

INNOVATION

**HANKOOK TIRE
ANNUAL REPORT 2016**

AR Book



In a rapidly changing business environment, innovation is the only solution to defend the vision of becoming the “Leading Global Tire Company.” By perfecting people’s driving experience through flawless integration of car and driver, relentlessly overcoming performance limitations, opening new communication channels with customers, discovering new possibilities that have the potential to evolve into core automotive technology, and passionately striving to secure a sustainable future, Hankook Tire will continue to innovate and solidify its foundation built on technological leadership and exceptional quality. It will generate value that customers, shareholders and employees can experience and share.

Hankook Tire **INNOVATION** —————

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2016 BUSINESS HIGHLIGHTS

Hankook Tire is solidifying its foundation for qualitative growth through a premium brand strategy that is based on technological leadership.

HANKOOK TIRE

Business Highlights

FINANCIAL HIGHLIGHTS

MARKET ANALYSIS

Hankook Tire is solidifying its foundation for qualitative growth through a premium brand strategy that is based on technological leadership.

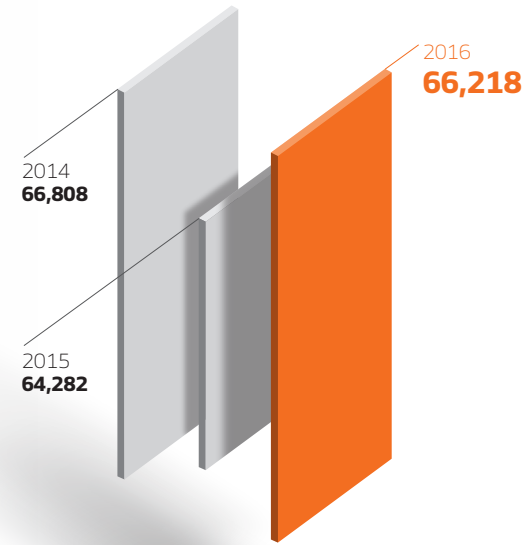
FINANCIAL HIGHLIGHTS

Units: KRW billion / K-IFRS, Consolidated total basis

FINANCIAL HIGHLIGHTS

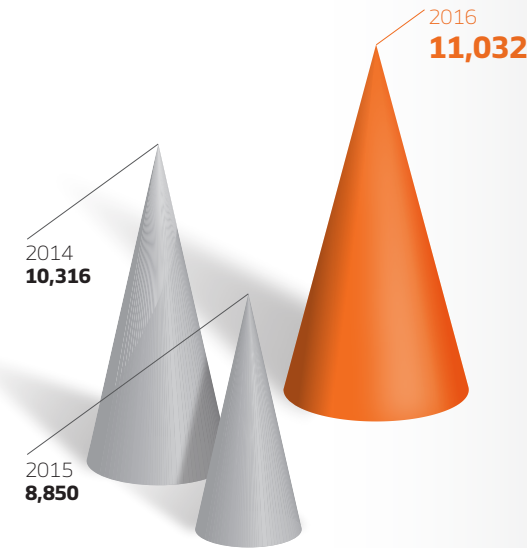
Sales

66,218



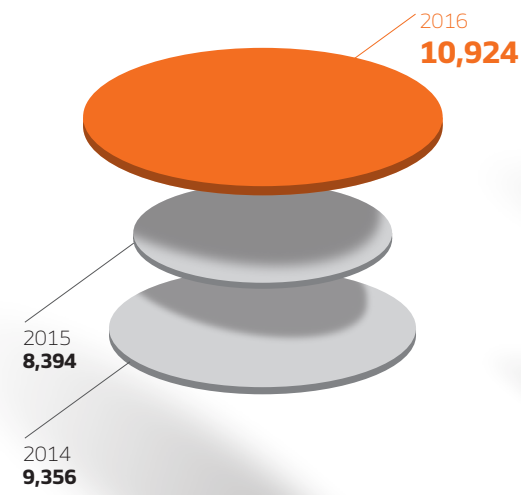
Operating Income

11,032



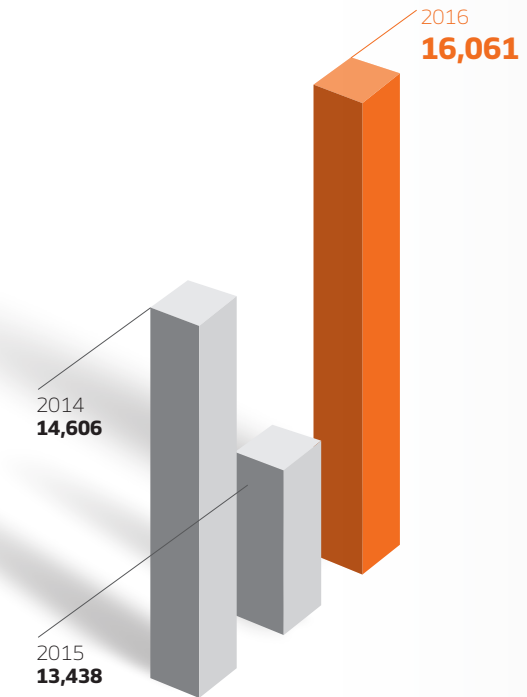
Ordinary Income

10,924



EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

16,061



Business Highlights



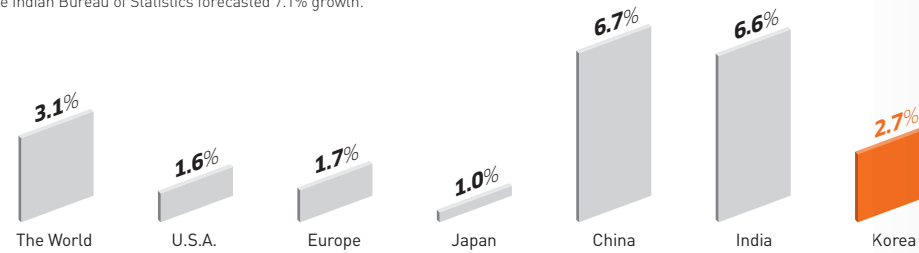
Hankook T its foundat growth thro brand strat technolog

MARKET ANALYSIS

2016 Global Economic Growth Rate

Source: IMF, statement by country

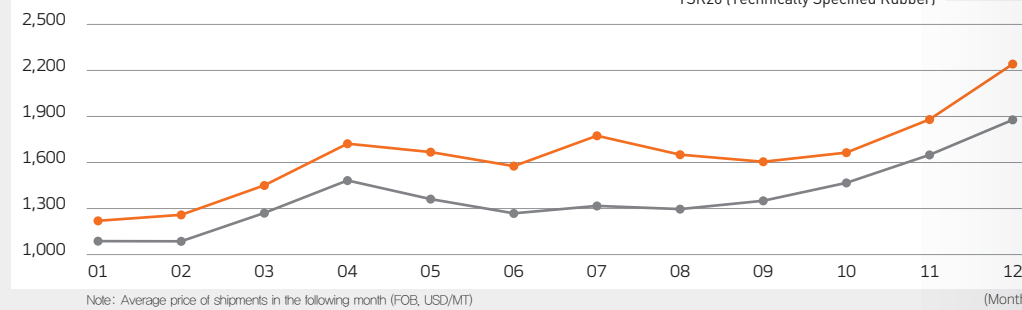
* The world economic growth rate is IMF's Jan. 2017 estimate. Mar. 2017 estimates were yet to be published.
* India's economic growth rate is IMF's Jan. 2017 estimate. Mar. 2017 estimates were yet to be published.
The Indian Bureau of Statistics forecasted 7.1% growth.



2016 Raw Material Prices

Natural Rubber SICOM Monthly Price (Units: USD/ton)

RSS#3 (Ribbed Smoked Sheet)
TSR20 (Technically Specified Rubber)

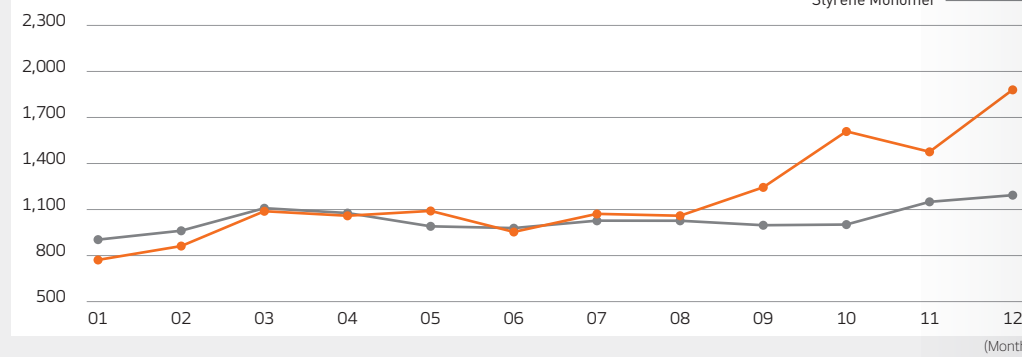


Note: Average price of shipments in the following month (FOB, USD/MT)

Source: BD-Platts (CFR Taiwan Weekly Spot Price), SM-Platts (FOB Korea)

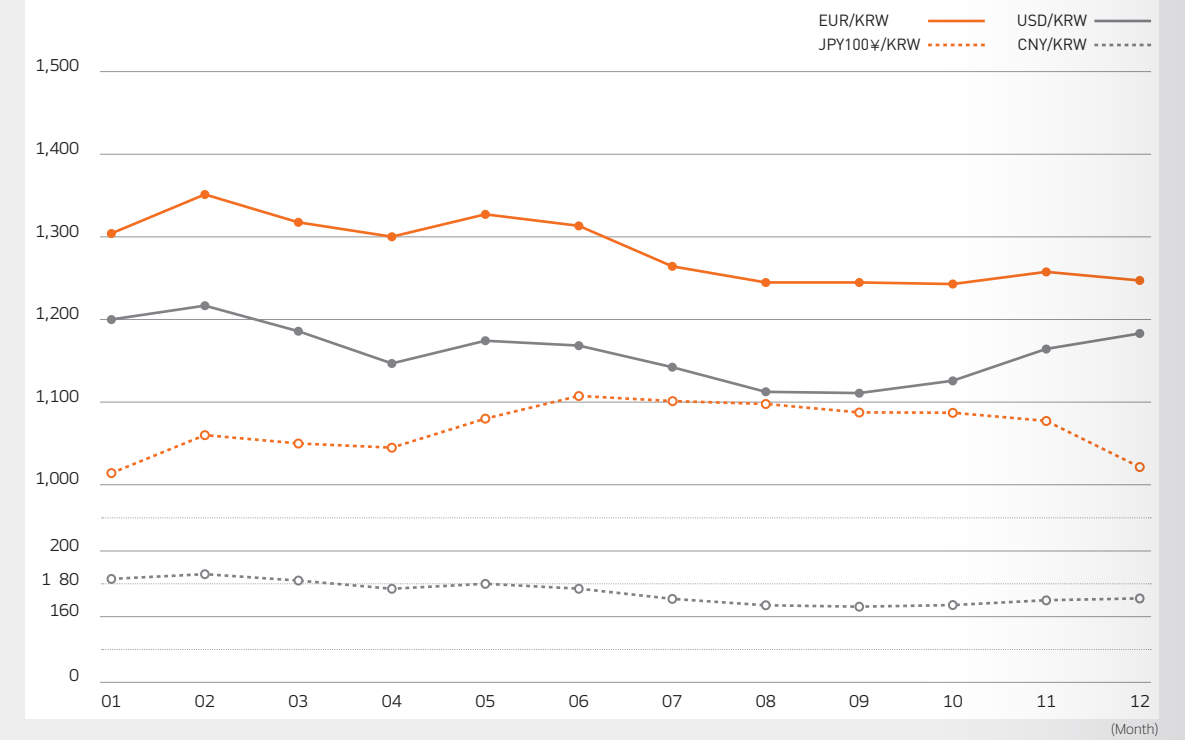
Synthetic Rubber Basic Product Price Trend (Units: USD/ton)

Butadiene
Styrene Monomer



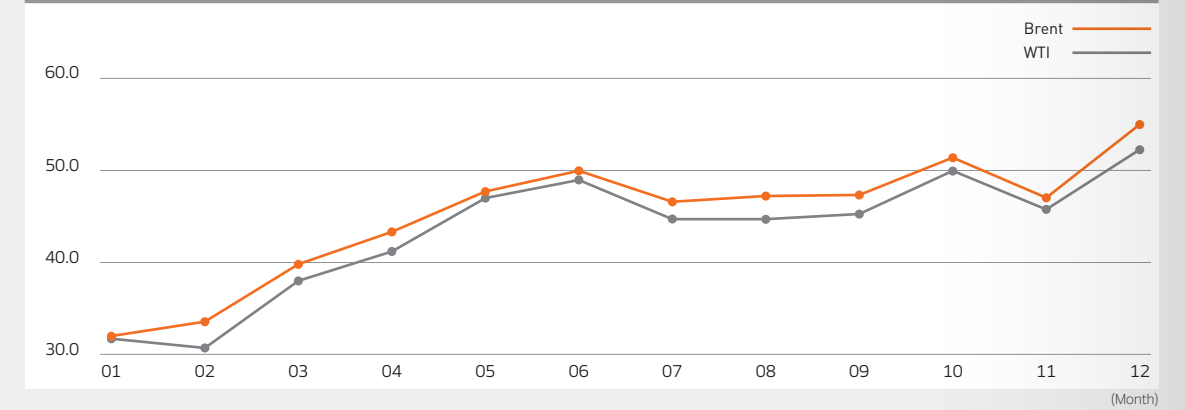
2016 Exchange Rates

Units: KRW / Source: OANDA



2016 Oil Prices Fluctuations

Units: USD/bbl / Source: Brent - ICE Futures Europe, WTI - New York Mercantile Exchange (NYMEX)



In a rapidly changing business environment, Hankook Tire will pursue technological innovation and solidify its brand value leveraging its corporate vision and culture to achieve the future that stakeholders desire.

HANKOOK TIRE

Company Profile



CEO'S MESSAGE



Dear Shareholders,

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

This year, Hankook Tire will continue to focus on technological innovation and brand value reinforcement to effectively build global competitiveness and be a step closer to achieving its vision of becoming the "Leading Global Tire Company."

As you know, 2016 was a very difficult year due to the low growth that continued to plague the world economy and the deepening of industry-wide competition. Despite these circumstances, Hankook Tire achieved KRW 6.62 trillion in sales and KRW 1.10 trillion in operating profit. By implementing a premium brand strategy based on innovation, the company succeeded in supplying new-car tires for premium brand top models, such as the BMW 7 Series and Audi Q7, and by building sales of ultra-high-performance tires in advanced markets, it built greater awareness of its high quality and premium brand value. Hankook Technodome, our new center for original technology and future new technology, was inaugurated to revamp our R&D infrastructure, and high scores in financial performance, social contribution, and ethics and environmental management led to the incorporation of the company into the Dow Jones Sustainability World Index (DJSI World) in 2016, following the incorporation into DJSI Asia Pacific in 2015.

In 2017, business uncertainty is expected to grow tremendously as low economic growth is expected to continue, oil and commodity price increases may drive costs to escalate, and growing trade protectionism may spread between countries. Nevertheless, to respond positively to such environmental threats, Hankook Tire will concentrate efforts on technological innovation, the strengthening of brand value, and the implementation of optimal sales strategies in each region.

First, it will pursue high level technological innovation. It will build technological leadership through the cutting-edge facilities and optimal research environment of the Hankook Technodome and revamp quality competitiveness in every aspect, from product development to after-sales management. In addition, Hankook Tire will overhaul its global marketing communications strategy to further build its premium brand value and equity, which in turn will strengthen partnerships with premium car companies and boost sales of ultra-high-performance tires. Furthermore, it will implement sales strategies optimized for each region to preempt business uncertainty. In particular, it will quickly stabilize production at the new US manufacturing plant in Tennessee and downstream distribution worldwide, including in Korea. Through these measures, the company will strengthen global competitiveness in all areas, from production and distribution to sales.

All employees at Hankook Tire will join forces to cultivate a creative and innovative corporate culture which will enable the company to execute all corporate strategies without any hitches and build global competitiveness that will firmly establish the company's reputation as a global top-tier brand.

Thank you for your encouragement and support. May health and happiness be with your families.

Thank you.

Seung Hwa Suh
Hankook Tire
Vice Chairman & CEO

A handwritten signature in black ink, appearing to be 'Seung Hwa Suh', written in a cursive style.

TOP MANAGEMENT

Unlike most Korean companies, Hankook Tire adopted a professional management system in its early stages to put sound corporate governance and rational, transparent management in place. In addition, it formed entities, such as the Board of Directors and the Audit Committee, to help managers run the business smoothly and protect shareholder interests.

The Board of Directors

Transparent and advanced business management is essential for any global company. Most global corporations today use their boards of directors and other designated bodies, including audit committees, to protect shareholder interests and elevate the levels of transparency and professionalism within their organizations.

