

ANNUAL REPORT 2007



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hankoo

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Generate change through brand management & technology

BRAND

Hankook Tire is not satisfied with simply being Korea's number one tire maker. The world's 7th largest premium tire company has been going through a constructive process of development. This is the result of constant investment in R&D for innovative products and technology development, as well as various business activities for the improvement of the company's brand value. Hankook Tire is striving to become a leading global company that makes continuous investment in its brand management and technology in order to sustain its achievements to date in the world tire market.



& TECHNOLOGY



GLOBALIZATION



Change precedes moving forward

& GROWTH

Hankook Tire contributes to the world tire industry through its keen understanding and broad insight into the market. By establishing suitable management systems that meet global standards through local production systems in Europe, Hankook Tire is expanding its production and distribution ability to remain highly competitive on the world market, while also providing high-quality products and services in order to maximize customer satisfaction. In spite of uncertainties in the current business environment and severe competition in the industry, Hankook Tire is ready to take the next step forward and lead the next generation of tire makers through constant globalization efforts and a wide range of innovative management techniques.



Sound, efficient management aimed at shareholder value maximization.

GLOBAL OPERATI

Over the last 70 years, Hankook Tire has succeeded in maximizing its expertise and management capabilities in the tire industry. With sound business principles and the establishment of an open and aboveboard management system, it continues to thrive despite the large number of challenges in the business community. The current business environment is harsher than ever due to skyrocketing raw material prices and fierce competition initiated by major tire companies as well as the growing competitiveness of Chinese companies. Even with this tough business atmosphere, Hankook Tire is still in the progress of maximizing the company's value and satisfying shareholders through the business capabilities and know-how it has accumulated over the years.



ON EXCELLENCE



OVERVIEW

2007 Sales | unit: 1,000 won

3,585,760,614

Hankook Tire has continued to grow beyond Korea and now operates around the world.

In 2007, the company recorded a high growth rate on its way to becoming the world's 7th largest tire maker despite a challenging management environment brought on by soaring oil and raw material prices as well as a declining exchange rate. Hankook Tire's continuous growth, which is based on creating stable profits, will be delivered to all stakeholders, including customers and shareholders, in the form of greater value and hope.

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HANKOOK TIRE'S STATUS

Korea's No. 1 Tire Company

Established in 1941 as the first Korean tire specialist company, Hankook Tire has always been at the forefront of the country's tire industry. It continues to remain there, as is reflected in its sales figures of automotive tires, the highest in Korea in 2007.

World's 7th Largest Tire Company, Asia's 3rd Largest



According to a report on tire company sales in 2007 by the American tire magazine Modern Tire Dealer, Hankook Tire had the seventh highest sales figures in the world, one spot up from last year. It also gained tremendous ground on Asian competitors to rank third in terms of total sales among Asian tire makers.

From Technology and Design to Global Brand Power

Hankook Tire's creative yet practical design and technology have been so well received by consumers around the world that companies outside Korea have shown an interest in introducing Hankook Tire's technology. In 2008, five years after Hankook Tire became a market-driven company, it had the great honor of being selected as one of the world's top 250 consumer product companies tire by the consulting company Deloitte, the only Korean tire company on the list.

BUILDING OF A CORPORATION

Professional Automotive Tire Producing Corporation

As a manufacturer of specialized tires for cars, Hankook Tire produces three radial tire lines for passenger cars (PCR), small trucks (LTR), medium and full-sized trucks & buses (TBR), as well as three bias tire lines for construction (OTR), agriculture (AG) and industry (ID) in Korea, China and Hungary.

Global R&D Capability

For Hankook Tire, the most important part of R&D is ensuring passenger safety and improving product performance. In addition to its Central R&D plant in Daejeon, Korea, Hankook Tire built local R&D centers in China (CTC), North America (ATC) and Europe (ETC) to carry out other various research activities that will improve the quality and performance of its products.

Becoming a Comprehensive Group of Automotive Parts Supplier

Hankook Tire has long been providing high-quality automotive parts for consumers with affiliates that specialize in automotive parts, including ATLAS BX Co., Ltd. and Frixia Co., Ltd. with a stable product supply being assured through its global tire distribution network. At Hankook Tire, new technology development and quality progress is always taking place through steady investment in technology.



BUSINESS AREA

Expansion of Global Network

Hankook Tire has built sales networks throughout the world, including Korea (37 Sales Offices), China (14 Overseas Sales Offices), Europe (9 Overseas Subsidiaries, 2 Overseas Sales Offices), North America (2 Overseas Sales Subsidiaries, 1 Overseas Sales Office), Central and South America (3 Overseas Sales Offices) and Asia, Oceania and the Middle East/Africa (2 Overseas Sales Subsidiaries, 1 Overseas Sales Office). The company also has two offices specializing in original equipment (OE) business in Europe (Hanover, Germany) and North America (Detroit, U.S.A.), which is part of the reason it enjoys close ties with automakers, as well as having a liaison office in Singapore to deal with special issues such as the supply and demand of raw materials. Furthermore, Hankook Tire is promoting its global sales capability through further network expansion, especially in areas that are constantly growing such as BRICs nations.

Globalization of a Specialized Tire Network

Hankook Tire operates a diverse tire distribution network. In Korea, it has three specialized service networks: T'Station, a premium tire-service franchise which offers various services in order to maximize customer satisfaction; Tire Town, a multipurpose tire network which offers high-quality services not only for dealers but also for consumers; and TBX, a network for trucks and buses which deals in tire sales, body repair services and restoration of trucks and buses (TBR). In late 2006, Hankook Tire began operating its first T'Station network in China, with the same great premium services as in Korea. In addition to T'Station, Hankook Tire is also contributing to other network advances in China through Tire Town, TBX and Nice Tire, a taxi network. In Europe, it is working to expand its global network by establishing a network called Hankook Masters.



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BUSINESS PORTFOLIO

Brand Portfolio

Hankook Tire operates three global tire brands. While its top tire brand, Hankook, is sold internationally, its Aurora brand deals mainly with products for passenger cars, while its Kingstar brand appeals to foreign consumers who prefer economy-type products. In Korea, product brands other than the corporate brand, Hankook, are available to customers, including the Optimo (for premium sedans), the Blackbird V (for high-speed driving, V Grade), the Nordic (for winter driving), the Ventus (ultra-high performance tires) and the DynaPro (for SUVs).



Products & Services

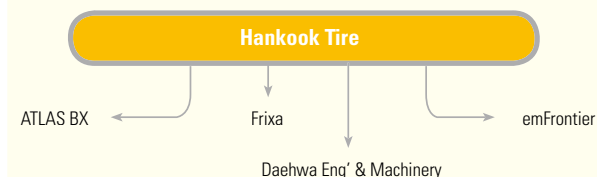
Tires: Radial tires for cars, trucks and buses; bias tires for industry, agriculture and construction

Distribution: T'Station (premium segment), Tire Town (combined whole sale/retail sales), TBX (commercial vehicle sales/body work and restoration), Nice Tire (Chinese taxis), Hankook Masters (Europe)

Miscellaneous: Lead accumulators for cars (ATLAS BX Co., Ltd.), brake pads/lining and raw materials for brakes (Frixia Co., Ltd.), industrial equipment manufacturing (Daehwa Engineering & Machinery Co., Ltd.), and IT solution (emFrontier Co., Ltd.)

Subsidiary Companies

Hankook Tire's subsidiary companies include a car battery company (ATLAS BX), a brake pad manufacturer (Frixia), an industrial equipment manufacturer (Daehwa Engineering & Machinery Co., Ltd.) and a top e-business integrator (emFrontier Inc.).



ATLAS BX Co., Ltd. | Since its establishment as Korea Storage Battery Ltd. in 1944, ATLAS BX Corp. has become one of Korea's leading battery companies through constant change and growth, with batteries for cars, ships and industry. Upon completion of its Jeonju plant in 1999 (annual production of 2 million units), ATLAS BX's annual production capacity now stands at 6.5 million units, making it the world's 9th largest battery manufacturer.

After being taken over by Hankook Tire in 1977, ATLAS BX has been constantly growing through network expansion based on its contacts with Hankook Tire's distribution organization, while also being recognized as one of the world's leading developers of advanced products since the establishment of its R&D laboratory in the early 1990s. Furthermore, in 1994, with its listing on KOSDAQ, the company enjoyed a direct cash infusion.

In the late 1990s, ATLAS BX acquired the QS-9000, ISO-9001 and ISO-14001 certifications, securing its status as Korea's top battery company. In 2007, it became the first Korean battery company to top \$200 million in exports while also being the recipient of an Eco-Label Certificate from Korea's Ministry of Environment's Korea Eco-Products Institute. Today, ATLAS BX is an environmentally-friendly energy specialist.

Frixa Corp. | Established in 1996 under the name Hanta M&B Corp, Frixa Corp. specializes in the manufacturing of brake pads and brake linings for cars, as well as raw materials for brakes (Gramix). It is also playing a pivotal role in taking Korean friction material technology up to the world's highest level. Hankook Tire's Central R&D Center has continued to manufacture and develop new technology development, with sales expanding substantially through Hankook Tire's sales network. In January 2004, the company's high-quality products, which are exported to 20 nations worldwide, gained prominent recognition when the company was the recipient of the QS9000 and ISO9001 certifications.

Moreover, Frixa's product line ensures car and driver safety with leading brake performance, thermal resistance, durability, as well as its ultra-silent wheel dust prevention capability.

Daehwa Engineering & Machinery Co., Ltd. | Founded in 1992, Daehwa Engineering & Machinery Co., Ltd. produces core equipment for tire manufacturing and has become a leader in original technology development and localization of tire manufacturing equipment since establishing its own R&D center. Daehwa led the localization of tire manufacturing equipment in Korea with the development of its TBR uniformity machine, a high-speed type running test machine for UHPTs, and a single-stage type tire building machine for TBRs. Local development of an X-ray machine (PCR &TBR) will take the company one step further towards globalizing the Korean tire market. In the future, Daehwa will continue to push ahead to become the world's leading producer of core equipment for tire manufacturing through original technology development.

emFrontier Inc. | Based on Hankook Tire's know-how on operating information systems, its system integration capabilities and business network, emFrontier aims to become an e-business integrator that offers specialized IT solutions related to e-business such as information systems outsourcing and automotive e-business.

Since its foundation in 2000, emFrontier has conducted various projects regarding ERP, KMS consulting, ISP and new business development. At the same time, it has continued to develop

business opportunities and establish infrastructure for the automotive e-business and AOS fields.

Furthermore, since 2000 emFrontier has achieved consistent annual sales of over 21 billion won and will continue to maximize its corporate value by realizing its vision of becoming a business partner that provides optimum e-business solutions and IT outsourcing services in order to maximize its competitive advantage.

GLOBAL OFFICE



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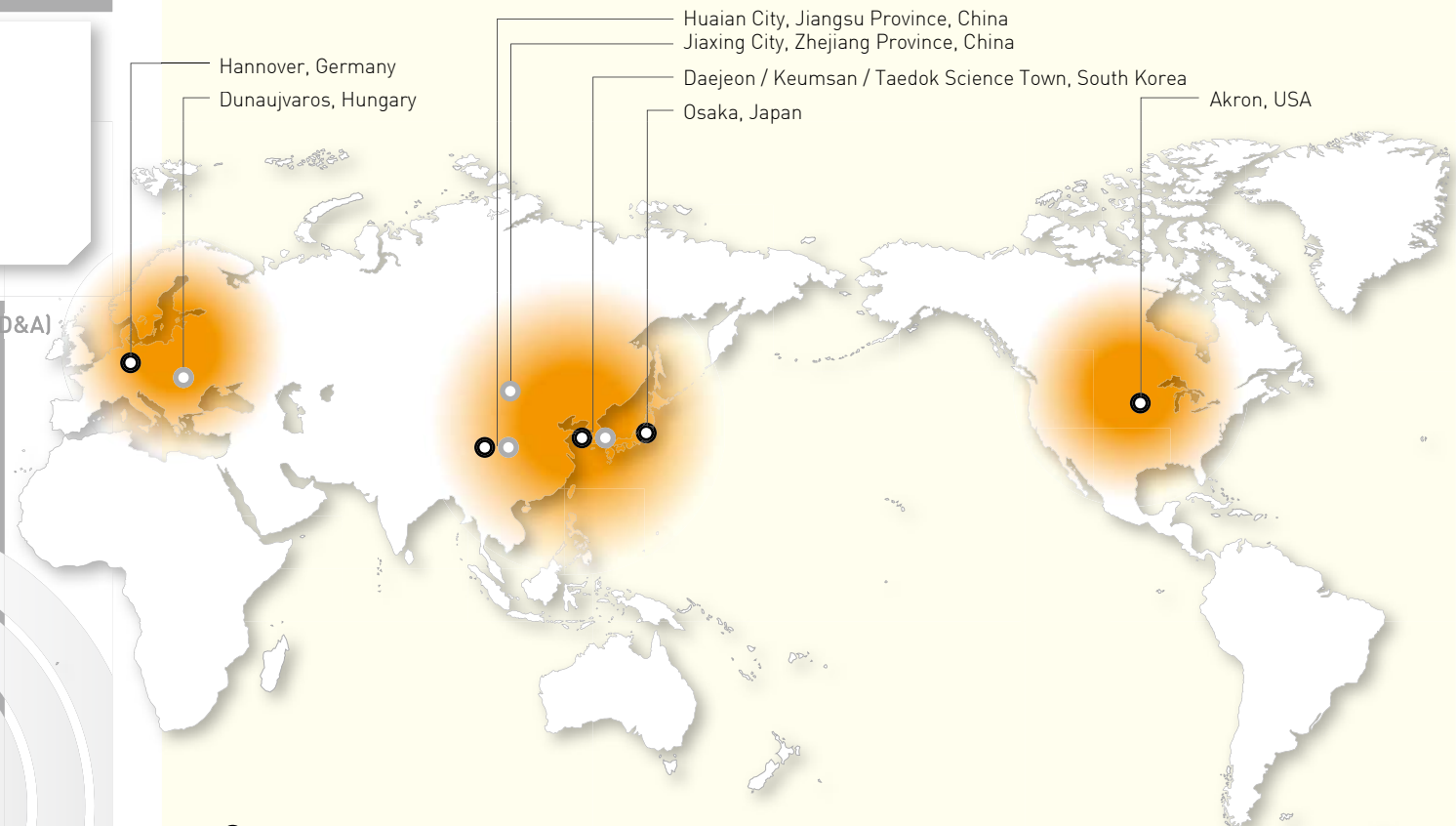
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employees

1072



- **Technical Center:** Hankook Tire Co., Ltd R&D Center(Taedok Science Town, Daejeon), America Technical Center(Akron), Europe Technical Center(Hannover), China Technical Center (Jiaxing City), Japan Technical Center(Osaka)
- **Plant:** Daejeon Plant (South Korea), Keumsan Plant (South Korea), Jiaxing Plant (China), Jiangsu Plant (China), Dunaujvaros Plant (Hungary)

South Korea: 2 Plants (6 product lines), 37 Sales Offices, Hankook Tire Co., Ltd R&D Center, Academy House (4,978 employees*)

China: 2 Plants (7 product lines), 14 Overseas Sales Offices, China Technical Center (7,360 employees*, including dispatched staff from Global Headquarters)

Europe: 1 Plant (1 product line), 9 Overseas Sales Subsidiaries, 2 Overseas Sales Offices, 1 Original Equipment Office, Europe Technical Center (1,478 employees*, including dispatched staff from Global Headquarters)

North America: 2 Overseas Sales Subsidiaries, 1 Overseas Sales Office, 1 Original Equipment Office, America Technical Center (186 employees*, including dispatched staff from Global Headquarters)

Central and South America: 3 Overseas Sales Offices (17 employees*, including dispatched staff from Global Headquarters)

Asia and Oceania (excluding Korea and China): 2 Overseas Sales Subsidiaries, 1 Overseas Sales Office, Singapore Office (41 employees*, including dispatched staff from Global Headquarters)

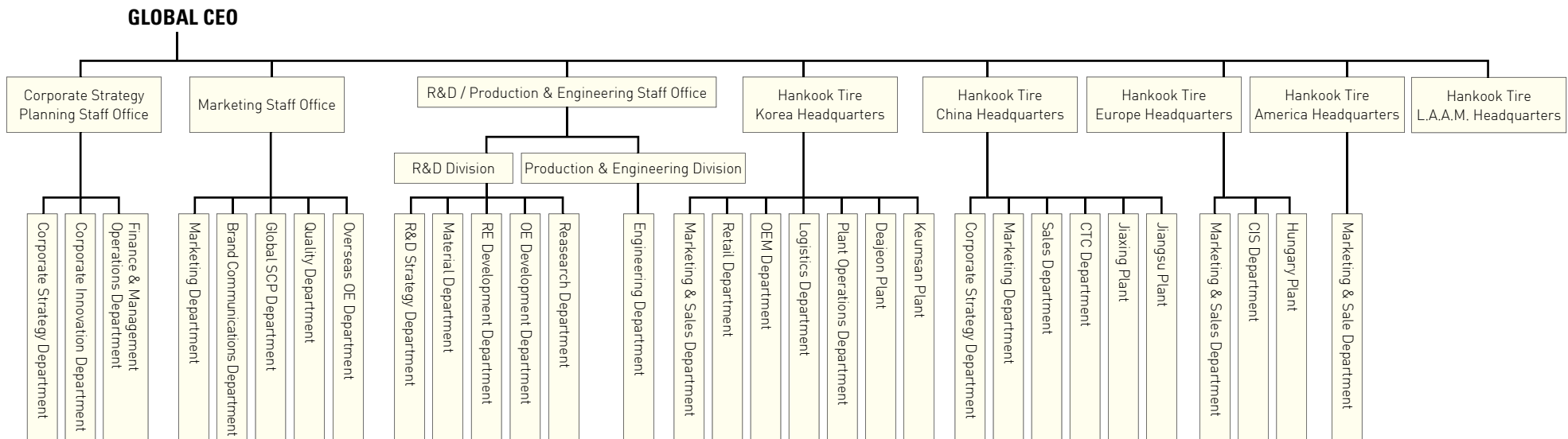
Middle East and Africa: 2 Overseas Sales Offices (12 employees*, including dispatched staff from Global Headquarters)

ORGANIZATIONAL CHANGES

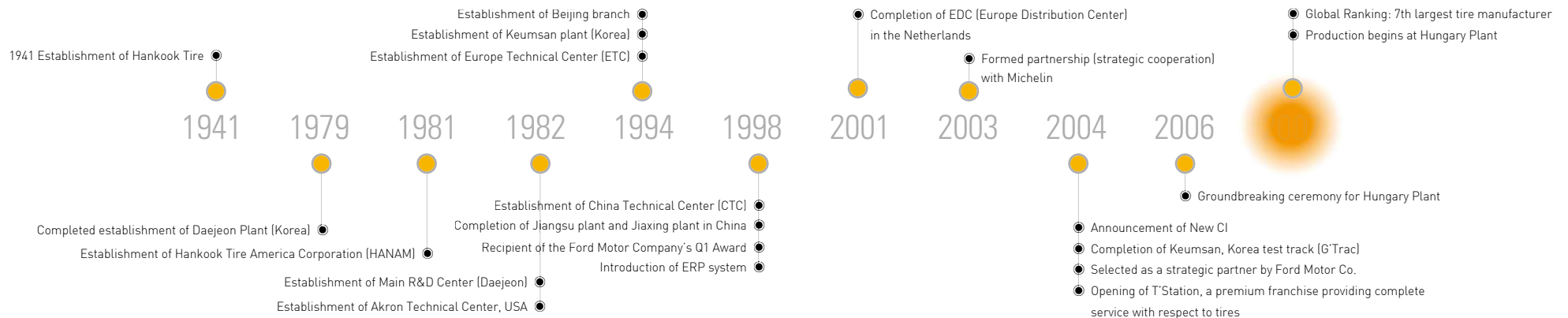
Hankook Tire has been operating three Global Staff Offices and five Regional Headquarters since 2006. In 2007, in accordance with the company's global organization plans (completed in the previous year), Hankook Tire began emphasizing the establishment of a global management system and the stabilization of its internal organization for the purpose of spreading innovative management. Furthermore, Hankook Tire has focused on streamlining its organization structure at all Regional Headquarters.

ORGANIZATION

As of Dec. 31st, 2007



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MEMBERS OF THE GROUP EXECUTIVE COUNCIL



Yang Rai Cho

B.B.A., University of Alabama (Business Management)
Chairman, Hankook Tire



Seung Hwa Suh

B.A., Hankuk University of Foreign Studies (Political Science and Diplomacy)
President & Global CEO,
Hankook Tire



Hwi Joong Kim

B.S., Seoul National University (Applied Chemistry)
Ph.D. in High Polymer Engineering, Akron University
President, Hankook Tire
CTO / CPO



Ki Youl Huh

B.E., Yonsei University (Electronic Engineering)
President, Hankook Tire
CCO / Korea Headquarters



Jin Wook Choi

B.B.A., Sungkyunkwan University (Business Administration)
Executive Vice President,
Hankook Tire
COO / China Headquarters



Seung Do Jin

B.B.A., Yonsei University (Business)
Executive Vice President,
Hankook Tire
COO / Europe Headquarters



Hyun Shick Cho

B.A., Syracuse University (Economics)
Executive Vice President,
Hankook Tire
CMO



Hyun Bum Cho

B.A., Boston College (Finance)
Executive Vice President,
Hankook Tire
CSFO



Young Soo Woo

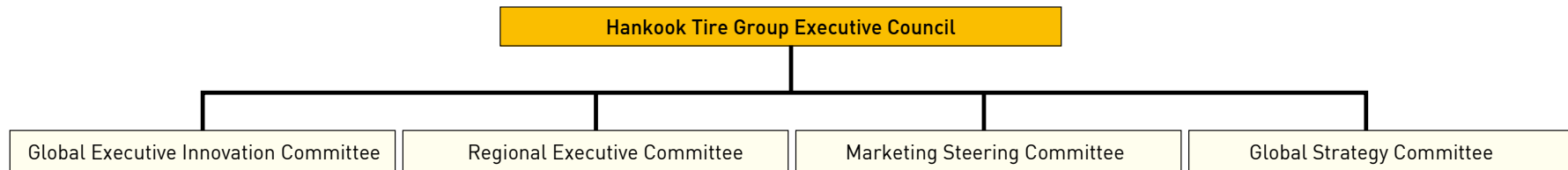
B.S., Seoul National University (Economics)
Ph.D. in Economics, Cornell University
Vice President, Hankook Tire
COO / L.A.A.M. Headquarters



Ho Youl Pae

B.A., Seoul National University (Linguistics)
Vice President, Hankook Tire
COO / America Headquarters

THE GROUP EXECUTIVE COUNCIL



Hankook Tire has worked hard to maximize shareholder value by implementing a professional management system that separates capital and management. With its conversion to a global management system, it is now aiming to satisfy shareholders more than ever with sound management by establishing a management system that meets the most stringent global standards. Hankook Tire's executives, always striving to obtain the best results, have both professional knowledge in their respective fields and excellent management abilities. While the company assists quick, efficient decision-making, it has always improved its management system according to global standards. By operating a board of directors that meets these standards, the company has been able to disseminate the vision and ideas of Hankook Tire's Global CEO while comprehensively examining the strategic direction it is taking.

Global Executive Innovation Committee

The Global Executive Innovation Committee (GEIC) is a strategic decision-making body that the Global CEO and executive officers of the company attend to share information on the goals of each respective headquarters as well as the progress of management activities. At the same time it conducts management innovation for the purpose of implementing corporate strategy. Through the GEIC, executives confirm global management and management innovation results from many management activities, discussing issues that need to be debated or have a decision reached on.

Regional Executive Committee

The Regional Executive Committee (REC), made up of COOs from Regional Headquarters and executive officers, discusses management results from respective headquarters, sharing purpose and progress reports on management innovation activities in order to propose company-wide management innovation activities and strategy execution. The committee

is attended by the Global CEO and executive officers from the company's head office. Together, they consolidate corporate and regional strategies, assisting the decision-making process for pending issues concerning Regional Headquarters.

Marketing Steering Committee

The Marketing Steering Committee (MSC) analyzes the markets of Regional Headquarters as well as marketing and sales results within each respective headquarters. Executive officers from Regional Headquarters and head office attend the meeting to thoroughly analyze the results from each Regional Headquarters' business activities as well as details concerning market conditions, as they come up with plans to maximize regional sales and profitability. The MSC is also attended by executive officers, including the Global CEO, to help expedite decision-making on pending issues.

Global Strategy Committee

In order to establish a global management system and an

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environment of open and aboveboard management, raise efficiency of corporate decision-making and maximize corporate transparency, Hankook Tire has established a non-Board level committee called the Global Strategy Committee, which is made up of leading experts apart from specialized committees under the Board of Directors and enables in-depth and professional decision-making.

Executive Personnel Committee

Hankook Tire operates an Executive Personnel Committee for general decision-making on the promotion of executives inside the company, as well as their replacement, assessment and compensation. This committee, which is attended by the Global CEO and the CTO/CPO, is a decision-making body that decides on the assessment of executives' capabilities and the selection of new executives, on top of the promotion and replacement of existing executives. Unlike other companies, Hankook Tire conducts personnel management of executives and general employees separately in order to maximize the transparency and fairness of personnel management.

Performance Management Committee

Although not a special committee attached to the Board of Directors, as is the case with the Executive Personnel Committee, the Performance Management Committee is a decision-making body that is attended by the Global CEO and the CTO/CPO, both members of the Board of Directors. Executive officers inside the company also participate on the Performance Management Committee and make important decisions on the organization's compensation plans and programs, such as deciding and evaluating performance monitoring (PM) items, calculating global weighted average cost of capital (WACC), as well as deciding on financial resources and examining payments regarding incentives.

HR & Organization Management Committee

The HR & Organization Management Committee makes decisions not only on organizational establishment, annulment and mergers/abolishment within Hankook Tire, but also on employment, fostering of employees and the posting of personnel necessary for each respective organization. The HR & Organization Management Committee is made up of the Corporate Strategy Planning Staff Office, the chairperson and other executive officers. Collectively, they make decisions on the organization and posting of personnel, including organizational and personnel assessment, executive transference and the posting of staff overseas. The HR & Organization Management Committee meets twice a year as well as on other necessary occasions.

HR Evaluation & Compensation Committee

The HR Evaluation & Compensation Committee is the main decision-making body for personnel management of all employees (except for executives). The committee meets four times a year and consists of the CSFO, the chairperson, and other executive officers. It convenes on team leader-level employee assessment arbitration, deliberation of employee requests for annual salary arbitration and deliberation of executive promotion. In addition to regular conferences, it also meets to deliberate on issues related to Hankook Tire's ethical standards, rewards and penalties, and the selection of trainees who are selected for off-site education.

THE SUPERVISORY BOARD

As times change, social expectations for rational and transparent management increase. There are already a significant number of global companies striving to protect the rights of shareholders and to make improvements in company specialization and management transparency with various bodies, such as boards of directors and boards consisting of non-executive directors (NEDs).

Realization of Corporate Social Responsibility (CSR) through the Board of Directors

In a broad sense, Hankook Tire's Board of Directors has three mandates: monitoring managers on behalf of shareholders, providing the Global CEO with advice on management and assisting managers to procure essential resources that are necessary for the company's success. For global companies, a board of directors conducts three essential functions: control, service and resource dependence. For Korean companies, however, the functions of corporate boards of directors were only improved after their shortcomings played a role in precipitating the IMF foreign exchange crisis in Korea.

Although not common practice in Korea, Hankook Tire was quick to hire professional managers. By doing so, the company has become a corporate role model that clearly separates ownership and management. Under this professional management system, Hankook Tire has been able to pursue management that puts priority on achievements, while at the same time checking management through the company's Board of Directors and maintaining sound corporate governance as well as rational and aboveboard management. Since 2003, after Hankook Tire declared its intention to be a market-driven company, it has maximized shareholder value and has pursued various activities to achieve its objective.

Hankook Tire's Board of Directors is set up to conform to general laws that fall under Korean commercial law and the

Korean Securities and Exchange Act, all of which has been set forth in Hankook Tire's charter. As of the end of 2007, its Board of Directors consisted of seven members: three executive officers and four non-executive directors (NEDs). Upon executing the Hankook Tire Board of Directors' Managerial Regulations in order to ensure the secure, efficient running of the Board, the company also increased productivity in terms of its business accomplishments by expanding the number of NEDs from three to four.

Hankook Tire's NEDs consist of respected figures who have served in the public and/or private sectors for a significant amount of time and who have contributed to public welfare. Election of these NEDs is carried out in a completely fair and transparent process through the Nomination Committee for NEDs (within the Board of Directors), while Hankook Tire's charter stipulates that the Committee fulfill lawful responsibilities and obligations. With experienced NEDs as part of the Board of Directors, NEDs also try to put an emphasis on supporting various decision-making activities by providing advice to the Global CEO in addition to their original function, which focuses on supervising management.

Committees under the BOD

In order to operate the Board of Directors both legally and efficiently, Hankook Tire has established certain committees under the Board, whose members investigate and handle cases on a systematic basis. Hankook Tire operates three technical committees: an Audit Committee, a Nomination Committee for NEDs and a Management Committee. Should the Board of Directors deem it necessary, it can establish additional technical committees in the future by company charter.

Audit Committee

Various risks have surfaced in the wake of rapid global management growth recently which require the attention of the Audit Committee. When an internal audit is necessary to manage and respond to potential risks, a system to diagnose

non-executive directors (NEDs)

Name	Career and Education
Hwang, Won Oh	<ul style="list-style-type: none"> - B.A., Seoul National University (Economics) - University of Southern California Graduate School of Tax Policy - Head of Korea's National Tax Tribunal - Member of Permanent Committee, Securities and Exchange Commission - President, Korea Minting and Security Printing Corporation - Chief Director, Korea Minting and Security Printing Corporation (part time) - Professor, College of Economics and Business Administration, Daejeon University
Min, Hae Yung	<ul style="list-style-type: none"> - B.A., Seoul National University (Economics) - Vice-minister to the first State Minister for Political Affairs - Chief Director, Kibo Technology Fund - Chairman, The Credit Finance Association
Lee, Yong Sung	<ul style="list-style-type: none"> - B.A., Seoul National University (Economics) - Head of Planning & Control, Ministry of Finance - Outside Director, Hynix Semiconductor Corp. - External Auditor, Hyundai Research Institute
Chang, Sun Kon	<ul style="list-style-type: none"> - Korea University Graduate School of Business Administration - CEO, Hankook Tire Corp. - CEO, Dong Shin Petrochemical Co., Ltd.

concerns within management needs to be set up so that the company can prevent any problems from occurring through advance monitoring, going one step further from existing activities that focus simply on responsive measures to problems after they occur.

Hankook Tire established the Audit Committee as a technical committee under the Board of Directors in 2001. Its mandate is to strengthen the independence of the Committee, with the three non-executive directors (NEDs) representing a quorum of the committee. Members of the Audit Committee have the power to appoint department heads of internal audits and actively support company audit activities, in addition to checking and monitoring management on behalf of shareholders.

In order to make management information more accessible

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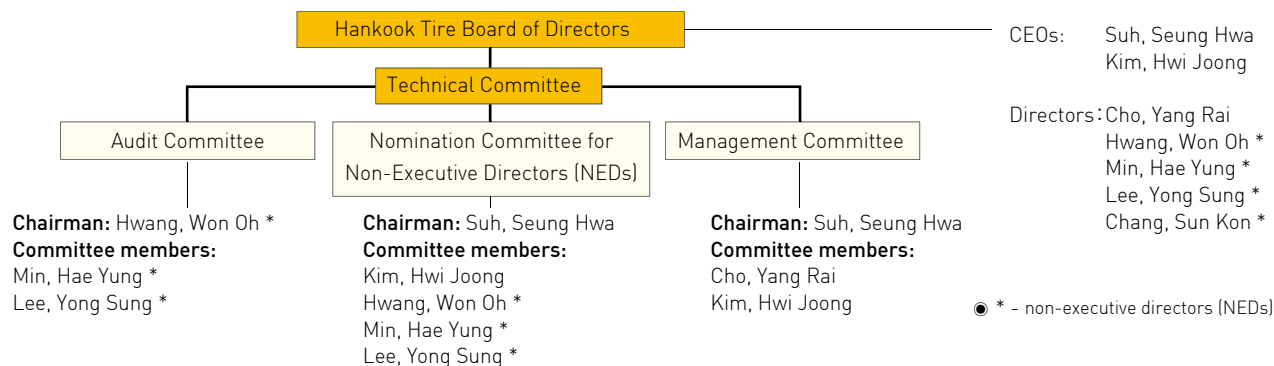
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for auditing purposes, Hankook Tire created a legal framework for Audit Committee regulations, which is utilized for the basis of audits as internal regulations. The Audit Committee meets once every quarter as well as for special cases. It can request business reports and inspect the company's property (according to Audit Committee regulations), which helps enhance management transparency.

