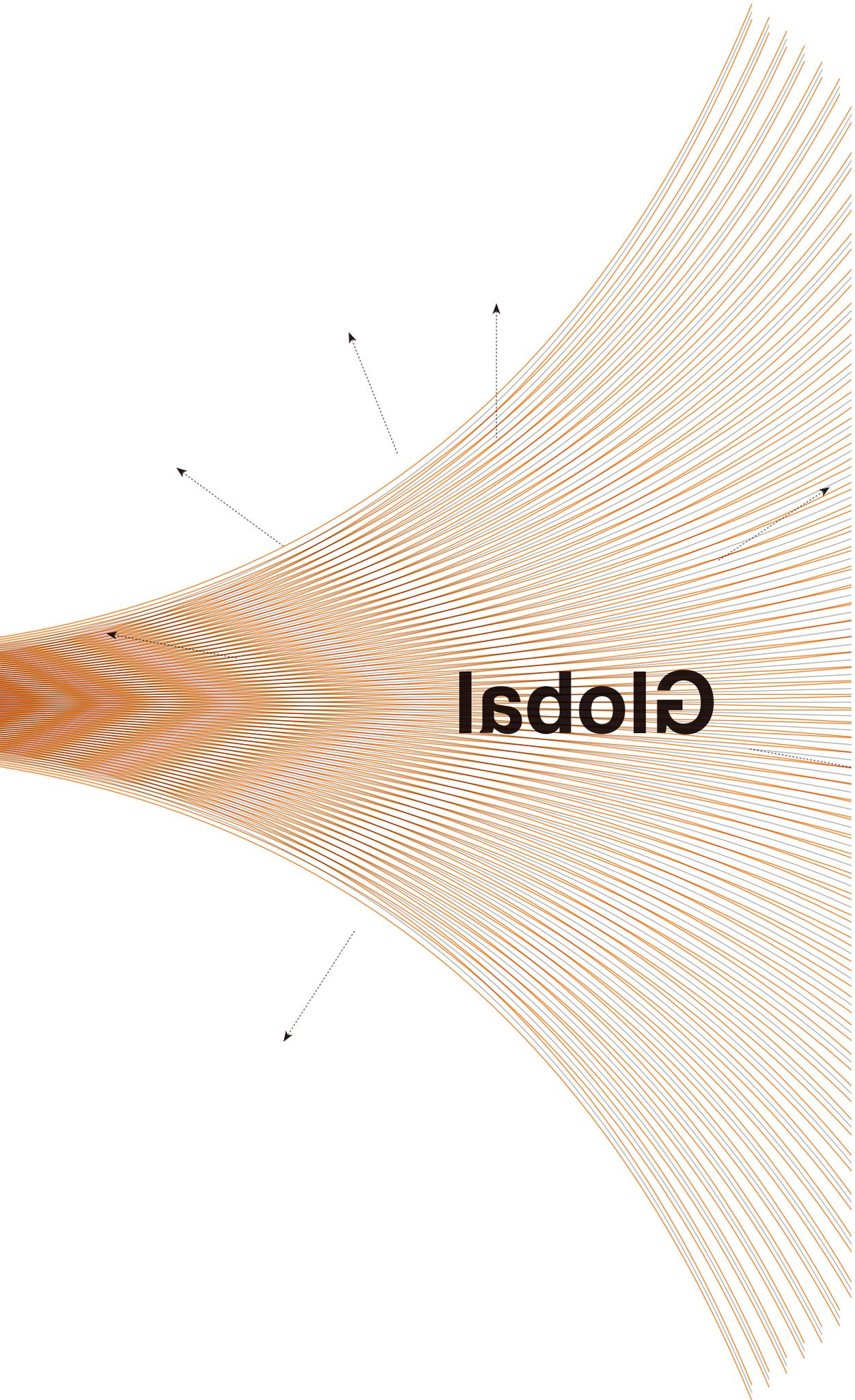
2010

Preparations Made for Plants in Chongqing and Bekasi









**Global**





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