The board has three main functions: (1) to monitor top executives on behalf of the shareholders; (2) to offer advice on management issues to top executives; and (3) to grant top management access to the resources necessary for corporate success. Advanced global corporations have developed their business environments so that their boards can perform their proper roles of exercising control, providing service and accessing external resources.

Hankook Tire adopted a professional management system in its early stages and thoroughly separated ownership from management. It instituted management by objectives and checks and balances by the

board of directors, realizing sound corporate governance and ensuring rational and transparent management. In 2016, the Management Committee was recommissioned as the Sustainability Management Committee to manage companywide risk and reinforce the sustainability of the company.

To enhance corporate transparency and reliability, the Hankook Tire Board consists of two executive directors and three non-executive directors (NEDs). To ensure that the board's decision-making remains effective and responsible, the company has established the "Hankook Tire Board of Directors Administration Regulation." The NEDs at Hankook Tire have extensive experience in either government service or the private corporate sector. They are upstanding citizens who have contributed exceptionally to society. The non-executive directors are selected in a transparent and fair process by the NED Nomination Committee. Selecting experienced NEDs on the board increases internal control and monitoring functions, and they provide top management with valuable advice in support of decision-making.






















Non-executive Directors (NEDs) of Hankook Tire As of March 24, 2017

| | |
|-----------------|--|
| Kun Ho Cho | BA in Law from Seoul National University / Head of Prime Minister's Secretariat / Vice Minister of Science and Technology / Advisor to the Federation of Korean Industries |
| Choong Hwan Cho | BA in Law from Seoul National University / Executive Director of Samsung C&T / Vice Chairman of Hankook Tire |
| Seong Phil Hong | Master's and PhD in Law from Seoul National University / Master's and PhD in Law from Yale Law School / Currently Professor of Law at Yonsei University Law School |

Non-executive Directors (NEDs) of Hankook Tire Worldwide As of March 24, 2017

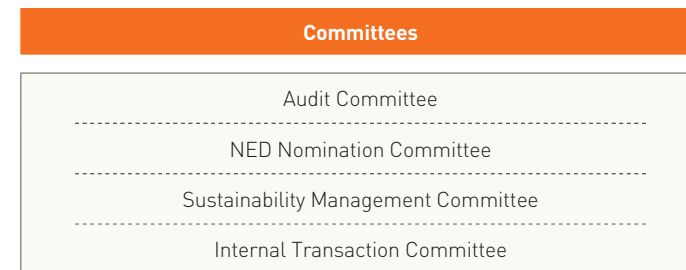
| | |
|---------------|---|
| Hae Yung Min | BA in Economics from Seoul National University / Former Chairman of the Credit Finance Association |
| Yong Sung Lee | BA in Economics from Seoul National University / Former Chairman of the Industrial Bank of Korea / Former Governor of the Financial Supervisory Service |
| Soon Gi Kim | BA in Business Administration from Sogang University / Currently Professor of Business Administration at Sogang University Business School |

* Conflict of interest with the largest shareholders: N/A

| | | | | | | | |
|--|---|--|--|--|---|---|---|
|  |  |  |  |  |  | | |
| Yang Rae Cho Hankook Tire Worldwide Chairman | Seung Hwa Suh Hankook Tire Vice Chairman & CEO | Hyun Shick Cho Hankook Tire Worldwide President & CEO | Hyun Bum Cho Hankook Tire Worldwide President and COO & CSFO | Ho Youl Pae Hankook Tire, Europe Headquarters, Executive Vice President | Soo Il Lee Hankook Tire, Marketing Staff Office & Corporate Management Staff Office, Executive Vice President | | |
|  |  |  |  |  |  |  |  |
| Hyung Nam Kim Hankook Tire, R&D Staff Office & Purchasing Division, Executive Vice President | Ho Sung Seo Hankook Tire Worldwide, Corporate Strategy Planning Division, Senior Vice President | Dong Hwan Moon Hankook Tire, Korea Headquarters, Senior Vice President | Hee Se Ahn Hankook Tire, America Headquarters, Senior Vice President | Byung Il Woo Hankook Tire, China Headquarters, Senior Vice President | Shin Hong Kim Hankook Tire, Global Supply Chain Management Division, Senior Vice President | Seong Ho Won Hankook Tire, Korea Headquarters Marketing & Sales Division, Senior Vice President | Yong Hee Kim Hankook Tire, Production & Engineering Division, Senior Vice President |
|  |  |  |  |  |  |  | |
| Han Jun Kim Hankook Tire, Corporate Management Division, Senior Vice President | Yong Hak Kim Hankook Tire Worldwide, IT Strategy Division, Senior Vice President | Soon Gi Yoon Hankook Tire Worldwide, HR Division, Senior Vice President | Young Seol Byun Hankook Tire, A.P.A.M Sales Division & Middle East, Africa Sales Department, Senior Vice President | Seung Bin Lim Hankook Tire, Global Marketing Strategy Division, Vice President | Bon Hee Ku Hankook Tire, Quality Division, Vice President | Chang Won Park Hankook Tire, Global OE Division, Vice President | |

Roles and Composition of Committees

Hankook Tire has a variety of stringent internal regulatory systems in place to ensure transparent and reliable management performance. Towards this end, Hankook Tire has established committees under the board of directors to maximize the efficiency and professionalism of board operations. Part of the board's authority is delegated to these committees, made up of specialists who systematically examine and settle issues within their respective areas of expertise. Currently under the board are the Audit, NED Nomination, Sustainability Management and Internal Transaction Committees, which are tasked with realizing transparent business performance.



Audit Committee

The Audit Committee was established by and operates under the board. Membership consists of three non-executive directors for maximum independence, and they have the right to veto the selection of the head of the internal auditing department of the company. Committee members also assist in company audits, serving as overseers and regulators of top management. Hankook Tire's regulations regarding the Audit Committee allow the committee to request reports from executive directors or to examine the company's financial standing at any time, helping to ensure transparency in business activities. Hankook Tire has operational rules for the Audit Committee, which allow the committee access to all business information necessary for its auditory activities. The committee meets regularly each quarter, and additional meetings may be called whenever necessary.

NED Nomination Committee

The NED Nomination Committee was established as a committee under the board to maximize the fairness and independence of the process of recommending candidates for non-executive director positions. The committee consists of five members; NEDs outnumber internal directors. This is yet another way in which Hankook Tire enhances transparency and fairness in the nomination process. The committee abides by the stipulations on the establishment of the committee and related regulations in the Hankook Tire Articles of Incorporation. The NED nominations are confirmed by vote at the general shareholders' meeting.

Sustainability Management Committee

In the ever-more competitive global business environment of today, fast and effective decision-making is essential. The Sustainability Management Committee was established under the board in order to reduce the number of board meetings and to streamline business management processes. This has helped to raise corporate professionalism and efficiency by accelerating the decision-making process. The Sustainability Management Committee deliberates and decides on not only general management and financial affairs, which are the most frequent activities of business management, but also risk management and issues to check and prevent, in advance, any risks that may affect the company's sustainability. With the committee playing this role, regular board meetings are freed for the discussion of the most important issues. This systematic support for board activities promotes managerial accountability at the same time.

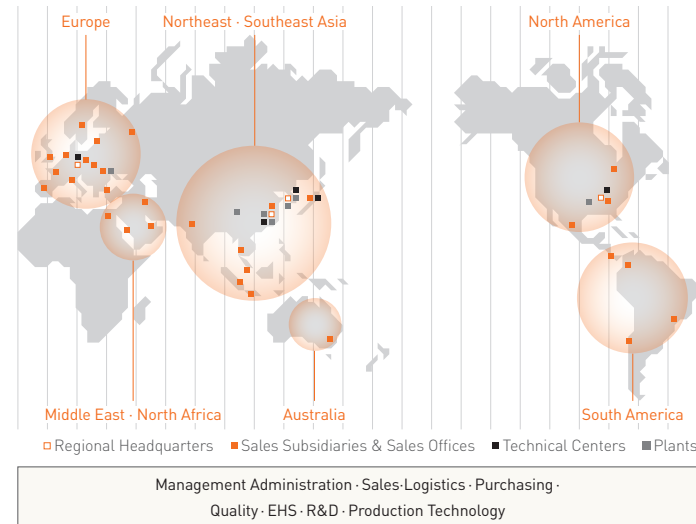
Internal Transactions Committee

Hankook Tire has an Internal Transactions Committee that closely monitors and supervises internal transactions with affiliated entities. The committee conducts preliminary reviews and approves internal transactions with affiliated parties in accordance to the Monopoly Regulation and Fair Trade Act. Building on the articles of incorporation, the company is currently preparing the basis and regulations for establishing the Internal Transactions Committee. The committee can request the company to provide key information related to internal transactions, the selection and engagement trading partners, and terms and conditions of transactions for review and approval per agenda if necessary.

Performance Assessment System

Diagnosis of Global Performance Balance

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



Hankook Tire Performance Assessment System

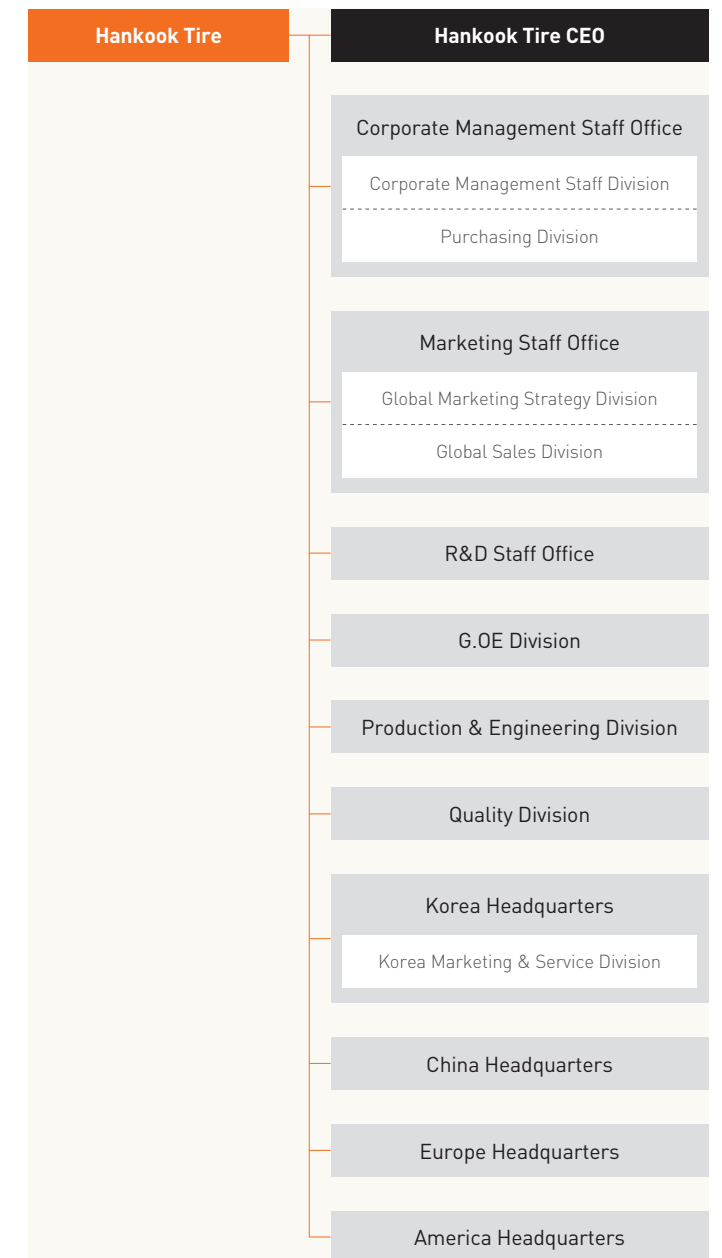
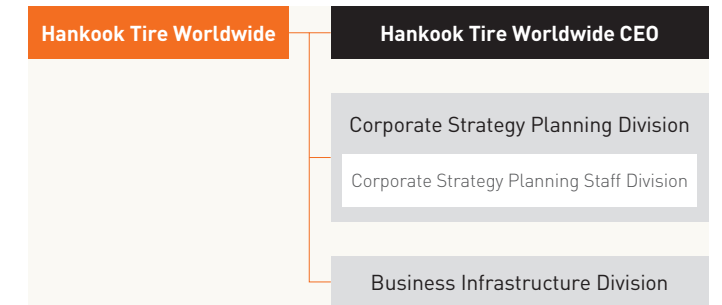
Headquarters and overseas business management teams are in first place responsible for monitoring and assessing diverse risks in areas such as costs, investments, and general management by region, and the Management Diagnosis Team analyzes and evaluates companywide business or work process efficiency-related reports, as well as other internal and external reports, including life-expectancy assessments commissioned by Management. It also reinforces companywide risk management by regularly monitoring risk in the system and conducting diagnostic education aimed at enforcing consistent application of risk management standards across the organization.

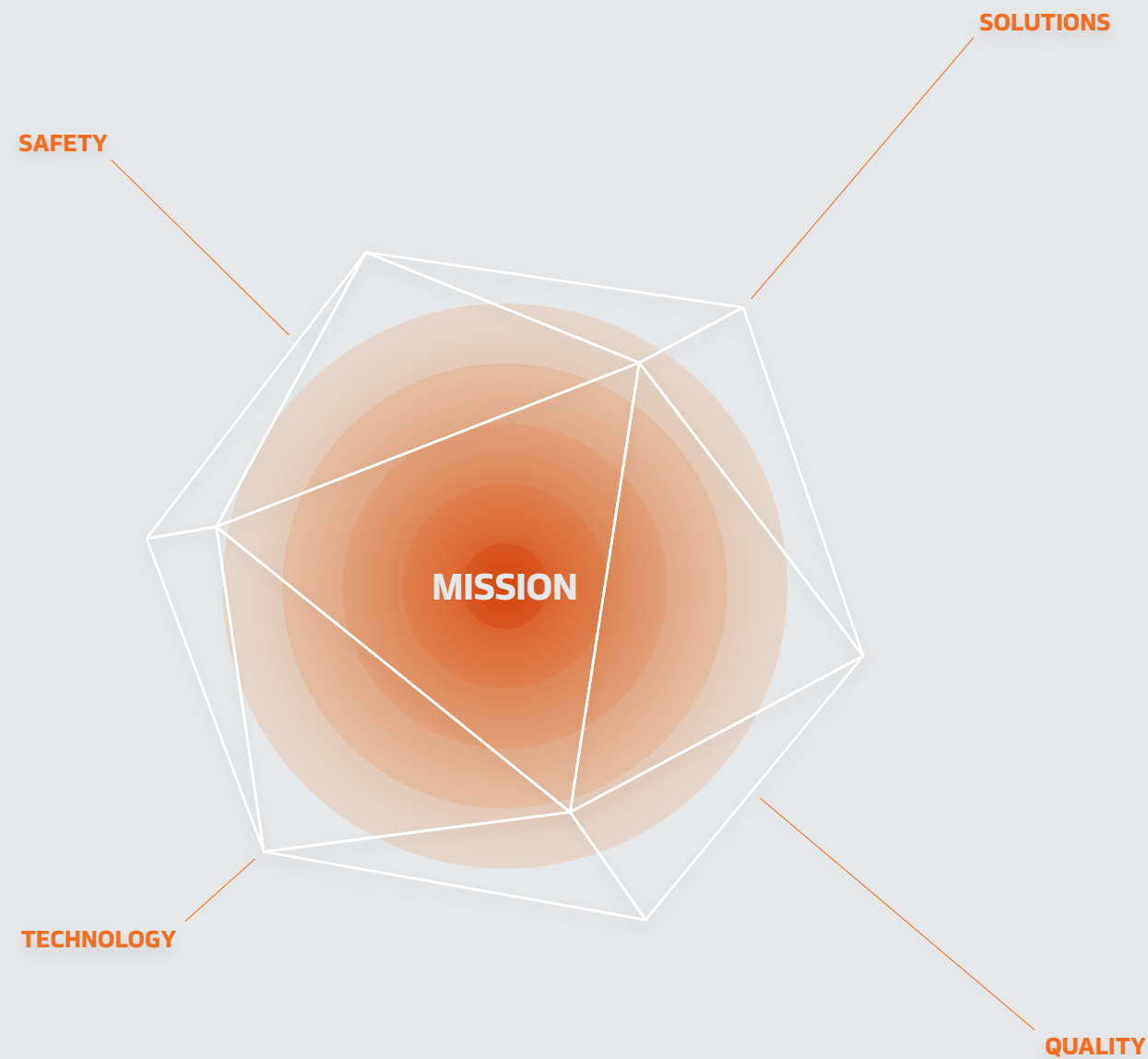
On the other hand, the top company-wide decision-making body on management diagnosis-related issues, the Management Diagnosis Committee, validates all diagnostic results and follow-up measures to prevent the recurrence of similar risks and plans and monitors all diagnostic activities that contribute to the achievement of company-wide strategic goals.



ORGANIZATIONAL STRUCTURE

Hankook Tire has designed and is running an optimal organizational structure in order to achieve mid- and long-term strategic goals. The unique structure of Hankook Tire, boasting balanced organic links among different organizations, is what allows it to cope with ever-changing market structures.