Nomination Committee for NEDs

The Nomination Committee for NEDs is operated as a technical committee under the Board of Directors in order to ensure fairness and independence in the nomination of all NEDs. The Committee consists of five members, of which there are more NEDs than in-house directors. This is yet another way that Hankook Tire helps enhance transparency and fairness.

The Nomination Committee for NEDs was established as a technical committee under the Board of Directors in 2007. A committee whose basis of establishment and related regulations are included in Hankook Tire's charter, the company's NEDs are selected at a general meeting from nominees given to them by the Nomination Committee for NEDs.

Management Committee

As Hankook Tire recently established a global management system to carry out diverse management initiatives for industry survival, the responsibilities of the Board of Directors (the only decision-making organization) have increased substantially in

recent years. As of 2006, Hankook Tire had 21 annual board meetings, much higher than the average number of annual board meetings of listed companies, which is roughly 17.

The Management Committee was established as a technical committee under the Board of Directors in 2008. It deliberates and decides on general management and financial affairs, which represent the most frequent cases for management activities. It is also raising the level of corporate professionalism and efficiency by simplifying the procedure to summon a board meeting and make prompt decisions. In particular, by making regular Board Meetings specialize in the discussion of important issues, Hankook Tire ensures that the Board of Directors will work towards building a global company as a whole, encouraging responsible management at the same time. Hankook Tire's Management Committee delivers the minutes of every meeting and the explanation of proposals to NEDs within five days after each meeting. Two days thereafter, NEDs can request the summoning of a Board meeting and the additional deliberation of proposals regarding any case deliberated on by the Management Committee. If an additional deliberation is rejected by the Board of Directors, the case passed by the Management Committee is automatically rejected according to Management Committee regulations. By ensuring the Management Committee's transparent decision-making system and voting process corresponds to global management systems, Hankook Tire maximizes both shareholder and corporate value.

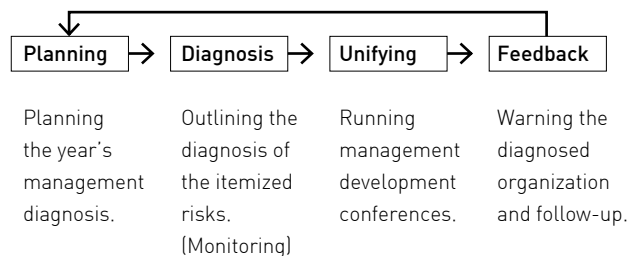
MAXIMIZATION OF CORPORATE VALUE

Maximization of Corporate Value through Transparent Management

Hankook Tire introduced its Hankook Tire Ethical Standards plan in order to pursue transparent management and long-term, stable profits for shareholders. It has also strengthened diagnosis activities for the inspection department and work-site operations, which is the first step in diagnosis to expand proactive capabilities through diverse management diagnosis activities. Recently, as part of management innovation plans for sustainable management, Hankook Tire has been working to reestablish an optimized management diagnosis system for integrated management of first-step diagnosis activities throughout the company and improved efficiency of resource management. Furthermore, it is reinforcing regular monitoring related to this issue.

Hankook Tire introduced its Enterprise Resource Planning System (ERP) in 2000, and is striving to make the most precise, timely reports on closing accounts using this system. Moreover, the company is minimizing the gap between provisional results, which are publicly announced, and final results through various examination processes inside the company as well as audit reports by professional accounting firms.

Operations Process



In addition, Hankook Tire has maintained an internal audit system since 2003 that offers more accurate and transparent accounting information to both information users and the market, strengthening the company's responsible management. As well, after reforming its organizational structure for global management, it has been providing shareholders with transparent and precise business results by producing various management data and information, such as annual reports based on consolidated financial statements.

Hankook Tire is expanding its range of activities that can improve its already advanced corporate governance system, such as further supplementation of its organization, research on advanced cases of corporate governance and the introduction of outsourcing. Today, the competitiveness of the company is brought about by the confirmation of its advanced management structure and whether responsible, transparent management is implemented or not. Hankook Tire will relentlessly improve its management structure in order to elevate its corporate value and to return the greatest value to shareholders on its way to becoming a company that has world-leading corporate governance.

Maximizing Shareholder Value by Protecting Shareholders' Rights

Hankook Tire makes no secret of the fact that it believes protecting the rights of shareholders is of paramount importance. Since the early 2000s, its corporate vision has included increasing profits and share value. Although Hankook Tire takes into account the characteristics of the tire industry, where competition is fierce and large-scale investment is continuously needed, it also strives to return as much profit as possible to shareholders with an active dividend policy.

As Hankook Tire respects each shareholder's right to information, it has placed IR Human Resources in charge of sharing all relevant information with its shareholders. It is also conducting a number of IR activities, such as investor relations and overseas conferences, in addition to providing impartial,

transparent corporate information not only to foreign investors and institutional investors but also to minority shareholders through its homepage and Korea's Financial Supervisory Service's electronic public announcement system. Hankook Tire will always strive to return maximum corporate profits to shareholders through its dividend policy.

Through its impartial, transparent corporate governance, Hankook Tire has earned the respect of its shareholders. The company draws up its Management's Discussion and Analysis (MD&A) with further emphasis on important information so investors can better understand the company from an executive officer's point of view.

Korea's Financial Supervisory Service recently announced that it will disseminate the necessary principles to write MD&As while constantly guiding and supervising each listed company in order to substantialize the MD&A systems of Korean companies. As Hankook Tire respects the Financial Supervisory Service and strives to protect its shareholders' rights and interests, it provides shareholders with a largely reinforced MD&A section starting from this year's annual report so that shareholders can easily understand Hankook Tire's business results and trust its investments.

In addition, Hankook Tire will do its utmost to provide management information openly for shareholders both in Korea and abroad through constant upgrades of various regular reports for shareholders, including annual reports, as it endeavors to create an advanced investment culture which will earn people's trust to invest in Hankook Tire. With its relentless changes and innovations, Hankook Tire will continue to keep the best interests of its shareholders in mind.

CEO Message

“Turning crises into opportunities has allowed Hankook Tire to achieve a major breakthrough in growth. As a leading global company, Hankook Tire will always be one step ahead of the rest.”

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Target Tire Sales for

3.878

billion won

I would like to start by thanking you all for your continuous support and encouragement here at Hankook Tire. Hopefully 2008 will bring good fortune as well as good health to all of our shareholders.

Businesses everywhere suffered in 2007 due to high oil prices, a sharp increase in raw material prices and a weakening U.S. dollar coupled with an unstable international finance environment as a result of the U.S. subprime mortgage crisis, all of which started in 2006 and led to a slowing down of advanced market economies and sluggish economic growth. Amidst a business environment full of rising prices and falling profitability, your constant support - as well as the support and hard work of everyone at Hankook Tire - meant the company could achieve the most rapid growth of all the world's major tire companies, with 3,585.8 billion won in global sales, marking a 13.0% increase in revenue over 2006. The company also saw an amazing 7.7% increase in operating income rate, to reach 276 billion won, a 5.0% increase on the previous year. It is clear that the company's increase in global sales was brought about not only because of sound management that emphasized the quality of our products, but also a global management system and creation of a global standard process. Hankook Tire has increased its revenue, even in Europe - a traditionally tough market and home to the world's biggest names in tires, at a rate of 16.8% over the last quarter, while seeing a 10.5% increase in global sales of UHP tires.

In order to carry out a more active management policy in 2008,

our global sales target for tires has been set at approximately 3,877.8 billion won, up 19.6% from the year before, with the company's ordinary income target set at 342.5 billion won (an ordinary income rate of 8.8%). Although certain economic difficulties like high oil prices and soaring raw materials prices are expected to continue throughout this year, Hankook Tire will create a brand name for itself with global competitive power to achieve our targets not only by expanding production capacity at our Hungary Plant and increasing production capacity through an expansion of UHP tire facilities, but also by engaging in a number of marketing activities. Furthermore, we plan on strengthening the abilities of all employees and increasing the efficiency of each business function's operational system - from the establishment of strategies to sales - by introducing innovative processes that match the highest global standards.

Becoming a truly global company means competing with the world's foremost companies. It also means surpassing Hankook Tire's status as the number one tire company in Korea, which is why our vision includes becoming a leading global company and achieving 5 trillion won in sales, production of 100 million units and an EBITDA of 1 trillion won - all matching global standards - by 2011.

In order to achieve these targets, Hankook Tire will:

First, do its best to provide customers with even better quality products and services, while also concentrating on marketing activities and constant R&D investment, strict quality control

and brand value creation.

Second, we will accelerate our building of global management systems. To date, Hankook Tire has systematized its R&D, manufacturing and sales in leading global markets, including China, and in the future we will ensure all our systems correspond to the latest global standards, both in terms of organizational process and employee capability, solidifying the company's place as a genuine global corporation.

Third, Hankook Tire is constantly striving to become one of the world's most ethical companies, with sound, transparent management and cooperative labor-management relations, while also working hard to be well respected and valued both by our customers and employees by establishing more plants, a more environmentally-friendly business and continually contributing to society.

Hankook Tire will achieve these and other business goals through its accumulated know-how and the determined efforts of every single one of its employees, continuing to carry out improvement and innovation in order to adapt to any circumstance in the future.

Thank you.

Hankook Tire Co., Ltd.

President & Global CEO

Seung Hwa Suh



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In spite of the extraordinary growth of new markets like BRICs, especially China and Russia, the skyrocketing price of oil and raw materials created a challenging business environment in 2007 for Hankook Tire.

Fortunately, the company successfully achieved completion of the first phase of its Hungary Plant, which has now begun manufacturing tires in earnest at Hankook Tire's first European manufacturing base, while pursuing many other activities for its global operations in order to complete organizational reforms.

ECONOMIC VARIABLES

Oil Prices

Based on the West Texas Intermediate (WTI) crude oil benchmark, the price of oil increased 128% over a four-year period, from \$32 a barrel in 2003 to \$73 in 2007, increasing at an average annual rate of 21%. In the latter half of 2007, oil prices topped \$100 a barrel, with experts predicting that oil prices will continue to remain at an all-time high.

Raw Rubber

Over the last five years, raw rubber prices, which comprised 32% of material costs for Hankook Tire, increased 117% compared to 2003, increasing at an average annual rate of 23%, which had a considerable influence on the cost of materials rising every year for Hankook Tire. In 2008, predictions are that raw rubber prices will increase about 11% over the previous year.

Synthetic Rubber Carbon Black/Textile Code

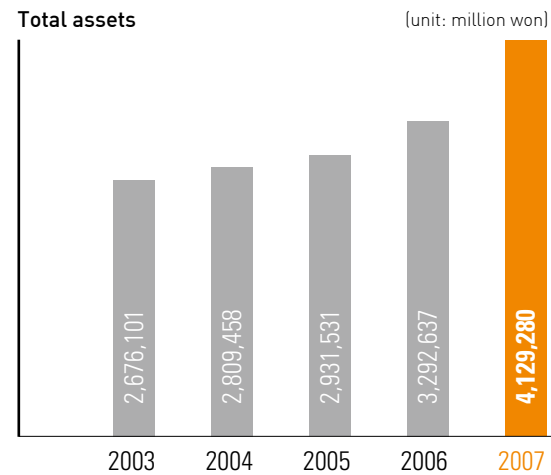
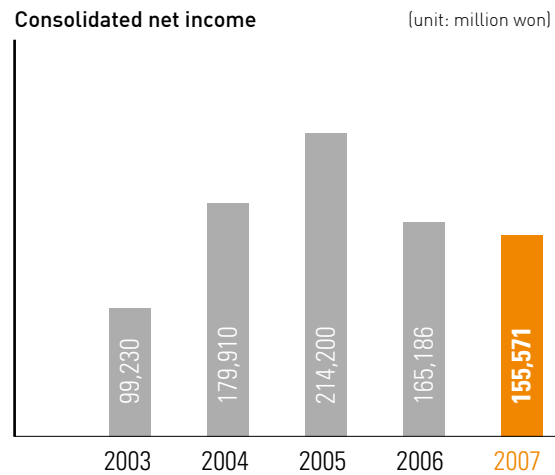
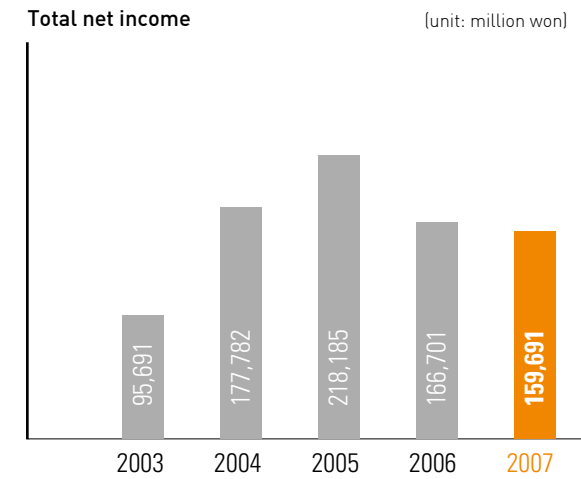
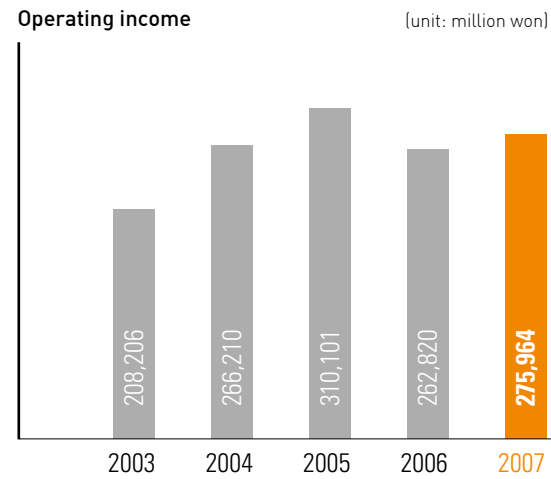
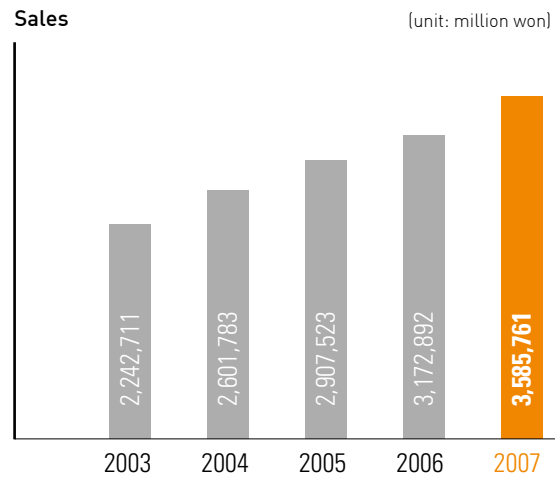
As synthetic rubber, carbon black and textile code are directly influenced by the high price of oil, they have recorded, respectively, 9%, 15% and 4% average annual increases in cost over the last five years. These items comprised over 40% of the cost of materials for Hankook Tire, which had a significant effect

on the rise in the cost of materials for the company. From the latter half of 2007, oil prices hovered around \$100 a barrel (based on the WTI), while it is believed the price of synthetic rubber will far exceed past annual averages in 2008.

Steel Code

Although basic materials like iron ore and wire rod have increased in price at an average annual rate of 15% over the past five years, tire prices have remained relatively low, increasing at an average annual rate of 1% (because of the characteristics of tire products). Raw materials are expected to rise a great deal because of increasing prices of wire rod as well as the reduction of a Chinese value added tax refund on Chinese steel code and the imposition of an export tax in China on steel code, all of which will have a negative effect on the cost of raw materials in the tire industry.

2007 KEY FIGURES



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STOCK MARKET DATA

Listed on the Korea Exchange (KRX)

Listed in the Stock Market Division of the Korea Exchange

ISIN Code: KR700024002

Par Value: 500 won

Trading Unit: 1 share

Total number of voting shares: 148,189,929

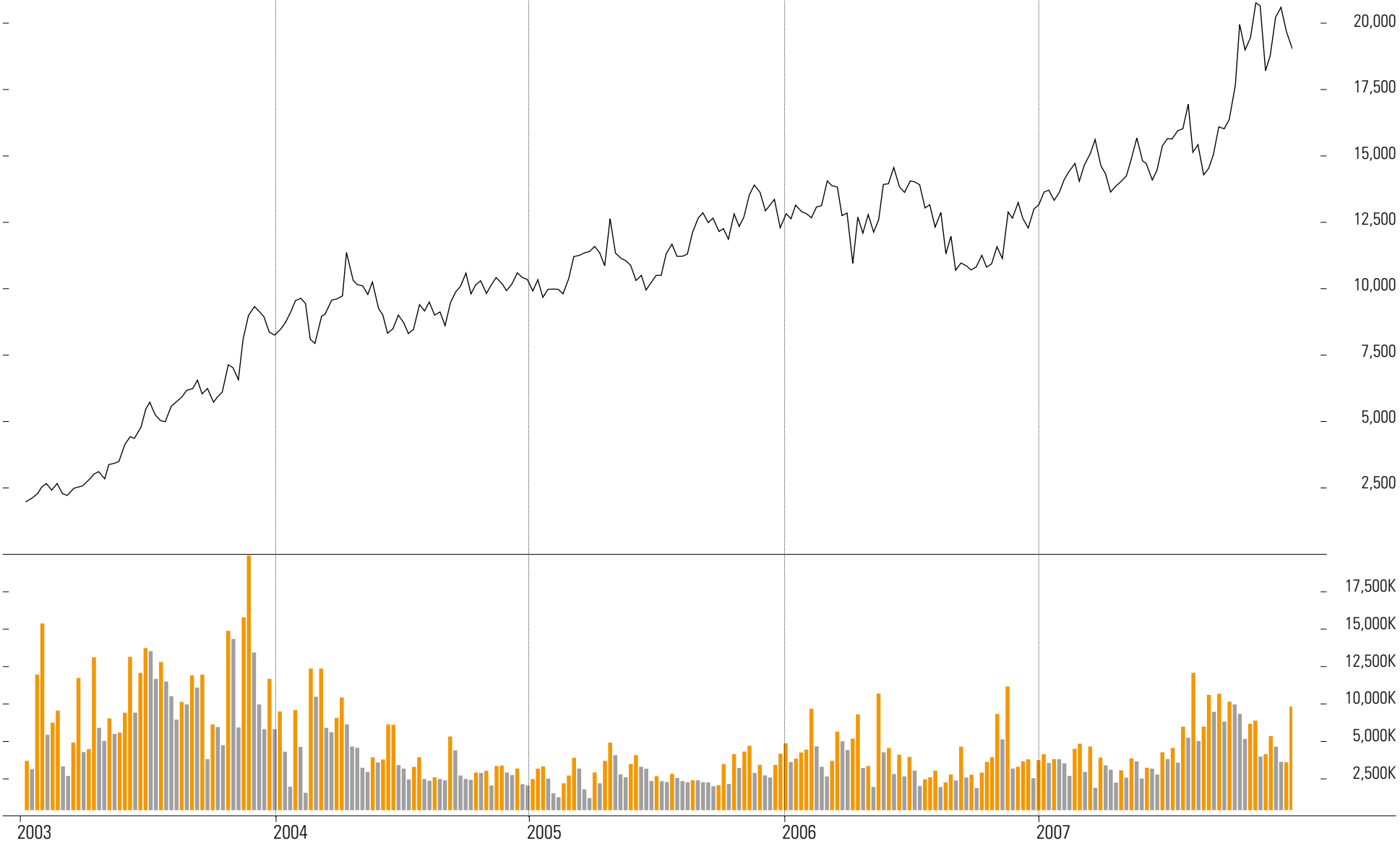
	2007	2006	2005	2004	2003
Year low (unit: won)	13,800	10,350	9,890	7,420	2,020
Year high (unit: won)	21,500	15,800	14,700	11,550	9,640
High/Low	1.56	1.53	1.49	1.56	4.77
Fiscal year-end final offering (unit: won)	17,900	15,800	14,250	10,200	9,000
Annual KOSPI floating rate index	13.29%	10.88%	39.71%	13.33%	308.16%
Total number of shares (unit: shares)	152,189,929	152,189,929	150,189,929	150,189,929	150,189,929
Market capitalization (unit: trillion won)	2.72	2.40	2.14	1.53	1.35
Average daily trading volume (unit: shares)	1,019,911	702,024	566,787	727,186	1,499,085
Average annual trading volume (unit: shares)	250,898,071	173,400,038	141,129,943	181,069,225	370,273,996
Total number of floating shareholders (as of 07/12/03, people)	32,305	18,632	14,612	16,279	23,789
Dividend per share (unit: won)	250	250	250	250	150

DATA PER SHARE

	2007	2006	2005	2004	2003
Net income (million won)	162,306	170,173	213,775	166,028	101,483
Earnings per share/Net income (won)	1,095	1,152	1,462	1,136	694
Pay-out ratio (%)	23.30	21.77	17.10	22.01	21.61
Dividend payout ratio (%)	1.30	1.67	1.88	2.46	1.69

* Korean GAAP

Stock Price Trends over the Last Five Years (2003~2007)



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STRATEGIC APPROACH

Hankook Tire defined its mission as profitable growth in an effort to realize its corporate vision. At the same it has made a wide range of efforts to reinvent itself as one of the leading tire manufacturers in the world by enhancing its brand value and company value with innovative management strategies.

Start of Production in Europe

Hankook Tire has completed the first stage of its tire factory for producing passenger car tires in Dunaujvaros, Hungary. This is the first time a Korean tire maker has built a plant in Europe. The company's Hungary Plant has enhanced the status of Hankook Tire as a leading manufacturer equipped with global production capability and a sales network with manufacturing facilities in Europe and Asia.

The range of tires currently produced at the Hungary Plant covers ultra-high performance tires (Ventus K110), passenger car tires (Optimo K715), and small- and medium-sized sedan radials (Optimo K415). The number of tires being produced there will gradually expand to include radial tires (TBR) for medium- and large-sized trucks and buses. In light of Europe's emphasis on the environment, Hankook Tire's Hungary Plant is adopting new technology for greater fuel efficiency, while also focusing on wet road safety performance to match the climates of that region.

After just six weeks of production in Hungary, Hankook Tire

started delivery of finished products throughout Europe. With this new manufacturing facility, the company is able to reach destinations anywhere within Europe in less than five days, a remarkable achievement given that it previously took one month to ship products from factories in Korea and China. Starting with the production of 810,000 tires in 2007, local production will increase to 5 million units in 2008 and up to 10 million in 2010.

Establishment of a Global Management System

The successful opening of its plant in Europe means more than just ensuring additional local manufacturing facilities for Hankook Tire. Earlier, it upgraded its status in the Asia/Pacific region, especially in China, based on the know-how and capabilities accumulated after entering the Chinese market. Today, Hankook Tire's Hungary Plant ensures that it is able to consistently operate global sales, production and logistics through the establishment of a full-fledged global management system.

Ever since plans to build the company's Hungary Plant were put in place, Hankook Tire has been adjusting its overall corporate management system to match global standards based on the principles of integrity and consistency. Its former Corporate Strategy Division and Management Support Division have been integrated within the Corporate Strategy Planning Staff Office, while the R&D Division expanded to become the R&D/Production & Engineering Staff Office, which also covers production planning (CPO). In addition, the company appointed its COO to head up its

Korea Headquarters, while properly allocating business functions and responsibilities to its Global Staff Offices and Regional Headquarters. Thus, the overall corporate structure has been stabilized and become more organized.

Hankook Tire has been able to increase the accuracy and speed of decision-making by empowering Regional Headquarters to standardize the work process with its global staff while supporting a pertinent cooperative system between and amongst global staff at the same time. The company also runs a regular cooperative body for the operation of its different Regional Headquarters, allowing them to have a continuous communication channel with the company's Global Staff Offices and increase efficiency at each workplace. Experienced and skilled personnel at Hankook Tire Korea Headquarters have been sent to other Regional Headquarters throughout the world to transfer know-how, strengthening the company's human resource base to match global standards.

Supply Chain Renovation Project on a Global Scale

Thanks to its growth strategy through globalization, Hankook Tire has positioned itself as the world's 7th largest tire brand within a relatively short period of time. However, there are concerns that business complexities generated in the process of this amazing achievement could damage management efficiency. To avoid this and sustain profitable growth, the company felt it imperative to standardize and simplify its global business process, integrating and enhancing its supply chain management.

To this end, Hankook Tire took its first step towards innovating its supply chain management system (the core part of the work process within the company) in 2007 with a global perspective in mind. The direct purpose of this system was to improve the work process within the company based on know-how accumulated up to the present time through the earlier introduction of its Enterprise Resource Planning (ERP) system and the strengthening of logistics planning. Additionally, during advance preparations to innovate the supply chain management system, the company set specific goals that included the scope of innovation in question,



which helped lay the groundwork for establishing a system that quickly responds to customer requests.

Introduction of Global Strategic Purchase System

Every year Hankook Tire purchases an enormous amount of raw/subsidiary materials, consumption goods and indirect goods to produce and sell its tire products. Since operations began at its manufacturing facility in Europe, the purchasing process is only expected to become more complex, as there are now more purchases being made by Regional Headquarters. To prepare for this, Hankook Tire has been working on enhancing its strategic purchasing system on a global scale with a thorough analysis of the entire purchasing process.

Hankook Tire's Purchasing Department, which used to be under the control of Regional Headquarters, is now under the control of its Global Staff Department in order to respond to purchasing demands on a global scale. The company has also strengthened its purchasing planning functions after realizing it needed more strategic planning. Furthermore, Hankook Tire is increasing its transparency and pursuing efficiency by establishing an even more efficient process for both global and local purchases.

In addition, it is increasing efficiency and cutting costs by outsourcing the purchase of MRO materials used for the maintenance, repair and operations of the company to third-party organizations.

MARKETING APPROACH

In 2007, Hankook Tire implemented various forms of global marketing activities in three main areas - strengthening of sales capability, enhancement of brand value and technological innovation - to secure brand power at the level of the world's major tire companies.

Global Sales Capability

Hankook Tire has been strengthening its global sales network in order to secure greater purchasing capabilities. It has done this by selecting target areas to increase sales in regions such as ASEAN (Asia/Pacific region), Europe (including Russia, former Soviet-bloc countries and Eastern Europe), and Central and South America, while also opening local sales branches in Thailand (Bangkok), Chile (Santiago), Russia (Moscow) and Hungary (Budapest), taking into account each respective area's unique characteristics.

Not long ago, Hankook Tire built up its European sales network in preparation for the opening of its new production facility in the region. This helped the company overcome difficult times in the auto/tire industries due to soaring prices for oil and raw materials by increasing sales in other regions, such as Russia and former Soviet-bloc countries, where economies have been rebounding thanks to an influx of oil money. Likewise, increasing sales in ASEAN nations and Latin America are contributing to the stable growth of global sales for Hankook Tire.

At the same time, with the constant growth of BRICs markets, Hankook Tire has been enhancing its sales capabilities in the region, which is focused on China. Ever since entering the Chinese market in 1997, the company has come to enjoy the largest market share there, with total production currently running over 100 million tires a year. Original equipment (OE) tires produced in the company's Chinese plants top the list of OE suppliers for the Chinese market as well. Building on this success, Hankook Tire

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UHP Product Supply in China

is now focusing its efforts increasing its sales capability beyond China and throughout the Asia/Pacific region.

Increasing Brand Value

In 2005, Hankook Tire established a Brand Communication Department within the Marketing Staff Office in order to increase its brand value globally, carrying out a range of activities to improve marketing communication capabilities. Based on results from its 2006 marketing communication activities carried out mainly by Hankook Tire Korea Headquarters, the company divided the global market into three segments in 2007 (core strategic markets, potential strategic markets and pre-existing markets) in an effort to expand marketing communication activities to the global market. It then came up with a list of investment priorities suitable for the characteristics of each market segment.

In order to improve expertise and maximize performance with marketing communication, tasks have been divided into six sections (advertising, public relations, motor sports, CI/BI management, exhibitions/events and web marketing) with clear roles and responsibilities being designated for each section. Marketing communication teams were then established at Regional Headquarters after taking into account the different organizations and personnel, with additional personnel and necessary training for workers having been provided through various means.

Additionally, Hankook Tire strengthened the expertise and consistency of its marketing communication activities after the careful selection of advertising and PR agencies and the establishment of a strategic direction on a global scale. Then, by coming up with advertising budget guidelines and support plans for implementation at local offices, Hankook Tire helped lessen the burden of promotion-related tasks at local subsidiaries/sales offices, while also contributing to the implementation of sales promotions tailored to the specific sales needs of each region.

Improving Price Position

When Hankook Tire announced its strategic vision to become a leading global tire company, it pledged to develop the company into one of the six largest tire manufacturers in the industry with sales topping 500 trillion won by 2011. Hankook Tire is well aware that it has to maintain a price position in the global market similar to that of the industry's largest companies to achieve profitable growth, which is the company's strategic mission.

In order to achieve this, Hankook Tire has set up a selling price management system that focuses on retail sell-out prices in the market based on its monitoring of market prices since 2003. Also, it has been proactively preparing for possible market volatility by setting a variety of price policies for different places of production and brands. To this end, the company established a Market Intelligence Team under the Marketing Staff Office to make management of market information and information gathering/analysis more efficient, while continuing market analysis at the same time.

In addition, Hankook Tire is in the process of obtaining a price position reflective of its status as a leading global company. As such, it is marketing a host of products to suit the requirements of different local markets by analyzing customer needs and existing product portfolios, developing distribution channels and supporting marketing communication activities.

Ensuring Optimal Product Portfolios

Hankook Tire has been increasing the proportion of its value-added ultra-high performance (UHP) tires to its product lines. Its UHP tires have seen excellent results in quality tests conducted by certified agencies, proof that it is one of the best tires for high-end cars in the European market. The sale of UHP tires is playing a positive role in contributing to the product's image of being a premium global brand while also boosting the company's international sales.

Given the fact that there are different needs for tires depending on the region, Hankook Tire has always tried to market new

products that balance those already in its current portfolio. With sales of vehicles like SUVs (Sports Utility Vehicles), CUVs (Crossover Utility Vehicles) and MPVs (Multi Performance Vehicles) increasing in the North American and European markets, Hankook Tire has continuously increased its sales ratio of medium-/large-sized tires (tires larger than 16 inches) as well as passenger car tires. Through these measures, it is redoubling its efforts to guarantee the very best products for the market.

Since Hankook Tire redefined itself as a market-driven company in 2003, it has strengthened its ability to operate an optimal sales structure by setting in-house guidelines, selecting strategic core product groups and properly utilizing its strategy of "selection and concentration." This has brought about remarkable achievements not only in increasing sales and reducing related costs, but also in raising profitability by differentiating products by regions and product types as well as by properly handling sub-brands.

Improvement of Distribution Channels

As a specialized tire manufacturer, Hankook Tire has been at the forefront of improving distribution in Korea through various new distribution franchises. With a boom in premium tire distribution centers, Korea's premium tire-service franchise, T'Station, was so successful that its 100th store opened in Korea at the end of 2007. Boasting premium concepts and products sold at the same price at every place of business, T'Station also offers standardized service that guarantees consistently excellent customer satisfaction, while delivering differentiated services and implementing a corporate principle of customer satisfaction for drivers of both imported and domestic cars.

Hankook Tire is also making great strides not only to increase sales and improve profitability, but also to raise its brand recognition in the Chinese market, the company's second home market, by sharing its know-how of domestic distribution channels with local Chinese branches. Hankook Tire offers



modernized distribution services through Tire Town (for passenger cars) and has also opened China's first premium franchise tire specialist, T'Station. Above all, the company's successful launch of Nice Tire (a specialized tire dealer for taxis) helped push Hankook Tire one step closer to becoming a leading global brand.

Hankook Tire is now focusing its efforts on building a global management system and distribution network after production in Europe got off the ground. Major global tire makers are in the process of trying to expand their market share by strengthening distribution channels. Not to be left out, Hankook Tire is proactively responding to changing trends in the global marketplace by continually expanding retail sales as well as ensuring overseas distribution channels in each of its sales regions.

FINANCIAL APPROACH

Despite unfavorable exchange rates and an increase in raw material costs, Hankook Tire was able to raise its brand value and improve its competitive edge in 2007. In particular, it has fulfilled its financial goals through portfolio investment and conservative management.

Building an Innovative Performance-based Management System

Hankook Tire has adopted a performance-based rewards system called CPM (Corporate Performance Monitoring), whereby performance is evaluated and salaries and incentives altered based on these results. This has enabled Hankook Tire to dramatically increase sales and become the world's 7th largest tire maker in terms of global sales.

In 2007, Hankook Tire's mid- and long-term goals included global sales of 5 trillion won and an operating income of 1 trillion won by 2011. To achieve this goal, the company has established a CPM (Corporate Performance Monitoring) system as part of its plan to strengthen its infrastructure. To keep up with the rapidly changing management environment, Hankook Tire has systemized and standardized the process to establish company-wide strategies so that it can reduce time for establishing strategies and enhance performance.