CONTRIBUTE TO ADVANCEMENT IN DRIVING

Hankook Tire's mission is to give every driver who chooses its products a sense of confidence to enjoy the best of driving and seek new possibilities without hesitation. To this end, it aims to achieve the highest standards of safety and performance and deliver the best quality in all aspects related to optimum driving through advanced technology and solutions. In addition, it strives to realize greater value for shareholders and business partners and to expand opportunities for growth and development of employees and society.

MISSION

Hankook Tire has a framework for its mission and vision. The mission framework is divided into three parts: the Mission, which defines Hankook Tire's company value; Business Principles, which describes the principles that the company must abide to; and Core Values, which summarizes how employees are to behave.

Business Principles

In developing solutions that continue to generate healthy, sustainable growth, the company abides by a set of principles that serve as a reminder to honor its responsibilities to customers, partners, its communities and other stakeholders.

Hankook Tire

-
Makes its best effort to become the most valuable brand worldwide.
-
Grows through continuous innovation.
-
Grows through the talent and capabilities of employees.
-
Values the future of the global environment.
-
Pursues mutual development with stakeholders.

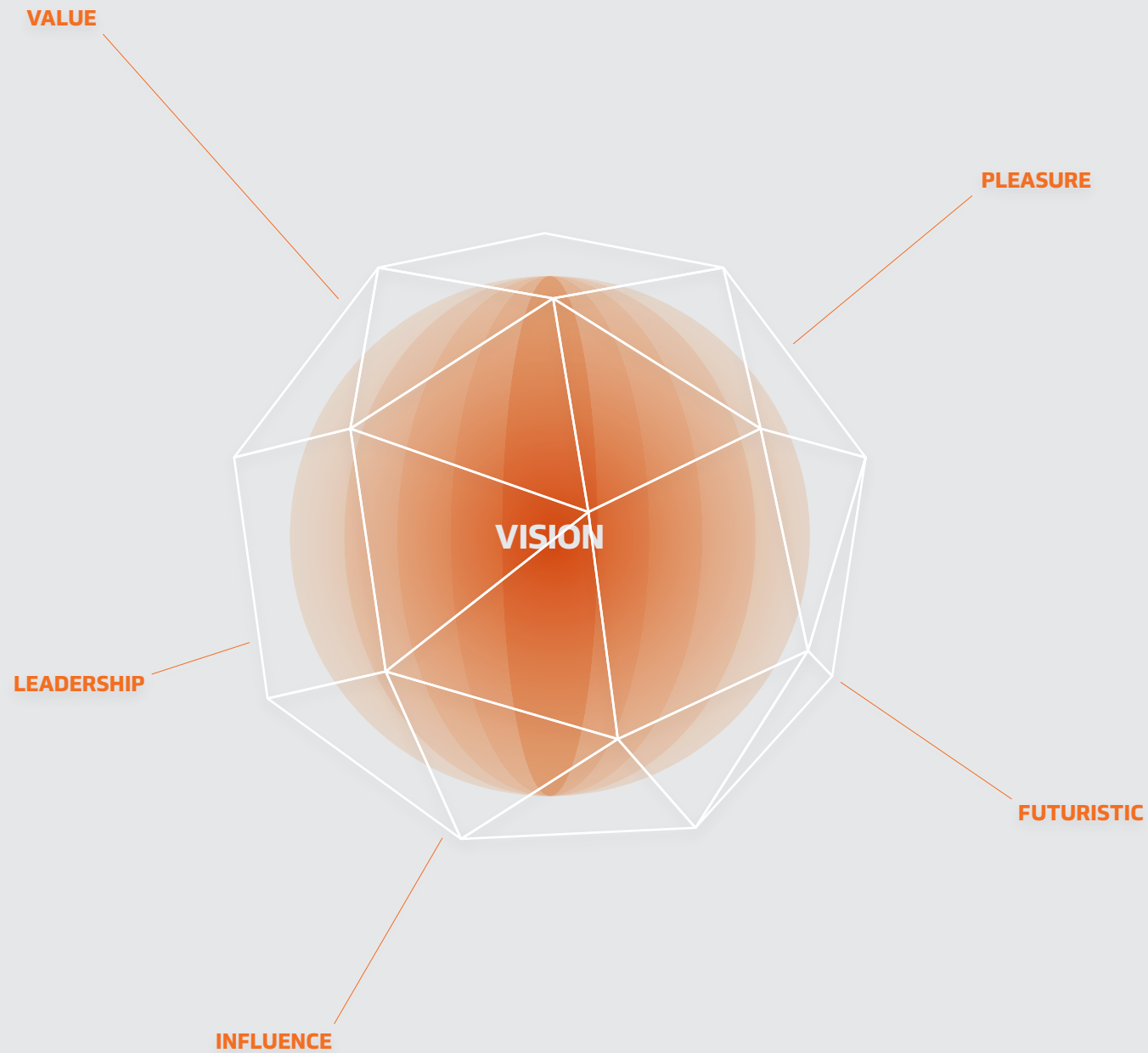
Safeguarding ethics and compliance with regulatory matters is of paramount importance. By conducting business ethically and striving to do the right thing, Hankook Tire develops trust for its brands and earns recognition from shareholders and business partners as a worldclass company. Hankook Tire is committed to uphold its principles with absolute integrity and to do its best to grow as a global tire company that has expertise and competitiveness.

Core Value

At Hankook Tire, everyone is bound together by proactive leadership, a standard which every member of the organization shares that provides a crucial blueprint for fulfilling the corporate mission and vision. Proactive leadership is identified by four essential characteristics: passionate, innovative, trusting, and global. Each characteristic motivates employees to self-evolve and take ownership of their tasks, fulfilling their roles to the best of their abilities.

Proactive leaders are:

-
Passionate: They immerse themselves in their work with an entrepreneurial mind.
-
Innovative: They think creatively and act boldly.
-
Trusting: They communicate actively and maintain integrity.
-
Global: They understands trends and want to be the best in their field.



LEADING GLOBAL TIRE COMPANY

“A Leading Global Tire Company that Provides Customers with Value and Pleasure” is Hankook Tire’s vision for the future which means that the company will lead the tire industry on a global platform under international standards. Hankook Tire’s goal is to make a powerful impact on the global market and to become the ultimate benchmark of top-tier global tire companies.

VISION

Hankook Tire’s vision framework consists of a specific vision, mid-term goal statements, and strategic direction to realize them.

Mid-term Goals

“Moving Forward 2020” is Hankook Tire’s mid-term goal plan for becoming a top-tier brand by 2020. The company will pursue top-notch quality, production, and brand management capabilities that will lead to value-driven growth. “1st in Performance & Quality” is Hankook Tire’s vow to establish product leadership through first-rate R&D and quality competitiveness, and “1st in Productivity” is the company’s goal to secure competitive advantage in costs and profitability, fundamental to tire manufacturing, through continuous management innovation and productivity improvements. The company will cultivate “Hankook Tire,” its corporate name and main brand, to be synonymous with “best performing, top quality premium tires.” The company’s goal is to achieve over five percent global market share and USD 2 billion EBITDA by 2020 through these qualitative improvements.

Moving Forward 2020

| |
|--|
| 1 st in Performance & Quality |
| 1 st in Productivity |
| 1 st Tier Premium Brand |
| Global Sales Market Share 5% |
| EBITDA: Minimum USD 2 billion |

Strategic Direction

The four strategic directions that will help the company achieve its mid-term goals and realize its ultimate vision are as follows:

1. Growth Acceleration

Hankook Tire’s global manufacturing network will continue to improve profitability by optimizing production capacity and streamlining operations. The new Tennessee plant will be a strategic base that will drive the company’s next stage of growth in its North American “home market.” Similar to other competitors in the tire industry that are actively pursuing new investments and mergers and acquisitions to sustain growth, Hankook Tire will also seek diverse M&A opportunities and strategic alliances. It is aiming to develop a new business model by acquiring a global tire distribution network. In addition, it will upgrade its Truck & Bus Radial (TBR) tire business, a core pillar of growth, and accelerate downstreaming of distribution to better satisfy diverse customer needs.

2. Premium Brand Elevation

As a premium brand, the company will concentrate its marketing capabilities and resources on enhancing Hankook Tire’s brand competitiveness and expanding its market share and profitability. The company will also create a steady stream of profits by providing differentiated value to customers through a worldclass mix of large-diameter tires and a more premium and diversified portfolio of OE tires. The company successfully launched its strategic brand, Laufenn, to diversify its brand portfolio and hopes to build the premium value of its existing Hankook Tire brand more quickly through this dual brand strategy.

3. Market-winning Products

With ever-rising expectations for product quality among customers and ever-more stringent performance assessment criteria being used by automotive companies, Hankook Tire is ensuring its sustainable growth on the firm basis of its product quality. In an effort to develop products that satisfy the demands of customers, the company is strengthening its market-sensing function as well as analyzing regional environments and customer bases. The company aims to continually unveil series of market-leading products faster than any competitor through an efficient product development process and through R&D into new technologies required for innovative future products. On top of its quality-first management, Hankook Tire is also pushing for cost reductions in an effort to provide quality products at affordable prices.

4. Innovation DNA

Hankook Tire is injecting a new DNA of innovation deep into its corporate culture. The company is not resting on its laurels by sticking to the successful formulas and core competencies that led to the triumphs of Hankook Tire in the past. Instead, it is pushing ahead with diverse innovations so that the company will continue to grow despite rapid changes in the business environment. While focusing on efficient use of management resources and rationalization of business processes, costs and investments on the one hand, the company will, on the other hand, keep searching for new sources of growth through the adoption of an internal process through which it discovers and responds preemptively to any possible risk.

GLOBAL PRESENCE

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

CHINA

Headquarters 1, Plants 3, Sales Offices 12,
China Technical Center (CTC)

Hankook Tire China Headquarters

10th Floor, Guangqi Tower, 12th Building,
No.1001 Qinzhoubei Road, Xuhui District,
Shanghai, China

Jiangsu Plant

No. 1 South Hantai Road, Huaian Economic
Development Zone, Jiangsu, China

Chongqing Plant

No. 149 Dong Feng, Jiang Bei,
Chongqing, China

Jiaxing Plant

Dong Fang Road, Jiaxing EDZ,
Jiaxing Zhejiang, China

China Technical Center

Dong Fang Road, Jiaxing EDZ,
Jiaxing Zhejiang 314003, China

EUROPE

Headquarters 1, Plant 1,
Sales Subsidiaries 12,
Europe Technical Center (ETC)

Hankook Tire Europe Headquarters

Siemensstrasse 5A,
63263 Neu-Isenburg, Germany

Hungary Plant

H-2459 Hankook tér 1, Rácalmás, Hungary

Europe Technical Center

Reinhold-Schleese Str. 14,
30179 Hannover, Germany

- Regional Headquarters
- Sales Subsidiaries & Sales Offices
- Technical Centers
- Manufacturing Plants

Hankook Tire has divided the entire global market into five regions. Building on a region-specific strategy, the company is generating balanced growth in both advanced and emerging markets. Its sales network currently spans Korea, where the global headquarters is located, China, Europe, the Americas and the Middle East, Africa and Asia-Pacific. This network allows the company to offer various products that meet the preferences of customers in different regions. In addition, Hankook Tire has established dedicated communication channels for the OE tire business (OE offices) in Korea, China, Germany, the US, Japan and Indonesia, thereby forming a close cooperative relationship with the leading global auto brands. The company established its Czech subsidiary in January 2015, further expanding its global footprint.

KOREA

Global Headquarters 1, Plants 2,
Sales Offices 21, Hankook Technodome,
Academy House

Hankook Tire Global Headquarters

133 Teheran-ro (Yeoksam-dong),
Gangnam-gu, Seoul, Korea

Geumsan Plant

1, Geumgang-ro, Jewon-myeon,
Geumsan-gun, Chungcheongnam-do, Korea

Daejeon Plant

40, Daedeok-daero 1447beon-gil,
Daedeok-gu, Daejeon, Korea

Hankook Technodome

50, Yuseong-daero 935beon-gil, Yuseong-gu,
Daejeon, Korea

MIDDLE EAST, AFRICA AND ASIA-PACIFIC

Plant 1, Sales Subsidiaries 6, Sales
Offices 4, Japan Technical Office (JTO)

Indonesia Plant

Jl. Kenari Raya G3-01 Delta Silicon 5
Industrial Park, Desa Cicau, Cikarang Pusat,
Bekasi, Jawa Barat 17550, Indonesia

Hankook Tire Japan Corp.

9th Floor, Naniwasuji Honmachi Mid Bidg.,
2-3-2, Utsubo-Honmachi, Nishi-Ku, Osaka,
550-0004, Japan

AMERICA

Headquarters 1, Plant 1,
Sales Subsidiaries 3, Sales Offices 3,
Regional Offices in the US 7,
America Technical Center (ATC)

Hankook Tire America Headquarters

1450 Valley Road, Wayne,
New Jersey 07470, U.S.A.

America Technical Center

3535 Forest Lake Drive, Uniontown,
Ohio 44685, U.S.A.

Manufacturing Tennessee

2950 International Blvd., Clarksville,
Tennessee 37040, U.S.A.

| | |
|--------------------------------------|--|
| KOREA | Integrated management of global business bases in 30 countries and development of innovative future technologies |
| CHINA | Premium image building through supply expansion and distribution channel diversification |
| EUROPE | Immediate launch of products and services that reflect the needs of advanced markets |
| AMERICA | Market share expansion in the Americas through aggressive marketing investment |
| MIDDLE EAST, AFRICA AND ASIA-PACIFIC | Downstream distribution acceleration by region to establish a base for quantitative and qualitative expansion |

BUSINESS PORTFOLIO

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

Brand Portfolio

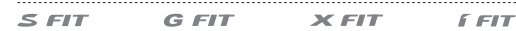
Hankook Tire operates four tire brands, catering to the diverse needs of global customers. The flagship, Hankook, is promoted as the company's premium brand globally, including in Korea. The Laufenn brand targets global customers who seek their own lifestyle and smart consumption. In addition, the company operates the regional specialized brands, Aurora and Kingstar.



The global flagship brand, Hankook, has several sub-brands that cover diverse segments in terms of applications and compatible vehicle types. These are: Ventus (product group for UHP and racing); Optimo (product group for premium sedans); Kinergy (global eco-friendly product line); enfren (Korea's first eco-friendly product line); Dynapro (product group for SUVs); Smart (economy product group sold inside Korea); and Vantra (product group for vans). In addition, winter tire lines are classified as Winter i*pike (studded tires sold globally) and Winter i*cept (studless tires sold globally). These segmented product brands serve the needs of a wide range of customers around the world.



Launched in 2014, Laufenn, the company's new global brand, was inspired by the German word "laufen" which means "to run." The brand aims to serve smart, sensible consumers with a well-rounded range of quality products, which fit a variety of lifestyle needs through timely tire performance upgrades and enhancements. Laufenn was first sold in the US and China in 2015, and will expand sales to Europe, the Middle East and Asia in 2016. Specifically designed for global consumers, the overall Laufenn brand offers diverse product lines including S Fit (high-performance products for high-performance sport driving), G Fit (general-purpose products for passenger cars), X Fit (products for LT and SUVs) and I Fit (winter products).



Aurora, a brand for customers outside Korea, has a product brand named Route Master, or "tires that are masters of the road."



Kingstar is another brand exclusively sold outside Korea. This brand runs the Road Fit product brand, which stands for tires that deliver optimal on-road performance.



Distribution Channel Portfolio

Hankook Tire has completed the construction of an integrated auto-care service system centered on tires in a bid to serve its global customers better in a warm and friendly setting. By establishing over 4,000 distribution channels around the world, Hankook Tire provides quality products and services to customers, thereby expanding global sales service networks.



Korea's No. 1 Premium Total Autocare Shops Focusing on Tires

The T'Station network is the company's premium distribution channel designed to offer top quality services for exceptional customer satisfaction. Leveraging "SMART CARE," T'Station's service mindset, the network informs customers of the importance of tire management – the key to safe driving – while delivering differentiated value as a tire-specialized channel that customers can fully trust. The network has continued to expand since the first T'Station shop opened in January 2005, and a total of 560 shops were in operation at the end of 2016. In 2017, Hankook Tire expects to open its 600th shop. To provide premium total service, T'Station shops are equipped with state-of-the-art systems, such as Road Force Measurement (RFM) equipment, 3D wheel alignment gear, and Ultra-High-Performance (UHP) tire changers.

THE TIRE SHOP

Discount Store for Hankook Tire

The Tire Shop is Hankook Tire's discount store chain, created to respond to increasing demands for low- and medium-priced products. The shops offer a full line of services including tire-installation, tire-change, and wheel-alignment services. At the end of 2016, 280 locations were in operation in Korea.



Global Retail Network

To build an integrated global retail network, Hankook Tire expanded the Hankook Masters Membership, originally set up for European dealers, to include the Middle East and Asia-Pacific regions in 2011. Hankook Masters Membership network now encompasses more than 3,200 retail shops in 10 European countries as well as in China, Saudi Arabia, Australia, Indonesia and other markets. In North America, Hankook Masters is actively communicating with large discount stores and auto dealers while deploying specialized marketing activities for core regional distribution networks, thereby expanding contact points with customers.

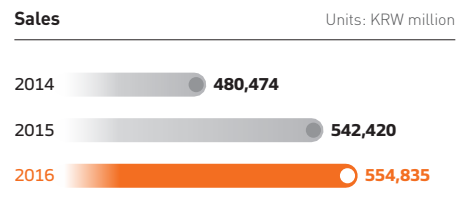


Distribution Network for TBR Tires

TBX is Hankook Tire's distribution network that specializes in the sale and retreading of TBR tires. As of the end of 2016, 530 locations offering up-to-date equipment and dedicated professionals were providing services in Korea and China. In addition, Hankook Tire is running the Hankook Truck Masters network, which provides services exclusively for TBR in major European countries.

AFFILIATES

Hankook Tire has consistently added promising businesses armed with world-class technology to the family of its affiliated companies through prescient investment decisions. The company is now being recognized as a global top-tier tire brand on the quantitative and qualitative strengths of the assets it has acquired.



* K-IFRS, Consolidated total



Since its founding in 1944, ATLASBX has grown as an industry leader in Korea specializing in the manufacturing of batteries through creative innovation and relentlessly challenging the future. Ever since the development of the country's first MF battery in 1982, the company has been investing in R&D to strengthen its competitiveness and keep its innovative spirit alive. In 2013, the company unveiled an ultra-high-performance battery (UHPB) and an AGM battery equipped with idle stop and go functions, and has since been developing a series of premium products with matching performance and quality that maximize customer satisfaction and maintain its competitive edge.

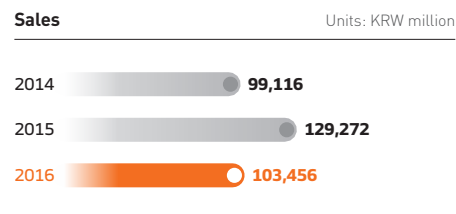
The company expanded production capacity at its Jeonju Plant in 2014 which pushed up its status as a global battery manufacturer with an annual production capacity of up to 13 million. Each and every member of the company is implementing its corporate culture, firmly rooted in proactive leadership, in an effort to create value for customers. With the goal of becoming "A Leading Global Energy Company Growing Together with Our Customers," ATLASBX is opening a new future by committing itself to the principles: "Technology innovation for the best battery; Compassion and consideration for customers and society; and Opening a better future." The company will remain committed to building a sustainable future by creating environment-friendly energy solutions, and to maximize customer satisfaction through better product quality and services.



The Data Systems Division at the Hankook Tire Corporate Headquarters was spun off to create emFrontier in 2000. This integrated IT and automatic engineering expert company, an affiliate of Hankook Tire Group, has grown as a reliable partner of its customers as the company continues to develop innovative solutions that meet market demands.

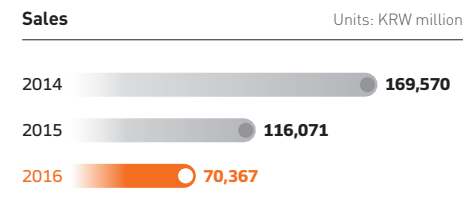
Through extensive research and development of diverse system solutions, the company has acquired optimized IT solutions and experience for SCM and MES. In particular, the company's SCM solution won a series of prominent awards including Grand Prize in the Korea Software Enterprise Competitiveness Awards, the Korea Logistics Grand Awards (Korea Logistics Society), and the Best Solution Awards (HITECH), solidifying its unrivaled leadership in the SCM field in Korea.

Such proven excellence and experience in the solution business helped the company to expand its operations to the smart logistics and smart factories business in preparation for the fourth industrial revolution. Based on its advanced business system and global competency, the company is helping customers both in Korea and overseas to innovate their business processes and create value.



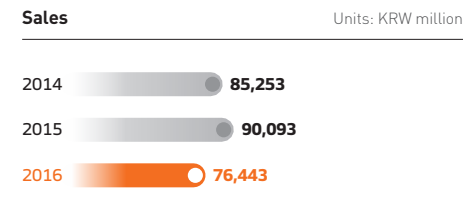
Daehwa Engineering & Machinery was established in 1992 as a builder of essential machines used in tire manufacturing. The company's own research center developed in-house technologies including tire molding machines, curing presses, uniformity testers for mid-sized and large TBR tires, high-speed driving performance testers for UHP tires, RMP electrification machines, high speed friction testers, and rheometers.

Following the establishment of a Chinese subsidiary to make inroads into global markets in 2004, the company took over Hankook Tire's bead operations in 2007 and obtained ISO 9001 certification for its world-class quality management systems in 2009. In addition, it got KOSHA/K-OHSMS 18001 certification for its safety and health management system in 2016 and developed diverse high-end equipment, such as a proprietary curing press and UnD inspection equipment in 2014, unmanned tire molding machines in 2015, and a high-output molding machine (PS-601) and high-speed, high-quality G.TRC in 2016. Daehwa Engineering & Machinery is growing into a leading tire equipment manufacturer through continuous technological innovation.



Established in 1973, MK Technology has led Korea's tire mold, tire-curing container, and precision parts industry. With proprietary casting and five-axis precision milling technologies, the company has mapped its own original technology roadmap. Thanks to its technological expertise, MK Technology has grown over the years by supplying molds to Hankook Tire and other global tire companies and became a Hankook Tire affiliate in 2011.

Following the acquisition of metal 3D printers in 2015 and laser processing technology in 2016, MK Technology began to create products that can incorporate complex design patterns, such as fine serration, and express textures that are difficult to emulate through CNC processing. The company continues to explore and develop new tire technologies that better satisfy customers' needs and is growing steadily as a leader of tire molding technology.



Hankook Tire is building a sustainable future with a transparent management structure and stable financial framework. It is committed to becoming a trusted partner to all stakeholders by growing corporate value.

Financial Report



I. COMPANY OVERVIEW

1. Purpose

1. Manufacture, recycling, processing and sale of automotive tires, tubes and parts;
2. Manufacture and sale of rubber products and special chemical products;
3. Technology services related to the manufacture of a variety of tires and other rubber products;
4. Manufacture and sale of storage batteries;
5. Manufacture and sale of automotive parts;
6. Maintenance and repair of automobiles;
7. Manufacture, assembly, lease and sale of machinery, industrial equipment and components;
8. Housing business as well as the sale and rental of residential buildings;
9. Development, sale, purchase and rental of real estate;
10. Transportation, transportation-related services, storage and warehousing;
11. Import and export business as well as wholesale and retail;
12. Manufacture and sale of new materials and non-metal products;
13. Manufacture, assembly and sale of transportation equipment and parts;
14. Collection and disposal of wastes;
15. Gas stations;
16. Educational services;
17. Internet business as well as information and communications business;
18. Sports facilities, golf facilities and comprehensive leisure business;
19. Sale of intangible assets including knowledge and information held by the company as well as services related to the business;
20. Electronic commerce and related services;
21. Development, manufacture and sale of fuel cell separator plates as well as related research services;
22. And any and all other businesses incidental to any of the foregoing.

2. Primary Business

Manufacture, recycling, processing and sale of automotive tires, tubes and parts

3. Business Sites and Plants

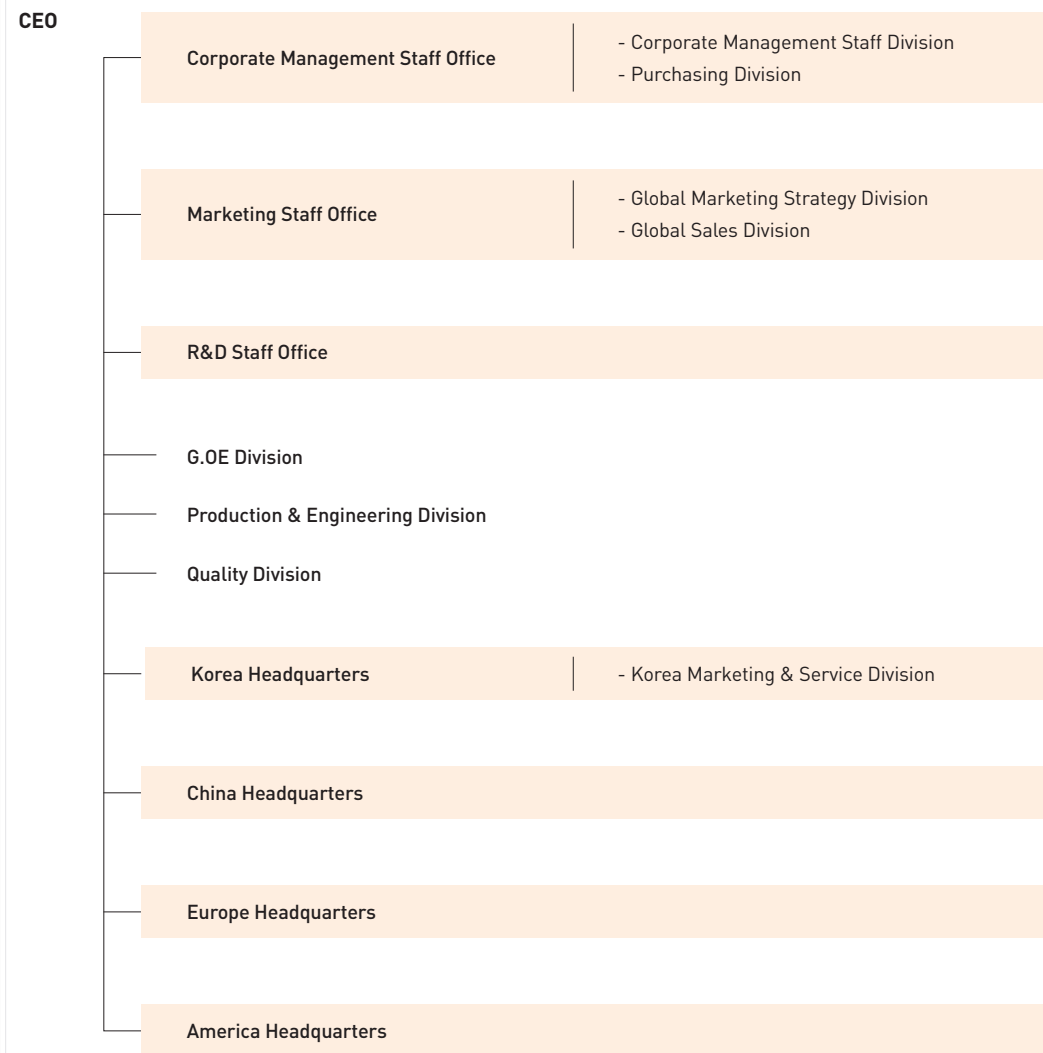
| Name of Business Site / Plant | Main Business Activity or Product | Location |
|---|-----------------------------------|--|
| Headquarters | Sales and administration | 133 Teheran-ro (Yeoksam 1-dong), Gangnam-gu, Seoul, Korea |
| Daejeon Plant | Tire manufacturing | 40, Daedeok-daero 1447beon-gil, Daedeok-gu, Daejeon, Korea |
| Geumsan Plant | Tire manufacturing | 1, Geumgang-ro, Jewon-myeon, Geumsan-gun, Chungcheongnam-do, Korea |
| Main R&D Center | Technology research | 112, Gajeongbuk-ro (23-1 Jang-dong), Yuseong-gu, Daejeon, Korea |
| Hankook Technodome | Technology research | 50, Yuseong-daero 935beon-gil, Yuseong-gu, Daejeon, Korea |
| 32 sales offices and distribution centers in Korea including the Gangnam Office | Tire sales | 456, Dogok-ro, Songpa-gu, Seoul, Korea and other locations |
| 27 overseas subsidiaries and sales offices including the Jeddah Office | Tire sales | P.O. Box 5922, Jeddah 21432, Kingdom of Saudi Arabia and other locations |
| Overseas technology centers and technology offices (4 including ATC) | Technology research | 3535 Forest Lake Drive Uniontown, Ohio 44685 and other locations |

* Based on Separate Financial Statement (Korea)

4. Employees Number of employees

| Directors | Office Staff | Operators | Total |
|-----------|--------------|-----------|-------|
| 34 | 2,206 | 4,715 | 6,955 |

5. Organizational Structure



6. Stock Information

① Type and Number of Shares Issued

Korean won in thousands, except number of shares

| Type of Stock | Number of Shares | Amount | Ratio (%) | Remarks |
|---------------|--------------------|-------------------|------------|---------|
| Common stock | 123,875,069 | 61,937,535 | 100 | |
| Total | 123,875,069 | 61,937,535 | 100 | |

② Changes in Capital Stock

Korean won in thousands, except number of shares

| Date | Type of Stock | Number of Shares | Capital Increase (Decrease) Amount | Capital Stock after Capital Increase (Decrease) | Description |
|------------|---------------|------------------|------------------------------------|---|------------------------------------|
| 2012.09.01 | Common stock | 123,875,069 | 61,937,535 | 61,937,535 | Newly established through spin-off |

③ Stock Administration

| | | | | | |
|------------------------------------|--|---|-------------|--|--|
| Closing Date | December 31 | | | | |
| Book Closure Period | January 1 to January 31 | Record Date | December 31 | | |
| Announcement | www.hankooktire.com / Seoul Economic Daily | | | | |
| Type of Stock | Registered common stock | | | | |
| Stock Administration Agency | Name of Agent | Korea Securities Depository | | | |
| | Administrative Office | 40, Munhyeongeumyung-ro (Munhyeon-dong, Busan International Finance Center), Nam-gu, Busan, Korea | | | |

7. Debenture Information

Korean won in thousands

| Type | Issue Date | Issue Amount | Annual Interest Rate | Balance | Maturity Date | Guarantor |
|--|-------------------|--------------------|----------------------|--------------------|-------------------|-----------|
| Non-guaranteed debenture No. 81-2 | February 21, 2012 | 70,000,000 | 4.06% | 70,000,000 | February 21, 2017 | - |
| Non-guaranteed debenture No. 82 (foreign currency) | September 1, 2014 | 60,425,000 | LIBOR +0.83% | 60,425,000 | September 1, 2017 | - |
| Non-guaranteed debenture No. 83-1 | March 12, 2015 | 250,000,000 | 2.05% | 250,000,000 | March 12, 2018 | - |
| Non-guaranteed debenture No. 83-2 | March 12, 2015 | 250,000,000 | 2.23% | 250,000,000 | March 12, 2020 | - |
| Total | | 630,425,000 | | 630,425,000 | | |

II. PROGRESS AND RESULTS OF OPERATIONS

1. Business Overview

See the "CEO's Message"

2. Production Status by Main Business Units or Products

Korean won in thousands, except quantity data

| Business Unit / Product | Production Status | | | |
|-------------------------|--------------------------|----------------------|--------------------------|----------------------|
| | Actual Production (2016) | | Actual Production (2015) | |
| | Quantity | Value | Quantity | Value |
| Tires | 40,077,669 | 1,918,580,922 | 41,652,119 | 2,044,031,088 |
| Total | 40,077,669 | 1,918,580,922 | 41,652,119 | 2,044,031,088 |

3. Sales Performance

Korean won in thousands

| Type of Sales | | Sales Status | | |
|----------------|--|-----------------|----------------------|----------------------|
| | | | Year 2016 | Year 2015 |
| | | | | |
| Finished Goods | Tires | Domestic sales | 969,201,445 | 1,101,721,752 |
| | | Exports | 2,084,549,442 | 2,029,470,962 |
| | | Subtotal | 3,053,750,887 | 3,131,192,714 |
| | | | | |
| Trading Goods | Tires, tubes, batteries, etc. | Domestic sales | 161,794,305 | 155,860,436 |
| | | Exports | 93,520,867 | 68,245,945 |
| | | Subtotal | 255,315,172 | 224,106,381 |
| | | | | |
| Other Sales | Services, engineering services, leases, etc. | Domestic sales | 3,097,164 | 3,117,872 |
| | | Exports | - | - |
| | | Subtotal | 3,097,164 | 3,117,872 |
| | | | | |
| Total | | Domestic sales | 1,134,092,914 | 1,260,700,060 |
| | | Exports | 2,178,070,309 | 2,097,716,907 |
| | | Subtotal | 3,312,163,223 | 3,358,416,967 |

4. Major Facility Constructions, Expansions and Financing

① Expansions

Korean won in thousands

| Site | Investment Purpose | Investment Duration | Investment Size |
|--------------|-------------------------------|-----------------------|--------------------|
| Hankook Tire | Ability improvement | 2016.01.01~2016.12.31 | 4,254,719 |
| | Price improvement | 2016.01.01~2016.12.31 | 1,119,581 |
| | Supplementation investment | 2016.01.01~2016.12.31 | 42,545,628 |
| | R&D | 2016.01.01~2016.12.31 | 55,261,291 |
| | IT investment | 2016.01.01~2016.12.31 | 12,195,760 |
| | Facility expansion investment | 2016.01.01~2016.12.31 | 114,481,000 |
| | Quality improvement | 2016.01.01~2016.12.31 | 14,129,961 |
| | Others | 2016.01.01~2016.12.31 | 24,315,977 |
| Total | | | 268,303,916 |

② Funds Required and Financing Details

Korean won in thousands

| Classification | Funding Source | Amount | Remarks |
|-------------------------|-----------------------------|--------------------|---------|
| Domestic Funds | Facility funds | - | |
| | Corporate bonds | - | |
| | Internal funds | 268,303,916 | |
| | Total domestic funds | 268,303,916 | |
| Overseas Funds | Loans in foreign currencies | - | |
| | Internal funds | - | |
| | Total overseas funds | - | |
| Investment Total | Total funds raised | 268,303,916 | |

III. SNAPSHOT OF PARENT COMPANY, SUBSIDIARIES, AND AFFILIATED COMPANIES

1. Status of the Parent Company

Not Applicable.