To put this management reform system in place, Hankook Tire has improved its strategic feasibility and applicability fields by fine tuning strategies to suit the needs of each division, while enhancing cooperation among them. It has also built reform networks and laid the foundation for a systematic incentive system via thorough performance reporting.

Diversification of Risk Management

Generalization of global management has led to a wide range of business environments, which in turn has complicated management and brought about uncertainties. With the

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emergence of various risk factors that can hamper the operation of a company - even prevent its operation - a need has arisen for companies to manage and control risk factors on their own.

Hankook Tire has been building an efficient risk management system by diversifying its management process. It recently established concrete plans to distribute exchange rate risks as a means of solving the uncertainties caused by fluctuating exchange rates. This system makes it possible for management to monitor and reduce risk factors caused by fluctuating exchange rates and to operate the company more efficiently. Moreover, Hankook Tire has been monitoring specific institutions and policies (such as FTAs) to minimize risks.

Hankook Tire holds regular meetings between its Global CEO, executives and employees to listen to the difficulties employees are facing as well as to share its vision and direction, opening a direct line of communication between management and labor. The company also examined ways to improve the organization and reflected its results by amending the company's charter through a regular general meeting of shareholders. These amendments are aimed at establishing an additional committee within the Board of Directors to deal with frequent matters such as general management and finance, allowing directors at regular meetings to focus on major management issues.

Cost Innovation

The tire industry has been growing at a rapid pace over the past several years. In order to survive fierce competition, major companies have been focusing their efforts on massive restructuring efforts and cost rationalization. Even local companies in developing nations like China and India have been strengthening their competitiveness through the improvement of production and cost rationalization. The characteristics of the goods involved made cost rationalization a must - not a choice - as the industry requires a high amount of investment and a proper internal revenue rate (IRR).

In the tire manufacturing industry, Hankook Tire has achieved



a healthy financial structure through rational and efficient management. However, to overcome uncertainties in the business environment and secure new engines for growth, it is still doing its utmost in the name of cost rationalization. Management and labor both needed to implement cost rationalization as part of management innovation, carrying out programs with respect to cost reduction, productivity enhancement and the improvement of the company's organizational structure and work process.

Hankook Tire has achieved its unique cost reform and cost reduction through the design and application of a rational work process, the improvement of work systems and the fostering of employee capabilities, all of which are based on global standards. It has also come up with measures to minimize the inefficiency of investment in the expansion of its global businesses, which has produced favorable results to date.

SUSTAINABLE MANAGEMENT

To achieve its mid- and long-term strategies, Hankook Tire required a quick and proper risk management system which would enable the company to respond to rapid changes in the global business environment as well as deal with any unforeseen challenges. As such, Hankook Tire has been practicing sustainable management since 2007.



WBCSD (World Business Council for Sustainable Development)'s Tire Industry Project Group (TIPG)

The WBCSD is a spin-off of the Business Council for Sustainable Development forum, which was organized in 1995 by Swiss entrepreneur Stephan Schmidheiny, the former Secretary General of UNCED (United Nations Conference on Environment and Development). The WBCSD has approximately 200 member companies, including GM, DuPont, 3M, Coca-Cola, and Hankook Tire. Hankook Tire fully abides by the principles of the Rio de Janeiro Earth Summit of 1992 and carries out various activities for the protection of the Earth and sustainable development.

The WBCSD has projects involved in many sectors, with one of them being tires. The tire industry operates under the WBCSD's Tire Industry Project Group (TIPG). Eleven leading tire companies, whose total production accounts for over 80% of the tire industry, participate in this group. Hankook Tire has been a member of TIPG research activities and sustainable management since the group was inaugurated in 2006.

Tires are an indispensable product that have a significant impact on every vehicle on the road. With motor vehicles, tires are actually more important than any other product in that they are the only part that is in direct contact with the road. However,

tires are also a complicated product which are manufactured by mixing more than 100 raw materials together (not to mention the numerous subsidiary materials) and are used in everything from bicycles to heavy equipment.

TIPG's goal is to draft approaches that can help leading companies in the tire industry to accumulate additional knowledge for sustainable changes and to achieve sustainable growth. To meet this goal, companies have been conducting different types of research based on six main themes: tire particulates, raw materials for tires, the recycling process of tires, the discarding process, the development of rubber tree farms, and the establishment of standards for EHS (environment, health and safety) reports.

As a member of TIPG, Hankook Tire has been participating in various types of research aimed at supporting sustainable growth and protecting the environment. The company has been making efforts to protect the environment based on principles set out in the Rio Declaration as well as to maintain the health and the security of people through quality tire products. Hankook Tire has been cooperating with other member companies to achieve these goals.



H - LOHAS (Hankook - Lifestyles of Health and Sustainability)

H-LOHAS is a campaign that Hankook Tire has been conducting in order to improve the health and well-being of people through environmentally-friendly activities while also giving back to the community. Consumers can identify with LOHAS's message of explaining the existence of corporations in a way that cannot be understood simply through their products. Based on this approach, LOHAS is helping to create a positive image of companies. To date, similar campaigns have been successfully

carried out in Europe and America at GE, Chevron and DuPont. In Asia, Toyota and Bridgestone have both achieved positive results in their promotions through LOHAS.

H-LOHAS reflects Hankook Tire's philosophy, which aims to improve the quality of life for people and create a better society through social responsibility and the protection of the environment. H-LOHAS is based on three guidelines for campaign communication: entrepreneurship based on pragmatism, social responsibility based on environmentalism, and public value based on humanitarianism.

Based on these three guidelines, H-LOHAS can be seen as a series of activities that focuses on improvement of workplace environment, security and health as well as CSR (Corporate Social Responsibility) activities. By expanding its campaign to include every individual's healthy lifestyle, instead of limiting it to a one-time corporate event, H-LOHAS will continue to be an excellent opportunity to promote a healthy, sustainable lifestyle as well as the company's philosophy and activities for community service among consumers.



Target Sales for 2011 | unit: 1,000 won

5,000,000,000

Changes in the business environment, such as the greater uncertainty of the world's economy and maturing industries, require companies to conduct innovative management that is different from existing methods. Hankook Tire has the ability to turn crisis into opportunity and adversity into hope. The company will move beyond its present status as Korea's No. 1 tire maker to become a globally recognized major tire maker as it responds to changes in the business environment through endless efforts and efficient innovation. To this end, the company established a great vision with detailed strategies to become a leading global tire company by 2020 and is in the process of actively executing each of these strategies.

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042	Corporate Strategy



INDUSTRY & STRATEGY

Ratio of Replacement Tire Products (2008 forecast)

74%

Industry Dynamics

RAPIDLY CHANGING BUSINESS ENVIRONMENT

After steep economic growth led by the expansion of emerging markets like the BRICs and increasing consumption led by the United States, the world's economy has been slowing down since the second half of 2006. In particular, America's liquidity crisis, triggered by the subprime mortgage crisis, has hit other areas, resulting in the slump of exports in major economies such as the EU and Japan, volatility of the euro and the Japanese yen, and interest rate cuts, which, in turn, lowered investment and consumer confidence with the growing uncertainties in the global market. This is clearly reflected in the outlook by major economic institutes, which have forecast growth rates of 3.3% to 4.8% in 2008, a little lower than that of 2007.

On the other hand, emerging markets (BRICs) sustained high growth rates last year despite the impact of the subprime mortgage crisis. In stark contrast to advanced economies, BRICs countries enjoyed robust growth rates in 2007 - Brazil (4.5%), Russia (6.8%), and China (8.4%) - according to major economic reports. Their rapid growth is expected to continue in 2008, as it is being driven by sustained investment, consumption and exports. In addition, the Middle East, benefiting from high oil prices, is expected to witness constant consumption growth through expansion of the area's markets and purchasing power. Due to unstable supply and demand caused by factors such as a slowing economy, growing uncertainties and the possibility of exhausting oil reserves, international oil prices are already well over \$100 a barrel regardless of fluctuating demands for crude oil. In particular, a liquidity surplus resulting from a consistently weak dollar and interest rate cuts are driving speculators to raw materials markets, including oil, and rapidly growing

economies with huge populations, such as China and India, both of whom are constantly increasing their imports of important raw materials like crude oil and steel. Thus, the cost of raw materials is expected to continue rising for the time being.

TRENDS IN THE AUTO INDUSTRY

Car markets in 2007 witnessed a drop in sales in advanced economies while showing a constant rise in developing ones. For example, only 10.61 million cars were sold in the United States in the aftermath of the subprime mortgage crisis, the lowest number in nine years. The Japanese market has been suffering as well, with a weakening demand base because of an aging population and low fertility rate. By contrast, emerging markets showed a 4.5% increase in sales during the previous year (72 million cars sold), due mainly to the rapid market expansion of BRICs nations.

World car sales are forecast to increase 3.3%, to 74 million units, in 2008. An unfavorable economic climate will slow down demand slightly, but BRICs nations are expected to continue driving the overall market this year. Sales in America and European markets are expected to weaken slightly due to the liquidity crisis, while China's market is expected to sell up to 10 million cars thanks to demand generated by the 2008 Olympics. Other emerging markets like India, Russia and Brazil are also forecast to see a constant rise in demand. In India, market sales are being driven by the Tata Nano, a car produced by Tata Motors, while the number of car owners is expected to continuously increase. Furthermore, major brands are rushing to the Russian market, and Brazil is relatively immune from the impact of high oil prices due to its growing use of alternative energy cars.

TRENDS IN THE TIRE INDUSTRY

Industry journals, Tire Business and European Rubber Journal publish a ranking of companies every year based on their sales in each fiscal period. According to the latest statistics, total tire sales in 2006 stood at \$110 billion. Given a growth rate of around 6% in the past several years, based on the compound annual growth rate (CAGR), sales in the 2007 fiscal year are expected to reach more than \$120 billion.

The tire industry is basically an oligarchic market where the concentration of sales is so dramatic that the top 11 tire makers account for 76% of total sales.

All 11 of these major tire makers showed a noticeable increase in sales in the 2007 fiscal year despite the fact that the price of natural rubber jumped 40% in that same 12-month period.

Tire Business, a well-known U.S. tire magazine, analyzed the numbers and found that the sales increase was a result of the combined effects of the price hike accompanied by the rising

costs of raw materials and a weakening U.S. dollar. Hankook Tire ranked 7th, with sales of \$3.5 billion.

Statistics seem to point to replacement equipment (RE) tires accounting for about three-quarters of total sales, with original equipment (OE) tires accounting for the rest of the difference. Experts say that the weakening demand for new cars around the world might have raised the OE/RE ratio slightly.

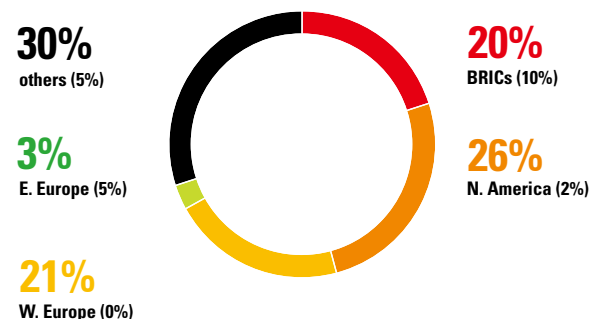
Like the auto industry, Asian tire markets in 2007 showed the highest growth rate (6.5%) over the previous year thanks to the advance of BRICs nations, especially China, followed by Latin America, with a 4.6% growth rate. Sales of tires in North America fell 0.4% from the previous year, a number similar to that of the car market.

However, the reason behind the decrease in tire sales in advanced economies is different from the decrease in car sales, where the primary cause was the liquidity crunch in the aftermath of the subprime mortgage crisis. As car sales slowed and people drove less often due to soaring oil prices, the replacement cycle of tires lengthened, causing sales to drop. In

contrast, fast growing economies such as BRICs and Vietnam as well as Middle Eastern countries flush with oil money, showed a rise in demand for replacement tires alongside a rapidly growing need for new cars.

Global Tire Sales Distribution (2008 forecast)

- Figures in parentheses are sales growth rates from 2007.

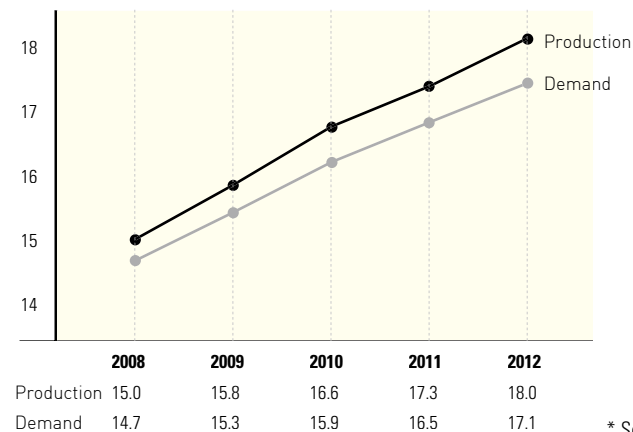


* Source: LMC

Projected Change in the Size of the Global Tire Market

CAGR: 4.0% (by sales)

(unit: 100 million tires)



* Source: LMC, in-house data

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Target Sales for 2011

5000

billion won

Corporate Vision

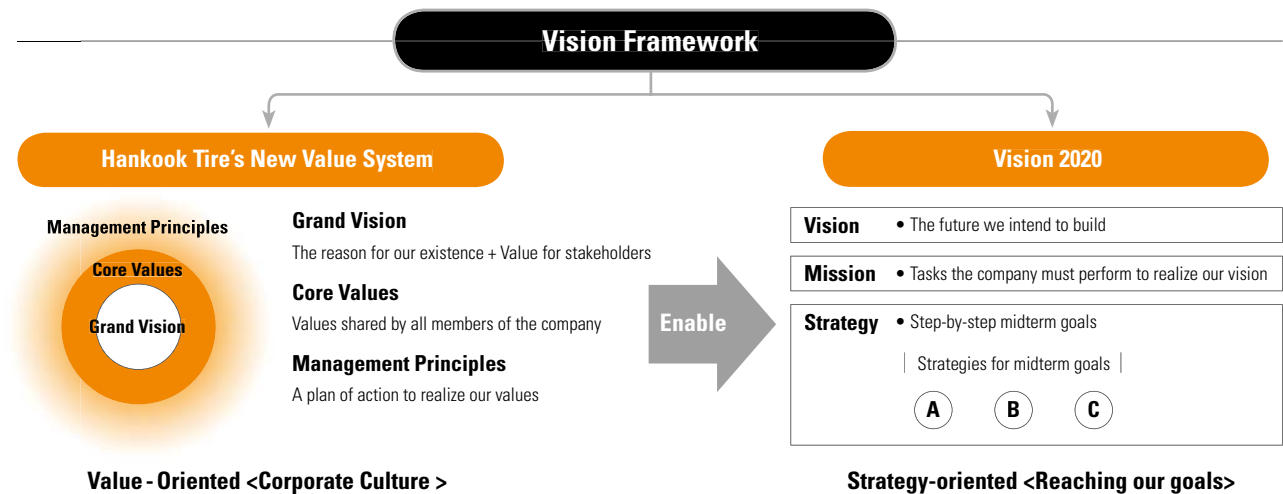
"We will achieve 5 trillion won in sales, total production of 100 million units and 1 trillion won in EBITDA by 2011."

Since its establishment, Hankook Tire has continued to set milestones in the world's tire industry with an unrelenting passion for innovation and remarkable growth. In the late 1990s, the company grew with the introduction of its vision concept, relatively early among Korean companies, and has been committed to deliver the best value to customers and shareholders. In order to be one step closer to becoming a leading global company, Hankook Tire now has a new corporate vision for its customers and shareholders.

HANKOOK TIRE'S NEW CORPORATE VISION

Vision Framework

Hankook Tire's new vision is made up of two parts: its value systems, the reason for the company's survival, and Hankook Tire Vision 2020, the company's corporate goals to be reached by 2020. This new vision is simple, contains a clear goal and was created based on the company's belief that its vision will help deliver greater value to stakeholders. In particular, the company's vision focuses on changing the way employees behave when driven by core values so that Hankook Tire can build and implement a strong corporate culture to help realize this vision.



Our Value

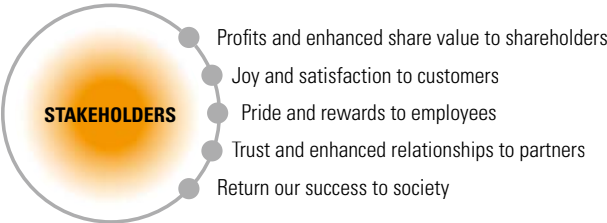
In order to survive changes in the business environment, strategic changes need to be made even in the company's grand vision. Based on its existing grand vision, Hankook Tire has come up with a new grand vision that can adapt to changes in the current business environment, with special attention being paid to the fact that creating values shared by all stakeholders is the essential catalyst in realizing the company's vision and ensuring it thrives in the long run. As such, Hankook Tire has chosen core values which will serve as company-wide values and the basis for decision-making. These same values will apply to management and employees so that everyone is judged in the same way.

Based on these core values, Hankook Tire has created management principles that will be shared throughout the company. These management principles will provide employees with a common view of values regarding how to go about their work, while drawing up a code of conduct for stakeholders. All Hankook Tire members will use these core values and management principles as basic principles for their management activities.

Core Values	Image	Management Principles	Key Concept
Voice	> V	Customer-oriented	A company that pursues a 'proactive tireship' by placing the highest priority on giving every customer a voice.
Environment	> E	Emphasis on the environment	A company that ensures the environment comes first
People	> P	Valuing talented individuals	A company that makes sure all employees receive fair opportunities in order to realize their full potential.
Innovation	> I	Innovation-driven	An innovative company filled with an entrepreneurial spirit responds more actively to changes in the business environment.
Ethics	> E	Ethical management	A company with a sound reputation brought about by transparent management and which assumes full social responsibility.
Execution	> E	Execution-oriented	A company that carries out strategy through active communication and cooperation.

GRAND VISION

Contribute to advancement in driving



CORE VALUES

Voice	Customer-oriented	A company that pursues a proactive tireship by placing the highest priority on giving every customer a voice.
Environment	Emphasis on the environment	A company that ensures the environment comes first.
People	Valuing talented individuals	A company that makes sure all employees receive fair opportunities in order to realize their full potential.
Innovation	Innovation-driven	An innovative company filled with an entrepreneurial spirit responds more actively to changes in the business environment.
Ethics	Ethical management	A company with a sound reputation brought about by transparent management and which assumes full social responsibility.
Execution	Execution-oriented	A company that carries out strategy through active communication and cooperation.

Vision & Mission

Achieving a company-wide vision means narrowing the strategic gap between a company's current status and its vision. To achieve such a vision, it is best to set and then pursue clear, step-by-step goals (or scenarios as the case may be). Hankook Tire's new corporate vision is based on the previously mentioned vision framework as well as on core values with resolutions for the future. It also has strategic step-by-step scenarios to make the vision clear and unambiguous. Specifically, the company has devised statements that best describe the future by the year 2020, drawing up the following diagram while taking into consideration the clarity, uniqueness and permanence surrounding it.

By generating continuous profits in the tire industry and other related businesses based on the company's new corporate vision, Hankook Tire is working relentlessly to become a global tire maker. With growing profits and continuous efforts to become a truly market-oriented company, Hankook Tire will never stop working towards becoming a company that is both trusted and respected by its customers and shareholders.

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Target production quantity for 2011

100

million tires

Hankook Tire's New Corporate Vision 2020

Vision 2020 demonstrates Hankook Tire's will to become a leading global company. By enhancing product competitiveness and brand value based on the company's two missions - ensuring profitable growth and maintaining its status as a market-driven company - Hankook Tire aims for profitable growth in a global management system.

In order to realize Hankook Tire's Vision by 2020, the company suggested a possible management scenario consisting of several steps. Based on this scenario, midterm strategies will be modified, complemented and updated. Hankook Tire's Vision 2020 is the first stage of such a management scenario, with its focus being on the first stage of growth strategy to achieve 5 trillion won in sales, total production of 100 million units and 1 trillion won in EBITDA by 2011.

Hankook Tire's New Corporate Vision 2020

VISION → **A Leading Global Tire Company Providing Customers with Value and Pleasure**

MISSION → **PROFITABLE GROWTH** + **MARKET-DRIVEN COMPANY**

STRATEGY → **Mid-Term Goals for 2011**

> **Achievement of 5-1-1**

Mid-Term Strategic Direction

> **Global Growth Acceleration**

> **Brand Value - up**

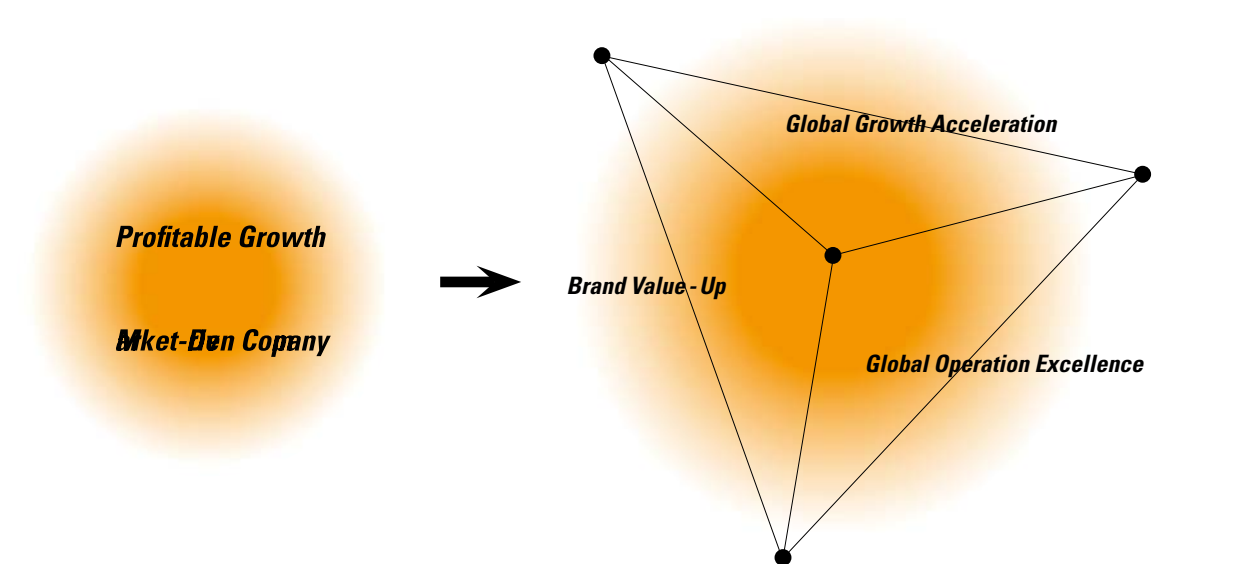
> **Global Operation Excellence**

STRATEGIC DIRECTION

As the tire market expands dramatically, Hankook Tire has been engaged in increasing competition. With high oil prices and hikes in raw material prices, major tire producers have been strengthening their competitive capability by expanding their production base through aggressive investment and rationalizing their production costs. At the same time, Chinese tire makers have been gradually boosting their competitiveness by accumulating technology thanks to the expanded market. As such, Hankook Tire is facing two distinct challenges and to overcome them, the following four survival conditions must be taken into consideration:

- Have optimal production capability to respond to market demands and achieve economies of scale.
- Retain a competitive market price position even with high oil prices and hikes in raw material prices
- Rationalize production and management costs to stay profitable
- Have a standardized operating process in place to increase global business capability

Keeping these survival conditions based on changes in the business environment in mind, Hankook Tire has chosen a new corporate vision and mission. It then reviewed the existing strategic direction before coming up with three new strategies: brand value-up, global growth acceleration and global operation excellence.



With its competitive advantage at the global level through brand activity and technology, Hankook Tire is enhancing its brand value (brand value-up), pressing on with globalization efforts and expanding business to achieve economies of scale (global growth acceleration), as well as continuing to pursue process innovation to meet global standards (global operation excellence). Today, the company's midterm goal is to achieve 5 trillion won in sales, total production of 100 million units and 1 trillion won in EBITDA by 2011.

When it comes to sales, plans are already in place to diversify the company's sales structure, which is currently focused on the Korean and Chinese markets, with a global production base in every economic bloc. By ensuring that all production bases account for at least 8% of total sales, Hankook Tire will maximize global synergy in terms of logistics and other costs. At the same time, it intends to improve global sales and profitability by enhancing brand value through a range of marketing activities.

In terms of production, capabilities will be optimized by continuously increasing production capacity in Korea and stabilizing the operation of its Hungary Plant, now in its early stages of production. Hankook Tire will also prepare for moves to form economic blocs, pursue production cost reduction and maximize each product's efficiency by taking into account building production facilities in additional locations.

Financially, Hankook Tire will continue to increase operational profits through conservative management coupled with a wide array of risk hedging instruments. It will also continue to achieve roughly 20% EBITDA by investing actively and maintaining consistent principles. There will be a particular drive to maximize company-wide sales capabilities through mid- to long-term investments in order to expand production facilities and by increasing investment in marketing.

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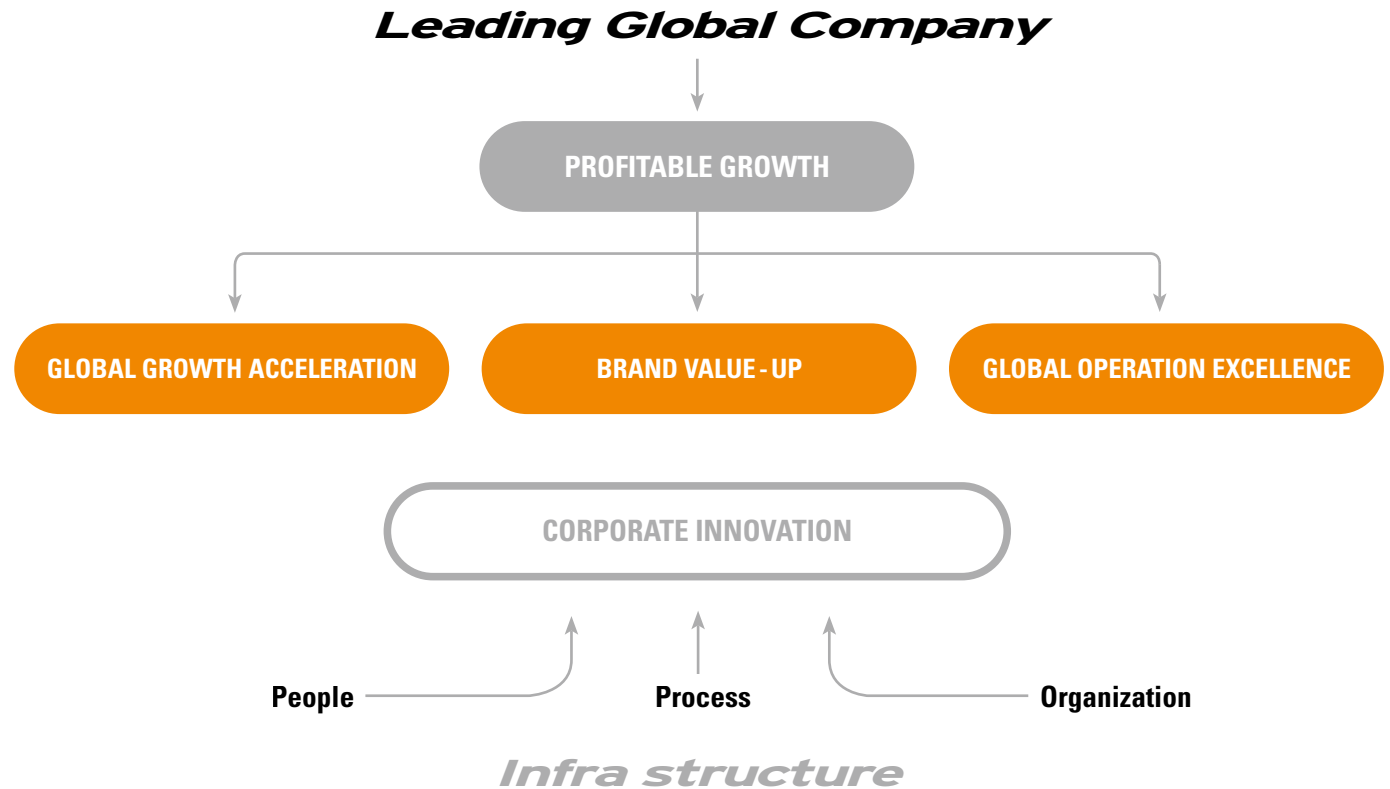
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Hankook Tire's midterm goal is to achieve 5 trillion won in sales, total production of 100 million units and 1 trillion won in EBIDTA by 2011 as the first stage of its new corporate Vision 2020. There are three strategic directions that make up this goal, which can be summarized through the following diagram.



GLOBAL GROWTH ACCELERATION

Survival comes with actively responding to growing market demands.

Changes in the business environment, such as growing uncertainties in both the global economy and mature markets, require management innovation different from traditional models. With the development of radial tires, the industry enjoyed a boom, with hundreds of small tire makers involved in the business. However, the industry suffered a serious slowdown in the 1980s and many small companies had difficulty making ends meet. The resulting M&As had the vast majority of these smaller companies merge with a few of the major tire makers. The brands that small companies once produced now remain only a part of these major companies' multi-brand tires. Over the past decade, the tire market has grown an average of 3.5% per year. Compared to other industries, the tire industry is a mature one in that it is growing slowly, so predicting sales is relatively easy. Indeed, the tire industry shares much in common with the semi-conductor and automobile industries. As a result, tire makers have competed with one another to secure manufacturing competitiveness by tirelessly expanding production capacity.

M&A deals with U.S. tire maker Firestone led to three major tire companies (Bridgestone, Michelin and Goodyear), these companies account for 54% of the entire market and as much as 64% of the TBR (Truck Bus Radial) market. (TBR tires are made for buses and mid- to large-sized trucks). Out of the world's 11 largest tire companies, the combined market share of the eight companies after the Big Three narrowly exceeds that of each one of them.

Maximizing investment efficiency by gradually expanding production facilities and increasing production.

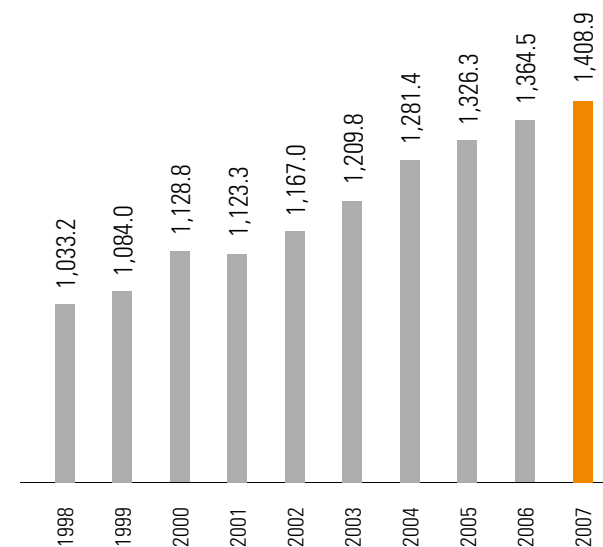
Economies of scale have a much greater significance in the tire industry's survival than they do in any other industry. Just as one tire size does not fit every automobile, facilities to produce various products with efficient management are essential to meet the different needs of automakers and individual customers. With a rapid increase in logistics costs and raw material prices (which are only intensifying due to expanded global trade activity), Hankook Tire believes it must establish regional production facilities and have proper logistics networks in place.

In order to adapt to recent changes in the business environment, Hankook Tire is engaged in a variety of activities to achieve economies of scale. To begin, the company aims to have production capability equivalent to that of the major tire makers by gradually increasing the number of its production facilities and expanding production. The company will secure additional sites for plants in addition to the sites that it already has. To this end, it has created a company-wide mid- to long-term product demand prediction system, while also predicting the demand for each of its products, a rare undertaking among tire makers. Moreover, Hankook Tire has a series of five-year plans in place to modify production facilities based on changes in demand over these same time periods and will carry out these plans with flexibility that can respond to market changes, thereby maximizing investment efficiency.

Average Annual Growth Rate of the Tire Market over the Last 10 Years

3.5%

Global Tire Sales (unit: 1 million tires)



* Source: LMC

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Global Tire Ranking

7th

Maintaining product lines based on profitability while striving to increase diverse production capabilities.

Tire markets have only recently popped up in many emerging markets such as India, Russia and Brazil. Most local makers are producing tube bias tires instead of tubeless radial tires, which is why, in a bid to introduce radial technology, they are setting up business networks with the major tire makers, who themselves are making aggressive inroads into local markets with an emphasis on radial products.

By analyzing competition in emerging markets (including BRICs) and establishing business networks with local tire makers based on economic viability, Hankook Tire will gain the production capability to respond actively to increases in market demand. Additionally, by taking into account every means to boost production capability, from joint ventures (which can be a loose alliance with local companies) to M&As that can massively increase production capability, Hankook Tire will always find the optimal solution.