2. Status of the Subsidiaries

| Company Name | Location | Subsidiary Capital Stock | Primary Business | Relationship with the Company | | |
|--------------------------------------|---|-----------------------------|---------------------|-------------------------------|------------------|--------------------------|
| | | | | Shareholding (Shares) | Ownership (%) | Business Relationship |
| Hankook Tire America Corp. | 1450 Valley Road, Wayne, New Jersey 07470, U.S.A. | USD 178,000,000.00 | Tire sales | 35,600 | 100.00 | Tire sales |
| Hankook Tire Canada Corp. | 30 Resolution Drive, Brampton, ON, L6W 0A3, Canada | CAD 50,000.00 | Tire sales | 50,000 | 100.00 | Tire sales |
| Hankook Tire de Mexico, S.A. de C.V. | Paseo de las Palmas 735, Piso 7, Col. Lomas de Chapultepec, c.p. 11000, Mexico, D.F | MXN 3,600,000.00 | Tire sales | 9,999 | 99.99 | Tire sales |
| Hankook Tire de Colombia Ltda. | Av. 19 # 97 - 05, Oficina 701, Bogota, Colombia | COP 203,500,000.00 | Tire sales | 999 | 99.99 | Tire sales |
| Hankook Tire Europe Holdings B.V. | Beech Avenue 102,1119 PP Schiphol-Rijk, The Netherlands | EUR 39,025,300.00 | Holding company | 390,253 | 100.00 | Others |
| Hankook Tire Netherlands B.V. | Koerilenstraat 2-6, 3199 LR Maasvlakte Rotterdam, Havennummer 8625, the Netherlands | EUR 1,593,676.12 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tyre U.K. Ltd. | Fawsley Drive, Heartlands Business Park, Daventry, Northamptonshire, NN11 8UG, U.K. | GBP 25,000.00 | Tire sales | 25,000 | 100.00 | Tire sales |
| Hankook Reifen Deutschland GmbH | Siemensstrasse 5a, 63263 Neu-Isenburg, Germany | EUR 127,822.97 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tire France S.A.R.L. | Immeuble Le Patio, 35-37 rue Louis Guérin 69100 Villeurbanne, France | EUR 1,190,561.27 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook España S.A. | Avda. de las Industrias, No.4 Edificio 3, 2-D Parque Empresarial Natea, 28108 Alcobendas, Spain | EUR 60,101.21 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tire Japan Corp. | 9F Naniwasuji Honmachi MID Bldg., 2-3-2, Utsubo-honmachi, Nishi-ku, Osaka 550-0004 Japan | JPY 100,000,000.00 | Tire sales | 2,000 | 100.00 | Tire sales |
| Hankook Tyre Australia Pty., Ltd. | Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia | AUD 1,575,000.00 | Tire sales | (*) | 100.00 | Tire sales |

| Company Name | Location | Subsidiary Capital Stock | Primary Business | Relationship with the Company | | |
|--|---|-----------------------------|-------------------------|-------------------------------|------------------|--------------------------|
| | | | | Shareholding (Shares) | Ownership (%) | Business Relationship |
| PT. Hankook Tire Indonesia | Jl. Kenari Raya Blok G3-01, Delta Silicon 5 Industrial Park, Desa Cicau-Kec., Cikarang Pusat, Bekasi, Jawa Barat 17550, Indonesia | USD 271,000,000.00 | Tire manufacturing | 270,999 | 99.99 | Tire sales |
| Hankook Tire Thailand Co., Ltd. | 11th Floor, Two Pacific Place Bldg. 142 Sukhumvit Rd., Klongtoey, Bangkok 10110, Thailand | THB 103,000,000.00 | Tire sales | 1,029,998 | 99.99 | Tire sales |
| Hankook Tire Malaysia Sdn. Bhd. | 22-8, Menara 1MK, Kompleks 1 Mont'Kiara, No.1 Jalan Kiara, Mont'Kiara, 50480 Kuala Lumpur, Malaysia | MYR 1,218,440.00 | Tire sales | 1,000,000 | 100.00 | Tire sales |
| Hankook Tire Singapore PTE., Ltd. | 24 Raffles Place, #11-05 Clifford Centre, Singapore 048621 | USD 1,000,000.00 | Tire sales | (*) | 100.00 | Tire sales |
| Hankook Tire China Co., Ltd. | Dong Fang Road, Jiaxing EDZ, Jiaxing, Zhejiang 314003, China | CNY 1,608,696,155.83 | Tire manufacturing | (*) | 96.37 | Tire sales |
| Jiangsu Hankook Tire Co., Ltd. | No.1 South Hantai Road, Huaian Economic Development Zone, Jiangsu, China | CNY 1,575,973,631.23 | Tire manufacturing | (*) | 34.67 | Tire sales |
| Chongqing Hankook Tire Co., Ltd. | NO.149 Dongfeng Road, Jiangbei Zone, Chongqing, China 401133 | CNY 1,346,432,000.20 | Tire manufacturing | (*) | 100.00 | Tire sales |
| MK Technology Co., Ltd. | 45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea | KRW 7,006,800,000 | Mold manufacturing | 3,507,000 | 50.10 | Mold sales |
| Daehwa Engineering & Machinery Co., Ltd. | 30, Daehwa-ro 52beon-gil, Daedeok-gu, Daejeon, Korea | KRW 2,000,000,000 | Machinery manufacturing | 380,000 | 95.00 | Equipment sales |
| Hankook Donggeurami Partners Co., Ltd. | 40, Daedeok-daero 1447beon-gil, Daedeok-gu, Daejeon, Korea | KRW 900,000,000 | Retailing | 1,800,000 | 100.00 | Others |
| HK Motors Co., Ltd. | 175, Yangjaecheon-ro, Gangnam-gu, Seoul, Korea | KRW 990,000,000 | Vehicle maintenance | 1,980,000 | 100.00 | Others |

3. Interlocking Directors between Parent and Subsidiary Companies

| Director Holding Multiple Positions | | Interlocked Company | | |
|-------------------------------------|-----------------------|--------------------------------|----------|------------------------|
| Name | Position | Company Name | Position | Remarks |
| Han Jun Kim | Senior Vice President | Daehwa Engineering & Machinery | Auditor | |
| | | MK Technology | Auditor | |
| | | Hankook Donggeurami Partners | Auditor | |
| Young Song | Vice President | Daehwa Engineering & Machinery | Director | Non-executive Director |
| Tae Hwan Lee | Vice President | HK Motors Co., Ltd. | Director | |

IV. FUTURE CHALLENGES

See the "CEO's Message"

V. DIRECTORS AND AUDITORS

| Executive / Non-executive | Name | Position | Key Responsibility | Transactions with the Company | Remarks |
|---------------------------|-----------------|--|-------------------------|-------------------------------|---------|
| Executive | Seung Hwa Suh | Representative Director, Vice Chairman (Inside director) | Chief Executive Officer | - | |
| Executive | Hyun Bum Cho | President (Inside director) | Chief Executive Officer | - | |
| Non-executive | Kun Ho Cho | Audit Committee Chairman (Outside director) | Auditor | - | |
| Non-executive | Chung Hwan Cho | Audit Committee Member (Outside director) | Auditor | - | |
| Non-executive | Seong Phil Hong | Audit Committee Member (Outside director) | Auditor | - | |

As of December 31, 2016

VI. MAJOR SHAREHOLDERS

| Shareholder Name | Shareholding (Shares) | Ownership (%) | Transactions with the Company | Remarks |
|---|-----------------------|---------------|-------------------------------|---------|
| Hankook Tire Worldwide Co., Ltd. and others | 52,713,842 | 42.55 | - | |
| National Pension Service | 8,027,348 | 6.48 | - | |
| The Government of Singapore | 2,299,292 | 1.86 | - | |
| The Sanderson International Value Fund | 1,364,645 | 1.10 | - | |
| Monetary Authority of Singapore | 1,299,000 | 1.05 | - | |

VII. INVESTMENTS IN OTHER COMPANIES

| Other Companies (Investee) | Investor | Investment in Other Companies | | Investment by Other Companies in the Company | |
|---|---------------------------------------|-------------------------------|---------------|--|---------------|
| | | Shareholding (Shares) | Ownership (%) | Shareholding (Shares) | Ownership (%) |
| Hankook Tire America Corp. | Hankook Tire Co., Ltd. | 35,600 | 100.00 | - | - |
| Hankook Tire Canada Corp. | Hankook Tire Co., Ltd. | 50,000 | 100.00 | - | - |
| Hankook Tire de Mexico, S.A. de C.V. | Hankook Tire Co., Ltd. | 9,999 | 99.99 | - | - |
| | Hankook Tire America Corp. | 1 | 0.01 | - | - |
| Hankook Tire de Colombia Ltda. | Hankook Tire Co., Ltd. | 999 | 99.90 | - | - |
| | Hankook Tire America Corp. | 1 | 0.10 | - | - |
| Hankook Tire Manufacturing Tennessee LP | Hankook Tire America Holdings I, LLC | 340 | 1.00 | - | - |
| | Hankook Tire America Holdings II, LLC | 33,660 | 99.00 | - | - |
| Hankook Tire America Holdings I, LLC | Hankook Tire America Corp. | 342 | 100.00 | - | - |
| Hankook Tire America Holdings II, LLC | Hankook Tire America Corp. | 33,662 | 100.00 | - | - |
| Hankook Tire Europe Holdings B.V. | Hankook Tire Co., Ltd. | 390,253 | 100.00 | - | - |
| Hankook Tire Netherlands B.V. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| Hankook Tyre U.K. Ltd. | Hankook Tire Co., Ltd. | 25,000 | 100.00 | - | - |
| Hankook Reifen Deutschland GmbH | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| Hankook Tire France S.A.R.L. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| Hankook Tire Italia S.R.L. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook España S.A. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| Hankook Tire Europe GmbH | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Hungary Ltd. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Budapest Kereskedelmi Kft. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Rus LLC | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Sweden AB | Hankook Tire Europe Holdings B.V. | 500 | 100.00 | - | - |
| Hankook Lastikleri A.S. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Polska Sp. z o.o. | Hankook Tire Europe Holdings B.V. | 100 | 100.00 | - | - |
| Hankook Tire Česká Republika s.r.o. | Hankook Tire Europe Holdings B.V. | (*) | 100.00 | - | - |
| Hankook Tire Japan Corp. | Hankook Tire Co., Ltd. | 2,000 | 100.00 | - | - |
| Hankook Tyre Australia Pty., Ltd. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| PT Hankook Tire Indonesia | Hankook Tire Co., Ltd. | 270,999 | 99.99 | - | - |
| Hankook Tire Thailand Co.,Ltd. | Hankook Tire Co., Ltd. | 1,029,998 | 99.99 | - | - |
| | Hankook Tire Singapore PTE., Ltd. | 1 | 0.01 | - | - |
| Hankook Tire Malaysia Sdn. Bhd. | Hankook Tire Co., Ltd. | 1,000,000 | 100.00 | - | - |
| Hankook Tire Singapore PTE., Ltd. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| | Hankook Tire Co., Ltd. | (*) | 96.37 | - | - |
| Hankook Tire China Co., Ltd. | Hankook Tire America Corp. | (*) | 3.63 | - | - |
| | Hankook Tire Co., Ltd. | (*) | 34.67 | - | - |
| Jiangsu Hankook Tire Co., Ltd. | Hankook Tire China Co., Ltd. | (*) | 64.86 | - | - |
| | Hankook Tire America Corp. | (*) | 0.47 | - | - |
| Shanghai Hankook Tire Sales Co., Ltd. | Hankook Tire China Co., Ltd. | (*) | 66.00 | - | - |
| | Jiangsu Hankook Tire Co., Ltd. | (*) | 34.00 | - | - |

| Other Companies (Investee) | Investor | Investment in Other Companies | | Investment by Other Companies in the Company | |
|---|--|-------------------------------|---------------|--|---------------|
| | | Shareholding (Shares) | Ownership (%) | Shareholding (Shares) | Ownership (%) |
| Chongqing Hankook Tire Co., Ltd. | Hankook Tire Co., Ltd. | (*) | 100.00 | - | - |
| Beijing Jielun Trading Company Co., Ltd. | Shanghai Hankook Tire Sales Co., Ltd. | (*) | 100.00 | - | - |
| MK Technology Co., Ltd. | Hankook Tire Co., Ltd. | 3,507,000 | 50.10 | - | - |
| MK Mold (Jiaxing) Co., Ltd. | MK Technology Co., Ltd. | (*) | 100.00 | - | - |
| MK Technology (Chongqing) Mould Co., Ltd. | MK Technology Co., Ltd. | (*) | 100.00 | - | - |
| Daehwa Engineering & Machinery Co., Ltd. | Hankook Tire Co., Ltd. | 380,000 | 95.00 | - | - |
| Hankook Donggeurami Partners Co., Ltd. | Hankook Tire Co., Ltd. | 1,800,000 | 100.00 | - | - |
| Daehwa Eng. & Machinery Jiaxing Co., Ltd. | Daehwa Engineering & Machinery Co., Ltd. | (*) | 15.00 | - | - |
| Hanon Systems | Hankook Tire Co., Ltd. | 104,031,000 | 19.49 | - | - |
| HK Motors Co., Ltd. | Hankook Tire Co., Ltd. | 1,980,000 | 100.00 | - | - |

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

VIII. MAJOR CREDITORS

Not Applicable.

IX. SUBSEQUENT EVENTS

In February 2017, the company acquired a 100% stake in JAX Tyres, an Australian tire retail chain, to enhance competitiveness in B2C distribution.

X. OTHER IMPORTANT EVENTS

Not Applicable.

XI. AUDIT COMMITTEE'S REPORT

The Audit Committee has completed an audit of the Company's accounting records and business operations for its third fiscal year that started on January 1, 2016 and ended on December 31, 2016 and the results are as follows:

1. Audit Methodology Overview

Accounting ledgers, related documents, financial statements and supplementary schedules were closely reviewed for the purpose of the accounting audit. The Committee made comparisons, performed due diligence, called on relevant personnel, raised inquiries and took other appropriate audit procedures, if deemed necessary.

To audit business operations, the Committee Members attended Board of Directors' meetings and other important meetings; asked directors for operational reports if found necessary; read and closely reviewed documents related to key business processes and took other appropriate measures.

2. Statement of Financial Position, Income Statement and Cash Flow Statement

Hankook Tire's property, profits and losses as well as cash flows are accurately presented in its statement of financial position, income statement and cash flow statement according to relevant laws and regulations as well as its Articles of Incorporation.

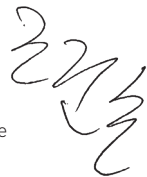
3. Statement of Appropriations of Retained Earnings

The Statement of Appropriations of Retained Earnings is in line with relevant laws and regulations as well as the Company's Articles of Incorporation. It also presents the Company's financial status and other conditions appropriately.

4. Operating Reports

Operating reports accurately capture the Company's circumstances according to relevant laws and regulations as well as its Articles of Incorporation.

March 7, 2017
Kun Ho Cho
Hankook Tire
Chairman
Audit Committee



XII. INDEPENDENT AUDITOR'S REPORT

1. Separate Financial Statements

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

We have audited the accompanying financial statements of Hankook Tire Co., Ltd. (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Korean IFRS.

Other Matters

The financial statements of Hankook Tire Co., Ltd. for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on March 17, 2016.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.



Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

2. Consolidated Financial Statements

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

We have audited the accompanying consolidated financial statements of Hankook Tire Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hankook Tire Co., Ltd. and its subsidiaries as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean IFRS.

Other Matters

The consolidated financial statements of Hankook Tire Co., Ltd. and its subsidiaries for the year ended December 31, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on March 17, 2016.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.



Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

XIII. FINANCIAL STATEMENTS

1. Separate Statements of Financial Position

Korean won in thousands

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 72,963,541 | 216,889,941 |
| Short-term financial assets | 94,181,814 | 30,066,914 |
| Financial assets at fair value through profit or loss | - | 40,000,000 |
| Trade and other receivables | 1,032,507,929 | 938,585,627 |
| Inventories | 349,874,862 | 378,272,465 |
| Other financial assets | 312,699,850 | 97,938,137 |
| Other current assets | 11,935,609 | 9,278,917 |
| | 1,874,163,605 | 1,711,032,001 |
| Non-current Assets | | |
| Long-term financial assets | 12,000 | 12,000 |
| Available-for-sale financial assets | 389,865 | 389,865 |
| Investments in associates | 1,061,740,386 | 1,061,740,386 |
| Investments in subsidiaries | 1,267,875,436 | 1,231,803,436 |
| Property, plant and equipment | 1,545,616,412 | 1,500,907,051 |
| Investment properties | 109,004,831 | 107,190,417 |
| Intangible assets | 33,232,398 | 26,063,026 |
| Other financial assets | 19,255,119 | 230,061,693 |
| Other non-current assets | 57,476,980 | 40,155,756 |
| | 4,094,603,427 | 4,198,323,630 |
| Total Assets | 5,968,767,032 | 5,909,355,631 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | 482,884,437 | 609,887,179 |
| Borrowings | 697,439,339 | 733,551,730 |
| Current tax liabilities | 83,525,356 | 55,917,272 |
| Other provisions | 41,642,810 | 42,489,127 |
| Other financial liabilities | 8,546,063 | 7,697,024 |
| Other current liabilities | 45,948,715 | 36,193,375 |
| | 1,359,986,720 | 1,485,735,707 |
| Non-current Liabilities | | |
| Borrowings | 499,724,432 | 663,081,621 |
| Net defined benefit liabilities | 13,496,153 | 25,513,263 |
| Deferred tax liabilities | 1,151,948 | 11,921,619 |
| Provisions | 20,408,794 | 20,477,604 |
| Other financial liabilities | 5,655,063 | 5,241,039 |
| Other non-current liabilities | 17,344,864 | 15,078,149 |
| | 557,781,254 | 741,313,295 |
| Total Liabilities | 1,917,767,974 | 2,227,049,002 |
| Equity | | |
| Share capital | 61,937,535 | 61,937,535 |
| Other paid-in capital | 2,457,107,991 | 2,457,107,991 |
| Retained earnings | 1,531,953,532 | 1,163,261,103 |
| Total Equity | 4,050,999,058 | 3,682,306,629 |
| Total Liabilities and Equity | 5,968,767,032 | 5,909,355,631 |

2. Separate Statements of Comprehensive Income

Korean won in thousands, except per share data

| | 2016 | 2015 |
|--|------------------------|------------------------|
| Sales | 3,312,163,223 | 3,358,416,967 |
| Cost of sales | (2,146,707,772) | (2,229,179,664) |
| Gross Profit | 1,165,455,451 | 1,129,237,303 |
| Selling and administrative expenses | (656,092,521) | (683,468,912) |
| Research and development expenses | (151,544,769) | (134,309,769) |
| Operating Profit | 357,818,161 | 311,458,622 |
| Finance income | 83,444,468 | 98,196,811 |
| Finance costs | (117,369,770) | (104,414,885) |
| Other non-operating income | 342,409,767 | 266,777,329 |
| Other non-operating expense | (99,457,728) | (103,755,755) |
| Profit before Income Tax | 566,844,898 | 468,262,122 |
| Income tax expense | (141,888,743) | (116,067,388) |
| Profit for the Period | 424,956,155 | 352,194,734 |
| Other Comprehensive Income | | |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Remeasurements of net defined benefit liabilities | (6,722,654) | (14,664,985) |
| Other Comprehensive Income for the Period, Net of Tax | (6,722,654) | (14,664,985) |
| Total Comprehensive Income (Loss) for the Period | 418,233,501 | 337,529,749 |
| Earnings per Share | | |
| Basic and diluted earnings per share | 3,431 | 2,844 |

3. Separate Statements of Changes in Equity

Korean won in thousands

| | Share Capital | Other Paid-in Capital | | | Retained Earnings | Total Equity |
|---|-------------------|-----------------------|---------------------|--------------------|----------------------|----------------------|
| | | Share Premium | Other Share Premium | Treasury Shares | | |
| Balance as of January 1, 2015 | 61,937,535 | 2,459,062,742 | - | (1,088,018) | 875,272,426 | 3,395,184,685 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 352,194,734 | 352,194,734 |
| Remeasurements of net defined benefit liabilities | - | - | - | - | (14,664,984) | (14,664,984) |
| Transactions with owners : | | | | | | |
| Annual dividends | - | - | - | - | (49,541,072) | (49,541,072) |
| Business combination | - | - | (866,734) | - | - | (866,734) |
| Balance at December 31, 2015 | 61,937,535 | 2,459,062,742 | (866,734) | (1,088,018) | 1,163,261,104 | 3,682,306,629 |
| Balance as of January 1, 2016 | | | | | | |
| Balance as of January 1, 2016 | 61,937,535 | 2,459,062,742 | (866,734) | (1,088,018) | 1,163,261,104 | 3,682,306,629 |
| Total comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 424,956,155 | 424,956,155 |
| Remeasurements of net defined benefit liabilities | - | - | - | - | (6,722,654) | (6,722,654) |
| Transactions with owners : | | | | | | |
| Annual dividends | - | - | - | - | (49,541,072) | (49,541,072) |
| Balance at December 31, 2016 | 61,937,535 | 2,459,062,742 | (866,734) | (1,088,018) | 1,531,953,533 | 4,050,999,058 |

4. Notes to the Separate Financial Statements

Korean won

| | 2016 | 2015 |
|---|--------------------------|--------------------------|
| 1. Retained Earnings before Appropriation | | |
| Unappropriated retained earnings carried over from prior year | 1,009,903,601,680 | 747,869,032,127 |
| Profit for the period | 424,956,154,894 | 352,194,733,603 |
| Remeasurements of net defined benefit liabilities | (6,722,653,418) | (14,664,984,410) |
| | 1,428,137,103,156 | 1,085,398,781,320 |
| 2. Appropriation of Retained Earnings | | |
| Dividend equalization reserve | 10,000,000,000 | 10,000,000,000 |
| Director's retirement bonus reserve | 1,000,000,000 | 1,000,000,000 |
| Voluntary reserve | 10,000,000,000 | 10,000,000,000 |
| Legal reserve | 4,954,107,240 | 4,954,107,240 |
| Cash dividends (Dividends per share: 2016: ₩400 (80%) 2015: ₩400 (80%)) | 49,541,072,400 | 49,541,072,400 |
| | 75,495,179,640 | 75,495,179,640 |
| 3. Unappropriated Retained Earnings to be Carried Forward to Subsequent Year | 1,352,641,923,516 | 1,009,903,601,680 |

5. Separate Statements of Cash Flows

Korean won in thousands

| | 2016 | 2015 |
|---|----------------------|------------------------|
| Cash Flows from Operating Activities | | |
| Cash generated from operating activities | | |
| Profit for the period | 424,956,155 | 352,194,734 |
| Adjustments | 385,140,929 | 423,787,203 |
| Changes in operating assets and liabilities | (241,257,079) | (23,747,955) |
| | 568,840,005 | 752,233,982 |
| Interest received | 7,564,484 | 11,612,747 |
| Interest paid | (24,490,515) | (15,761,739) |
| Income tax paid | (110,559,095) | (145,435,528) |
| Dividends received | 35,786,664 | - |
| Net Cash Inflow from Operating Activities | 477,141,543 | 602,649,462 |
| Cash Flows from Investing Activities | | |
| Net change in short-term financial assets | (62,169,950) | 258,515,426 |
| Net change in financial assets at fair value through profit or loss | 40,000,000 | 15,000,000 |
| Payments for available-for-sale securities | (20,910) | (1,415,379) |
| Proceeds from sale of available-for-sale securities | 20,121 | 1,413,635 |
| Payments for investments in associates | - | (1,061,740,386) |
| Payments for investments in subsidiaries | (36,072,000) | (121,073,968) |
| Payments for property, plant and equipment | (286,418,185) | (302,426,546) |
| Proceeds from sale of property, plant and equipment | 9,969,634 | 3,806,078 |
| Payments for investment properties | (353,509) | - |
| Payments for intangible assets | (14,276,227) | (808,752) |
| Proceeds from sale of intangible assets | - | 35,474 |
| Settlement of derivatives | 931,085 | 12,570,500 |
| Payments for other financial assets | (152,869,330) | (82,279,631) |
| Proceeds from sale of other financial assets | 156,290,411 | 203,637,161 |
| Proceeds from sale of long-term financial assets | - | 1,000 |
| Increase in business combination | - | 44,300 |
| Net Cash Outflow from Investing Activities | (344,968,860) | (1,074,721,088) |
| Cash Flows from Financing Activities | | |
| Decrease in short-term borrowings | (226,433,420) | (30,028,294) |
| Repayments of current portion of long-term borrowings | (160,000) | - |
| Issue of bond | - | 498,530,000 |
| Return of bond issuance cost | 30,549 | - |
| Dividends paid to shareholders | (49,541,072) | (49,538,641) |
| Net Cash Inflow (Outflow) from Financing Activities | (276,103,943) | 418,963,065 |
| Net Decrease in Cash and Cash Equivalents | (143,931,260) | (53,108,561) |
| Cash and cash equivalents at the beginning of the financial year | 216,889,941 | 269,511,210 |
| Effects of exchange rate changes on cash and cash equivalents | 4,860 | 487,292 |
| Cash and Cash Equivalents at the End of the Year | 72,963,541 | 216,889,941 |

6. Consolidated Statements of Financial Position

Korean won in thousands

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 465,349,713 | 637,357,951 |
| Short-term financial assets | 157,285,294 | 118,040,408 |
| Trade and other receivables | 1,184,360,080 | 1,130,711,982 |
| Inventories | 1,436,307,176 | 1,430,323,118 |
| Other financial assets | 11,955,149 | 3,944,355 |
| Other current assets | 37,804,247 | 68,403,240 |
| | 3,293,061,659 | 3,388,781,054 |
| Non-current Assets | | |
| Long-term financial assets | 66,970 | 61,230 |
| Available-for-sale financial assets | 3,827,264 | 3,605,155 |
| Investments in associates | 1,081,080,298 | 1,076,965,174 |
| Property, plant and equipment | 4,699,252,646 | 4,493,966,945 |
| Investment properties | 109,433,663 | 107,619,249 |
| Intangible assets | 146,188,066 | 142,806,825 |
| Other financial assets | 17,019,085 | 17,313,308 |
| Other non-current assets | 94,033,395 | 119,823,672 |
| Deferred tax assets | 178,010,193 | 145,195,520 |
| | 6,328,911,580 | 6,107,357,078 |
| Total Assets | 9,621,973,239 | 9,496,138,132 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 954,771,790 | 1,059,042,177 |
| Borrowings | 1,251,986,113 | 1,631,119,200 |
| Current tax liabilities | 100,321,502 | 65,210,421 |
| Other provisions | 41,663,152 | 42,489,127 |
| Other financial liabilities | 4,651,296 | 3,763,492 |
| Other current liabilities | 93,392,250 | 105,256,587 |
| | 2,446,786,103 | 2,906,881,004 |
| Non-current Liabilities | | |
| Borrowings | 1,075,349,043 | 1,264,550,630 |
| Net defined benefit liabilities | 18,647,690 | 30,106,135 |
| Provisions | 22,030,898 | 42,418,547 |
| Other financial liabilities | 1,047,698 | 950,498 |
| Other non-current liabilities | 94,959,145 | 95,922,856 |
| Deferred tax liabilities | 1,673,342 | 14,520,259 |
| | 1,213,707,816 | 1,448,468,925 |
| Total Liabilities | 3,660,493,919 | 4,355,349,929 |
| Equity | | |
| Share capital | 61,937,535 | 61,937,535 |
| Other paid-in capital | 2,992,377,720 | 2,992,377,720 |
| Retained earnings | 2,950,572,887 | 2,134,050,379 |
| Other components of equity | (55,503,479) | (54,012,127) |
| Equity Attributable to Owners of the Parent Company | 5,949,384,663 | 5,134,353,507 |
| Non-controlling Interest | 12,094,657 | 6,434,696 |
| Total Equity | 5,961,479,320 | 5,140,788,203 |
| Total Liabilities and Equity | 9,621,973,239 | 9,496,138,132 |

7. Consolidated Statements of Comprehensive Income

Korean won in thousands, except per share data

| | 2016 | 2015 |
|--|------------------------|------------------------|
| Sales | 6,621,762,292 | 6,428,172,502 |
| Cost of sales | (4,045,028,258) | (4,084,045,632) |
| Gross Profit | 2,576,734,034 | 2,344,126,870 |
| Selling and administrative expenses | (1,306,433,391) | (1,310,131,781) |
| Research and development expenses | (167,072,884) | (149,005,001) |
| Operating Profit | 1,103,227,759 | 884,990,088 |
| Finance income | 116,718,744 | 162,619,881 |
| Finance costs | (206,290,491) | (223,774,569) |
| Other non-operating income | 197,726,700 | 170,038,467 |
| Other non-operating expense | (163,818,354) | (168,218,720) |
| Gain on investments in associates, net | 44,851,981 | 13,718,757 |
| Profit before Income Tax | 1,092,416,339 | 839,373,904 |
| Income tax expense | (213,326,123) | (182,869,663) |
| Profit for the Period | 879,090,216 | 656,504,241 |
| Other Comprehensive Income | | |
| <i>Items that will not be reclassified to profit or loss</i> | | |
| Remeasurements of net defined benefit liabilities | (6,648,494) | (15,719,167) |
| Remeasurements of net defined benefit liabilities of associates | (336,277) | 1,226,073 |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Changes in the fair value of available-for-sale financial assets | 159,343 | (15,282) |
| Share of other comprehensive income of associates | (3,556,671) | 24,836 |
| Exchange differences on translating foreign operations | 1,524,073 | 31,835,396 |
| Other Comprehensive Income for the Period, Net of Tax | (8,858,026) | 17,351,856 |
| Total Comprehensive Income for the Period | 870,232,190 | 673,856,097 |
| Profit is Attributable to: | | |
| Owners of the Parent Company | 872,851,251 | 655,427,623 |
| Non-controlling interests | 6,238,965 | 1,076,618 |
| Total Comprehensive Income for the Period is Attributable to: | | |
| Owners of the Parent Company | 864,572,229 | 672,904,837 |
| Non-controlling interests | 5,659,961 | 951,260 |
| Earnings per Share | | |
| Basic and diluted earnings per share | 7,047 | 5,292 |

8. Consolidated Statements of Changes in Equity

Korean won in thousands

| | Share Capital | Other Paid-in Capital | | Retained Earnings | Other Components of Equity | Total | Non-controlling Interest | Total Equity |
|--|-------------------|-----------------------|--------------------|----------------------|----------------------------|----------------------|--------------------------|----------------------|
| | | Share Premium | Treasury Shares | | | | | |
| Balance as at January 1, 2015 | 61,937,535 | 2,993,465,738 | (1,088,018) | 1,542,406,544 | (85,732,057) | 4,510,989,742 | 5,483,436 | 4,516,473,178 |
| Annual dividends | - | - | - | (49,541,072) | - | (49,541,072) | - | (49,541,072) |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | 655,427,623 | - | 655,427,623 | 1,076,618 | 656,504,241 |
| Share of retained earnings of associates | - | - | - | 1,226,073 | - | 1,226,073 | - | 1,226,073 |
| Changes in the fair value of available-for-sale financial assets | - | - | - | - | (14,518) | (14,518) | (764) | (15,282) |
| Share of other comprehensive income of associates | - | - | - | - | 24,836 | 24,836 | - | 24,836 |
| Exchange differences on translating foreign operations | - | - | - | - | 31,709,612 | 31,709,612 | 125,784 | 31,835,396 |
| Remeasurements of net defined benefit liabilities | - | - | - | (15,468,789) | - | (15,468,789) | (250,379) | (15,719,168) |
| Balance at December 31, 2015 | 61,937,535 | 2,993,465,738 | (1,088,018) | 2,134,050,379 | (54,012,127) | 5,134,353,507 | 6,434,695 | 5,140,788,202 |
| Balance as at January 1, 2016 | 61,937,535 | 2,993,465,738 | (1,088,018) | 2,134,050,379 | (54,012,127) | 5,134,353,507 | 6,434,695 | 5,140,788,202 |
| Annual dividends | - | - | - | (49,541,072) | - | (49,541,072) | - | (49,541,072) |
| Total comprehensive income for the period | | | | | | | | |
| Profit for the period | - | - | - | 872,851,251 | - | 872,851,251 | 6,238,967 | 879,090,218 |
| Share of retained earnings of associates | - | - | - | (336,278) | - | (336,278) | - | (336,278) |
| Changes in the fair value of available-for-sale financial assets | - | - | - | - | 158,738 | 158,738 | 605 | 159,343 |
| Share of other comprehensive income of associates | - | - | - | - | (3,556,671) | (3,556,671) | - | (3,556,671) |
| Exchange differences on translating foreign operations | - | - | - | - | 1,906,581 | 1,906,581 | (382,509) | 1,524,072 |
| Remeasurements of net defined benefit liabilities | - | - | - | (6,451,393) | - | (6,451,393) | (197,101) | (6,648,494) |
| Balance at December 31, 2016 | 61,937,535 | 2,993,465,738 | (1,088,018) | 2,950,572,887 | (55,503,479) | 5,949,384,663 | 12,094,657 | 5,961,479,320 |