The tire market has been dominated most recently by tubeless radial products. Bias tire products which require a tube have been limited to industrial and construction equipment or have simply been replaced gradually by radial products. With road conditions improving in developing countries and emerging markets, the effectiveness of bias tire products has greatly diminished, as these products are best suited for unpaved roads or more extreme road conditions. Given this market change, Hankook Tire will continue to monitor the profitability of existing production lines and enhance both productivity and profitability through short, mid- and long-term restructuring. Particularly, the company will find comprehensive and flexible ways to operate its bias tire facilities by relating the issue to the establishment of business networks with local companies in emerging markets. In that way, it will consider the facilities as it keeps both short-term profits and its mid- and long-term business portfolio innovation in mind.



Consideration of new segment launches when profitable opportunities arise.

Market changes are also taking place outside the automobile tire market. With worldwide interest for mountain bikes (MTBs) on the rise, the demand for bicycle tires is consistently increasing. As well, with more segments of motorcycles than ever, the global motorcycle tire market warrants attention, too. In addition, an increase in air traffic has led to a greater number of aircraft worldwide and the global aircraft tire market has expanded to a point where entering that market based on profitability should be given serious consideration.

While continuing to increase production capability, Hankook Tire is considering entering the transportation equipment tire market (motorcycle, aircraft and bicycle tires) so that it can simultaneously increase its brand value and begin marketing. As the global demand for construction, raw materials and cargo continue rising, the prospect for construction equipment off-the-road (OTR) radial tires is promising. By focusing on highly profitable products like OTR radial tires, Hankook Tire can boost profitability as it attains a more flexible use of its production facilities.

BRAND VALUE-UP

Positive results gradually realized from market-oriented management.

According to a recent report released by Deloitte Consulting titled "Global Powers of the Consumer Products Industry," Hankook Tire ranked 179th overall and 7th among global tire makers. The report was based on sales revenue from 250 global companies in 2006, and the sales revenue from consumables in particular. Hankook Tire was the only Korean tire maker to be on the list, while only 9 of the world's 11 largest tire makers made the list.

To respond to market changes and become an industry leader, Hankook Tire must remain a market-driven company. Since 2003, it has been pursuing this vision while strengthening its marketing activities. In recent years this has resulted in Hankook Tire overtaking other tire makers in terms of sales revenue in the global market, making Hankook Tire the world's 7th largest tire manufacturer today.

Increasing brand value and maximizing efficiency through continuous marketing activities.

Hankook Tire's launch toward becoming a truly market- and marketing-oriented company has started in earnest. If both qualitative and quantitative growth are not realized at the same time, Hankook Tire's growth cannot help being temporary. In order to respond to rapid changes in the market while upholding the company's sustainable management capability and stable revenue structure as a driving force for mid- and long-term growth, Hankook Tire is striving to attain qualitative growth through investments in its brand as well as quantitative growth through the expansion of production facilities.

To this end, Hankook Tire created an exclusive department that deals with market intelligence within its Marketing Staff Office in 2007, preparing an information report system through which the company could immediately check and respond to changes

in the tire industry and related industries around the world. This year, Hankook Tire will continue to gather information not only on changes in the business environment (such as competitors and new technologies), but also on distribution networks and customers, using this information as a basis for establishing corporate and marketing strategies.

Hankook Tire's market- and marketing-oriented policies have led to remarkable growth for the company in recent years. Although it still lags behind the major competitors in the industry in terms of brand image, it firmly believes that the company's brand value can be increased through continuous, consistent investment and management by company members. Hankook Tire will enhance its brand value to the level of the three major companies in the industry through continuous management innovation as well as efficiency improvement within the company.

Hankook Tire is making a concerted effort to raise its brand value on a short-term basis by determining the market value of the Hankook Tire brand (ascertained through supply and demand in the market), conducting a wide range of marketing activities, gathering information, and making the work process more efficient. At the same time, it is investing in marketing on a mid- and long-term basis by developing products and related materials to satisfy customers 100% with product quality, service, and function through steady and consistent communication with customers. In doing so, Hankook Tire will enhance its brand value in the global market while improving its profitability by selling products at reasonable prices.

Increasing contact points with end-users through strengthened distribution capacity.

Distribution networks are critical in the tire business. The three major tire companies have already established closely woven distribution networks in their largest markets and are working

hard to expand globally. Hankook Tire operates distribution networks in Korea and China (its biggest markets) as it strives to maximize customer satisfaction through diverse strategies for the manufacturing of premium products and service improvement.

Hankook Tire is increasing contact with end-users through the expansion of its distribution network while fostering global business capabilities to supply top-quality products to a host of different markets. As such, the company will establish a range of different infrastructure projects so that Regional Headquarters and overseas offices can manage their own inventory. Additionally, it is expanding its product supply network in cooperation with various networks, such as specialized tire

Top tire companies

Company name	Product sector rank	Top 250 rank
Bridgestone	1	19
Michelin	2	25
Goodyear	3	26
Pirelli	4	108
Sumitomo Rubber	5	135
Yokohama Rubber	6	144
Hankook Tire	7	179
Toyo Tire & Rubber	8	221
Cooper Tire & Rubber	9	226

* Source: <Global Powers of the Consumer Products industry>, Deloitte, 2008

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distribution networks, auto centers and car dealers. Through such diversification and subdivision of distribution channels, Hankook Tire is providing a unique marketing experience for customers, increasing customer satisfaction worldwide with the establishment of a global distribution network.

Improving brand competitiveness and securing profitability by developing market-oriented products.

For Hankook Tire, the excellence of its products is based on a core competency that has led to continuous sales growth. In the future, the company will further improve brand competitiveness and maximize its profitability by continuously developing competitive, market-driven products. In particular, as the company's European plant starts full-fledged operations, Hankook Tire will develop and then focus its efforts on optimum products tailored to each region at plants in Korea, China and Europe, thereby offering consumers unique product quality and services that are markedly different from those of its global competitors.

Hankook Tire is also upgrading the quality of its OE (original equipment) business for global automakers and operating appropriate product/price portfolios in order to strengthen its comparative advantage against the major tire companies' OE business as well as other Korean tire makers. It is using differentiated strategies for OE purposes in Korea, China and other overseas countries, while also developing strategic OE products for high-end vehicles and strategic vehicles from global automakers in America and Europe on a mid- to long-term basis. Hankook Tire is confident that its strategy to promote high-quality products and increase its brand recognition among consumers will prove extremely successful.

Creating marketing communication activities at the highest global standards.

Hankook Tire is not dwelling on the establishment of its customer-oriented marketing strategies. Instead, it is maximizing the effect of marketing by reinforcing actual



marketing communication with customers. To this end, it is dividing its marketing activities into five categories: strategy/advertising, motor sports, exhibitions, PR and CI/BI. Hankook Tire's five Regional Headquarters (Korea, China, Europe, America, L.A.A.M) can then specify and operate their own marketing plans for each category, ensuring faster, more complete marketing activities. Furthermore, Hankook Tire is improving product quality in the areas of manufacturing, development, product quality culture and the environment, paving the way for the company to increase its brand value by providing the world's best quality products that match the industry's biggest tire makers. To achieve the goal, Hankook Tire is introducing and operating various quality control methods, such as a global-level quality certification system and a higher customer satisfaction index.

GLOBAL OPERATION EXCELLENCE

Companies need constant innovation to survive and grow.

Even with innovative management and top marketing activities, companies can still experience serious setbacks or crises when they cannot actively respond to changes in the corporate environment. Statistical data shows that more than half of the 100 largest companies in Korea have come and gone within a mere 20 years, proving how important it is for companies to navigate their way through every crisis and wisely manage their business.

Hankook Tire has overcome countless crises over the past 60 years by constantly focusing its attention on one field of business. Nonetheless, unstable international liquidity brought on by the American subprime mortgage crisis and a generally unstable economic environment due to the overall rise in raw material prices (e.g. agflation) have provided Hankook Tire with a serious challenge while in the midst of globalizing its business. As a result, it is introducing innovative management at the infrastructure level to actively respond to such instability and risks in management.

Efficient operations are helping to establish a global management system.

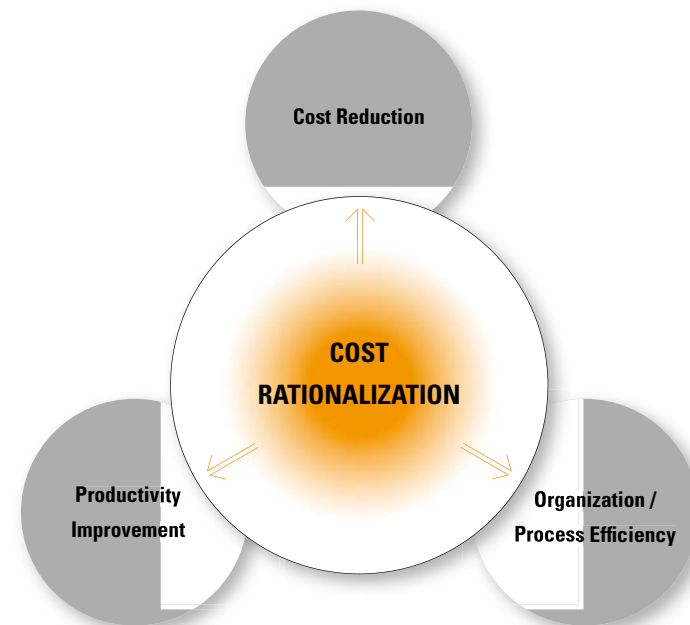
Since 2005, Hankook Tire has worked hard to bring the efficiency of its organizational structure up to global management standards. In order to promote sales and marketing capabilities tailored for each region, the company has opened Regional Headquarters and optimized its operational systems in a global dimension, in part so that Regional Headquarters can work with one another through the company's main headquarters on important issues such as strategy, R&D, marketing, purchasing and personnel. Hankook Tire has optimized all its important work processes - from the establishment of strategies to sales - to ensure the efficient operation of the organization.

Leading cost rationalization through the efficient distribution of managerial resources.

Regardless of the industry, catch phrases like "cost reduction" and "productivity improvement" have become popular because of the decline of the management environment and the uncertainty of the world economy. In light of these conditions, Hankook Tire has drawn up mid- and long-term plans for cost reduction, productivity maximization and efficiency of the organizational and work processes, all of which it has faithfully put into practice. Hankook Tire does not just talk about plans to improve its management but actually puts real strategies into practice, rebuilding management resources efficiently while creating new values and competitiveness through cost rationalization that maximizes the effect of resource input.

Responding swiftly and appropriately to every crisis.

In order to achieve established strategic goals, a company needs a crisis management system to respond swiftly and appropriately to an ever-changing global management environment and to unpredictable circumstances. A company especially needs to secure a foundation for sustainable management by concentrating on crisis prevention rather than crisis response. Hankook Tire will continue to satisfy shareholders and consumers by achieving expected goals in a rapidly changing environment through the reorganization of its crisis management system and a variety of innovative management activities.





MANAGEMENT'S DISCUSSION & ANALYSIS

Target Tire Sales for 2008 | unit: 1,000 won

3,877,800,000

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In 2007, Hankook Tire enhanced its brand value and strengthened competitiveness through active global management, achieving excellent financial results by separating risk elements and conducting profitable, efficient management. In 2008, the company is also moving towards its goal of becoming a leading global tire company as it pursues sales growth through strategic global management and continued growth, the creation of new opportunities in highly growing markets like BRICs, and entrance into a highly value-added industry. With these and other measures, the future for Hankook Tire's customers and shareholders has never been brighter.

Global Tire Market

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2007 Sales

(according to consolidated financial statements)

3585.8

billion won

GLOBAL MARKET OUTLOOK AND HANKOOK TIRE

Many economic research organizations have different opinions on the American economy, long the driving force of world economic growth. Some offer pessimistic views (in the 4th quarter of 2007 the U.S. economy began to slow down and enter into a recession), while others offer a more optimistic outlook (the U.S. economy may slow down due to the subprime mortgage crisis but it is not as serious as a recession). Whatever the case may be, it seems clear that the economic slowdown in developed countries will have a negative effect on BRICs countries and that it will most likely lead to a slowdown in growth in the world economy.

The Korea Tire Manufacturers Association (KOTMA) recently conducted a five-month comprehensive analysis on major economic research institutions' 2008 outlook on the Korean economy and the global economy. Due to a tight credit market that started in the U.S. and the slowdown of the U.S. economy itself, developed countries (including Japan and some European countries) are expected to experience somewhat slower growth than the past few years. Emerging markets like China and India are still expected to maintain high growth rates, though their growth may slow to some degree. Overall, the world economic growth rate is expected to be between 3.3 and 4.8%, a slight decrease in comparison with the previous year. Specialized economic institutions forecast that potential risks include the health of the U.S. economy, expanded slowdown in major countries' housing markets, high oil prices coupled with unstable exchange rates, inflation in China (although the country has contributed to global price stability), and a bubble economy in several new economic blocs.

Even though the tire industry experienced some difficulties in

2007 because of a surge in the prices of raw materials (like oil and natural rubber), rapid sales growth in emerging markets that are centered around BRICs nations allowed tire companies to achieve relatively good results. This year, Hankook Tire expects more challenges in its effort to increase sales in developed countries such as the U.S. and some European countries because of unstable liquidity and a slowdown in the real estate business caused by the subprime mortgage crisis in America. Alternatively, sales growth should be relatively high in BRICs nations, the Middle East and North Africa - all places where there has been rapid economic growth or a large influx of oil money thanks to high oil prices. It is widely believed that the prices of natural rubber (which increased by 40% in 2007) and

WORLD LEADERS IN NEW TIRE SALES
(Fiscal year 2007; in billions of U.S. dollars)

	2007	2006
Bridgestone Corp.	\$21.8	\$19.6
Groupe Michelin	\$21.7	\$19.4
Goodyear Tire & Rubber Co.	\$18.3	\$17.8
Continental AG	\$ 8.6	\$ 7.7
Pirelli & C. SpA	\$ 5.8	\$ 5.0
Sumitomo Rubber Industries Ltd.	\$ 3.6	\$3.8
Hankook Tire Co.	\$ 3.5	\$ 2.9
Yokohama Rubber Co.*	\$ 3.2	\$ 3.0
Cooper Tire & Rubber Co.	\$ 2.9	\$ 2.5
Kumho Tire Co. Inc.	\$ 2.2	\$ 1.9
Toyo Tire & Rubber*	\$ 1.8	\$ 1.7

* Source: Modern Tire Dealer (Jan. '08)

oil (now more than \$100 per barrel) are the key variables that will determine the profitability of the overall tire industry. Hankook Tire has maintained an aggressive management strategy as it has tried to reduce costs and innovate management despite internal/external challenges such as the uncertainty of world markets and the sudden economic slowdown. Still, the company achieved steady sales growth and total sales of 3,580 billion won (according to consolidated

financial statements) in 2007, earning it 7th place (according to total sales) on Modern Tire Dealer magazine's list of the world's largest tire makers. Hankook Tire will make further efforts to realize its goal of becoming a leading global company as it increases sales through globalization and continued growth efforts. Furthermore, it will create more business opportunities in new, fast-growing markets like BRICs countries, while actively looking for new opportunities.

Ratio of exports to Europe

35%

EUROPEAN MARKET OUTLOOK AND HANKOOK TIRE

Along with the U.S., Europe is one of the two birthplaces of the automobile and home to internationally renowned automakers like Mercedes Benz, Volkswagen, Peugeot and Porsche. Europe is where the tire industry started and where companies like Dunlop (inventors of what we now know as today's modern-day rubber tire) and Michelin (developers of the first radial tires that do not use tubes) got their start. At present, Michelin, Continental and Pirelli - all of which are among the world's top 10 tire makers - are headquartered in Europe.

European tire markets are often divided into three regions: Western Europe (which forms the heart of the EU), Central Europe (former Eastern European nations that were communist during the Cold War) and Eastern Europe (former Soviet-bloc countries that became part of the CIS after the collapse of the Soviet Union). As Europe has clear seasonal divisions and various climatic changes, there is demand for both summer and winter tires.

Western Europe is a huge market - one of the two largest tire markets in the world along with North America. At the same time it is a highly mature market with various environmental laws and regulations, meaning there are many technology-intensive products on the market there. Central Europe secured a foundation for full-fledged economic growth after joining the EU, so today their markets can be developed substantially in

comparison with Western Europe's markets. In Eastern Europe, tire markets have only recently begun to form, with economic growth being driven by oil-producing countries like Russia (a member of BRICs) and Ukraine.

For Hankook Tire, the European market is the company's largest export market, accounting for 35% of total company exports. Although major countries in Western Europe are now showing slower growth rates because of weak export growth in the wake of a strong euro and the slowdown of the world's economy as well as a lack of investment in facilities, Central and Eastern Europe, including Russia and Ukraine, are expected to keep Hankook Tire's average annual growth rate as high as 5% thanks to economic growth and an influx of oil money.

Hankook Tire has made Europe the foundation of its brand competitiveness and is conducting various production/marketing activities centered around each specific market. Located in Frankfurt, Germany, Hankook Tire Europe Headquarters is made up of nine Overseas Sales Subsidiaries (located in Germany, the U.K., Hungary, France, the Netherlands, Italy, Spain, plus a European Distribution Center) and two Overseas Sales Offices (located in Istanbul and Moscow). The company also founded its Europe Technical Center (ETC) to develop products tailored to European markets, which to date have already shown considerable results. Moreover, the company operates its OE Office in Hanover, Germany, where it supplies

OE tires for European automakers.

Further plans in Europe involve Hankook Tire's Hungary Plant, whose first stage of construction is expected to be completed soon, though initial operations began in 2007. Built in Dunaujvaros, Hungary with an investment of 500 million euros in 2007, the plant is the first European production base for a Korean tire maker. The Hungary Plant is already strengthening the company's sales power and reducing logistics costs through the securement of local production capabilities. Furthermore, it is increasing Hankook Tire's brand competitiveness by increasing recognition and preference for Hankook Tire's products in the European market and maximizing customer satisfaction through immediate service improvement.

Hankook Tire Europe Headquarters has brought about visible achievements like continuous sales growth and improvement of profitability through various marketing communication activities based in Western Europe. It has also expanded sales in new markets including Russia and Hungary despite a challenging business environment. In 2008, Hankook Tire stabilized production in Europe when the first phase of its Hungary Plant was completed and operations were begun there. The company's Europe Headquarters will only increase sales from the previous year through the launch of a global advertising program in Western Europe, expansion of sales coverage by establishing new markets, and aggressive marketing throughout Europe.

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NORTH AMERICAN MARKET OUTLOOK AND HANKOOK TIRE

The North American market often refers to the U.S., Canada and Mexico, although people apply slightly different standards to separate regions. In truth, the U.S. frequently represents the North American market because, aside from being the center of the market, it is the world's largest economy. In December 2007, Hankook Tire America Headquarters began overseeing the sales of tires throughout North America, including Canada and Mexico.

The U.S. is one of the two birthplaces of automobiles along with Europe. GM, Ford and Chrysler, America's three major automakers, all became internationally renowned automakers, while Goodyear and Cooper are now two of the world's top 10 tire makers.

The U.S. tire market does not distinguish summer from winter tires, using one type of tire for all four seasons. In Canada, however, winter tires are used by many consumers, as the climate is colder and they have more snowfall than the U.S. With well-developed roads throughout the U.S., per-person mileage is much longer than other countries and with multi-purpose vehicles like pick-up trucks and SUVs common in America, people often purchase larger tires than car owners in other countries.

The U.S. economy, though the world's largest, is expected to face a moderate slowdown in economic growth in the midst of negative factors (a continued recession in the housing business, a consumption slowdown brought on by the subprime mortgage crisis and high oil prices) as well as positive factors (exports remaining healthy, slight investment growth in facilities, a decrease in the current account deficit and the American government's active response to the subprime mortgage crisis). Many economists now forecast that Canada and Mexico will also face a moderate slowdown in conjunction with the U.S.

Hankook Tire America Headquarters oversees sales and

distribution in the U.S., Canada, and Mexico from its office in New Jersey. The North American market has various consumer demands and product segments, though one common trend is for distributors and retail stores to be large and independent.

As Hankook Tire America Headquarters has no production facilities, products from overseas Hankook Tire plants are shipped in, meaning delivery takes quite a long time. In order to make up for this lag in delivery time, the company directly supplies tires to over 300 wholesalers/distributors and over 4,000 retail stores from six warehouses and five branch offices located in strategic areas throughout the U.S. This year, the U.S. economy is entering into a full-fledged recession with an increasing unemployment rate and rising prices influenced by a shrinking housing market and economic slowdown, which started in early 2007. As a result, the growth rate of the overall tire market is expected to shrink as well. Hankook Tire America Headquarters consistently achieves double-digit annual growth by exploring replacement markets through improved logistics services and timely development of OE tires in addition to expanding sales of strategic products.

Hankook Tire America Headquarters supplies over three million OE tires per year to the world's leading automakers, such as Ford, GM and Hyundai Motor as well as the ITEC (International Truck & Engine Corporation), the region's leading seller of trucks and buses. Furthermore, Hankook Tire opened an OE Office in Detroit and is strengthening cooperative relationships with global automakers.

CHINESE MARKET OUTLOOK AND HANKOOK TIRE

China has the world's largest population as well as the largest number of plants/factories and workers. With the success of the country's liberalization and reform policies, it is now leading economic growth among the BRICs countries, while exerting influence on a par with the U.S., strengthening its position in the world economy.

At present, almost every global automaker has entered China in the form of joint ventures with Chinese companies. Among them, Diyi, Dongfeng and Shanghai are leading the Chinese market, while Korean companies like Beijing Hyundai Motor and Dongfeng Yueda Kia Motors are also enjoying success there.

Many global tire makers entered the Chinese tire market around the late 1990s, with local companies there now rapidly growing. Both the industry's biggest companies and other 2nd tier companies are fiercely competing to strengthen their market share in China.

Recently, those companies that had shown little interest in the Chinese market before, declared their intention to enter the Chinese market. While many global companies are busy building new tire plants throughout China, local tire makers are rapidly securing competitiveness and increasing market share. Local companies are even threatening some of the bigger global companies by drastically expanding their competitiveness and size, taking advantage of their strength as homegrown companies.

Hankook Tire considers China its second home market. With early entrance in the market, Hankook Tire has seen noticeable achievements in its economic performance in the country. Located in Shanghai, Hankook Tire China Headquarters has maintained the largest market share for passenger car tires in China for years while also leading the country's auto parts market.

The Chinese tire market is expected to enjoy continued high growth of over 10% a year (on average) until 2011 thanks to a national economic boom, a sizable trade surplus, as well as stable growth in domestic consumption and investment in inland areas for balanced growth. With the 2008 Beijing Olympics coming up, economic institutes forecast additional economic effects like increased consumption in the private sector and increased release of new automobiles, which will have a direct impact on the tire market.

Growth in investment and exports will slow down somewhat due to retrenchment policies like interest rate hikes by the Chinese government, which is concerned about the overheating of its economy. Furthermore, the risk of the economy's hard landing following price instability, inflation, and asset bubbles provides a rather worrisome prospect for China's market.

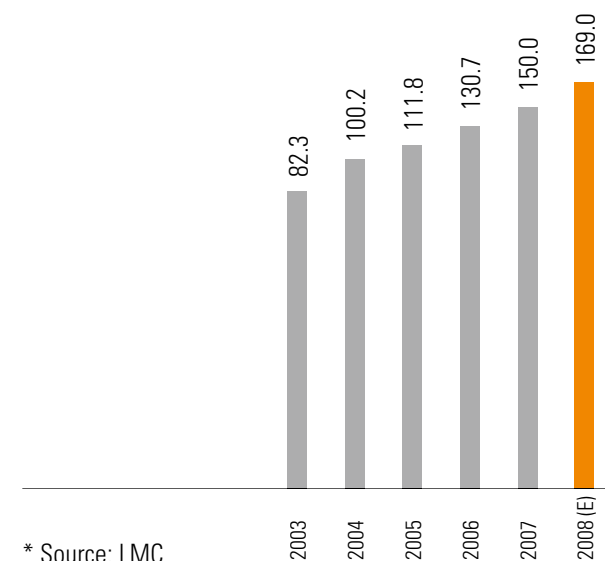
Hankook Tire built production bases in Jiaxing and Jiangsu in 1996 after which it established its China Technical Center in order to maintain the company's position as the No. 1 tire brand in China. It has also kept up with investments to lead technology and product quality, while concentrating on its expansion of production facilities to maintain a high market share in the country. Along with local production, Hankook Tire China Headquarters has sustained a strong presence interest in the OE (Original Equipment) market. Tires produced at the company's Chinese factories are shipped to Ford and GM auto plants in Europe and the United States, increasing worldwide recognition of Hankook Tire's high-quality products.

However, Hankook Tire does not dwell on its past successes. Instead, it continues to push ahead to maintain its predominant position in the Chinese market through innovative activities in production, sales and services, as it makes the most of the advantage it enjoys as a leading tire manufacturer in China.

Annual Growth Rate of the Chinese Tire Market
(2008~2012 forecast)

11%

Tire Sales in the Chinese Market (unit: 1 million tires)



* Source: LMC

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L.A.A.M. MARKET OUTLOOK AND HANKOOK TIRE

The L.A.A.M. (Latin America, Asia-Pacific, Africa and Middle East) market is largely divided into Latin America (except Mexico), Asia (except China and Korea), the Middle East, and Africa. The market recently came into the spotlight in terms of growth potential, as drastic economic growth occurred around markets like Brazil and India. Also, in the face of high oil prices, the Middle East and North Africa are securing a new driving force for growth with the influx of oil money.

In the L.A.A.M. region, the automobile industry is well developed and centers mostly around Japan and Australia. Japan has many well-known automakers worldwide like Toyota, Honda and Mitsubishi, with Toyota and Honda enjoying particular success in the American market. Australia also has some car manufacturers, including Holden, a subsidiary of GM.

In the tire industry, Japan is home to four of the world's 11 largest tire makers, Bridgestone, Sumitomo, Yokohama Toyo.

Despite difficulties such as low private consumption, a declining export growth rate due to the global economic slowdown and low investment in housing, strong Japanese exports centered around developing countries, suggesting the country's growth rate will be around 1.5%.

Asian economies will see slightly lower growth rates in 2008 compared to 2007, based partly on America's economic slowdown and high international oil prices, though they are still expected to grow steadily. Although the uncertainty of external factors like high oil prices and the further influence of the American subprime mortgage crisis will remain a restraint on Asia's economic growth, it does not appear that there is much possibility for the growth rate to decline dramatically, as the region's economies have greatly reinforced their resistance to external shocks compared to the past.

Latin American economies will experience slower growth because of the economic slowdown in the U.S. and the EU,

restrictive policies on promoting domestic demands due to increasing pressure over increasing prices, and more volatility of raw material prices. However, dominant economies in the region like Brazil and Argentina are still expected to maintain high growth.

Furthermore, the economies of the Middle East and Africa are expected to maintain relatively high growth compared to other regions because of high oil prices. Although the overall economic growth rates in other regions will slow down due to the American subprime mortgage crisis as well as other factors, economic growth will continue to expand in this region with the increased influx of oil dollars from high oil prices.

Although economic environments and conditions differ by area, most of the L.A.A.M. region consists of emerging markets. Today, with the automobile market now expanding full-scale, the growth potential of the tire market is also very promising in this region. And while local companies are rapidly growing alongside recent market changes, their radial tire production capability is not as advanced as global tire companies, whose influence is growing quickly. Consequently, Hankook Tire is very optimistic about the future of the L.A.A.M. market.

Hankook Tire has six Overseas Sales Offices working under the L.A.A.M. Headquarters (Sao Paulo, Panama, Jeddah, Dubai, Bangkok and Santiago), and two Overseas Sales Subsidiaries (Japan and Australia). In developed countries within the L.A.A.M. market like Japan and Australia, as well as countries with high growth rates such as Brazil and other nations with high growth potential, local and global companies alike are fiercely competing for market share. In order to continue sales expansion and enhance brand value in emerging markets, Hankook Tire L.A.A.M. Headquarters is developing exclusive products tailored to the characteristics of each region and carrying out segmented target marketing.

KOREAN MARKET OUTLOOK AND HANKOOK TIRE

Almost 70% of Korea is mountainous, so most of the population is situated in flatland areas. Additionally, with the development and growth of metropolitan areas, the population of Seoul and surrounding areas now exceeds 10 million. In terms of automobiles, the number of families with two or more cars is gradually increasing, as is economic growth. Similarly, tire sizes are also becoming bigger with mid- and large-sized passenger cars and SUVs gaining more popularity.

In the Korean automobile market, local companies have a strong influence. Two of Korea's best known automakers, Hyundai Motor and Kia Motors, not only maintain an overwhelming market share in the Korean automobile market but are also increasing their brand recognition in the global market. Furthermore, as local companies turn into global companies through M&As with global automakers, like GM Daewoo and Renault Samsung Motors, their manufacturing know-how and competitiveness are better than ever.

Korea's tire market has developed along with the growth of the country's automobile market. Since the 1980s, people have been purchasing more cars as many new roads and highways have been built, increasing average mileage. As a result, the tire industry saw an explosion in development. But after the country's economic crisis in the late 1990s, the Korean market as a whole shrank, so the tire industry's growth slowed down considerably.

With Korea's tire market now considered a mature market, growth potential has lowered while competition among companies has heated up, making the business environment for tires less favorable than in the past. As such, Hankook Tire is gradually expanding its ratio of the premium tire market segment by operating premium tire stores, leading Korea's tire market through innovative marketing activities such as

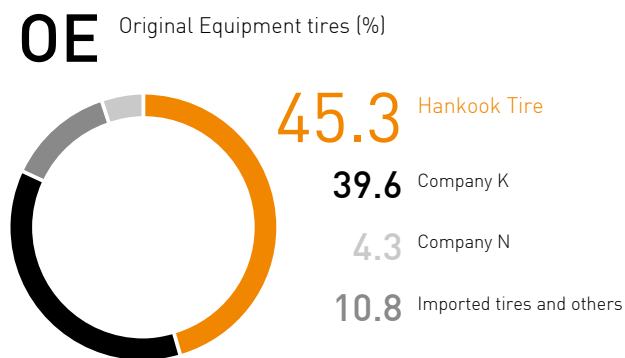
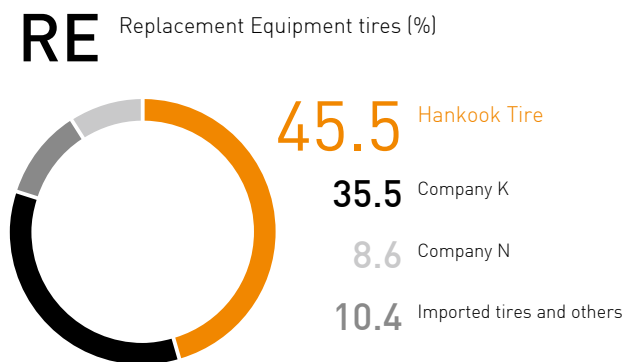
expanding profitability and increasing distribution channels for consumers.

Hankook Tire Korea Headquarters is where the history of Korea's tire industry began in 1941. Korea is also home to the company's main production base, which is responsible for more than 60% of the company's total output. The company's Daejeon Plant, Keumsan Plant, and Hankook Tire Co., Ltd. R&D Center bring together state-of-the-art facilities and know-how accumulated over 60 years, upgrading Korea's tire industry one step further.

Hankook Tire accounts for almost 46% of Korea's tire market and is the country's indisputable number one tire maker. However, as it persistently strives to satisfy consumers, the company released a new premium tire in 2008, the XQ Optimo nova (an upgraded version of the 2003 XQ Optimo, for a quieter, more comfortable ride). Furthermore, it plans to release other new products such as its environmentally-friendly Enfran tire. Hankook Tire also has plans to increase the number of its T'Station stores, the company's premium tire-service franchise which meets various customer needs.

Market Share by Company in Domestic Tire Market

(as of 2007, in-house research data)



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ORIGINAL EQUIPMENT / REPLACEMENT EQUIPMENT MARKET

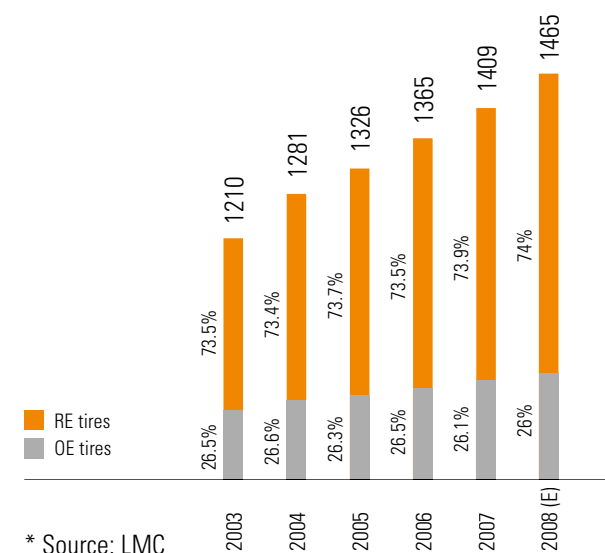
Today, original equipment (OE) products make up almost 30% of the global tire market, with replacement (RE) products making up the rest of the market share. Although there is little difference by region, this trend has remained consistent for the last decade, according to reports from both statistics agencies and Hankook Tire.

In 2008, an international liquidity crisis brought on by the subprime mortgage crisis and the possibility of inflation due to the surge in prices of raw materials and agricultural products (so-called agflation) has caused the sales of automobiles to slow down somewhat in developed areas such as the U.S. and Europe. However, sales of automobiles are expected to do well in BRICs countries that have a strong economy and market growth, as well as in major oil producing countries throughout the Middle East and North Africa.

In the replacement car market of developed countries, on the other hand, a fictitious demand for tires has arisen because of a decrease in replacement demand for automobiles as well as an increase in waiting demand for new vehicles from owners of older vehicles. Still, people's average driving time has decreased because of traffic jams and high oil prices, making it appear that overall demand growth for tire replacement will not change very much. It is also suspected that global warming is now behind huge snowfalls in certain regions and above-average winter temperatures in others. Thus demand for winter tires will change depending on the region.



Global Tire Sales (unit: 1 million tires)



CURRENT MARKET SITUATION BY PRODUCT LINES

The passenger car tire market makes up about 72% (by quantity) of the total tire market. Although the passenger car tire market has contracted slightly over the last several years, the market for small- and mid-sized truck tires (used for multi-purpose vehicles like SUVs and vans) and the market for mid- and large-sized truck and bus tires has gradually expanded.

At over 84% of the total tire market, the passenger car tire market is dominant in Europe. In general, the size of European passenger cars is smaller than American cars. Europeans also use different tires in winter and summer, so passenger car tire sales are quite high. Even though SUVs have started to gain popularity in Europe recently, the number is relatively small when compared to the European market as a whole and the demand is mostly limited to new cars. Therefore SUV tires do not represent a significant factor in the market data.

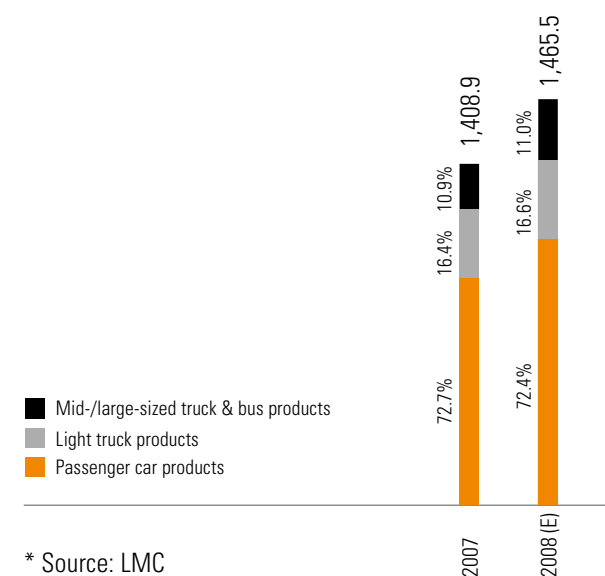
With the North American market, however, there is a significant number of large passenger cars, pickup trucks, and mid- and large-sized SUVs. As a result, passenger car tires and small truck tires make up 94% of the market, with 56% of those tires being 16 inches or larger, clearly indicating a trend that bigger equals more popular. Except for Canada and the northern United States, consumers use all-season tires instead of separate winter and summer tires in the North American market. However, with increased consumer awareness of safety, the demand for winter tires is gradually increasing. For example, the province of Quebec recently passed legislation requiring drivers to use winter tires for certain periods every winter. Also, with the increase in commercial traffic from China and cross-continental freight, the North American market tends to prefer mid- and long-distance tires, so the market for these truck tires is steadily increasing as well.

In Asia, passenger tires represent about 60% of the market, a figure that is much lower than other regions. It seems that India and other Asian markets having a small number of passenger cars affected the statistical figure, although the Chinese automobile market is rapidly growing. That number increases when looking at other developed markets in Asia, like Japan and Australia, where passenger car tires make up almost 70% of each country's respective tire market.

In other world markets (except BRICs nations), passenger car tires make up roughly 65 percent of the tire market. With many developing countries, the market size is smaller in comparison with other regions, but market share of passenger car tires will gradually increase in the future as more passenger cars are purchased with oil money in oil producing regions like the Middle East and North Africa.



Ratios by Kind of Product (unit: %, 1 million tires)



* Source: LMC

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Hankook Tire recorded sales of 3,580 billion won (according to consolidated financial statements) in 2007 despite many internal and external difficulties. In January 2008, the company was ranked 7th in terms of total sales within the tire industry by Modern Tire Dealer, an American trade magazine. This was the result of improvements in Hankook Tire's global sales capability, continuous activities for profitable growth and management innovation.

FACTORS DRIVING GLOBAL SALES GROWTH

Up until now, global sales growth for Hankook Tire depended mostly on an increase in sales volume after production facility expansion in China. When Hankook Tire Hungary Plant starts full-fledged operations in 2008, such a growth trend is only expected to continue. Reasons for global sales growth can be broken down in the following three ways:

1) Exchange rate effect: Despite a weak U.S. dollar, sales did not fluctuate by quarter thanks to a relatively strong euro and yuan.

2) Quantity effect: The increased sales volume due to production facilities in China was a main factor driving the quantity effect. As the company's European production facility was in its earliest stage of operations, the quantity effect was only partly reflected in the fourth quarter and had a relatively small influence.

3) Price effect: In order to offset cost increases from the surge in natural rubber and oil prices, Hankook Tire expanded its ratio of sales of high value-added products, raising prices as well so that the price effect began to fully emerge in the fourth quarter.



FACTORS DRIVING SALES GROWTH BY REGIONAL HEADQUARTERS

Hankook Tire Korea Headquarters

Despite an unfavorable market environment due to slow domestic consumption, high oil prices and fierce competition in the industry, Hankook Tire Korea Headquarters was able to achieve strong sales results thanks to favorable factors such as increased sales of ultra-high performance (UHP) tires and premium high-value-added tire products. Expansion of sales that arose from the increase in the number of its premium total tire service franchises, T'Station and Tire Town, played a significant role as well.

Hankook Tire China Headquarters

Hankook Tire China Headquarters made 2007 its year to improve sales following changes in the market. While global and local companies alike fiercely competed for market share, the company's China Headquarters achieved stable sales even with an increase in the cost of raw materials, revaluation of the Chinese yuan (CNY) and a decrease in export VAT refund rates. With pressure over sales influenced by outside factors such as interest rate hikes and loan freezes due to a strained financial market, the company's China Headquarters focused on securing a driving force for growth through healthy management.

Hankook Tire Europe Headquarters

Although sales were stagnant in Western Europe, including traditional European tire markets like Germany, the U.K. and Spain, sales in new markets in Central and Eastern Europe like Hungary and Russia increased, which is how the company's Europe Headquarters succeeded in expanding sales. Today, it is still working hard to secure profitability through selection and concentration by area.

Hankook Tire America Headquarters

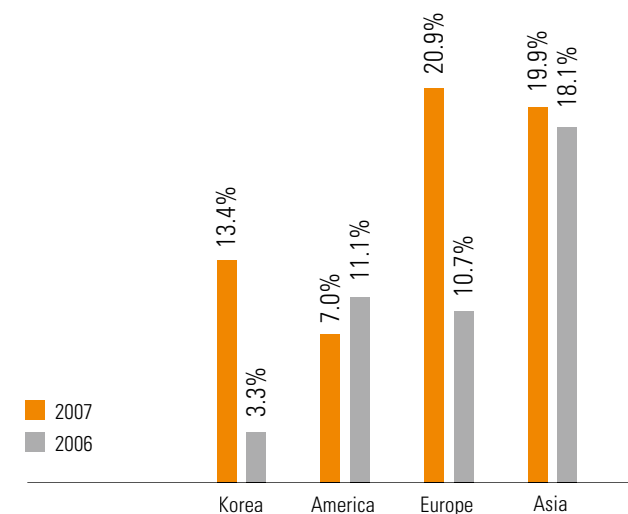
When a more stringent policy to control emissions was brought into effect for trucks sold in or after 2007, demand for truck and bus radial (TBR) tires drastically decreased, with the overall market stagnating because of the housing recession and high oil prices. Still, Hankook Tire America Headquarters was able to increase sales by extensively developing new customers, enhancing Share Of Account (SOA) with existing customers and expanding sales of strategic products.

Hankook Tire L.A.A.M. Headquarters

While sales growth was low in developed countries like Japan and Australia because of the recession in the world economy and unusual weather, an influx of oil money from high oil prices and the expansion of markets in BRICs nations led to a continual increase in demand for automobiles and tires. As such, Hankook Tire L.A.A.M. Headquarters was able to achieve consistent sales growth throughout the whole region.



Sales Growth Rate by Region



*Other areas left out because of growth rates under 10%

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Target Operating Income for 2008

348.5

billion won

OPTIMIZATION OF GLOBAL OE BUSINESS

Hankook Tire has had its advanced technology recognized in the U.S., while increasing tire supplies to internationally renowned automakers. Through the expansion of its global original equipment (OE) business, the company is expecting an increase in replacement equipment (RE) sales due to customers purchasing its OE brand products. At the same time, it is also expecting its marketing efforts to enhance brand recognition and credibility. At present, Hankook Tire supplies products for overseas automakers such as Ford, GM and Chrysler in the U.S., as well as Ford and Volkswagen in Europe. In the future, the company plans to increase its market share in the OE sector.

In 1999, Hankook Tire started to supply tires to Ford Motor Company. In 2000, it acquired Ford's prestigious Q1 Award for product quality certification. In 2004, Hankook Tire reached another milestone when it began supplying UHP tires for Ford's Mondeo model in Europe. The company started to supply temp tires for Ford in 2003 before expanding the range of products it supplied to include UHP tires in 2004. Since then it has continued to do business with Ford.

Starting with a contract to supply 120,000 tires per year to Navistar International, the No. 2 truck and bus manufacturer in North America, in April 2006, Hankook Tire is now fully engaged in the TBR OE business. This was seen as a highly successful entrance into the TBR market, where technological support is essential. Consequently, the size of Hankook Tire's exports is expected to gradually increase in this field.

From 2006, Hankook Tire also began supplying UHP tires in large quantity to Volkswagen, Europe's largest automaker. The tires are featured in the 5th generation Golf, one of the most popular car models in Europe, which sells about 500,000 units



a year in Western Europe alone. With this opportunity to supply tires to Volkswagen, Hankook Tire paved the way for expanding its potential supplies to the Volkswagen Group. Also, it will propel the increase of market share in the European market.

In 2005, Hankook Tire began supplying GM shipments for its Saturn Ion and Buick LeSabre models. Supplies for Chevrolet's Cobalt model, one of GM's North American brands, and UHP tires for its 2007 Pontiac G6 and Saturn Aura were added in June 2006. The company's growing OE business with GM, one of the biggest automakers in the world, is giving Hankook Tire an opportunity to promote its technology worldwide.

Hankook Tire also signed a technical agreement with Audi in December 2006, and is scheduled to supply tires for Audi China's A4 and A6 models from 2008, which will likely have a positive influence on the company's signing contracts with other premium automakers in the future.

Forecast 2008

MAJOR ACTIVITIES BY REGION

Hankook Tire's global sales target has been set at 3,877.8 billion won for 2008, up 19.6% from 2007, operating income at 348.5 billion won, up 32.2% (ratio of operating income to revenue 10.1%) from 2007, and EBITDA at 710.1 billion won, up 31.4% (ratio of EBITDA 18.3%) over the previous year. In addition, the company is doing its utmost to optimize sales growth and profitability with a variety of management activities at each Regional Headquarters.

Hankook Tire Korea Headquarters

Hankook Tire Korea Headquarters established its operational policies based on four company-wide strategic guidelines: securing competitiveness in production and product quality, strengthening customer-oriented sales and marketing capabilities, improving business quality toward automakers, and establishing a timely logistics/delivery system.

As major tire companies maintain their high level of competitiveness and customer demand for high-quality products becomes higher than ever, Hankook Tire is making the qualitative management of its manufacturing process and product quality higher priorities. Furthermore, its Korea Headquarters is making appropriate responses to this by carrying out changes inside the company such as restructuring and expansion of facilities, as well as continuously fulfilling higher demand for product quality from automakers.

In order to respond to such changes in the business environment and secure manufacturing and product quality competitiveness fit for a global brand, Hankook Tire is establishing high value-added production systems for more

consistent product quality on top of its flexible and resilient application of production capabilities. It is also improving working conditions through continuous, innovative activities at plants.

Moreover, Hankook Tire is raising the company's EHS (environment, health, safety) levels up to the standard of the world's leading companies. By increasing investment in environment-related facilities and by continuously introducing programs for the promotion of health, the company is turning all Hankook Tire workplaces into healthy, environmentally-friendly spaces that are managed according to the company's environmental management system.

In 2008, competition in the replacement market is expected to be much tougher because of continuous expansion of market share by other tire makers, a great many low-price products, reorganization of customer-oriented markets, and the expansion of distribution channels among tire makers. In response to this, Hankook Tire is strengthening its customer and market-oriented services as well as its sales capabilities by making fundamental changes within the company.

In light of this, Hankook Tire Korea Headquarters is expanding its retail capabilities both qualitatively and quantitatively in an effort to make them superior to its competitors. For example, the company is strengthening sales training for agencies and staff members from a customer's point of view, increasing customer promotion, and running tire franchise stores like T'Station, Tire Town and TBX (Truck & Bus eXpress). To respond more carefully to the demands of customers, it is also strengthening activities to monitor product quality in the market as it strengthens customer satisfaction services using IT technologies.

The aftermath of the global liquidity crisis started with the subprime mortgage crisis in the U.S. and put a considerable burden on the Korean automobile market, which is closely tied to the American economy. Tire makers and automakers are experiencing considerable difficulties because of rising costs and decreasing sales. On the other hand, tire importers and



some Korean tire makers are competing for business with automakers through very low prices, making competition even tougher for Hankook Tire.

In response to this, Hankook Tire is distancing itself from price-driven competition, while further strengthening its superiority in product quality, product development and demand fulfillment to solidify cooperative relationships with automakers. It is also improving profitability and increasing sales through more aggressive marketing plans aimed at strategic automobile models and the improvement of a strategic sales mix.

With the construction of its plant in Europe, Hankook Tire secured another global production base and an increased number of sales channels. Its logistics situation had also changed, as the company needed to control inventory lead time more efficiently even as it dealt with high oil prices and high shipping costs that made on-time delivery of products more essential than ever. In order to sell a wide range of products efficiently, Hankook Tire needs to reduce lead time, optimize inventory management and offer a flexible supply system.

Hankook Tire is managing inventory lead time on a global scale, optimizing its inventory refill system, while acquiring flexibility in production and supply so that it can respond to quantitative changes on a global level. Additionally, it is providing quality products for customers quickly and precisely as it minimizes transportation time between production regions/plants and optimizes logistics cost.

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Hankook Tire China Headquarters

People are relatively optimistic about the prospect for increased domestic consumption in China because of the 2008 Beijing Olympics, but there is also a strong possibility that the business environment will become tougher than the previous year because of the rising cost of raw materials, a reduced export VAT refund, increased personnel expenses because of a new labor law, and the revaluation of the Chinese yuan (CNY). Reduced export merits, pressure over continuous cost increases and changes in the distribution field show how intense competition for market share will become among tire makers in China.

Throughout 2008, Hankook Tire China Headquarters is enhancing its brand value for strengthened profitability in order to establish and maintain a second home market, a company-wide mission, as it carries out diverse marketing activities. Although the company's China Headquarters strengthened its in-house capabilities in an effort to improve the driving force for long-term growth in 2007, 10 years after entering China's market, in 2008 it is concentrating on the improvement of profitability and sales expansion.

Hankook Tire China Headquarters plans on carrying out activities to increase its brand value in four areas: products, price, distribution and marketing infrastructure. With its products, it is designing strategies that focus on the improvement of its sales mix and stronger product competitiveness. With prices it is securing practical price superiority by establishing a strategic OE business system, maximizing the synergy with its RE products.

With global tire makers carrying out aggressive operations and local tire makers growing rapidly, competition in the Chinese market is fiercer than ever. Hankook Tire China Headquarters is working on distribution downstream in order to expand sales to premium consumers mainly living in large cities through the expansion of new, premium distribution systems like T'Station and reorganization of its existing distribution network. It is



also increasing the value of its commercial products to expand its TBR sales network and improving product and service capabilities.

Finally, in terms of marketing infrastructure, Hankook Tire China Headquarters is improving the company's capabilities by strengthening training programs and securing proper inventory lead time following the full-scale operation of its global production system and expansion of its various sales routes. It is also improving its logistics infrastructure in order to adjust itself to a changed logistics environment.

Based on such strategies, the company's China Headquarters will ensure Hankook Tire's position as a premium brand in China. It will also maintain its position as China's number one tire seller (by sales amount among tire makers in China) with a balanced portfolio of product sales for both passenger cars and commercial vehicles.

Hankook Tire Europe Headquarters

Hankook Tire Europe Headquarters laid the foundation to expand sales in Europe when the company's European production base, its Hungary Plant, began operations. In line with this, the company's Europe Headquarters set a strategic goal toward a company-wide mission in Europe - the establishment of Hankook Tire's third home market - in four stages. In 2008, the headquarters will continue to increase its brand value and services through faster distribution restructuring and high-value communication.

Hankook Tire Europe Headquarters plans on achieving 4.5% market share in the European market in 2008 by carrying out aggressive marketing in all its business areas. To this end, it has defined five main areas to work on (infrastructure and work process, distribution, price competitiveness, products, and communication) and is pursuing various marketing activities to ensure its status as a premium brand.

With the commencement of operations at its Hungary Plant, Hankook Tire laid the groundwork for related works such as production, logistics, sales and marketing to be carried out consistently within the Regional Headquarters. After Korea and China, it is the third time Hankook Tire has accomplished this. The Europe Headquarters is now on track to becoming a self-operating organization in control of its own home market, expanding human resources mainly with local employees for early stabilization of the Regional Headquarters, and further expanding its global capabilities through continuous training and skills programs.

In addition, Hankook Tire Europe Headquarters is accelerating future-oriented channel downstream restructuring to alter its distribution structure, which is now focused on independent wholesale channels, into diverse retail channels. As well, it is securing loyal retail channels through the Hankook Masters program and consistently exploring new retail channels such as car dealers and buying groups to establish a distribution network tailored to the specific characteristics of the European

tire distribution network. Hankook Tire is also seeking ways to change itself from a regular supplier to a premium supplier as it enters a mature stage of supplying OE products to automakers in Europe, with its Hungary Plant serving as a driving force.

With respect to prices, Hankook Tire Europe Headquarters is strengthening its information gathering channels on tire prices, conducting regular analysis of competing products, and establishing the lowest purchasing price system in Europe in order to secure competitiveness. Also, in order to respond to the formation of a parallel market, it is setting up various price control programs, including a comparison of different tire prices in many different countries and upward equalization of regional prices.

In terms of products, the headquarters is developing new products with innovative concepts to lead the market. To improve the lack of product synergy between OE and RE products due to the existing way of supplying RE products first and OE products later, it is pursuing marketing synergy and efficiency in product operation by developing specialty products and plans on continuously promoting the excellence of its products through a variety of tests conducted by industry magazines and motor sports activities.

For the promotion of the Hankook brand, the company's Europe Headquarters is enhancing brand value and strengthening sales capabilities by efficiently executing a marketing budget for Europe. By conducting high-value communication as a premium brand, the headquarters will gradually increase its above the line (ATL) ratio as brand recognition increases. Finally, to strengthen communication with target groups, the headquarters will select strategic events to promote its tire products, while continuing to concentrate on marketing activities.

With production, Hankook Tire Europe Headquarters selected seven important tasks in order to minimize trial and error at the Hungary Plant and is planning to improve the overall work process to enable its stable operation, even if it is only now in its early operational stage. With the Hungary Plant, Hankook Tire secured production capability that can support a future increase



in local sales with a marked reduction in delivery time, providing high customer satisfaction to local consumers and automakers. Moreover, Hankook Tire is aiming to establish a future-oriented distribution system for distributors and specialized sellers.

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Hankook Tire America Headquarters

In the American replacement market, the risk of stagnant market growth is increasing due to an economic slump caused by high oil prices and America's subprime mortgage crisis. Up until the first half of 2008, the demand for tires for commercial vehicles (including large-sized trucks/buses) is expected to be low because of a tough policy to control emission gas that was enacted in 2007. Thus, it is necessary to strengthen sales capabilities throughout the North American region, including Mexico, which was recently added as a region that falls under control of Hankook Tire America Headquarters. In 2008, the company's America Headquarters will conduct operational policies divided into two parts: distribution and communication. In an effort to improve its distribution network in the U.S. and expand consumer contact points, the headquarters will increase sales to retailers, while executing various marketing support activities to increase loyalty among sub dealers. Like other Regional Headquarters, Hankook Tire America Headquarters will also maximize the synergy effect in sales of OE and RE tires, keeping open the possibility of getting directly involved with running retail stores if necessary. By strengthening business with large-scale distribution channels that have nationwide retail stores, the Hankook Tire America Headquarters will increase the sales ratio of the company's products as it ensures they are sold at proper prices. This will expand sales and enhance Hankook Tire's brand value.

When it comes to the commercial tire business, which has been gaining more importance recently, Hankook Tire America Headquarters is pursuing three tasks in order to enhance the value of its truck and bus radial (TBR) tires, a company-wide task: expansion of commercial dealers, development of fleet accounts and diversification of channels, thereby expanding consumer contact points. While its distribution downstream has been in effect for several years, the importance of small quantity orders, frequent delivery requests and fill rates are also emphasized. As a result, the strengthening of logistics

capabilities is of paramount importance. To this end, Hankook Tire America Headquarters has further strengthened its integrated logistics network throughout North America by running another warehouse in Chicago since March 2008.

For the past few years, Hankook Tire has radically increased its market share in America, though it has not been as successful at enhancing its brand value or recognition in relation to its market share growth. In order to make up for this, it needs to increase its brand image and brand equity by increasing communication at consumer contact points as it maximizes its marketing activities throughout the American market.

Hankook Tire America Headquarters is establishing and carrying out operational policies uniquely designed for the American market based on global brand marketing strategies. To accomplish this, it has come up with three policies to be implemented in 2008: allocating a sufficient budget to maximize efficiency of major media advertising campaigns, coming up with detailed media policies and ways to support events and below the line (BTL) advertising techniques.

To enhance the company's brand value, Hankook Tire America Headquarters will carry out major marketing activities for the expansion of brand awareness and expand its sales of strategic products. Detailed activities include strategic TV advertisements after careful analysis of target consumer groups and return on investment analysis around major areas in the U.S. After achieving its first goal of expanding brand recognition, it will then establish a consistent brand image through various mediums (print media, online and mobile marketing) in order to transform brand recognition into brand loyalty. Furthermore, as of 2008, Hankook Tire will take part in the American Le Mans Series (ALMS), a world-famous motor sports competition where the company will have a chance to directly display its technology to over five million TV viewers as well as major automakers like Ferrari, Porsche and Audi.

Hankook Tire L.A.A.M. Headquarters

In the L.A.A.M. region (Latin America, Asia-Pacific, Africa and Middle East) full-fledged economic growth is occurring in quite a few markets, so the possibility of market expansion is growing. Although the world's economy might contract in 2008, mainly around developed countries in the aftermath of America's subprime mortgage crisis, experts are predicting that the L.A.A.M. region will be able to stave off global economic contraction as it strengthens its own economic capabilities.

Particularly in the Middle East and North Africa, where oil money from high oil prices and the growth of local markets have spurred the economy, an increasing number of local tire companies (or joint venture plants with global tire makers) are being established. As global tire makers begin their full-scale entrance into BRICs markets, where economic growth rates are high, a fierce marketing war has begun for corporate survival and the expansion of market share among both local and global companies.

In 2008, Hankook Tire L.A.A.M. Headquarters is reinforcing its sales capabilities in earnest throughout the region for the first time as a whole. To carry this out, the headquarters will reinforce its marketing strength to focus on new markets, establish a marketing process that reinforces its sales capabilities, and expand its aggressive sales plan to cover the entire market.

In terms of products, Hankook Tire L.A.A.M. headquarters intends to increase profitability by developing locally-customized and/or environmentally-friendly products and by strengthening its product planning process, resulting in an optimized product portfolio. After analyzing product competition, it will then come up with appropriate price levels and carry out integrated marketing activities in cooperation with Hankook Tire's Global Staff Offices and Overseas Sales Subsidiaries/Offices for the enhancement of its brand value. This will not only reinforce its marketing power but also establish product and price policies based on an in-house process that provides relevant market

information.

With distribution, Hankook Tire L.A.A.M. Headquarters is pursuing a reinforced distribution network to make the Hankook Tire brand a premium brand so that the company draws closer to end-consumers while expanding distribution points. To this end, the headquarters is using the experience it accumulated with local branding from Model Shops and Store Branding Project in 2007 as it selects a consistent branding plan to apply to the entire L.A.A.M. region in 2008 and establish a larger distribution network that can be connected to sales.

As for communication, the L.A.A.M. Headquarters will carry out programs to communicate directly between people at sales points, which is why it is now conducting downstream communications and promotions. In an effort to systematically deliver consistent messages based on annual communications plans with customers, Hankook Tire L.A.A.M. Headquarters is drawing up detailed schedules and plans before putting them into practice.



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GLOBAL SUPPLY CHAIN MANAGEMENT

Started in 2008, the aim of the global Supply Chain Management (SCM) implementation project is to reinforce the company's integrated management capabilities and ultimately achieve global operation excellence by establishing an integrated global SCM system, paving the way for continuous innovation. Hankook Tire is efficiently responding to the changing corporate environment through the reestablishment of an optimum business model by examining the company's overall organization, processes, rules and systems.

Hankook Tire's SCM project will begin in Korea in 2009 before being deployed to all the company's Regional Headquarters. Its major task includes establishing the foundation for global operations through a global SCM process and system, with the main process being established in the areas of factory planning, master planning, demand fulfillment and demand planning.

From 2010, when Hankook Tire's global SCM is firmly in place, its financial effectiveness will be improved, especially productivity improvement (1%), operational cost reduction (5%), revenue increase (4%), and inventory reduction (30%). The company's global business transparency is also expected to be improved through simplification and standardization of the work process, reinforced decision-making ability through information exchange without delay, strategic operations of inventory and optimized production, and an improved ability to respond to changes in demand through cooperation with customers.

GLOBAL OE

Since it became the first Korean tire maker to supply OE tires to global automakers, Hankook Tire has supplied high-quality tires to global companies like Ford, GM and Volkswagen. In 2008, Hankook Tire is expanding its total sales of OE products globally, while also maintaining a friendly, cooperative relationship with automakers.

At the same time, Hankook Tire is increasing its supply in 2008 by 4% over the previous year, as it raises its product quality and brand image by expanding the number of its products used in premium luxury vehicles. Additionally, in an effort to respond to the establishment of the automobile industry's global management system, followed by the unification of purchasing channels, Hankook Tire will launch an exclusive planning team within the Marketing Staff Office to deal with the company's OE business. This will ensure that it maximizes customer satisfaction by making strategic decisions about the OE business in each region and by cooperating quickly with automakers.

To maximize the utilization of regional production facilities following the construction of its new plant in Europe and to reinforce cooperation with customer companies, Hankook Tire adopted a policy to transfer overseas OE offices to Regional Headquarters and to expand its global OE business toward Europe by associating with OE sales organizations centered around production bases in Korea, China and other countries internationally. This will allow Hankook Tire to supply high-quality tires to automakers, pursue strengthened profitability and maximize OE-RE synergy effect by increasing the replacement installation rate based on high customer satisfaction.


Figures & Ratios (2003~2007)

(in millions of Korean Won)

구분	2007	2006	2005	2004	2003
[Current asset]	1,617,352	1,349,845	1,078,796	1,029,613	1,014,318
Quick asset	927,016	747,582	566,783	605,530	668,424
Inventory asset	690,336	602,263	512,013	424,083	345,894
[Non-current asset]	2,511,928	1,942,792	1,852,735	1,779,845	1,661,783
Investment asset	29,726	57,994	43,564	43,219	28,026
Tangible asset	2,382,836	1,808,364	1,731,160	1,657,143	1,555,819
Intangible asset	19,514	21,833	23,808	24,937	25,986
Other non-current asset	79,852	54,601	54,203	54,546	51,952
Total asset	4,129,280	3,292,637	2,931,531	2,809,458	2,676,101
[Current liabilities]	1,777,030	1,385,024	1,202,078	1,337,434	1,178,736
[Non-current liabilities]	642,905	346,121	312,362	231,833	390,324
Total liabilities	2,419,935	1,731,145	1,514,440	1,569,267	1,569,060
[Capital]	76,095	76,095	75,095	75,095	75,095
[Consolidated capital surplus]	620,789	621,026	597,033	597,033	597,033
Other capital surplus	-	8	*)	&	&
[Consolidated retained earnings]	980,082	863,273	734,634	556,539	398,557
[Minority shareholder's equity]	40,558	35,347	33,646	29,619	31,743
Total capital	1,709,345	1,561,492	1,417,091	1,240,191	1,107,041
Sales	3,585,761	3,172,892	2,907,523	2,601,783	2,242,711
Operating income	275,964	262,820	310,101	266,210	208,206
Income from continuing operation	222,012	222,085	290,635	250,395	141,858
Total current net income	159,691	166,701	218,185	177,782	95,691
Consolidated current net income	155,571	165,186	214,200	179,910	99,230
Number of consolidated companies	18	16	15	15	15



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Sales Growth Rate in 2007

11.8%

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With its excellent business results in 2007, Hankook Tire paved the way to become a major global tire company, recording global sales of 3,581.2 billion won, an 11.8% increase over the previous year, and an operating income rate of 8.1%, a 5.1% increase over the previous year. In 2008, it set its global sales target at 3,877.8 billion won and its operating income at 400 billion won. Hankook Tire's new drive to offer customers and shareholders more value than ever and to change the future of the world's tire industry has begun in earnest.