9. Consolidated Statements of Cash Flows

Korean won in thousands

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Cash generated from operating activities | | |
| Profit for the period | 879,090,216 | 656,504,241 |
| Adjustments | 797,535,595 | 807,077,173 |
| Changes in operating assets and liabilities | (236,608,954) | (80,590,678) |
| | 1,440,016,857 | 1,382,990,736 |
| Interest received | 16,459,848 | 23,255,352 |
| Interest paid | (49,774,185) | (51,388,728) |
| Dividends received | 35,969,386 | 2,672 |
| Income tax paid | (224,905,520) | (241,164,679) |
| Net Cash Inflow from Operating Activities | 1,217,766,386 | 1,113,695,353 |

| | | |
|---|----------------------|------------------------|
| Cash Flows from Investing Activities | | |
| Net change in short-term financial assets | (34,608,876) | 331,542,389 |
| Payments for available-for-sale securities | (20,910) | (1,415,379) |
| Proceeds from sale of available-for-sale securities | 167,840 | 1,413,635 |
| Payments for investments in associates | - | (1,061,740,386) |
| Payments for property, plant and equipment | (722,705,887) | (863,028,979) |
| Proceeds from sale of property, plant and equipment | 39,339,948 | 14,024,368 |
| Payments for investment properties | (353,509) | - |
| Payments for intangible assets | (22,854,645) | (3,992,937) |
| Proceeds from sale of intangible assets | - | 35,474 |
| Settlement of derivatives | 4,894,420 | 14,412,021 |
| Net changes in other financial assets | (3,854,133) | (534,937,680) |
| Net Cash Outflow from Investing Activities | (739,995,752) | (2,103,687,474) |

| | | |
|--|----------------------|--------------------|
| Cash Flows from Financing Activities | | |
| Net changes in short-term borrowings | (645,211,265) | 317,551,661 |
| Proceeds from long-term borrowings | 79,301,069 | 318,941,376 |
| Issuance of debentures | 91,055,944 | 666,449,705 |
| Repayments of current portion of long-term borrowings | (125,302,759) | (157,936,199) |
| Repayments of long-term borrowings | - | (206,768,565) |
| Return of bond issuance cost | 30,549 | - |
| Dividends paid to shareholders | (49,541,072) | (49,538,641) |
| Net Cash Inflow (Outflow) from Financing Activities | (649,667,534) | 888,699,337 |

| | | |
|--|----------------------|----------------------|
| Net Decrease in Cash and Cash Equivalents | (171,896,900) | (101,292,784) |
| Cash and cash equivalents at the beginning of the financial year | 637,357,951 | 725,184,392 |
| Effects of exchange rate changes on cash and cash equivalents | (111,338) | 13,466,343 |
| Cash and Cash Equivalents at the End of the Year | 465,349,713 | 637,357,951 |

GLOBAL NETWORK

Hankook Tire Global Headquarters
133 Teheran-ro (Yeoksam-dong), Gangnam-gu, Seoul, Korea
Tel: 82-2-2222-1000
Fax: 82-2-2222-1100

Hankook Tire China Headquarters
10th Floor, Guangqi Tower, 12th Building, No.1001 Qinzhoubei Road, Xuhui District, Shanghai, China
Tel: 86-21-2422-5888
Fax: 86-21-3363-7180

Hankook Tire Europe Headquarters
Siemensstrasse 5A, 63263 Neu-Isenburg, Germany
Tel: 49-6102-8149-123
Fax: 49-6102-8149-100

Hankook Tire America Headquarters
1450 Valley Road, Wayne, New Jersey 07470, U.S.A.
Tel: 1-973-633-9000
Fax: 1-973-633-0028

Daejeon Plant
40, Daedeok-daero 1447beon-gil, Daejeon-gu, Daejeon, Korea
Tel: 82-42-930-1114
Fax: 82-42-931-0597

Geumsan Plant
1, Geumgang-ro, Jewon-myeon, Geumsan-gun, Chungcheongnam-do, Korea
Tel: 82-41-750-5000
Fax: 82-41-750-5481

Jiangsu Plant
No. 1 South Hantai Road, Huaian Economic Development Zone, Jiangsu, China
Tel: 86-517-8318-5000
Fax: 86-517-8318-5100

Jiaxing Plant
Dong Fang Road, Jiaxing EDZ, Jiaxing Zhejiang, China
Tel: 86-573-8216-1888
Fax: 86-573-8220-5086

Chongqing Plant
No. 149 Dong Feng, Jiang Bei, Chongqing, China
Tel: 86-023-6035-9555
Fax: 86-023-6035-9418

Hungary Plant
H-2459 Hankook tér 1, Rácalmás, Hungary
Tel: 36-25-556-011
Fax: 36-25-556-359

Manufacturing Tennessee
2950 International Blvd., Clarksville, Tennessee 37040, U.S.A.
Tel: 1-615-432-0700
Fax: 1-615-242-8709

Indonesia Plant
Jl. Kenari Raya G3-01 Delta Silicon 5 Industrial Park, Desa Cicau, Cikarang Pusat, Bekasi, Jawa Barat 17550, Indonesia
Tel: 62-21-8988-0063

Hankook Technodome
50, Yuseong-daero 935beon-gil, Yuseong-gu, Daejeon, Korea
Tel: 82-42-724-1000
Fax: 82-42-724-1306

China Technical Center
Dong Fang Road, Jiaxing EDZ, Jiaxing Zhejiang 314003, China
Tel: 86-573-8216-1888
Fax: 86-573-8216-1382

Europe Technical Center
Reinhold-Schleese Str. 14, 30179 Hannover, Germany
Tel: 49-511-6460-9734
Fax: 49-511-6460-9778

America Technical Center
3535 Forest Lake Drive, Uniontown, Ohio 44685, U.S.A.
Tel: 1-330-896-5295
Fax: 1-330-896-6597

Japan Technical Office
9th Floor, Naniwasuji Honmachi Mid Bldg., 2-3-2 Utsubo-Honmachi, Nishi-ku, Osaka 550-0004, Japan
Tel: 81-52-589-0761
Fax: 81-52-589-0763

Hankook Reifen Deutschland GmbH
Siemensstrasse 5A, 63263 Neu-Isenburg, Germany
Tel: 49-6102-5998-200
Fax: 49-6102-5998-249

Hankook Tyre U.K. Ltd.
Fawsley Drive, Heartlands Business Park, Daventry, Northamptonshire NN11 8UG, U.K.
Tel: 44-1327-304-100
Fax: 44-1327-304-110

Hankook France S.A.R.L.
Immeuble Le Patio, 35-37 rue Louis Guerin, 69100 Villeurbanne, France
Tel: 33-4-7269-7640
Fax: 33-4-7894-1572

Hankook Tire Italia S.R.L.
Centro Direzionale Edison Park Center, Edificio A - Viale T. Edison 110, 20099 Sesto San Giovanni (MI), Italy
Tel: 39-039-6846-336
Fax: 39-039-6091-372

Hankook España, S.A.
Avda. de las Industrias, No. 4 Edificio 3, 2-D Parque Empresarial Natea, 28108 Alcobendas, Madrid, Spain
Tel: 34-91-490-5088
Fax: 34-91-662-9802

Hankook Tire Netherlands B.V.
Koerilenstraat 2-6, 3199 LR Maasvlakte Rotterdam, Havennummer 8625, The Netherlands
Tel: 31-181-353010
Fax: 31-181-362358

Hankook Tire Budapest Kereskedelmi Kft.
IP West Building, Budafoki ut 91-93, H-1117 Budapest, Hungary
Tel: 36-1-464-3660
Fax: 36-1-464-3669

Hankooktire Polska Sp.z o.o
Sp. z o.o ODDZIAŁ W POLSCE ul.Bokerska 66, 02-660 Warszawa, Poland
Tel: 48-22-395-5735
Fax: 48-22-395-5749

Hankook Tire Sweden AB
Kanalvagen 3A, 194 61 Upplands Vasby, Sweden
Tel: 46(0)8-590-839-10
Fax: 46(0)8-590-839-12

Hankook Tire Rus LLC
Business Center "Alcon", 5th Floor, Bldg. 1, Leningradsky Prospect 72, Moscow, Russia, 125315
Tel: 7-495-268-01-00
Fax: 7-495-268-01-04

Hankook Lastikleri A.S.
Trump Towers, Mecidiyeköy Yolu Cad. No:12, Kat:16, Mecidiyeköy, Şişli, Istanbul, Turkey
Tel: 90(0)-212-777-9235
Fax: 90(0)-212-777-9243

Hankook Tire Ceska Republika s.r.o.
Hvezdova 1716/2b, Prague 4, Czech Republic
Tel: 420-244-914-901
Fax: 420-241-403-563

Hankook Tire Canada Corp.
30 Resolution Drive, Brampton, ON, L6W 0A3, Canada
Tel: 1-905-463-9802
Fax: 1-905-463-9792

Hankook Tire de Mexico S.A. de C.V
Paseo de las Palmas 735 Piso 7, Col. Lomas de Chapultepec, D.F., Mexico
Tel: 52-55-5535-1104
Fax: 52-55-5535-1072

Hankook Tire Colombia Ltda.
Av.19, No. 97-05, Of. 701, Bogota, Colombia
Tel: 571-743-4545

Hankook Tyre Australia Pty., Ltd.
Building A, Level 3, 11, Talavera Road, Macquarie Park, NSW 2113, Australia
Tel: 61-2-9870-1200
Fax: 61-2-9870-1201

Hankook Tire Japan Corp.
9th Fl, Naniwasuji Honmachi Mid Bldg. 2-3-2 Utsubo-Honmachi, Nishi-Ku, Osaka, Japan
Tel: 81-6-4803-8871
Fax: 81-6-4803-8882

Hankook Tire Singapore Corp.
24 Raffles Place, #11-05 Clifford Centre, Singapore 048621
Tel: 65-6323-7011
Fax: 65-6323-7077

Hankook Tire Malaysia Sdn. Bhd.
22-8, Menara 1MK, Komplecks 1 Mont' Kiara, No.1 Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia
Tel: 60-3-6206-1875
Fax: 60-3-6206-2877

Hankook Tire Thailand Co., Ltd.
11th Floor, Two Pacific Place Bldg., 142 Sukhumvit Road, Klongtoey, Bangkok 10110, Thailand
Tel: 66-2-653-3790
Fax: 66-2-653-4185

Hankook Tire Co., Ltd. Panama Office
Edificio Proconsa 11A-B, Calle 50, Panama City, Rep. de Panama
Tel: 507-263-3008(3027)
Fax: 507-263-3006

Hankook Tire Co., Ltd. Agencia En Chile
San Pio X 2460, Oficina 1604, Providencia, Santiago, Chile
Tel: 56-2-2596-8460
Fax: 56-2-2596-8463

Hankook Tire do Brasil serviços de intermediacao de negocios no ramo de pneus Ltda
AV. Eng. Luis Carlos Berrini, 550-cj.92, Brooklin-Sao Paulo/SP - CEP. 04571-000, Brazil
Tel: 55-11-3045-0544
Fax: 55-11-3045-2119

Hankook Tire Co., Ltd. India Liaison Office
Unit No.102, 1st Floor, BPTP Park Centra, Sector-30, N.H.8, Gurgaon 122001, Haryana, India
Tel: 91-124-495-8050
Fax: 91-124-495-8060

Hankook Tire Co., Ltd. Dubai Office
Al Moosa Tower 2, #1002 P.O. Box 15097, Sheik Zayed Road, Dubai, U.A.E
Tel: 971-4-332-1330
Fax: 971-4-332-1314

Hankook Tire Co., Ltd. Jeddah Office
P.O. Box 5922, Jeddah 21432, Kingdom Of Saudi Arabia
Tel: 966-2-680-6160
Fax: 966-2-680-6468

Hankook Tire Co., Ltd. Cairo Office
5 Waadi Nile St., El Maadi, Cairo, Egypt
Tel: 20-2-2750-7136
Fax: 20-2-2751-4014

MILESTONES

1941 ~ 1999

1941

- Company founded

1979

- Daejeon Plant inaugurated in Korea

1981

- Hankook Tire America Corporation established

1982

- Main R&D Center established in Daejeon, Korea

1992

- America Technical Center (ATC) established

1994

- Beijing Sales Office established in China

1996

- Europe Technical Center (ETC) established

1997

- Geumsan Plant inaugurated in Korea

1998

- China Technical Center (CTC) established

1999

- Jiangsu and Jiaying Plants inaugurated in China

2000 ~ 2009

2000

- ERP System introduced

2001

- Europe Distribution Center (EDC) established in the Netherlands

2003

- Strategic alliance with Michelin

2004

- New corporate identity unveiled

2005

- T'Station premium automobile service franchise launched
- Strategic partnership with Ford
- Geumsan Test Track (G'Trac) inaugurated

2006

- Awarded FAW-Volkswagen "10 Best Suppliers" award (sole tire manufacturer)
- Technical agreement with premium auto maker Audi
- Ranked 7th-largest tire manufacturer in the world based on sales
- Groundbreaking for Hungary Plant (Rácalmás)

2007

- Production begins at Hungary Plant (Rácalmás)

2008

- 2nd phase expansion of Geumsan Plant completed
- Kontrol Technology launched globally
- "enfren" eco-friendly tires launched

2009

- Hankook winter tires receive top score in German ADAC magazine test
- OE tire supply agreement with Audi
- "enfren Optimo 4S" awarded iF Product Design Award

2010 ~ 2016

2010

- Chongqing Plant (China) and Indonesia Plant (Bekasi) announced
- "Winter i*cept evo" awarded Red Dot Design Award

2011

- Selected as sole official tire supplier to DTM
- Groundbreaking for Chongqing Plant in China
- Groundbreaking for Indonesia Plant (Bekasi)
- OE tire supply agreement with BMW
- OE tire supply agreement with Toyota

2012

- Hankook Tire spun off and new securities listed
- Official sponsorship of UEFA Europa League
- Chairman Yang Rai Cho receives Distinguished Service Cross in Hungary
- "enfren eco" eco-friendly tires launched

2013

- Incorporated into the Dow Jones Sustainability Asia Pacific Index
- Indonesia Plant (Bekasi) inaugurated
- Chongqing Plant inaugurated in China
- OE tire supply agreement with Mercedes-Benz
- OE tire supply agreement for BMW 5 Series and X5
- OE tire supply agreement with Honda

2014

- New global tire brand "Laufenn" launched
- Groundbreaking for Tennessee Plant in the US
- OE run-flat tire supply agreement for Mercedes-Benz New C-Class and BMW New MINI
- Groundbreaking for the new central R&D Center, Hankook Technodome
- Official tire supplier to the World Rally Championship (WRC)

2015

- OE tire supply agreement with Porsche
- SEALGUARD tire supplied as an OE tire
- Design Concept 2015 awarded Luminary Award at the Red Dot Awards

2016

- OE tire supply agreement for BMW 7 Series
- Hankook Technodome inaugurated
- Hankook Donggeurami Partners established as a model workplace for the disabled
- Marketing partnership signed with Real Madrid
- Incorporation into the Dow Jones Sustainability World Index (DJSI World)

CORPORATE INFORMATION

Hankook Tire Global Headquarters

Hankook Tire Co., Ltd.
133 Teheran-ro (Yeoksam-dong), Gangnam-gu, Seoul, Korea
Tel: 02-2222-1000
Fax: 02-2222-1100

Investor Relations Contact

Hyun Sil Choe, Hyo Won Lee at Corporate Strategy Team

Email: lisachoe@hankooktire.com
hyowon.lee@hankooktire.com

Web site: www.hankooktire.com

* Investor reports and public disclosures are available at the IR Center of our web site.

2017 IR Schedule

February Announcement of 4Q 2016 earnings results and 2017 earnings target
Attendance at JP Morgan Global Conference (Seoul)
Attendance at US NDR (CIMB)

March 5th General Shareholders' meeting
Attendance at CITI Global Conference (Seoul)
Attendance at Korea Investment & Securities Co., Ltd., Corporate Day (Seoul)

April Announcement of 1Q 2017 earnings results

May Attendance at Samsung Securities Co., Ltd., Global Conference (Seoul)

June Attendance at UBS Global Conferecne (Seoul)

July Announcement of 2Q 2017 earnings results

August Attendance at Goldman Sachs Corporate Day (Hong Kong / Singapore)

October Announcement of 3Q 2017 earnings results

* The company plans to attend global conferences and NDR.
* IR schedule may change according to circumstances of the corporation.

Prepared By

Hyuk Jin Kwon: Vice President, Corporate Communications Department

Seong Ha Yoon: Team Manager, Corporate Communications Team

Won Il Kang: Corporate Communications Team

Dong Wook Kim: Vice President, Visual Communications Team

Hye Soo Kim: Visual Communications Team

INSPIRATION

HANKOOK TIRE
ANNUAL REPORT 2016

PR Book



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Can you believe that people can experience innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match, and visualize their happier future? Tires are not merely a tool for transportation but a medium that combines technology and culture, progress that integrates drivers and cars, progress that links today's and tomorrow's.