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CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

Financial Statements (Consolidated)

	Korean Won (In thousands)	
ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	₩ 178,131,293	₩ 82,687,823
Short-term investment assets (Notes 3 and 5)	41,734,775	21,147,125
Trade receivables, net of allowance for doubtful accounts of ₩9,768,690 thousand in 2007 and ₩9,596,380 thousand in 2006 (Notes 13 and 14)	663,039,238	535,409,211
Other accounts receivable, net of allowance for doubtful accounts of 438,964 thousand in 2007 and ₩422,166 thousand in 2006	11,587,370	29,316,726
Inventories (Notes 4 and 14)	690,336,548	602,263,215
Accrued income	533,855	1,818,615
Current deferred income tax assets (Note 21)	3,059,609	3,107,534
Other current assets	28,929,473	74,095,152
Total Current Assets	1,617,352,161	1,349,845,401
NON-CURRENT ASSETS:		
Long-term financial instruments (Note 3)	37,500	465,292
Available-for-sale securities (Note 6)	15,548,860	22,680,349
Held-to-maturity securities (Note 6)	3,549	1,519,459
Investment securities accounted for using the equity method (Note 7)	3,184,005	13,958,091
Long-term loans	4,117,045	2,531,002
Other investments (Notes 3 and 13)	6,834,599	16,839,669
Property, plant and equipment, net of accumulated depreciation (Notes 8,11,14 and 16)	2,382,835,740	1,808,364,465
Intangible assets, net (Note 9)	19,514,424	21,832,867
Non-current guarantee deposits	5,772,322	5,474,704
Non-current deferred income tax assets (Note 21)	70,916,325	48,611,280
Dishonored notes receivable, net of allowance for doubtful accounts of ₩2,170,334 thousand in 2007 and ₩2,564,724 thousand in 2006	3,163,703	514,872
Total Non-current Assets	2,511,928,072	1,942,792,050
Total Assets	₩ 4,129,280,233	₩ 3,292,637,451

(Continued)

Korean Won (In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY**2007****2006****CURRENT LIABILITIES:**

Trade payables (Note 13)	₩ 326,487,525	₩ 237,512,890
Short-term borrowings (Notes 8,10,13 and 14)	953,233,885	829,316,910
Current portion of long-term debts (Notes 8,10,13 and 14)	129,301,045	94,405,046
Other accounts payables	197,078,964	150,786,720
Accrued expenses	38,856,873	17,835,740
Income tax payable	50,433,476	35,291,592
Dividends payable	24,397	26,574
Advances from customers	18,399,289	6,333,944
Other current liabilities	63,214,060	13,515,112
Total Current Liabilities	1,777,029,514	1,385,024,528

LONG-TERM LIABILITIES:

Debentures, net of present value discount of ₩84,911 thousand in 2006 (Note 10)	10,000,000	44,915,089
Long-term borrowings (Notes 8,10,13 and 14)	550,661,059	217,454,660
Accrued severance benefits, net of National Pension Fund of ₩1,641,066 thousand in 2007 and ₩1,866,481 thousand in 2006, and severance insurance deposits of ₩102,659,596 thousand in 2007 and ₩76,554,496 thousand in 2006	28,468,253	34,391,896
Long-term guarantee deposits payable	17,770,706	17,589,457
Other non-current liabilities (Notes 12,13 and 14)	36,005,461	31,769,913
Total long-term liabilities	642,905,479	346,121,015
Total Liabilities	2,419,934,993	1,731,145,543

SHAREHOLDERS' EQUITY:

Capital stock - common stock (Note 15)	76,094,965	76,094,965
Additional paid in Capital (Note 16)	620,789,043	621,026,415
Capital adjustments (Note 15)	(10,388,821)	(10,362,426)
Accumulated other comprehensive income (loss) (Note 23)	2,209,507	(23,887,255)
Retained earnings (Note 17)	980,082,361	863,273,020
Minority interests	40,558,185	35,347,189
Total Shareholders' Equity	1,709,345,240	1,561,491,908
Total Liabilities and Shareholders' Equity	₩ 4,129,280,233	₩ 3,292,637,451

See accompanying notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands, except per share amounts) Korean Won

	2007	2006
	₩	₩
SALES (Notes 19,24 and 26)	3,585,760,615	3,172,891,791
COST OF SALES (Notes 4,19 and 24)	2,603,678,278	2,279,440,402
GROSS PROFIT	982,082,337	893,451,389
SELLING AND ADMINISTRATIVE EXPENSES (Notes 9 and 25)	706,118,392	630,631,583
OPERATING INCOME	275,963,945	262,819,806
NON-OPERATING INCOME:		
Interest income	9,572,898	7,392,321
Dividend income	801,944	255,948
Commission income	793,038	139,348
Royalty fee income	787,388	454,575
Rental income	2,467,649	2,570,886
Gain on foreign currency transactions	34,779,022	40,681,270
Gain on foreign exchange translation	37,207,009	17,707,918
Reversal of allowance for doubtful accounts	526,279	-
Gain on disposal of available-for-sale securities	5,219,410	2,664,502
Gain on disposal of property, plant and equipment	1,749,144	642,124
Gain on valuation of investment securities accounted for using the equity method (Note 7)	532,997	928,493
Gain on valuation of foreign exchange forward contracts	-	3,050
Gain on foreign exchange forward transaction (Note 14)	176,208	1,259,373
Others	6,863,082	8,570,621
	101,476,068	83,270,429
NON-OPERATING EXPENSES:		
Interest expense	42,672,640	41,288,311
Loss on foreign currency transactions	41,079,776	28,415,734
Loss on foreign exchange translation	26,525,796	5,396,904
Loss on disposal of available-for-sale securities	82,530	40,557
Impairment loss on available-for-sale securities	480,177	809,580
Loss on disposal of investment securities accounted for using the equity method	-	342
Loss on valuation of investment securities accounted for using the equity method	-	6,337,215
Loss on disposal of property, plant and equipment	1,607,348	4,430,264
Impairment loss on property, plant, and equipment	-	2,136,825
Loss on disposal of trade receivables	32,712,559	23,873,093
Loss on valuation of foreign exchange forward contracts	23,934	226,869

(Continued)

(In thousands, except per share amounts) Korean Won

	2007	2006
Loss on foreign exchange forward transaction (Note 14)	683,280	763,850
Donations	220,160	438,712
Loss on disposal of inventories	3,106,417	4,604,539
Loss on prior period adjustment (Note 20)	3,782,478	-
Others	2,450,792	5,242,346
	155,427,887	124,005,141
INCOME BEFORE INCOME TAX	222,012,126	222,085,094
INCOME TAX EXPENSE (Note 21)	62,321,412	55,384,055
NET INCOME	₩ 159,690,714	₩ 166,701,039
Parent company interest	₩ 155,570,556	₩ 165,186,218
Minority interests	4,120,158	1,514,821
NET INCOME PER SHARE (Note 22)		
Basic and Diluted earning per share	₩ 1,050	₩ 1,118

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

Korean Won (In thousands)

	Capital stock	Additional paid in Capital	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Minority interests	Total
As of January 1, 2006	₩ 75,094,965	₩ 597,032,829	₩ (10,364,917)	₩ (12,952,624)	₩ 734,634,284	₩ 33,646,340	₩ 1,417,090,877
Cash dividends	-	-	-	-	(36,547,482)	-	(36,547,482)
Balance after appropriations	75,094,965	579,032,829	(10,364,917)	(12,952,624)	698,086,802	33,646,340	1,380,543,395
Paid in capital increase	1,000,000	23,993,586	-	-	-	-	24,993,586
Net income	-	-	-	-	165,186,218	1,514,821	166,701,039
Discount on subsidiaries' stock issuance	-	-	2,491	-	-	-	2,491
Gain on derivative valuation	-	-	-	3,772	-	-	3,772
Loss on derivative valuation	-	-	-	(86,430)	-	-	(86,430)
Gain on valuation of available-for-sale securities	-	-	-	1,225,038	-	-	1,225,038
Negative capital changes on investment securities accounted for using the equity method	-	-	-	(25,864)	-	-	(25,864)
Loss on translation of foreign operations	-	-	-	(12,051,147)	-	-	(12,051,147)
Minority interests	-	-	-	-	-	186,028	186,028
As of December 31, 2006	76,094,965	621,026,415	(10,362,426)	(23,887,255)	863,273,020	35,347,189	1,561,491,908
As of January 1, 2007	76,094,965	621,026,415	(10,362,426)	(23,887,255)	863,273,020	35,347,189	1,561,491,908
Cumulative effects of adoption of revised accounting standard	-	-	-	-	(1,713,733)	-	(1,713,733)
Balance after adjustments	76,094,955	621,026,415	(10,362,426)	(23,887,255)	861,559,287	35,347,189	1,559,778,175
Cash dividends	-	-	-	-	(37,047,482)	-	(37,047,482)
Balance after appropriations	76,094,955	621,026,415	(10,362,426)	(23,887,255)	824,511,805	35,347,189	1,522,730,693
Net income	-	-	-	-	155,570,556	4,120,158	159,690,714
Other Additional paid in Capital	-	(237,372)	-	-	-	-	(237,372)
Discount on subsidiaries' stock issuance	-	-	(26,395)	-	-	-	(26,395)
Gain on derivative valuation	-	-	-	(3,772)	-	-	(3,772)
Loss on derivative valuation	-	-	-	86,430	-	-	86,430
Gain on valuation of available-for-sale	-	-	-	(5,058,917)	-	-	(5,058,917)
Negative capital changes on investment securities accounted for using the equity method	-	-	-	25,864	-	-	25,864
Gain on translation of foreign operations	-	-	-	31,047,157	-	-	31,047,157
Minority interests	-	-	-	-	-	1,090,838	1,090,838
As of December 31, 2007	₩ 76,094,965	₩ 620,789,043	₩ (10,388,821)	₩ 2,209,507	₩ 980,082,361	₩ 40,558,185	₩ 1,709,345,240

See accompanying notes to consolidated financial statements

Korean Won (In thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 159,690,714	₩ 166,701,039
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	31,893,294	21,986,931
Depreciation	289,158,750	230,591,595
Amortization of intangible assets	3,837,605	3,408,118
Bad debts expense, net	(138,332)	3,206,959
Sales damage expense	2,666,969	-
Amortization of discounts on debentures, net	52,024	165,374
Loss on valuation of inventories	9,445,038	1,167,287
Loss on disposal of inventories	3,106,417	4,604,539
Impairment loss on available-for-sale securities	480,177	809,580
Loss on disposal of investment securities accounted for using the equity method	-	342
Loss on disposal of trade receivables	32,712,559	23,873,093
Loss on prior period adjustment	3,782,478	-
Amortization present value discount	(48,560)	(936,309)
Loss on foreign currency transactions, net	7,572,780	-
Gain on foreign exchange translation, net	(10,681,213)	(11,965,953)
Gain on disposal of available-for-sale securities, net	(5,136,880)	(2,623,945)
Loss (gain) on disposal of property, plant and equipment, net	(141,796)	3,788,140
Loss (gain) on valuation of investment securities accounted for using the equity method, net	(532,997)	5,408,722
Impairment loss on property, plant, and equipment	-	2,136,825
Loss (gain) on foreign exchange forward transaction, net	507,072	(495,523)
Loss on valuation of foreign exchange forward contracts, net	23,934	223,819
Others, net	(4,096,389)	420,521
	364,462,930	285,770,115
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	7,178,692	(161,662,248)
Increase in inventories	(87,851,780)	(65,297,391)
Decrease (increase) in other accounts receivable	25,135,050	(6,716,024)
Decrease (increase) in accrued income	44,000,741	(30,892)
Decrease (increase) in other current assets	12,137,902	(50,243,416)
Decrease in dishonored notes receivable	78,144	88,155

CONSOLIDATED STATEMENTS OF CASH FLOWS

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Korean Won (In thousands)

	2007	2006
	₩	₩
Decrease (increase) in deferred income tax assets	(13,674,135)	5,489,851
Decrease (increase) in other non-current assets	(20,600)	93,493
Increase (decrease) in trade payables	65,371,530	(136,157,765)
Increase (decrease) in other accounts payable	(61,795,897)	52,284,333
Increase (decrease) in accrued expenses	(60,857,269)	18,406,306
Increase (decrease) in income tax payable	14,217,257	(13,388,070)
Decrease in dividends payable	(2,178)	-
Increase in advances from customers	7,471,623	597,661
Increase in withholdings	3,296,516	-
Increase (decrease) in long-term guarantee deposits payable	165,950	(157,313)
Increase (decrease) in other current liabilities	33,405,921	(6,123,065)
Payment of severance benefits	(16,678,829)	(17,634,372)
Increase in severance insurance deposits, net	(24,928,157)	(3,414,808)
Decrease in contributions to the National Pension Fund	225,416	308,436
Decrease in other non current liabilities	(701,131)	(12,824)
	(53,825,235)	(383,569,952)
Net cash provided by operating activities	470,328,409	68,901,202
CASH FLOWS FROM INVESTING ACTIVITIES:		
Withdrawal (acquisition) of short-term financial instruments	(11,798,036)	16,533,492
Disposal of available-for-sale securities, net	1,851,100	325,112
Disposal of held-to-maturity securities	1,516,060	13,531
Withdrawal of long-term financial instruments	2,500	44,943
Decrease (increase) in other investments	9,604,055	(2,326,423)
Decrease (increase) in currency futures	(504,022)	270,604
Acquisition of investment securities accounting for using the equity method, net	(174,910)	(15,383,559)
Extension of long-term loans, net	(1,553,268)	(758,483)
Acquisition of membership, net	(68,201)	-
Decrease (increase) in guarantee deposits	462,660	361,751
Acquisition of property, plant and equipment, net	(628,783,745)	(359,743,992)
Acquisition of intangible assets	(353,978)	(2,080,399)
Net cash used in investing activities	(629,799,785)	(362,743,423)

(Continued)

Korean Won (In thousands)

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	₩ 222,353,181	₩ 122,103,868
Paid in capital increase	-	24,993,586
Proceeds from (repayment of) short-term borrowings, net	17,006,061	271,849,928
Repayment of current portion of long-term debts	(25,395,858)	(79,902,345)
Payments of dividends	(37,425,561)	(37,175,024)
Increase in debentures	-	13,000,000
Repayment of other debts	(27,087)	(105,671)
Net cash provided by financing activities	176,510,736	314,764,342
EFFECT OF CHANGE IN CONSOLIDATED SUBSIDIARIES	67,633,748	-
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	10,770,362	(14,246,006)
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,443,470	6,676,115
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	82,687,823	76,011,708
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	₩ 178,131,293	₩ 82,687,823

See accompanying notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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01. GENERAL INFORMATION:**Parent Company**

Parent Company, Hankook Tire Co., Ltd. (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 are located at Kangnam-Gu in Seoul and two manufacturing factories are in Daejeon and Kum-san.

The authorized number of the Company's common shares is 250 million with a par value of ₩500 per share. As of December 31, 2007, 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, 2007 and 2006 are as follows:

	2007		2006	
	Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)
Cho Yang Rae	23,808,097	15.6	23,808,097	15.6
Cho Hyun Beom	10,798,251	7.1	10,798,251	7.1
Compagnie Financiere Michelin	9,494,477	6.2	9,494,477	6.2
Cho Hyun Sik	8,817,786	5.8	8,817,786	5.8
Others (*)	99,271,318	65.3	99,271,318	65.3
	152,189,929	100.0	150,189,929	100.0

(*) Including 4 million shares in treasury stock

Consolidated Subsidiaries**1) Atlax BX 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, 2007, 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 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, 2007, the capital stock of the company is ₩20,000,000 thousand and the parent company has 95% ownership interest.

3) ASA Co., Ltd.

The company was incorporated in 1997 to manufacture and sell alloy-wheels and car-components. The company's headquarters and manufacturing factories

are located in Kum-san. As of December 31, 2007, the capital stock of the company is ₩20,000,000 thousand. Parent company, Atlas BX Co., Ltd and Daehwa Eng' & Machinery Co., Ltd has a total of 100% ownership interest.

In 2007, net loss of the subsidiary is ₩2,996 million and, as of December 31, 2007, current liabilities exceed current assets by ₩22,170 million. In addition, the subsidiary applied reorganization to the Daejeon District Court on March 4, 2008. This situation indicates existence of a material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going concern.

4) EmFrontier Inc.

The company was incorporated in 2000 to provide e-business, system management and service. The company's headquarters are located at Kangnam-Gu in Seoul. As of December 31, 2007, the capital stock of the company is ₩2,000,000 thousand and the parent company has 50% ownership interest.

5) Hankook Tire China Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2007, the capital stock of the company is RMB 1,515,974 thousand by several paid in capital increase, and the parent company and Hankook Tire America Corp. has a total of 100% ownership interest.

6) Jiangsu Hankook Tire Co., Ltd.

The company was incorporated in 1996 to manufacture and sell tire. As of December 31, 2007, the capital stock of the company is RMB 1,575,974 thousand by several paid in capital increase, and the parent company, Hankook Tire America Corp. and Hankook Tire China Co., Ltd has a total of 100% ownership interest.

7) Hankook Tire China Headquarters

The company was incorporated to sell products of Hankook Tire China Co., Ltd and Jiangsu Hankook Tire Co., Ltd manufactured in China. As of December 31, 2007, the capital stock of the company is RMB 22,000 thousand, and Hankook Tire China Co., Ltd and Jiangsu Hankook Tire Co., Ltd has a total to 100% ownership interest.

8) Hankook Tire Japan Corp.

The company was incorporated in 1994 to sell products of controlling company in Japan. As of December 31, 2007, the capital stock of the company is JPY 20,000 thousand and the parent company has 100% ownership interest.

9) Hankook Tire America Corp.

The company was incorporated in 1981 to sell products of parent company in America. As of December 31, 2007, the capital stock of the company is USD 8,000 thousand by several paid in capital increase and the parent company has 100% ownership interest.

10) Hankook Tire Canada Corp.

The company was incorporated in 1993 to sell products of parent company in Canada. As of December 31, 2007, the capital stock of the company is CAD 50 thousand and the parent company has 100% ownership interest.

11) Hankook Tyre U.K. Ltd.

The company was incorporated in 1993 to sell products of parent company in U.K. As of December 31, 2007, the capital stock of the company is GBP 25 thousand and the parent company has 100% ownership interest.

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12) Hankook Reifen Deutschland GmbH

The company was incorporated in 1995 to sell products of parent company in Germany. As of December 31, 2007, the capital stock of the company is EUR 128 thousand and the parent company has 100% ownership interest.

13) Hankook France S.A.R.L.

The company was incorporated in 1996 to sell products of parent company in France. As of December 31, 2007, the capital stock of the company is EUR 1,191 thousand and the parent company has 100% ownership interest.

14) Hankook Tire Netherlands B.V.

The company was incorporated in 1996 to sell products of parent company in Europe. As of December 31, 2007, the capital stock of the Company is EUR 1,594 thousand and the parent company has 100% ownership interest.

15) Hankook Tire Hungary, Ltd

The company was incorporated in 2005 to manufacture and sell tire. As of December 31, 2007, the capital stock of the company is HUF 7,600,000 thousand by several paid in capital increase and Hankook Tire Europe Holdings B.V. has 100% ownership interest.

16) Hankook Tire Europe Holdings B.V

The company was incorporated in 2006 to operate effective controlling structure in Europe. As of December 31, 2007, the capital stock of the Company is EUR 39,025 thousand and the parent company has 100% ownership interest.

17) Ocean Capital Investment (L) Limited

The company was incorporated in 1996 to invest securities in Malaysia. As of December 31, 2007, the capital stock of the company is USD 0.01 and the parent company has 100% ownership interest.

Changes of Scope in Consolidation

Location	Subsidiary	Description
Korea	EmFrontier Inc.	Acquisition of control
Hungary	Hankook Tire Hungary Ltd.	Increase in assets at the end of prior year

Details of Investments in Subsidiaries

Details of investments in subsidiaries as of December 31, 2007 are as follows:

Subsidiaries	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	Ownership percentage		
Atlas BX Co., Ltd.	2,848,685	31.13	-	-	2,848,685	31.13	31.13	Korea	Dec.31
Daehwa Eng' & Machinery Co., Ltd.	380,000	95.00	-	-	380,000	95.00	95.00	Korea	Dec.31
ASA Co., Ltd.	3,000,000	75.00	1,000,000	25.00	4,000,000	100.00	95.56	Korea	Dec.31
EmFrontier Inc. (*2)	2,000,000	50.00	-	-	2,000,000	50.00	50.00	Korea	Dec.31
Hankook Tire China Co., Ltd.	(*1)	96.15	(*1)	3.85	(*1)	100.00	100.00	China	Dec.31
Jiangsu Hankook Tire Co., Ltd.	(*1)	34.67	(*1)	65.33	(*1)	100.00	100.00	China	Dec.31
Hankook Tire China Regional Headquarters	-	-	(*1)	100.00	(*1)	100.00	100.00	China	Dec.31
Hankook Tire Japan Corp.	400	100.00	-	-	400	100.00	100.00	Japan	Dec.31
Hankook Tire America Corp.	1,600	100.00	-	-	1,600	100.00	100.00	America	Dec.31
Hankook Tire Canada Corp.	50,000	100.00	-	-	50,000	100.00	100.00	Canada	Dec.31
Hankook Tyre U.K. Ltd.	25,000	100.00	-	-	25,000	100.00	100.00	U.K.	Dec.31
Hankook Reifen Deutschland GmbH	(*1)	100.00	-	-	(*1)	100.00	100.00	Germany	Dec.31
Hankook France SARL	(*1)	100.00	-	-	(*1)	100.00	100.00	France	Dec.31
Hankook Tire Netherlands B.V.	(*1)	100.00	-	-	(*1)	100.00	100.00	Netherland	Dec.31
Hankook Tire Hungary Ltd.(*2)	-	-	(*1)	100.00	(*1)	100.00	100.00	Hungary	Dec.31
Hankook Tire Europe Holdings B.V.	390,253	100.00	-	-	390,253	100.00	100.00	Netherland	Dec.31
Ocean Capital Investment (L) Limited	(*1)	100.00	-	-	(*1)	100.00	100.00	Malaysia	Dec.31

(*1) Certain subsidiaries did not issue shares.

(*2) In 2007, the subsidiaries are included in consolidated group.

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Detail of Goodwill

Details of goodwill as of December 31, 2007 are as follows :

Subsidiaries	Original amount	Prior amortization	Current amortization	Korean Won (In thousands)	
				disposal	Ending balance
Jiangsu Hankook Tire Co., Ltd.	2,853,670	2,853,670	-	-	-
Atlas BX Co., Ltd.	25,657	25,657	-	-	-
Total	2,879,327	2,879,327	-	-	-

The summary of Financial Information of Subsidiaries

Subsidiaries	Assets	Liabilities	Capital	Sales	Net income(loss)
Atlas BX Co., Ltd.	132,537,999	77,781,062	54,756,937	308,877,709	4,979,385
Daehwa Eng' & Machinery Co., Ltd.	62,597,178	42,281,263	20,315,915	97,143,774	1,172,857
ASA Co., Ltd.	50,699,037	47,021,195	3,677,842	105,337,841	(2,995,902)
EmFrontier Inc.	24,223,598	16,297,910	7,925,688	47,476,583	1,488,370
Hankook Tire China Co., Ltd.	776,543,923	398,345,466	378,198,457	373,962,112	16,508,813
Jiangsu Hankook Tire Co., Ltd.	640,724,693	380,376,940	260,347,753	489,843,756	10,020,625
Hankook Tire China Regional Headquarters	107,978,748	113,812,967	(5,834,219)	385,524,831	(3,096,131)
Hankook Tire Japan Corp.	22,010,305	20,135,515	1,874,790	44,030,705	(877,439)
Hankook Tire America Corp.	239,949,110	192,870,201	47,078,909	589,543,835	6,904,390
Hankook Tire Canada Corp.	27,170,542	24,249,635	2,920,907	51,336,696	581,890
Hankook Tire U.K. Ltd.	57,853,847	55,029,928	2,823,919	126,896,074	288,539
Hankook Reifen Deutschland GmbH	133,720,498	130,047,806	3,672,692	194,587,037	495,871
Hankook France SARL	39,765,581	37,959,711	1,805,870	61,490,494	455,283
Hankook Netherlands B.V.	75,773,714	70,732,307	5,041,407	117,110,560	1,492,327
Hankook Tire Hungary Ltd	523,756,571	434,798,570	88,958,001	18,829,106	(47,343,936)
Hankook Europe Holdings B.V.	141,210,228	-	141,210,228	-	25,376
Ocean Capital Investment (L) Limited	9,597,805	-	9,597,805	-	247,565

Adjustment of Subsidiaries' Accounting Policies

Korean Won (In thousands)

Subsidiaries	Net asset value after adjustments	Adjustments	Net asset value before adjustments	Reason for adjustments
Atlas BX Co., Ltd.	54,756,937	(626,727)	54,130,210	Depreciation method and etc.
Daehwa Eng' & Machinery Co., Ltd.	20,315,915	(18,984)	20,296,931	"
ASA Co., Ltd.	3,677,842	(5,337,761)	(1,659,919)	"
Jiangsu Hankook Tire Co., Ltd.	260,347,754	(82,796,386)	177,551,368	"
Hankook Tire China Co., Ltd.	378,198,457	(70,201,339)	307,997,118	"
Hankook Tire Hungary Ltd.	88,958,001	(20,105,402)	68,852,599	"
Total	806,254,906	(179,086,599)	627,168,307	"

02. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory 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 that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (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 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 7,000 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 percent 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.

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Significant influence is deemed to exist when the investor owns more than twenty percent 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 7,000 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 ten years. When the shareholder's 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 shareholder's equity of the subsidiary is reflected in the Additional paid in Capital. In case a subsidiary still belongs to a consolidated economic entity after the Company disposes a portion of the stock of subsidiaries to non-subsidiary parties, gain or loss on disposal of the subsidiary's stock is accounted for as Additional paid in Capital.

Profits and losses on inter-company 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 interest.

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 from the translation have been accounted for as a separate component of equity, as accumulated other comprehensive gain (loss), in the consolidated financial statements.

Minority interest is 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 interest, 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 interest net loss charged to the controlling company has been fully recovered.

Adoption of new Statements of Korea Accounting Standards

The Korean Accounting Standards Board ("KASB") has published a series of Statements of Korea Accounting Standards ("SKAS"), which replace the existing

financial accounting standards, established by the Korean Financial and Supervisory Board. The Company prepared its financial statements as of December 31, 2007 in accordance with the SKAS No. 1 through No.25. The significant accounting policies followed by the Company in preparation of its financial statements for the year ended December 31, 2007 are identical to those for the year ended December 31, 2006, except for the adoption of additional SKAS No.11 and No.21 through No.25, which were effective from January 1, 2007.

Major changes compared with the standards applied in preparing the financial statements for the year ended December 31, 2007 are as follows:

Statements of Korea Accounting Standards	Major changes
No. 21 Preparation and Presentation of Financial Statements	<ul style="list-style-type: none"> - To adopt the general principles of preparation and presentation of financial statements - To adopt statement of changes in shareholders' equity in the financial statements - Some account title modification
No. 22 Share-based Payment	<ul style="list-style-type: none"> - To adopt the principles and disclosure of share-based payment transactions
No. 23 Earning per Share	<ul style="list-style-type: none"> - To adopt the computation and disclosure of earning per share
No. 24 Preparation and Presentation of Financial Statements	<ul style="list-style-type: none"> - Provide basic rules on the classification of accounts in the financial statements of financial institutions
No. 25 Consolidated Financial Statements	<ul style="list-style-type: none"> - Present negative minority interest as a deduction item in equity - Separately present income (loss) attributable to equity holders of the parent and minority interest on the face of the income statement

The consolidated balance sheet as of December 31, 2006 and the related consolidated statements of income and cash flows for the year ended December 31, 2006, which are presented for comparative purposes are restated in accordance with the newly adopted SKAS. The newly adopted SKAS does not affect the Company's net assets and net income of the current period.

The Company prepared its 2007 consolidated financial statements in accordance with KAI Opinion 06-2 "Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Venture", newly published by Korea Accounting Institute in 2007, in which the Company does not recognize deferred income tax by the source of accumulated temporary difference incurred.

Due to adoption of new KAI Opinion 06-2, income tax expense in 2007 decreased by ₩822,093 thousand and retained earnings before appropriations decreased by ₩1,713,733 thousand. Also, income before income tax decreased by ₩12,941,188 thousand (2006: ₩122,552 thousand) due to the adoption of revised SKAS No.16 in 2007, which stipulates that additional income tax or tax refund for prior periods is included in income tax. The newly adopted revised SKAS No.16 does not affect net income in 2007 and 2006.

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 ninety days, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

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Allowance for Doubtful Accounts

The Company and its subsidiaries provide an allowance for doubtful accounts based on management's estimate of the collectability 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 balance sheet date, 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-sales 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-sales 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 balance sheet date. The fair value of non-marketable securities are measured at the discounted future cash flows by 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 balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence 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: short-term trading or available-for-sale. Short-term 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 advanced redemption risk of bonds and to hedge risk against foreign exchange.

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Investments Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company and its subsidiaries are 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 Additional paid in Capital, 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 Inter-company Transactions' Unrealized Gain (Loss)

- a. Unrealized profit arising from sales by the Company and its subsidiaries to the investees is proportionately eliminated.
- b. Unrealized profit arising from sales by the investees to the Company and its subsidiaries are 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 balance sheet date, shareholder's 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 equals the costs of the investments and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods that the equity method was suspended.

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 of Korea), net of accumulated depreciation. Routine maintenance and repairs are expensed as incurred. Expenditures 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 ₩14,372,391 thousand and ₩3,214,856 thousand in 2007 and 2006, respectively. As a result, net income in 2007 and 2006 increased by ₩10,337,892 thousand and ₩2,411,797 thousand, respectively.

Depreciation is computed using the declining-balance method (except for buildings and structures of 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 – 15
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 is 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 is 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 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 domestic 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 financial statements at the exchange rates prevailing at the balance sheet date. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services, Ltd., which was ₩938.20 and ₩929.60 to US\$1.00 at December 31, 2007 and December 31, 2006, respectively, and translation gain or losses are reflected in current operations.

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 length of service and rate of pay at the time of termination.

The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩132,768,914 thousand and ₩112,812,873 thousand of December 31, 2007 and 2006, respectively. Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent 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 indemnities amounted to ₩16,678,829 thousand and ₩17,634,372 thousand in 2007 and 2006, 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 (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 incurrance 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

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income tax assets or liabilities. In addition, current tax and deferred tax is 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 each balance sheet date 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.

Reclassification of Prior Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2006, which are presented for comparative purposes, are reclassified to enhance the comparativeness of financial statements. The reclassification of consolidated financial statements for the year ended December 31, 2006 does not affect net assets and net income.

03. RESTRICTED FINANCIAL INSTRUMENTS:

Deposits with withdrawal restrictions as of December 31, 2007 and 2006 are as follows (Korean Won in thousands):

Account	2007	2006	Description
Short-term investment assets	₩ 600,000	₩ -	Pledged
Long-term financial instruments	37,500	37,500	Guarantee deposits for checking accounts
Other investments	-	10,294,901	PLI insurance deposits
Total	₩ 637,500	₩ 10,161,901	

04. INVENTORIES:

Inventories as of December 31, 2007 and 2006 are as follows (Korean Won in thousands):

Account	Acquisition cost		Inventory valuation		Inventory valuation reserve		Loss (gain) on valuation of inventories	
	2007	2006	2007	2006	2007	2006	2007	2006
Finished goods	₩ 287,096,998	₩ 231,968,718	₩ 275,210,894	₩ 229,606,588	₩ 11,886,104	₩ 2,362,130	₩ 9,523,974	₩ 197,965
Work-in-process	29,275,002	29,909,540	29,275,002	29,534,484	-	375,056	(375,056)	1,097,828
Raw materials	79,539,549	58,327,831	78,964,114	58,048,516	575,435	279,315	296,120	(80,529)
Supplies	22,473,450	22,536,763	22,094,266	22,157,579	379,184	379,184	-	(47,977)
Materials in transit	284,792,272	262,916,048	284,792,272	262,916,048	-	-	-	-
Total	₩ 703,177,271	₩ 605,658,900	₩ 690,336,548	₩ 602,263,215	₩ 12,840,723	₩ 3,395,685	₩ 9,445,038	₩ 1,167,287

For the years ended December 31, 2007 and 2006, the Company recognized loss (gain) on valuation of inventories amounting to 9,445,038 thousand and 1,167,287 thousand, respectively, which are added or deducted to cost of sales.

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05. SHORT-TERM INVESTMENT ASSETS:

Short-term investment assets as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

Account	2007	2006
Short-term financial instruments	₩ 34,714,285	₩ 18,912,216
Available-for-sale securities	1,274,399	2,049,285
Short-term loans	5,746,091	185,624
Total	₩ 41,734,775	₩ 21,147,125

06. SECURITIES:

Available-for-sale securities

Available-for-sale securities as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

Account	2007	2006
Equity securities	₩ 4,925,667	₩ 19,548,673
Debt securities	62,875	3,131,676
Entrusted assets to investment service companies	10,560,318	-
Total	₩ 15,548,860	₩ 22,680,349

Valuation of equity securities as of December 31, 2007 and 2006 is as follows:

Korean Won (In thousands)

Description	2007	2006
Acquisition cost	₩ 18,228,406	₩ 25,090,270
Unrealized gain (loss)	(212,679)	6,431,015
Accumulated loss on impairment	(13,090,060)	(11,972,612)
Book value	₩ 4,925,667	₩ 19,548,673

Fair value of equity securities are 5,437,160 thousand and 19,056,705 thousand as of December 31, 2007 and 2006, respectively.

Valuation of debt securities as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

Description	Face value		Book value	
	2007	2006	2007	2006
Government and public bonds	₩ 62,875	₩ 142,675	₩ 62,875	₩ 142,675
YNK Korea Inc-bonds with subscription warrant	-	3,000,000	-	2,005,159
Volvik Inc-bonds with subscription warrant	-	1,000,000	-	983,842
Total	₩ 62,875	₩ 4,142,675	₩ 62,875	₩ 3,131,676

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 equivalent, available-for-sale securities and derivatives amounting to ₩4,891,442 thousand, ₩5,659,907 thousand and 8,969 thousand, respectively, as of December 31, 2007.

Held-to-maturity securities

Korean Won (In thousands)

Description	2007		2006	
	Acquisition cost	Carrying book value	Acquisition cost	Carrying book value
Subordinated bank debentures	₩ 3,549	₩ 3,549	₩ 1,496,680	₩ 1,499,850
Government and public bonds	-	-	23,283	19,609
Total	₩ 3,549	₩ 3,549	₩ 1,519,963	₩ 1,519,459

Maturity of debt securities

The annual maturities of debt securities as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

	Short-term available-for-sale		Available-for-sale		Held-to-maturity	
	2007	2006	2007	2006	2007	2006
Less than 1 year	₩ 1,274,399	₩ 2,049,285	₩ -	₩ -	₩ 1,071	₩ 16,897
More than 1 year ~ 5 years	-	-	62,875	3,131,676	2,428	1,502,562
Total	₩ 1,274,399	₩ 2,049,285	₩ 62,875	₩ 3,131,676	₩ 3,549	₩ 1,519,459

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07. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Investment securities accounted for using the equity method as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

Investee	Percentage of ownership (%)		Acquisition cost		Book value	
	2007	2006	2007	2006	2007	2006
EmFrontier Inc. (*2)	-	50.00	-	1,000,000	-	2,951,015
Hankook Tire Italia SARL(*1)	100.00	100.00	20,556	20,556	20,556	20,556
Hankook Espana S.A. (*1)	100.00	100.00	76,873	76,873	76,873	76,873
Hankook Tire Australia Pty., Ltd. (*1)	100.00	100.00	68,649	68,649	68,649	68,649
Hankook Tire Netherlands Sales B.V. (*1)	100.00	100.00	24,966	24,966	24,966	24,966
Hankook tire Europe GmbH(*1)	100.00	-	30,716	-	30,716	-
Hankook Tire Budapest kereskedelmi kft(*1)	100.00	-	15,744	-	15,744	-
Hanyang Tire Sales Corp. (*1)	50.01	50.10	75,150	75,150	75,150	75,150
Daehwa Eng & Machinery Jiaxing(*1)	15.00	-	516,555	-	516,555	-
Hankook Tire Hungary Ltd. (*2)	-	100.00	-	15,410,611	-	9,047,532
FRIXA CO., Ltd.	100.00	100.00	2,030,670	2,030,670	2,226,346	1,693,350
Other(*1)	100.00	-	128,450	-	128,450	-
			2,839,323	18,707,475	3,184,005	13,958,091

(*1) Investments in non-marketable equity securities, in which the Company's interest is 20% or more, have been recorded at cost as the total assets of each investee is less than ₩7 billion, and differences between investments using the equity and cost accounting methods and not significant.

(*2) In 2007, the subsidiaries are included in consolidated group.

(2) The change in the investment securities accounted for using the equity method for the years December 31, 2007 and 2006 consist of the following:

Korean Won (In thousands)

	2007	2006
Beginning balance	₩ 13,958,091	₩ 4,010,058
Change of scope in consolidation	(11,998,547)	-
Acquisition	174,910	15,382,619
Gain on valuation	532,997	928,493
Loss on valuation	-	(6,337,215)
Others	516,554	(25,864)
Ending balance	₩ 3,184,005	₩ 13,958,091

(3) The elimination of unrealized profits

Details of the elimination of unrealized profits arising from intercompany transactions, which have been reflected on the net income for the years ended December 31, 2007 and 2006, are as follows:

Korean Won (In thousands)

	2007	2006
Property, Plant, and Equipment	₩ -	₩ 25,308

(4) The summarized financial information of investees

Korean Won (In thousands)

Investee	Assets	Liabilities	Net assets	Sales	Net income (loss)
Hankook Tire Italia SARL	₩ 4,473,814	₩ 4,310,834	₩ 162,980	₩ 2,359,824	₩ 2,590
Hankook Espana S.A.	10,244,952	8,951,677	1,293,275	15,664,958	106,850
Hankook Tyre Australia Pty., Ltd.	476,447	92,940	383,507	1,706,698	42,527
Hankook Tire Netherlands Sales B.V.	497,071	345,045	152,026	1,551,423	24,987
Hankook Tire Europe GmbH	3,738,130	3,477,674	260,456	6,151,173	208,171
Hankook Tire Budapest kereskedelmi kft	9,611,267	9,569,766	41,501	9,034,341	23,817
Hanyang Tire Sales Corp.	1,637,570	1,939,742	(302,172)	641,902	(248,209)
Daehwa Eng & Machinery Jiaxing	5,482,538	2,685,991	2,796,547	14,625,401	(21,021)
FRIXA CO., Ltd.	6,738,742	4,512,496	2,226,246	9,230,339	532,996
	₩ 42,900,531	₩ 35,886,165	₩ 7,014,366	₩ 60,966,059	₩ 672,708

08. PROPERTY, PLANT AND EQUIPMENT:

(1) As of December 31, 2007 and 2006, the published value of the Company and subsidiaries' land is ₩493,372,262 thousand and ₩420,078,716 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, 2007 and 2006 are as follows:

(2007)

Korean Won (In thousands)

	Beginning balance	Change of scope in consolidation	Acquisition	Disposal	Depreciation	Impairment loss	Ending balance
Land	₩ 316,456,775	₩ 11,743,689	₩ 20,461,602	₩ 1,651,161	₩ -	₩ -	₩ 347,010,905
Buildings	613,122,857		-		175,274,898	1,002,015	22,846,472
	-		764,549,268				
Structures	30,104,335	-	41,794,062	5,791	3,540,491	-	68,352,115
Machinery and equipment	557,760,199	-	460,001,558	1,589,733	185,354,316	-	830,817,708
Vehicles	6,302,810	164,705	6,489,610	181,082	4,604,238	-	8,171,805
Tools, furniture and fixtures	140,708,294	205,847	99,756,798	1,967,992	72,813,233	-	165,889,713
Machinery in transit	43,170,099	-	70,895,714	104,221,251	-	-	9,844,562
Construction in progress	100,739,096	158,821,061	513,785,405	585,145,898	-	-	188,199,664
	₩ 1,808,364,465	₩ 170,935,302	₩ 1,388,459,647	₩ 695,764,923	₩ 289,158,750	₩ -	₩ 2,382,835,740

(2006)

Korean Won (In thousands)

	Beginning balance	Change of scope in consolidation	Acquisition	Disposal	Depreciation	Impairment loss	Ending balance
Land	₩ 290,437,089	₩ -	₩ 26,039,233	₩ 19,547	₩ -	₩ -	₩ 316,456,775
Buildings	527,391,537	-	107,444,298	1,362,275	20,350,703	-	613,122,857
Structures	19,347,510	-	13,845,377	35,684	3,052,868	-	30,104,335
Machinery and equipment	504,768,590	-	205,415,969	6,229,075	144,950,532	1,244,753	557,760,199
Vehicles	6,395,191	-	5,403,555	1,035,745	4,457,714	2,477	6,302,810
Tools, furniture and fixtures	136,444,556	-	72,439,159	9,506,048	57,779,778	889,595	140,708,294
Machinery in transit	39,180,956	-	55,419,571	51,430,428	-	-	43,170,099
Construction in progress	223,191,564	-	239,575,761	362,028,229	-	-	100,739,096
	₩ 1,747,156,993	₩ -	₩ 725,582,923	₩ 431,647,031	₩ 230,591,595	₩ 2,136,825	₩ 1,808,364,465

As of December 31, 2007, a certain portion of the Company's land, buildings and equipment pledged as collateral for long-term and short-term debt obligations (Note 14). Also, the property, plant and equipment are insured by general insurance (Note 14).

(3) Capitalization of Borrowing Costs

Recalculated items in the consolidated balance sheet as of December 31, 2007, after reflecting the effects of the adoption of SKAS No. 7, are as follows:

	Korean Won (In thousands)			
	Capitalized		Expensed	
				Difference
Property, plant and equipment				
Acquisition cost	₩	4,135,190,601	₩	4,120,818,210
Carrying book value		2,382,835,740		2,368,463,349
Shareholders' equity (*1)		1,709,345,240		1,699,007,348

Recalculated items in the consolidated statement of income for the year ended December 31, 2007, after reflecting the effects of the adoption of SKAS No. 7, are as follows:

	Korean Won (In thousands)			
	Capitalized		Expensed	
				Difference
Interest expense	₩	42,672,640	₩	57,045,031
Net income (*1)		159,690,714		149,352,822

(*1) Calculated by using the effective tax rate

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09. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2007 and 2006 consist of the following:

Korean Won (In thousands)

	Acquisition cost		Accumulated amortization		Book value	
	2007	2006	2007	2006	2007	2006
Industrial rights	₩ 3,366,764	₩ 3,221,981	₩ 2,508,160	₩ 2,229,544	₩ 858,604	₩ 992,437
Other intangible assets	45,586,279	44,321,396	26,930,459	23,480,966	18,655,820	20,840,430
Total	₩ 48,953,043	₩ 50,422,704	₩ 29,438,619	₩ 28,589,837	₩ 19,514,424	₩ 21,832,867

(2) The changes in intangible assets for the years ended December 31, 2007 and 2006 are as follows:

(2007)

Korean Won (In thousands)

	Beginning balance	Acquisition	Disposal	Amortization	Ending balance
Industrial rights	₩ 992,437	₩ 254,279	₩ -	₩ 388,112	₩ 858,604
Other intangible assets	20,840,430	1,264,883	-	3,449,493	18,655,820
Total	₩ 21,832,867	₩ 1,519,162	₩ -	₩ 3,837,605	₩ 19,514,424

(2006)

Korean Won (In thousands)

	Beginning balance	Acquisition	Disposal	Amortization	Ending balance
Industrial rights	₩ 1,009,781	₩ 429,582	₩ -	₩ 446,926	₩ 992,437
Other intangible assets	22,797,799	1,003,823	-	2,961,192	20,840,430
Total	₩ 23,807,580	₩ 1,433,405	₩ -	₩ 3,408,118	₩ 21,832,867

Ordinary research and development expenses amounting to ₩95,579,343 thousand and ₩75,013,457 thousand are included in selling and administrative expenses for the years ended December 31, 2007 and 2006, respectively.

10. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

	Lender	Annual interest rate (%)	2007	2006
Foreign trade financing	BOC and others	5.77 ~ 6.27	₩ 27,032,545	₩ 77,859,064
Borrowings	KOEXIM and others	5.23 ~ 6.33	418,708,532	315,489,537
Bank overdrafts	Unicredit Bank and others	5.19 ~ 5.46	58,575,042	-
Usance borrowings	Woori Bank and others	5.38 ~ 6.73	79,760,104	33,202,075
Other	Woori Bank and others	5.33 ~ 5.43	369,157,662	402,766,234
Total			₩ 953,233,885	₩ 829,316,910

(2) Long-term borrowings as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

	Lender	Annual interest rate (%)	2007	2006
Long-term borrowings in Korean Won	The Korea Development	4.25 - 5.76	₩ 2,955,800	₩ 12,043,900
Long-term borrowings in foreign currency	Bank and others	5.08 - 5.68	642,039,191	296,815,806
Total			644,994,991	308,859,706
Less: Current portion				
Current portion of long-term borrowings in Korean Won			694,000	5,300,100
Current portion of long-term borrowings in foreign currency			93,639,932	86,104,946
Sub-total			94,333,932	91,405,046
Non-current portion of long-term borrowings in Korean Won			2,261,800	6,743,800
Non-current portion of long-term borrowings in foreign currency			548,399,259	210,710,860
Long-term borrowings			₩ 550,661,059	₩ 217,454,660

Long-term borrowings in foreign currency as of December 31, 2007 and 2006 amount to USD 684,331 thousand and USD 319,294 thousand (including current portion of long-term borrowings in foreign currency), respectively.

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(3) Debentures as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)					
Description	Issue date	Maturity date	Annual interest rate (%)	2007	2006
The 78th debenture payable	'05.8.9	'08.8.9	4.63	₩ 30,000,000	₩ 30,000,000
Registered debenture payable	'05.6.8	'08.6.8	7.35	5,000,000	5,000,000
Registered debenture payable	'06.8.28	'07.8.28	6.43	-	3,000,000
The 7th Privately Placed debenture	'06.11.27	'09.11.27	6.28	10,000,000	10,000,000
Discount on debentures				(32,887)	(84,911)
Sub-total				44,967,113	47,915,089
Less: Current portion					
Current portion of debenture				35,000,000	3,000,000
Discount on debentures				(32,887)	-
Non-Current portion of debenture				10,000,000	45,000,000
Discount on debentures				-	(84,911)
Total				₩ 10,000,000	₩ 44,915,089

(4) Long-term borrowings and debentures as of December 31, 2007 will mature as follows:

Korean Won (In thousands)					
Accounts	2008	2009	2010	2011	2012
Long-term borrowings	₩ 94,333,932	₩ 144,195,531	₩ 140,190,497	₩ 175,518,981	₩ 90,756,050
Debentures	35,000,000	10,000,000	-	-	-
Total	₩ 129,333,932	₩ 154,195,531	₩ 140,190,497	₩ 175,518,981	₩ 90,756,050

11. LEASE:

As of December 31, 2007 and 2006, the Company and its subsidiaries have lease agreements with several leasing companies, which are recognized as capital leases. Details are as follows:

Korean Won (In thousands)				
Accounts	Acquisition cost		Depreciation expense	
	2007	2006	2007	2006
Machinery and equipment	₩ 10,075,072	₩ 10,075,072	₩ -	₩ 270,983

12. OTHER NON-CURRENT LIABILITIES:

(1) Details of other non-current liabilities as of December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

	2007	2006
Product liability reserve	₩ 9,382,000	₩ 11,544,792
Warranty reserve	25,106,022	19,453,896
Others	1,517,439	771,225
Total	₩ 36,005,461	₩ 31,769,913

(2) Details of changes in non-current liabilities reserve for the year ended December 31, 2007 are as follows:

Korean Won (In thousands)

	Beginning balance	Increase	Decrease	Others	Ending balance
Product liability reserve	₩ 11,544,792	₩ -	₩ -	₩ (2,162,792)	₩ 9,382,000
Warranty reserve	19,453,896	16,891,778	-	(11,239,652)	25,106,022
Others	771,225	1,517,439	-	(771,225)	1,517,439
Total	₩ 31,769,913	₩ 18,409,217	₩ -	₩ (14,173,669)	₩ 36,005,461

(3) The expected period of utilizing the warranty reserve is as follows:

Year	Korean Won (In thousands)
2008. 1. 1 ~ 2008.12.31	₩ 8,999,326
2009. 1. 1 ~ 2009.12.31	7,208,685
2010. 1. 1 ~ 2010.12.31	5,005,588
2011. 1. 1 ~ 2011.12.31	3,349,251
2012. 1. 1 ~ 2012.12.31	1,597,325
Subtotal	26,160,176
Less: Present value discount	(1,054,154)
Total	₩ 25,106,022

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13.MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

The Company's monetary assets and liabilities denominated in foreign currencies as of December 31, 2007 and 2006 are as follows:

Account		Foreign currencies		Korean Won (In thousands)	
		2007	2006	2007	2006
Assets:					
Cash and cash					
equivalents	USD	19,000,000	-	₩ 17,825,800	₩ -
	EUR	20,000,000	-	27,625,200	-
Trade receivables	AUD	2,963,715	1,353,754	2,438,693	994,305
	CAD	1,323,833	1,358,520	1,266,789	1,088,405
	CHF	494,609	115,764	411,530	88,089
	EUR	11,905,141	13,064,437	16,444,095	15,967,878
	GBP	905,713	795,153	1,697,396	1,450,447
	JPY	95,304,552	63,447,264	794,201	496,050
	NZD	673,587	201,532	489,798	132,152
	SEK	7,465,268	4,384,946	1,094,408	592,319
	USD	26,046,721	25,516,182	24,437,034	23,719,843
Other investments	USD	-	10,891,675	-	10,124,901
Liabilities:					
Trade payables	USD	119,359,534	116,393,037	111,983,115	108,198,967
	EUR	737,265	2,036,354	1,018,354	2,488,913
	AUD	80,962	80,962	66,620	59,465
	GBP	90,904	123,900	170,364	226,008
	NZD	6,560	6,560	4,770	4,302
Short-term borrowings	EUR	13,000,000	-	17,956,380	-
Current portion of long-term debts	AUD	-	13,000,000	-	15,889,120
Long-term borrowings	EUR	93,000,000	39,000,000	128,457,180	47,667,360
Other non-current liabilities	USD	10,000,000	-	9,382,000	-

14. COMMITMENTS AND CONTINGENCIES:

(1) As of December 31, 2007, certain portion of the Company's land and buildings pledged as collateral for borrowings are summarized as follows (In thousands):

Creditor	Pledged assets	Pledged amount	
The Korea Development Bank and others	Land, buildings, machinery and equipments	KRW	425,865,563
		USD	153,200

(2) As of December 31, 2007, inventories and property, plant and equipment are insured against fire and other casualty losses up to approximately ₩4,908,669,314 thousand.

The Company is insured against future claims that may be brought against it 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 pledged as collateral for the Company's borrowings (The Korea Development Bank: ₩122,003,000 thousand and USD 110,000 thousand, Woori Bank: ₩143,147,000 thousand and USD 43,200 thousand). In addition, vehicles are insured by a general and liability insurance policy, and the Company has directors' and officers' liability insurance of up to ₩10,000,000 thousand.

(3) The Company and local subsidiaries' outstanding notes receivables were discounted or assigned amounting to ₩23,281,763 thousand and ₩33,875,180 thousand as of December 31, 2007 and 2006, respectively. The Company and local subsidiaries are contingently liable for outstanding balance of trade receivable discounted or assigned to financial institutions, amounting to ₩486,480,305 thousand (equivalent to USD 518,524 thousand) and ₩417,832,933 thousand (equivalent to USD 449,476 thousand) as of December 31, 2007 and 2006, respectively.

(4) As of December 31, 2007, the Company has purchase agreements on raw rubber materials with several suppliers, which are usually renewed annually. In addition, as of December 31, 2007, 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.

(5) As of December 31, 2007, 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.

(6) As of December 31, 2007, the Company and its subsidiaries have outstanding forward contracts amounting to USD 3,581,638 to exchange different currencies on specified dates at a specified price and recorded realized gains and losses amounting to ₩176,208 thousand and ₩683,280 thousand, respectively.

(7) The Company and its subsidiaries are named as a defendant in various legal actions arising from normal business matters, including product liability. As of balance sheet date, the outcome of these matters is uncertain. The estimated loss of ₩9,382,000 thousand expected with respect to the litigations was

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appropriated as product liability allowance.

The lawsuit with respect to SHIN-DORIM site was decided at Seoul Central District Court on October 15, 2007 in favor of the plaintiff. The settlement of claim amounting to ₩1,517,439 thousand of principal and accrued interest was recorded in other non-current liabilities.

The Company was named as a defendant in legal actions filed at Tarrant County Court, Texas in the United States of America, with regard to an agreement executed by Ocean Capital (L) Limited, its subsidiary, relating to a USD28,000 thousand zero-coupon note entered into in December 1998. The lawsuit was dismissed for lack of jurisdiction and motion for rehearing was denied by the Tarrant County Court, Texas, USA.

The plaintiff filed a new lawsuit for USD10,000 thousand in the Court of the Northern District of Ohio, Eastern Division. The District Court granted summary judgement in favor of the defendant on all claims and the plaintiff's appeal was dismissed. The plaintiff filed an appeal to the Federal Court of which the District Court's decision was reversed for lack of diversity jurisdiction and remanded the case to the District Court to further consider the case consistent with the Federal Court's decision. The entire case of the plaintiff was dismissed and there is no pending lawsuit as of February 1, 2008.

15. CAPITAL STOCK:

	Korean Won (In thousands, except per par value)	
	2007	2006
Authorized (shares)	250,000,000	250,000,000
Par value	₩ 500	₩ 500
Outstanding (shares)		
Ordinary share	152,189,929	152,189,929
Preference share	-	-
Capital stock		
Common stock	₩ 76,094,965	₩ 76,094,965
Preferred stock	-	-

As of December 31, 2007, the Company holds four million shares in treasury, amounting to ₩10,320,362 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 Additional paid in Capital.

17. RETAINED EARNINGS:

Retained earnings as of December 31, 2007 and 2006 consist of following:

	Korean Won (In thousands)	
	2007	2006
Statutory reserves:		
Legal reserve	₩ 40,792,190	₩ 40,776,624
Reserve for financial structure improvements	-	19,320,000
	40,792,190	60,096,624
Voluntary reserves:		
Reserve for financial structure improvements	19,320,000	-
Reserve for business rationalization	47,258,964	47,702,466
Reserve for export losses	4,770,000	4,770,000
Reserve for technology development	4,199,185	4,350,000
Reserve for overseas market development	7,369,667	7,369,667
Dividend equalization reserve	236,700,000	186,700,000
Reserve for officer's retirement benefits	54,975,296	45,013,000
Other voluntary reserve	354,780,088	283,369,738
	729,373,200	579,274,871
Unappropriated retained earnings	209,916,971	223,901,525
Total	₩ 980,082,361	₩ 863,637,020

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.

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Reserve for financial structure improvements

In accordance with the provisions of the Financial Control Regulations for the companies listed on the Korea Stock Exchange, the Company is required to appropriate, as a reserve for the improvement of financial structure, an amount equal to a minimum of 10% of its net income, plus at least 50% of the net gain from the disposal of property, plant and equipment after deducting related taxes, until shareholders' equity is equal to 30% of total assets. This reserve is not available for the payment of dividends but may be transferred to capital stock through an appropriate resolution by the 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, the reserve for financial structure improvements and the reserve for financial structure improvements was transferred to voluntary reserves.

18. DIVIDENDS:

The Company declared cash dividends amounting to ₩37,047,482 thousand (₩250 per share) for the years ended December 31, 2007 and 2006, respectively.

19. SALES AND COST OF SALES:

Details of sales and cost of sales for the years ended December 31, 2007 and 2006 are as follows:

	Korean Won (In thousands)	
	2007	2006
Sales:		
Sales of finished goods	₩ 3,659,643,916	₩ 3,249,034,261
Other sales	26,367,386	4,370,782
Sales discount	(33,787,137)	(31,127,735)
Sales incentive	(66,463,550)	(49,385,517)
	₩ 3,585,760,615	₩ 3,172,891,791
Cost of sales:		
Cost of finished goods sold	₩ 2,562,647,040	₩ 2,273,734,912
Cost of other goods sold	41,629,028	13,000,349
Valuation loss on inventories, net	8,946,136	1,167,287
Customs duties reimbursed	(9,543,926)	(8,462,146)
	₩ 2,603,678,278	₩ 2,279,440,402

20. LOSS ON PRIOR PERIOD ADJUSTMENT:

Korean Won (In thousands)

Account	Description	Amount
Loss on prior period adjustment	Adjustment of accrued severance benefits	₩ 3,705,236
Loss on prior period adjustment	Adjustment of estimated warranty expense	77,242

21. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS:

(1) Income tax expense for the years ended December 31, 2007 and 2006 is as follows:

Korean Won (In thousands)

	2007	2006
Current income tax of the parent company	₩ 61,926,125	₩ 53,115,804
Changes in deferred income taxes	5,989,293	6,771,195
Charges in deferred income tax directly adjusted in equity	(3,791,564)	(722,526)
Income tax expense of the parent company	64,123,854	59,164,473
Income tax expense of consolidated subsidiaries and others	(1,802,442)	(3,780,418)
Income tax expense	₩ 62,321,412	₩ 55,384,055

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

The changes in accumulated temporary difference for the year ended December 31, 2007 are as follows:

Descriptions	2007
Beginning balance of accumulated temporary difference of the parent company, net	₩ 27,778,728
Changes in the current year of the parent company, net	20,708,741
Ending balance of accumulated temporary difference of the parent company, net	48,487,469
Exclusion from temporary difference due to uncertainty of realization	(19,207,240)
Sub-total of the parent company, net	29,280,229
Statutory tax rate	27.5%
Deferred income tax assets of parent company	8,052,063
Deferred income tax assets of consolidated subsidiaries and others	65,923,871
Ending balance of deferred income tax assets in consolidation	73,975,934
Current deferred income tax assets	3,059,609
Non-current deferred income tax assets	₩ 70,916,325

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(3) The effective income tax rate for the years ended December 31, 2007 and 2006 is as follows:

Description	Korean Won (In thousands)	
	2007	2006
Income tax expense	₩ 62,321,412	₩ 55,384,055
Income before income tax	222,012,126	222,085,093
Effective income tax rate	28.1%	24.9%

(4) Income tax refunds and additional income tax for prior years

Income tax refunds

The Tax Office imposed corporate income tax amounting to ₩19,785,256 thousand with respect to 1999-2003 taxable income in regular tax audits in 2004. The Company paid additional tax in full but appealed judgment to the National Tax Tribunal ('NTT'). According to the resolution on the appeal to NTT on February 28, 2007, the Company was refunded ₩7,804,921 thousand, which was recorded in current income tax expense. In addition, income tax payable amounting to ₩5,957,732 thousand, which was reserved for tax audits, was reversed and deducted in current income tax expense since it is not probable that an outflow of resources will be required.

Additional income tax for prior years

The Company received official document from Seoul National Tax Service for summon with respect to collateral of overseas subsidiaries. The Company calculated transfer-pricing taxable adjustment regarding to this summon document and paid additional tax amounting to ₩821,465 thousand and reflected in current income tax expense.

22. EARNINGS PER SHARE:

	Korean Won (In thousands)	
	2007	2006
Net income of the parent company interest	₩ 155,570,556	₩ 165,186,218
Dividend on preferred stock	-	-
Income (loss) after deducting the income tax effect	155,570,556	165,186,218
Weighted average number of common shares outstanding	148,189,929 shares	147,735,134 shares
Basic and diluted earnings per share	₩ 1,050	₩ 1,118

23. STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME:

Consolidated comprehensive income (loss) for the years ended December 31, 2007 and 2006 is as follows:

Korean Won (In thousands)

	2007	2006
Net income	₩ 159,690,714	₩ 166,701,039
Cumulative effects of adoption of revised accounting policies	(1,713,733)	-
Other comprehensive income	26,096,763	1,142,380
Comprehensive income	₩ 184,073,744	₩ 167,843,419
Parent company interest	₩ 179,953,586	₩ 166,328,598
Minority interests	4,120,158	1,514,821

24. RELATED PARTY TRANSACTIONS:

(1) Major receivables, payables and transactions between the Company and consolidated subsidiaries (or other related parties) as of and for the years then ended December 31, 2007 and 2006 are as follows :

Korean Won (In thousands)

	2007	2006
Receivables	₩ 91,422,714	₩ 68,596,746
Payables	65,097,430	31,994,900
Sales and others	780,647,396	695,981,325
Purchases and others	244,575,528	174,863,201

(2) Major receivables, payables and transactions between consolidated subsidiaries and their related parties as of and for the years then ended December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

	2007	2006
Receivables	₩ 226,564,017	₩ 120,987,053
Payables	226,564,017	120,987,053
Sales and others	780,883,296	634,866,102
Purchases and others	780,883,296	634,866,102

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(3) The Company has provided guarantees with respect to financing of its overseas subsidiaries for the years ended December 31, 2007 and 2006. Such guarantees are as follows:

	2007		2006	
	Agreement	Outstanding	Agreement	Outstanding
Hankook Tire Hungary, Ltd. (*1)	₩ 389,259,651	₩ 302,842,340	₩ 272,282,866	₩ 134,446,189
Hankook Tire China Co., Ltd.	-	-	18,592,000	18,592,000
Hankook Tire Netherlands B.V	10,342,047	-	9,151,353	-
Hankook Reifen Deutschland GmbH	-	-	24,444,762	-
Other overseas affiliated companies	8,287,590	4,143,795	8,897,076	4,888,952
Total	₩ 407,889,288	₩ 306,986,135	₩ 333,368,057	₩ 157,927,141

Korean Won (In thousands)

(*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, 2016

The Company has entered into a subordination agreement in relation to the borrowings of Hankook Reifen Deutschland GmbH as of December 31, 2007 as follows:

	Description
Creditor bank	Korea Exchange Bank (Deutschland) AG Shinhan Bank (Deutschland) GmbH
Borrowings	EUR 15,000,000 EUR 20,000,000
Description	The Company's accounts receivable from Hankook Reifen Deutschland GmbH are subordinated by the borrowings from those banks.

25. SELLING AND ADMINISTRATIVE EXPENSES:

Korean Won (In thousands)

	2007		2006	
Wages	₩	81,544,576	₩	70,888,891
Provision for severance benefits		5,734,688		2,783,608
Employee benefits		15,634,049		11,984,713
Subcontractor expenses		28,034,963		25,804,815
Advertisement		74,566,066		62,709,794
Provision for doubtful accounts		387,947		3,206,959
Depreciation		28,229,081		24,974,405
Fees and charges		31,493,524		32,234,752
Transportation		204,015,365		192,994,705
Warranty expenses		18,130,004		12,555,953
Ordinary development expenses		84,713,572		75,013,457
Others		133,634,557		115,479,531
	₩	706,118,392	₩	630,631,583

26. SEGMENT INFORMATION:

Financial information of parent company by geographical segment for the years ended December 31, 2007 and 2006 are as follows:

Korean Won (In thousands)

Market	2007		2006	
	Amounts	Ratio	Amounts	Ratio
North America	₩ 370,453,713	16.5%	₩ 356,063,299	17.3%
South and Central America	109,836,640	4.9%	109,853,809	5.3%
Asia, except Korea	247,035,997	11.0%	258,651,231	12.5%
Europe	571,071,987	25.3%	490,104,181	23.7%
Local export	230,925,868	10.2%	188,685,390	9.2%
Domestic	723,720,068	32.1%	660,408,423	32.0%
Total	₩ 2,253,044,273	100.0%	₩ 2,063,766,333	100.0%

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27. SUPPLEMENTAL CASH FLOW INFORMATION:

Significant transactions not affecting cash flows for the years ended December 31, 2007 and 2006 are as follows:

	2007		2006	
				Korean Won (In thousands)
Transfer to current-portion of long-term debts from long-term debts	₩	129,301,044	₩	94,220,886
Reclassification of machinery-in-transit and construction-in-progress to specific property, plant and equipment accounts		701,190,203		361,783,036
Reclassification of available-for-sale securities to investment securities accounted for using the equity method		516,555		-
Allocation in kind of available-for-sale securities		-		4,020,741
Total	₩	831,007,802	₩	460,024,663

Corporate Governance

01. Overview of Corporate Governance including Board of Directors

A. Board of Directors

(1) Composition

(A) Authority of Board of Directors

- ① The Board of Directors makes decisions on matters prescribed by laws and Articles of Incorporation, matters delegated from the general shareholders' meeting, basic management policies and matters important to business operation.
- ② The Board of Directors shall supervise individual directors' execution of duties.

(B) Notification of director candidates' profile before general shareholders' meeting and recommendation from shareholders On May 23, 2007, 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	Board of Directors
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	-	1969 Completed Korea University Business School courses 1970 CEO of Hankook Tire Co.,Ltd. 1979 CEO of Dongshin Petrochemical Co., Ltd.	None

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② On February 23, 2007, 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) persons				

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

Name of Candidate	Major Occupation (Current)	Profile	Transaction with Hankook Tire for the past three years
Hwang, Won Oh	Accountant	1960 Graduated from Department of Economics of Seoul National University 1990 National Tax Administrator of Ministry of Finance 1992 President of Korea Minting and Security Printing Corporation Currently an NED of Hankook Tire	None
Lee, Yong Sung	NED of Hankook Tire	1960 Graduated from Department of Economics of Seoul National University 1991 President of Industrial Bank of Korea 1993 Superintendent of the Office of Bank Supervision Currently an NED of Hankook Tire	None

(C) NED Candidate Recommendation Committee

Name	NED?	Note
Seo, Seung Hwa	Yes	
Kim, Hwi Joong	Yes	
Min, Hae Yung	Yes	-
Lee, Yong Sung	Yes	
Hwang, Won Oh	Yes	

(D) Profile of NEDs

Name	Profile	Relationship with major shareholder	Participating in inside/outside training	Note
Hwang, Won Oh	1960	Graduated from Department of Economics of Seoul National University	N/A	-
	1981	Completed tax courses in the Southern California Graduate School of 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		
Min, Hae Yung	1960	Graduated from Department of Economics of Seoul National University	N/A	-
	1985 ~ 1988	Vice-minister of Political Affairs I		
	1989 ~ 1995	Chief director of Korea Technology Credit Guarantee Fund		
	1998 ~ 2000	Chairman of the Credit Finance Association		
Lee, Yong Sung	1960	Graduated from Department of Economics of Seoul National University	N/A	-
	1988	Head of the Planning and Administration office under the Ministry of Finance		
	2001	NED of Hynix Semiconductor Co. Ltd.		
	1999 ~ Current	NED of Hyundai Research Institute		
Chang, Sun Kon	1969	Completed Korea University Business School courses	N/A	-
	1970	CEO of Hankook Tire Co., Ltd.		
	1979	CEO of Dongshin Petrochemical Co., Ltd.		

(2) Operation of Board of Directors

(A) Major contents of the Board of Directors Terms of Reference

(Composition)

The Board of Directors is comprised of directors (including NEDs).

(Chairperson)

1. The President & CEO shall chair the Board of Directors.
2. In case when the President & CEO is not able to carry out his/her duty, the Vice President or Managing Director, in the order of command, shall serve as the Board Chairperson.

(Agenda)

1. Matters related to general shareholders' meeting
2. Matters related to the management
3. Matters related to finance
4. Matters related to directors
5. Others

(Types of Board of Directors meetings)

1. The Board of Directors meetings are comprised of regular directors' meeting and ad-hoc directors meeting.
2. In principle, the regular directors meeting is held every quarter.
3. The ad-hoc directors meeting is held when necessary.

(Making a Resolution)

1. The passage of a resolution by the Board of Directors shall require the presence of the majority of its members and the consent by the majority of those present, provided that a resolution for dismissal of a Audit Committee member is adopted by two-thirds of the directors.
2. The Board of Directors 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 director(s) shall be deemed to be present at the meeting in person.
3. A director who has conflicting interest with regard to an item on the agenda shall not participate in the voting for that item.
4. The director who cannot exercise a voting right as specified in the forgoing paragraph is not deemed to constitute the number of directors present in the meeting.

(Minutes)

1. The Board of Directors shall keep meeting minutes regarding decisions made by the Board of Directors.
2. The minutes contain the agenda items and discussions and they are signed or signed and sealed by directors present at the meeting.
3. Shareholders can read the minutes of directors' meetings and request them to be photocopied.
4. Hankook Tire may reject the request of the forgoing paragraph by presenting reasons. In this case, shareholders can read or get them to be photocopied after obtaining the permission from the courts.

(B) Key activities of the Board of Directors

No.	Date (YYYY/MM/DD)	Agenda	Result
07- The 1st ad-hoc BOD meeting	2007.01.08	Extension of the agreement on foreign currency borrowings	Approved
		T-station BU opening a directly-managed franchise chain	Approved
07- The 2nd ad-hoc BOD meeting	2007.01.16	Serving as the guarantor of Hankook Tire Hungary, LTD. regarding borrowings worth EUR60,000,000	Approved
		Changing the limit of each account within the inclusive credit limit	Approved
		Approval of foreign currency loan agreement	Approved
07- The 1st regular BOD meeting	2007.01.19	FY2006 year-end financial reporting	Approved
		Update on HR & organization in 2007	Approved
		Report on increasing the capacity of Head office in Korea and overseas plants	Approved
		Approval of financial statements and operating report for the 53rd term	Approved
07- The 3rd ad-hoc BOD meeting	2007.01.22	Increase of credit limit	Approved
		Extension of current credit line	Approved
		TBX BU opening a directly-managed franchise chain	Approved
		Relocation of sales office	Approved
07- The 4th ad-hoc BOD meeting	2007.02.23	Convocation of the 53rd ordinary shareholders' meeting	Approved
		Approval of the financial statements for the 53rd term	Approved
		Investment to increase the capacity of GeumSan plant	Approved
		TBX BU opening a directly-managed franchise chain	Approved
		Injection of capital to increase the production capacity of KiHeung plant	Approved
		Extension of loan term	Approved
07- The 5th ad-hoc BOD meeting	2007.03.05	Appointment of the CEO	Approved
		Approval of extending the subordination agreement related to German subsidiary's borrowings	Approved
07- The 6th ad-hoc BOD meeting	2007.03.16	Appointment of internal accounting manager	Approved
		Appointment of the CEO	Approved
07- The 7th ad-hoc BOD meeting	2007.04.17	Capital increase of the Holding Company in Europe	Approved
		Rollover of the credit limit contract	Approved
07- The 2nd regular BOD meeting	2007.04.18	FY2007 Q1 financial reporting	Approved
		FY2007 Q1 financial reporting (consolidated)	Approved
		Appointment of NED Candidate Recommendation Committee members	Approved
07- The 8th ad-hoc BOD meeting	2007.04.23	Convocation of extraordinary shareholders' meeting	Approved
		T-station BU opening a directly-managed franchise chain	Approved
07- The 9th ad-hoc BOD meeting	2007.05.22	Extension of loan term	Approved
07- The 10th ad-hoc BOD meeting	2007.05.29	Extension of loan term	Approved
		Approval of transaction among affiliated persons	Approved

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No.	Date (YYYY/MM/DD)	Agenda	Result
07- The 11th ad-hoc BOD meeting	2007.06.07	Extension of credit limit New credit deal	Approved Approved
07- The 12th ad-hoc BOD meeting	2007.06.20	Extension of loan term	Approved
07- The 3rd regular BOD meeting	2007.07.19	Approval of German subsidiary's subordination declaration on borrowings agreement Extension of loan term Renewal of credit limit Purchase of directors' & officers' liability insurance policy FY2007 H1 financial reporting FY2007 H1 financial reporting (consolidated)	Approved Approved Approved Approved Approved Approved
07- The 13th ad-hoc BOD meeting	2007.08.17	Increase of credit limit T-station BU opening a directly-managed franchise chain	Approved Approved
07- The 14th ad-hoc BOD meeting	2007.09.14	Extension of loan term Extension of loan term	Approved Approved
07- The 15th ad-hoc BOD meeting	2007.09.28	Product service transaction with affiliated companies including the same person	Approved
07- The 4th regular BOD meeting	2007.10.19	Outsourcing of the bid process FY2007 Q3 financial reporting FY2007 Q3 financial reporting (consolidated) FY2007 H1 internal accounting management system operation	Approved Approved Approved Approved
07- The 16th ad-hoc BOD meeting	2007.11.20	Extension of loan term	Approved
07- The 17th ad-hoc BOD meeting	2007.12.07	Extension of loan term Payment guarantee for French subsidiary rolling over borrowings Changing the limit by the type of credit	Approved Approved Approved
07- The 18th ad-hoc BOD meeting	2007.12.21	Extension of loan term Business registration of new sales offices and amendment of company name T-Station BU changed the general manager of a directly-managed franchise chain	Approved Approved Approved Approved

(C) NEDs' participation in the Board of Directors meeting

No.	Date (YYYY/MM/DD)	# of NEDs attending the meeting
07- The 1st ad-hoc BOD meeting	2007.01.08	3 (3)
07- The 2nd ad-hoc BOD meeting	2007.01.16	3 (3)
07- The 1st regular BOD meeting	2007.01.19	3 (3)
07- The 3rd ad-hoc BOD meeting	2007.01.22	3 (3)
07- The 4th ad-hoc BOD meeting	2007.02.23	2 (3)
07- The 5th ad-hoc BOD meeting	2007.03.05	2 (3)
07- The 6th ad-hoc BOD meeting	2007.03.16	3 (4)
07-The 7th ad-hoc BOD meeting	2007.04.17	2 (3)
07- The 2nd regular BOD meeting	2007.04.18	3 (3)
07- The 8th ad-hoc BOD meeting	2007.04.23	2 (3)
07- The 9th ad-hoc BOD meeting	2007.05.22	3 (3)
07- The 10th ad-hoc BOD meeting	2007.05.29	3 (3)
07- The 11th ad-hoc BOD meeting	2007.06.07	2 (3)
07- The 12th ad-hoc BOD meeting	2007.06.20	4 (4)
07- The 3rd regular BOD meeting	2007.07.19	4 (4)
07- The 13th ad-hoc BOD meeting	2007.08.17	4 (4)
07- The 14th ad-hoc BOD meeting	2007.09.14	4 (4)
07- The 15th ad-hoc BOD meeting	2007.09.28	4 (4)
07- The 4th regular BOD meeting	2007.10.19	4 (4)
07- The 16th ad-hoc BOD meeting	2007.11.20	4 (4)
07- The 17th ad-hoc BOD meeting	2007.12.07	4 (4)
07- The 18th ad-hoc BOD meeting	2007.12.21	4 (4)

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

(D) Composition of Committees under the Board of Directors

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

Name of Committee	Member	Name	Objective and Authority
NED Recommendation Committee	Currently the CEO of Hankook Tire	Seo, Seoug Hwa Kim, Hwi Joong	Recommend candidates of NEDs
	Currently an NED of Hankook Tire	Hwang, Won Oh Min, Hae Yung Lee, Yong Sung	

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(E) Activities of Committees under the Board of Directors

Name of Committee	Date of meeting	Agenda	Approved?	Name of NEDs		
				Hwang, Won Oh (Attendance Rate: 100%)	Min, Hae Yung (Attendance Rate: 100%)	Lee, Yong Sung (Attendance Rate: 100%)
				Agreed or Disagreed		
NED Recommendation Committee	Apr. 18, 2007	Appointment of Chairperson of NED Recommendation Committee	Yes	Agreed	Agreed	Agreed
	May 10, 2007	Recommendation of NED	Yes	Agreed	Agreed	Agreed

B. Matters related to the audit system**(1) Matters related to the internal audit organization**

a) 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.

(Composition)

1. Audit Committee members shall be appointed by the resolution of a general shareholders' meeting.
2. The Committee shall be comprised of at least three members of the Board.
3. 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.
4. 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.

(Responsibility and authority)

1. Audit Committee shall carry out audits on accounting and business operation of the Company.
2. 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.
3. 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.

(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.

(Chairperson)

1. 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.
2. The Chairperson generally manages operation of the Audit Committee and may divide duties among members for efficient operation of the Committee.
3. 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.

(Types of Audit Committee meetings)

1. Meetings of the Committee shall be comprised of ordinary and extraordinary meetings.
2. 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.
3. An extraordinary meeting may be held from time to time when necessary.

(Convocation authority)

1. Audit Committee meeting shall be convened by the Chairperson.
2. 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.

(Convocation procedure)

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

(Agenda)

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

1. Matters related to general shareholders' meetings
2. Matters related to directors and the Board of Directors
3. Matters related to auditors

(Minutes)

1. The Audit Committee shall keep meeting minutes regarding decisions made by the Committee.
2. 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.

b) 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

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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	Remarks
Hwang, Won Oh	- Head of the National Tax Tribunal under the Ministry of Finance - President of Korea Minting and Security Printing Corporation (KOMSCO) - Chairman of KOMSCO	The Audit Committee established by Hankook Tire is a committee prescribed under Article 191(17)1 of the Securities and Exchange Act.
Min, Hae Yung	- Vice minister at Political Affairs I - Chief Director of Korea Technology Credit Guarantee Fund - Chairman of the Credit Finance Association	
Lee, Yong Sung	- Head of the Planning and Administration office under the Ministry of Finance - NED of Hynix Semiconductor Co., Ltd. - Outside auditor of Hyundai Research Institute	

(2) Key activities of the Audit Committee (auditors)

Meeting	Date	Agenda	Result
07-1st ordinary meeting	Jan. 19, 2007	FY2006 year-end financial reporting	Approved
		Approval of changing the outside auditor	Approved
		FY2006 Q4 audit report	Approved
07-2nd ordinary meeting	Apr. 18, 2007	FY2007 year-end financial reporting	Approved
		FY2007 year-end financial reporting (consolidated)	Approved
		Briefing on provisions of the Securities and Exchange Act concerning appointment of NEDs	Approved
		FY2007 Q1 audit report	Approved
07-3rd ordinary meeting	July 19, 2007	FY2007 H1 financial reporting	Approved
		FY2007 H1 financial reporting (consolidated)	Approved
		FY2007 Q2 audit report	Approved
07-4th ordinary meeting	Oct. 19, 2007	FY2007 Q3 financial reporting	Approved
		FY2007 Q3 financial reporting (consolidated)	Approved
		Reporting of status of operation of internal accounting management system for 2007 H1	Approved
		FY2007 Q3 audit report	Approved

Note) Activities of the Audit Committee held in accordance with the Audit Committee Operation Policy are summarized in the table above.

C. Matters related to shareholders' exercising voting rights

(1) Accumulative voting

Not adopted

(2) 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 Mar. 17, 2000

(3) Exercising of minority shareholder rights

N/A

D. Directors' compensation

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

(Unit : Million won)

Classification	Total amount paid	Amount approved at general shareholders' meetings	Average amount paid per director	Remarks
Standing directors	824	5,700	131	Registered directors
NEDs	90			

(2) Status of stock options granted and exercised : None as of Dec. 31, 2007

E. Purchase of Directors and Officers Liability Insurance Policy

(1) Overview

[As of Dec. 31, 2007] (Unit : KRW)

Name of insurance	Insurance premium paid		Maximum indemnification limit	Remarks
	Amount paid for the current year	Cumulative amount paid (including the amount paid for the current year)		
Directors and Officers Liability Insurance (D&O Insurance)	35,000,000	35,000,000	10,000,000,000	2007.07.27~2008.07.26

※ The total amount of insurance premium was paid on July 27, 2007, and the insurance policy is effective for a year

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(2) Basis for purchasing D&O insurance policy and related procedures : They were resolved at the Board of Directors' meeting held on July 19, 2007

(Agenda : Subscription of D&O Insurance)

(3) Insured person

All the directors (officers) of the Company (including any retired directors, directors newly appointed during the term of the D&O Insurance, any deceased directors and their inheritors or companies that manage inherited property, and any bankrupt directors and their trustees)

(4) Damages or expenses covered by indemnification

- a. Damages paid by the insured (including defense costs)
- b. Expenses paid by the insured
 - Expenses which are deemed necessary or useful for prevention or reduction of losses
 - Defense costs paid under prior consent of the Company
 - Cooperation expenses for complying with demands from the insurer

(5) Exclusions from indemnification by the insurer

- Any claim arising out of illegally acquired personal interest by the insured
- Any claim arising out of a criminal act of the insured
- Any claim arising out of a wrongful act committed by the insured who recognizes that such act violates relevant laws
- Any claim arising out of remuneration (or bonuses, etc.) paid in violation of relevant laws to the insured
- Any claim arising out of the insured's sales and purchase of stocks, corporate bonds, etc. issued by the Company making illegal use of information which is not made public
- Any claim arising out of benefits provided to political organizations, public officials or officers or employees of the Company's clients
- Any claim arising out of an act committed or a suit filed before the inception date of the insurance
- Any claim for damages arising out of pollutants emitted, discharged, leaked, overflowed or released and costs for removing pollutants
- Any claim for damages arising out of any accident involving nuclear reaction, nuclear radiation, and other hazardous properties of nuclear materials
- Any claim for injury done to human body or property, invasion of privacy, libel, slander, penalties, etc.
- Any claim brought by any other insured person, company or subsidiary
- Any claim brought by a person owning 15% or more of the stocks issued by the Company
- Any claim arising out of an act carried out in the capacity of an officer of a corporation or organization other than the Company

02. Affiliated Companies

Company name	Affiliated Company	Description	Ownership (%)
Hankook Tire Co., Ltd.	Atlas BX Co. Ltd.	Stock	31.13
	Daehwa Eng' & Machinery Co., Ltd.	"	95.00
	ASA Co., Ltd.	"	75.00
	EmFrontier Inc.	"	50.00
	Hanyang Tire Sales Corp.	"	50.01
	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.	Stock, investment	100.00
	Hankook Reifen Deutschland GmbH	Investment	100.00
	Hankook France SARL	"	100.00
	Hankook Tire Netherlands B.V.	"	100.00
	Hankook Espana S. A.	"	100.00
	Hankook Tire Australia Pty., LTD.	"	100.00
	Hankook Tire China Co., Ltd.	"	96.15
	Jiangsu Hankook Tire Co., Ltd.	"	34.67
	OCEAN CAPITAL INVESTMENT (L) LIMITED	"	100.00
Atlas BX Co., Ltd.	ASA Co., Ltd.	Stock	5.00
	FRIXA Co., Ltd.	"	100.00
Daehwa Eng' & Machinery Co., Ltd	ASA Co., Ltd.	Stock	20.00
	Daehwa Eng'&Machinery Jiaxing Co., Ltd.	Investment	15.00
Shinyang Corp.	Daehwa Eng'&Machinery Jiaxing Co., Ltd.	Investment	85.00
Hankook Tire America Corp.	Hankook Tire China Co., Ltd.	Investment	3.85
	Jiangsu Hankook Tire Co., Ltd.	"	0.47
Hankook Tire China Co., Ltd.	Jiangsu Hankook Tire Co., Ltd.	"	64.87
	Hankook Tire China Regional Headquarters	"	66.00
Jiangsu Hankook Tire Co., Ltd.	Hankook Tire China Regional Headquarters	"	34.00
Hankook Tire Europe Holdings B.V.	Hankook Tire Netherlands Sales B.V.	Investment	100.00
	Hankook Tire Italia SARL	Investment	100.00
	Hankook Tire Hungary, LTD.	Investment	100.00
	Hankook Tire Europe GmbH	Stock	100.00
	Hankook Tire Budapest Kereskedelmi Kft	Stock	100.00

Note 1) As of December 31, 2007

Note 2) Hankook Tire reported Hanyang Tire Sales Corp. as an affiliated company to Fair Trade Commission in June 2004, when Hankook Tire was in dispute with the nominal owner of shares after revoking the trust of name. Potential for a dispute over remaining shares still exists, yet Hankook Tire has resolved issues with some shareholders. Thus significant amount of such equity holdings have been recognized as investment stock to be evaluated using equity method of accounting.

Note 3) Hankook Tire Co., Ltd. provided the equity it had in Hankook Tire Netherlands Sales B.V., Hankook Tire Italia SARL and Hankook Tire Hungary, LTD to Hankook Tire Europe Holdings B.V. and obtained Hankook Tire Europe Holdings' shares in return as of January 2, 2007

Note 4) Hankook Tire Co., Ltd. invested USD 23,000,000 in Hankook Tire China Co., Ltd. as of February 26, 2007.

Note 5) Hankook Tire Co., Ltd. invested EUR 30,000,000 in Hankook Tire Europe Holdings B.V. as of April 17, 2007.

Note 6) Hankook Tire Co., Ltd. invested EUR 24,000,000 in Hankook Tire Europe Holdings B.V. as of June 12, 2007.

Note 7) Hankook Tire Co., Ltd. participated in the paid-in capital increase of ASA Co., Ltd. worth 4,000,000,000 won as of November 21, 2007.

03. Investment in Affiliated Companies

[Affiliated companies' stock] [As of Dec. 31, 2007]

(Unit : # of shares, million won, %)

Category	Account headings	Company name or stock code	Investment objective	Beginning balance			Increase/decrease		Ending balance			Current net income of using equity the most recent fiscal year	Remarks		
				# of shares	% of owner ship	Book value	# of shares	Acquisition (Disposal) cost	# of shares	% of owner ship	Book value affiliate in		Gain/loss on valuation decrease of method	Other increase/ value	Status
Domestic	Investment stocks	Atlas BX Co., Ltd.	Affiliated company	2,848,685	31.13	15,173	-	-	2,848,685	31.13	13,827	4,979	892	(629)	Listed on KOSDAQ
	evaluated using equity method of accounting	Daehwa Eng' & Machinery Co., Ltd.		380,000	95.0	4,871	-	-	380,000	95.00	5,615	1,173	1,059	-	Unlisted
		ASA Co., Ltd.		2,200,000	73.33	-	800,000	4,000	3,000,000	75.00	-	(2,996)	-	(4,000)	Unlisted
		EmFrontier Inc.		2,000,000	50.00	2,951	-	-	2,000,000	50.00	3,515	1,488	678	-	Unlisted
		Hanyang Tire Sales Corp.		15,030	50.10	75	-	-	15,030	50.01	75	(261)	-	-	Unlisted
Over seas		Hankook Tire America Corp.		1,600	100.00	24,195	-	-	1,600	100.00	31,829	6,904	3,614	1,571	Unlisted
		Hankook Tire Canada Corp.		50,000	100.00	648	-	-	50,000	100.00	1,947	582	1,038	351	Unlisted
		Hankook Tyre U.K. Ltd.		25,000	100.00	-	-	-	25,000	100.00	-	289	-	-	Unlisted
		Hankook Tire Japan Corp.		400	100.00	1,840	-	-	400	100.00	-	(877)	-	-	Unlisted
		Hankook Tire Europe Holdings B.V.		390,250	100.00	47,844	3	9,094	390,253	100.00	133,197	25	-	-	Unlisted
Total				7,910,965	-	97,597	800,003	13,094	8,710,968	-	190,005	11,306	7,281	(2,707)	

Note 1) Hankook Tire reported Hanyang Tire Sales Corp. as an affiliated company to Fair Trade Commission in June 2004, when Hankook Tire was in dispute with the nominal owner of shares after revoking the trust of name. Potential for a dispute over remaining shares still exists, yet Hankook Tire has resolved issues with some shareholders. Thus significant amount of such equity holdings have been recognized as investment stock to be evaluated using equity method of accounting.

Note 2) Hankook Tire Co., Ltd. provided the equity it had in Hankook Tire Netherlands Sales B.V., Hankook Tire Italia SARL and Hankook Tire Hungary, LTD to Hankook Tire Europe Holdings B.V. and obtained Hankook Tire Europe Holdings' shares in return as of January 2, 2007.

Note 3) Hankook Tire Co., Ltd. invested USD 23,000,000 in Hankook Tire China Co., Ltd. as of February 26, 2007.

Note 4) Hankook Tire Co., Ltd. invested EUR 30,000,000 in Hankook Tire Europe Holdings B.V. as of April 17, 2007.

Note 5) Hankook Tire Co., Ltd. invested EUR 24,000,000 in Hankook Tire Europe Holdings B.V. as of June 12, 2007.

Note 6) Changes arising from Hankook Tire's investment in Hankook Tire Europe Holdings B.V. in 2007 shall be recorded as part of "Investment stock evaluated using equity method of accounting".

Note 7) Hankook Tire Co., Ltd. participated in the paid-in capital increase of ASA Co., Ltd. worth 4,000,000,000 won as of November 21, 2007.

[Investment in affiliated companies]

[As of Dec. 31, 2007](Unit : # of share, million won, %)

Category	Account headings	Company name or stock code	Investment objective	Beginning balance			Increase/decrease		Ending balance			Current net income of affiliate in 2007	Remarks		
				# of shares ship	% of owner	Book value	# of shares	Acquisition (Disposal) cost	# of shares	% of owner ship	Book value		Gain/loss on valuation using equity method	Other increase/decrease of value	Remarks
Overseas	Investment evaluated using equity method of accounting	Hankook Reifen Deutschland GmbH	Affiliated company	-	100.00	-	-	-	-	100.00	-	496	-	-	Unlisted
		Hankook Tire France SARL		-	100.00	165	-	-	-	100.00	-	455	(145)	(20)	Unlisted
		Hankook Tire Netherlands B.V.		-	100.00	-	-	-	-	100.00	-	1,492	-	-	Unlisted
		Hankook Tire Netherlands Sales B.V.		-	100.00	25	-	(25)	-	-	-	25	-	-	Unlisted
		Hankook Tire China Co., Ltd.		-	95.63	195,676	-	21,588	-	96.15	214,505	16,508	(8,003)	18,782	Unlisted (Capital increase)
		Jiangsu Hankook Tire Co., Ltd.		-	36.60	60,25	-	-	-	34.67	59,190	10,021	(4,466)	5,082	Unlisted
		Hankook Tire Italia SARL		-	100.00	21	-	(21)	-	-	-	3	-	-	Unlisted
		Hankook Tire Australia Pty., LTD.		-	100.00	69	-	-	-	100.00	69	43	-	-	Unlisted
		Hankook Espana S. A.		-	100.00	77	-	-	-	100.00	77	107	-	-	Unlisted
		Hankook Tire Hungary, LTD.		-	100.00	9,048	-	(9,048)	-	-	-	(47,344)	-	-	Unlisted
OCEAN CAPITAL INVESTMENT (L) LIMITED		-	100.00	9,262	-	-	-	100.00	9,592	248	248	88	Unlisted		
Total					274,868		12,494			283,433	(17,946)	(12,366)	23,932		

Note 1) Hankook Tire Co., Ltd. provided the equity it had in Hankook Tire Netherlands Sales B.V., Hankook Tire Italia SARL and Hankook Tire Hungary, LTD to Hankook Tire Europe Holdings B.V. and obtained Hankook Tire Europe Holdings' shares in return as of January 2, 2007.

Note 2) Hankook Tire Co., Ltd. invested USD 23,000,000 in Hankook Tire China Co., Ltd. as of February 26, 2007.

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01. Resolutions Of Shareholders Meeting

Date	Item	Resolution
The 54th ordinary shareholders' meeting (Mar. 21, 08)	1. Approval of balance sheet, income statement and statement of appropriations of retained earnings (draft)	Approved - Cash dividend 250 won (1.3% of the market price)
	2. Amendment of Articles of Incorporation	1) General shareholders' meeting shall be held at the principal office or plant premise, while it could be held at a place located near to such premises, if necessary. 2) Management Committee shall be set up to review overall management and financial issues which occur frequently.
	3. Appointment of NED to serve as Audit Committee member	Mr. Hwang, Won Oh and Mr. Lee, Yong Sung reappointed as NED (Audit committee member).
	4. Approval of directors' compensation limit	Directors' compensation limit for 2008 shall be set as 5.7 billion won and the specifics shall be delegated to the board of directors.
The 53rd extra-ordinary shareholders' meeting (Jun. 7, 07)	1. Appointment of NED	Mr. Chang, Sun Kon newly appointed as an NED.
The 53rd ordinary shareholders' meeting (Mar. 16, 07)	1. Approval of balance sheet, income statement and statement of appropriations of retained earnings (draft)	Approved - Cash dividend 250 won (1.67% of the market price)
	2. Amendment of Articles of Incorporation	Approved
	3. Appointment of director	Mr. Cho, Yang Rai and Mr. Suh, Seung Hwa reappointed as directors. Mr. Kim, Hwi Joong newly appointed as a director.
	4. Appointment of NED to serve as Audit Committee member	Mr. Choi, Dong Gyu newly appointed as an NED (Audit committee member).
	5. Approval of directors' compensation limit	Directors' compensation limit for 2008 shall be set as 5.7 billion won and the specifics shall be delegated to the Board of Directors.
	6. Revision of executive severance payment policy	1) Average salary calculation method changed 2006 : Incentives included in average salary 2007 : Incentives excluded from average salary 2) Abolish a severance payment scheme that allows executives to receive part of their severance pay before retirement.

02. Resolution Of Board Of Directors

Please refer to the Board of Directors section in Corporate Governance.

03. Dividend And Other Matters

A. Dividend

Hankook Tire's dividends policy is set forth in Article 52 of the Articles of Incorporation as following:

- ① Dividends can be paid in cash or stocks.
- ② If stock dividends are to be paid, the Company may decide to issue a different type of stock from existing ones after gaining approval of the shareholders' meeting on this matter.
- ③ Dividends specified in the forgoing paragraph (1) shall be paid to people registered as shareholders as of the end of every fiscal year or beneficiaries entitled to receive dividends.

B. Dividend information for the past three fiscal years.

Item		FY 2007	FY 2006	FY 2005
Face value per share (KRW)		500	500	500
Current net income (Million won)		162,306	170,173	213,775
Earning per share (KRW)		1,095	1,152	1,462
Profit available for dividend (Million won)		958,139	812,536	670,183
Total cash dividend (Million won)		37,047	37,047	36,547
Total stock dividend (Million won)		-	-	-
Cash dividend rate (%)		23.30	21.77	17.10
Cash dividend yield (%)	Common stock	1.30	1.67	1.88
	Preferred stock	-	-	-
Stock dividend yield (%)	Common stock	-	-	-
	Preferred stock	-	-	-
Cash dividend per share (KRW)	Common stock	250	250	250
	Preferred stock	-	-	-
Stock dividend per share (Number of stocks)	Common stock	-	-	-
	Preferred stock	-	-	-
Note) No quarterly/interim dividends in the current fiscal year.				

C. Matters on participating bond

N/A

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Audit Committee's Audit Report

Audit Report

The Audit Committee of Hankook Tire Co. Ltd. carried out auditing on the Company's accounting and business operation from January 1, 2007 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 27, 2008

Hwang, Won Oh (Signature)

Chairman of Hankook Tire Audit Committee



Independent Auditors' Report



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

We have audited the accompanying consolidated balance sheets of Hankook Tire Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, of which statements reflect 17.2% of consolidated total assets as of December 31, 2007 and 41.6% of consolidated total sales for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors. The 2006 consolidated financial statements of the Company, which is comparatively presented, were audited by Samil PricewaterhouseCoopers whose report dated April 19, 2007, expressed an unqualified opinion on those statements.

Except as discussed in the following paragraph, we conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Daesung Accounting Corporation audited the financial statements of ASA Co., Ltd, of which statements reflect 0.7% of the consolidated total assets as of December 31, 2007 and 1.8% of the consolidated total sales for the year then ended. The auditor did not express their opinion because of scope limitation on evaluation of ability to continue as a going concern, and existence and evaluation of inventories, property, plant and equipment. Further, for the year ended December 31, 2007, net loss of the subsidiary is ₩2,996 million and, as of December 31, 2007, current liabilities exceed current assets by ₩22,170 million. In addition, the subsidiary applied reorganization to the Daejeon District Court on March 4, 2008. This situation indicates existence of a material uncertainty that may cast significant doubt on the subsidiary's ability to continue as a going concern. In addition, we were unable to apply other auditing procedures to confirm the fairness of the financial statements.

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In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements except for the effects described in the preceding paragraph referred to above present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. and its subsidiaries as of December 31, 2007, and the results of their operations and changes in its shareholders' equity and their cash flows for the year 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 consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

March 14, 2008

Notice to Readers

This report is effective as of March 14, 2008, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

Auditor's Opinion on Internal Control Mechanism

1. Overview of internal control mechanism

A. Hankook Tire has the following internal control mechanism and functions.

- Board of Directors : Board of Directors shall supervise individual director's execution of duties.
- 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.
- 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'.
- Other internal control mechanism :
 - ┆ Domestic subsidiaries' business performance management : Corporate Management Team
 - ┆ Due diligence on domestic sales offices : Marketing Team
 - ┆ Overseas sales company & offices' performance management : Global Sales Operations Team
 - ┆ Regular inventory check : Production Management Team
 - ┆ Internal quality assurance : Quality Management Team
 - ┆ Internal environment assessment : Environment & Safety Team of each plant
 - ┆ Operation of internal accounting management system : Accounting Team

B. The board consists of seven directors including four NEDs.

C. Appointment of the standing auditor and guaranteeing the employment status of Audit Team staff

- (1) 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).
- (2) 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

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2. Operation of internal control mechanism

(1) Operation cycle

- Regular & ad-hoc audit : 10 times a year
- Domestic subsidiaries' business diagnosis : 1 time a year
- Domestic subsidiaries' performance management : 1 time a month
- Due diligence on domestic sales offices : 9 sales offices a year
- Overseas sales company's performance management : 1 time every quarter
- Overseas sales office's performance management : 1 time a month
- Regular inventory check : 1 time a year
- Internal quality assurance : 1 time a year
- Internal environment assessment : 1 time a year
- 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

A. Auditors concluded that the internal control mechanism of Hankook Tire Co., Ltd. operated effectively in the fiscal year ended December 31, 2007.

B. 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 Management Information

1. Risk Management

Hankook Tire manages currency risk under the following principles, and is not engaged in FX derivatives transactions as of the end of current term.

1. Accurate measurement of FX positions

The size of assets and liabilities in foreign currency is measured to avoid foreign exchange rate risk anticipated to arise from FX transactions. Various types of information on how foreign exchange rates will fluctuate are collected and analyzed to develop an accurate forecast on foreign exchange rates.

2. Hedging through matching contracts

Foreign exchange risk created due to the unbalanced foreign capital flow is removed by matching the incoming and outgoing volume and maturity points for each type of currency.

3. Strategic risk hedging

Hankook Tire will manage risks associated with its position in regards to assets and liabilities in foreign currency and cash flow on an on-going basis through various hedging instruments.

In the current term, Hankook Tire has signed an investment delegation agreement with one of its affiliates, FWS Investment Consulting Co., to make long-term investment, which enables the Company to engage in equity derivatives transactions.

(A) Risk management method : Transaction information and performance shall be checked everyday after closing business, and FWS shall be asked to provide explanation in case there is a significant change in P&L.

(B) Risk management principle: Prohibit activities going against relevant laws.

2. Major Business Contracts Please refer to Item 14. Commitments and Contingencies included in the Financial Statements (Consolidated).

3. Other Important Matters To Be Acknowledged For Investment Decisions N/A

4. Important Matters Occurred After The Fiscal Year End Date N/A

5. Information On Subsidiaries Of A Foreign Holding Company N/A

6. Changes Related To Legal Risk N/A

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Hankook Tire Europe Distribution Center

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The Netherlands, Portnumber: 9018

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Corporate Data

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Management's Discussion & Analysis (MD&A)

Financial Report & Other Information

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● IR information and public disclosures are available on the IR page of our website.

2008 IR Calendar

- | | |
|------|--|
| Feb. | Announcement of 2007 earnings results and 2008 earnings target
Participation in London/New York Korea & Taiwan Active Conference hosted by Macquarie Securities |
| Mar. | Hosting of NDR (Non-Deal Roadshow) for domestic institutional investors |
| Apr. | Announcement of 1Q 2008 earnings results |
| May. | Participation in global conference hosted by Samsung Securities |
| Jun. | Hosting of NDR for domestic institutional investors |
| Jul. | Announcement of 2Q 2008 earnings results |
| Aug. | Tour of the Hungary Plant for institutional investors |
| Oct. | Announcement of 3Q 2008 earnings results
Hosting of NDR for domestic institutional investors |
| Nov. | Participation in UBS Securities Korea Conference |
| Dec. | Hosting of a small-scale meeting with analysts from securities companies |

※ Other: Participation in other small-scale IR conferences and roadshows

※ Calendar as of April 2008. Schedule may be subject to change.