— Inspiration — is

enable people to appreciate new cultures, and opportunities for cultural exchange. Hankook Tire relentlessly seeks to innovate in order to create a better future for all. Tires are not merely a tool for transportation but a medium that can bring together technology and culture, which can lead to people experiencing innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match.

Tires are not merely a tool for transportation but a medium that can bring together technology and culture, which can lead to people experiencing innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match.

HANKOOK TIRE

2016

NEWS HIGHLIGHTS

▲
2016
NEWS HIGHLIGHTS

Can you believe that people can experience innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match, and visualize their happier future? Tires are not merely a tool for transportation but a medium that combines technology and culture, progress that integrates drivers and cars, progress that links today's and tomorrow's.

— *Inspiration* — is

enable people to appreciate new cultures, and opportunities for cultural exchange. Hankook Tire relentlessly seeks to innovate in order to create a better future, here and now, because through such encounters, Hankook Tire can create innovative products and cutting-edge technology that will help to bring about a better future.

Tires are not merely a tool for transportation but a medium that can bring together technology and culture, which can lead to people experiencing innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match.

HANKOOK TIRE
2016 NEWS HIGHLIGHTS

- 1 High Technology
- 2 Winning Innovation
- 3 DJSI World
- 4 Premium Brand
- 5 Donggeurami Partners
- 6 Social Responsibility

HANKOOK TIRE

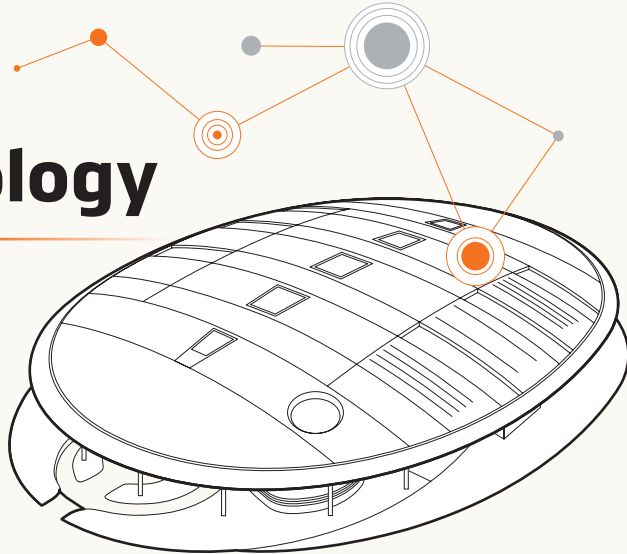
2016

NEWS
HIGHLIGHTS



High Technology

Inauguration of the
**Hankook
Technodome**



**Completion of the
future-leading
Hankook
Technodome**

Hankook Tire inaugurated the Hankook Technodome, a showcase for the company's innovative technologies conceived through high-tech R&D facilities and an optimized work environment. Technodome will be a mecca of source and future technology that will play an instrumental role in the company's roll-out of mid- to long-term R&D strategies and its establishment of leadership in advanced tire technology and quality competitiveness. Hankook Tire's technological edge and unique proactive corporate culture will help solidify the company's top-tier global position.

Winning Innovation

Global marketing partnership with
Real Madrid

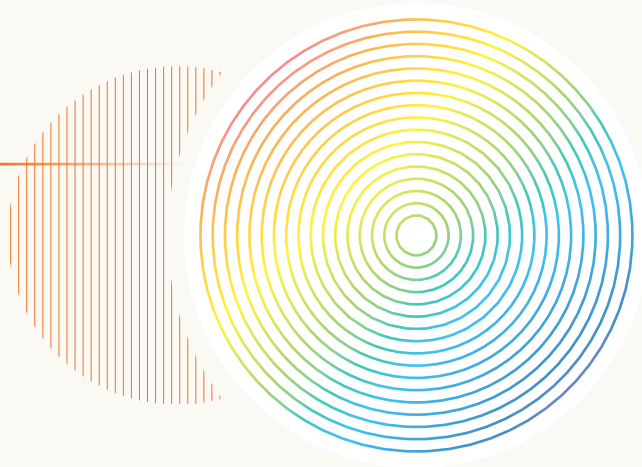


**Innovating to be
the best through a
global marketing
partnership with
Real Madrid**

Hankook Tire signed a three-year global marketing partnership agreement with Spain's prestigious Real Madrid football club, starting from the 2016 season. The partnership reflects Hankook Tire and Real Madrid's mutual passion for excellence and their relentless pursuit of "Winning Innovation" to please fans and customers. Hankook Tire aims to boost awareness of its top-tier technology and premium brand value through this initiative.

World Class

Incorporation into the
Dow Jones Sustainability Indices World

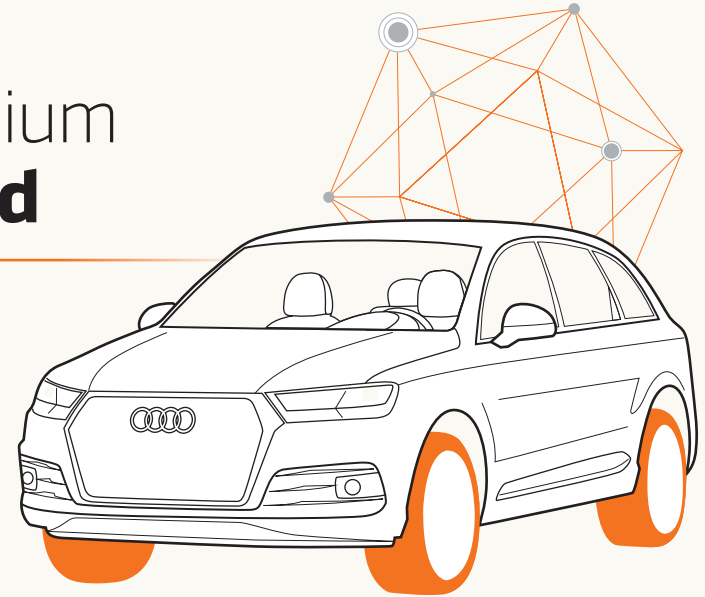


Korea's first tire company to be incorporated into DJSI World

Hankook Tire became Korea's first tire company to be incorporated into the 2016 Dow Jones Sustainability World Index (DJSI World) as a result of its balanced and sustainable growth in the economic, environmental, and social sectors. In particular, the company received outstanding scores in the management of partner companies, response to climate change, and industrial safety and health, earning its recognition as a top-tier global company in sustainable management.

Premium Brand

Partner to
Premium Automotive Brands

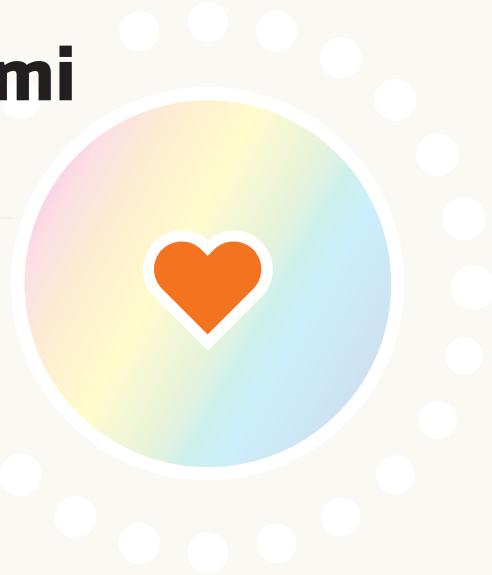


Building trust as a key partner to automotive brands by supplying tires for the new Audi Q7 and SQ7

For the first time in the history of the Korean tire industry, Hankook Tire will supply tires to Audi for its flagship Q7 and SQ7 SUV models. The Ventus S1 evo2 SUV tires will be supplied in high-end, 22 inch specifications and feature Hankook Tire's Silent Tire sound absorbing technology, a futuristic core tire technology that highlights the company's technological capabilities.

Donggeurami Partners

Job creation for
The Disabled



Job creation for the disabled through Hankook Donggeurami Partners

Hankook Donggeurami Partners is a subsidiary-style model workplace for the disabled established by Hankook Tire in 2016 to provide new opportunities and challenges for the socially disadvantaged. Headquartered in Hankook Tire's Daejeon factory, it operates four business sites and runs 14 activities related to its business objectives, such as providing administrative office support, managing system operations, and running service businesses. In the future, it will continue to actively employ people with disabilities, especially severe disabilities, focusing on the creation and qualitative improvement of jobs for people with disabilities.

Social Responsibility

Platinum Winner of
LACP Impact Awards



Platinum Award for the 2015/16 CSR Report at the 2016 LACP Impact Awards

Hankook Tire's 2015/16 CSR Report won the Platinum Award in the CSR Report category at the 2016 LACP Impact Awards in the US. The company came in at No. 1 overall in the Worldwide Top 50 list, bringing recognition to corporate social responsibility activities performed as a top-tier global brand. The award is also the outcome of the company's concentrated efforts to keep stakeholders informed about its CSR activities. Going forward, Hankook Tire will strive to share the value of future driving.

INSPIRATION

HANKOOK TIRE_ INSPIRATION AND INNOVATION

HANKOOK TIRE ANNUAL REPORT_ 2016 NEWS HIGHLIGHTS

INNOVATION

Tires are not merely a tool for transportation but a medium that can bring together technology and culture, which can lead to people experiencing innovation in their daily commute and even engage in cultural exchange while cheering fervently in a soccer match. This is why Hankook Tire relentlessly seeks innovations that integrate drivers and cars, progress that links to-day's cars with tomorrow, refreshing experiences that enable people to appreciate new cultures, and opportunities that allow people to join forces to create a better future.

Hankook Tire. Inspiration

their daily commute, engage in cultural exchange while cheering
for a cup of coffee? If you can believe that tires are not mere
technology and culture, you probably can. By pursuing innovation
in cars with vehicles of the future, refreshing experiences that

s Everywhere

experiences that allow people to join forces to create a brighter future,
to create a better tomorrow. It prizes every interaction with custom-
ers. Hankook Tire finds motivation and inspiration to create its innova-
tions to build a better future.

This is why Hankook Tire relentlessly seeks innovations that integrate drivers and cars, progress that
links today's cars with tomorrow, refreshing experiences that enable people to appreciate new cultures,
and opportunities that allow people to join forces to create a better future.

Inspiration

Innovation



Inspiration

Innovation

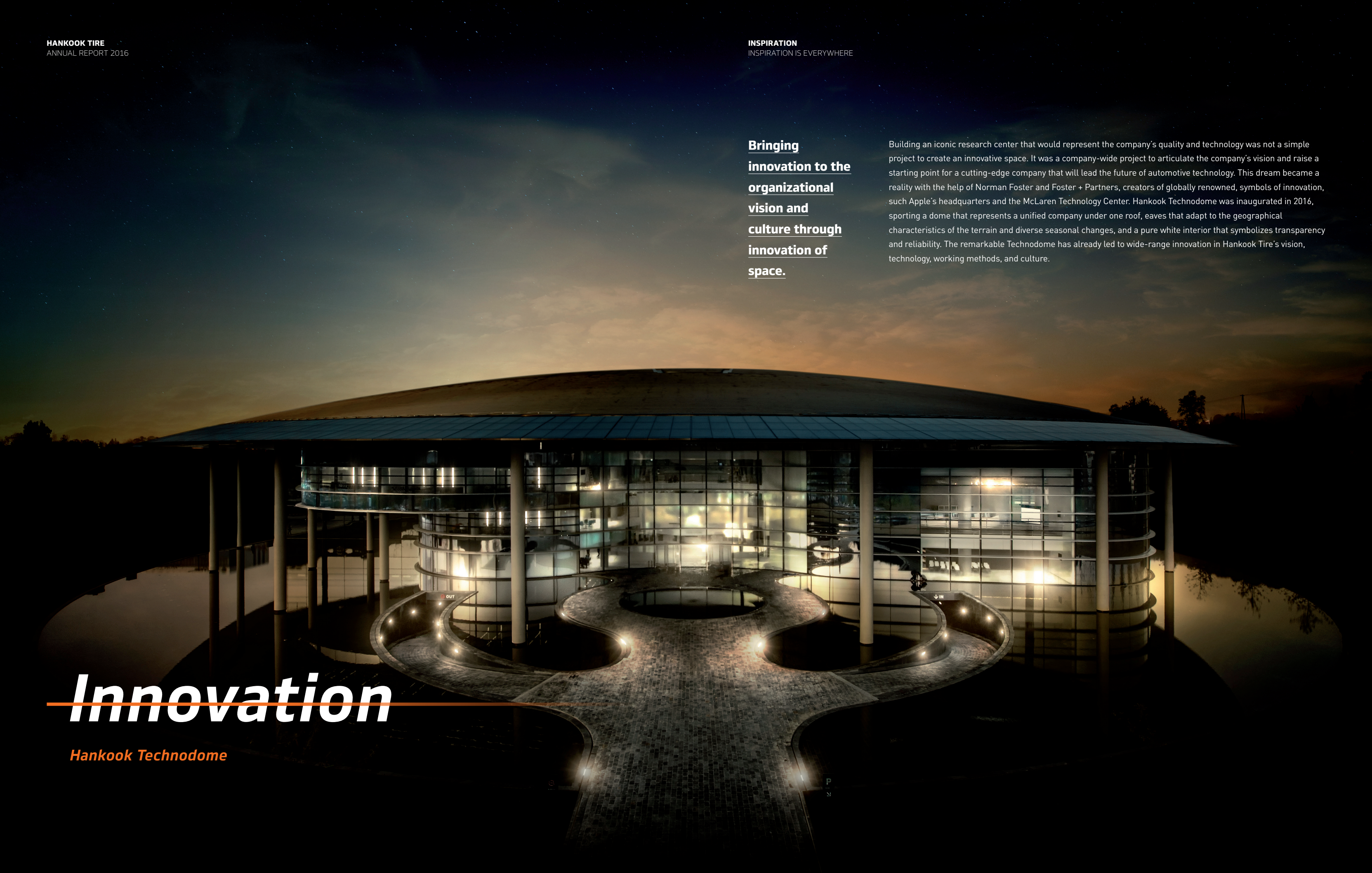
Customers from around the world discover the premium value of Hankook Tire products through the superior technology that shines through while driving. As a leader of future automotive technology and culture, Hankook Tire strives to make every customer encounter a moving experience that leaves a deep impression of its uniquely innovative high technology.

**Bringing
innovation to the
organizational
vision and
culture through
innovation of
space.**

Building an iconic research center that would represent the company's quality and technology was not a simple project to create an innovative space. It was a company-wide project to articulate the company's vision and raise a starting point for a cutting-edge company that will lead the future of automotive technology. This dream became a reality with the help of Norman Foster and Foster + Partners, creators of globally renowned, symbols of innovation, such as Apple's headquarters and the McLaren Technology Center. Hankook Technodome was inaugurated in 2016, sporting a dome that represents a unified company under one roof, eaves that adapt to the geographical characteristics of the terrain and diverse seasonal changes, and a pure white interior that symbolizes transparency and reliability. The remarkable Technodome has already led to wide-range innovation in Hankook Tire's vision, technology, working methods, and culture.

Innovation

Hankook Technodome





Technodome

HANKOOK TECHNOLOGY CENTER



Hankook Technodome Lobby

An eco-friendly space that fosters communication

Communication is the core theme of Technodome. Traffic flow in the building has been carefully planned to create natural meeting points that promote communication among researchers. Even the wide railings of the corridors were designed to function as communication spaces to generate synergy through interaction, as opposed to working independently. Nature-friendly elements also contribute to the innovation of space. From site selection to design and construction, eco-friendly values were incorporated and energy consumption has been minimized through the use of natural energy. As a result, Technodome is the only building in Korea that earned the world's most prestigious eco-friendly building Leadership in Energy and Environmental Design (LEED) certification.

1. Wellness Center
2. Bar Cool - Lounge



The Architect NORMAN FOSTER

A world leading architect representing the UK and a master of high-tech architecture. Creator of nature-friendly buildings that harmonize society, culture, technology and nature by incorporating socio-ecological systems and use advanced technology in the design of structures, facilities, and electrical systems.

Possessing
top-tier global
technology.

Hankook Tire went beyond being a simple premium brand and debuted as a high-end tire maker in 2015, when it began to supply OE tires to high-end Porsche for its supercar, Macan. The history leading up to Hankook Tire's current prestige is a series of carefully planned milestones. After developing OE tires for Hyundai Motor's Pony Excel 30 years ago, the company embarked on the challenge of supplying the global market starting with Ford Transit in 1999. From 2009, the company forged partnerships with other global premium brands, becoming an official supplier to Audi, Lincoln, BMW and Toyota. By supplying OE tires to Mercedes-Benz for the new S-class and to BMW for the 5 series, Hankook Tire achieved the grand slam of partnerships, signing agreements with Germany's three most prestigious brands. Recognition of Hankook Tire's worldclass, top-tier global technology became evident in 2014 upon signing supply contracts with BMW and Mercedes-Benz for third-generation run-flat tires that required several state-of-the-art technologies. Hankook Tire's success continues to this day, with agreements to supply tires for high-performance sports vehicles such as the New Audi TT (2014), All-New Ford Mustang (2015), Volkswagen's premium Touareg SUV (2015), and BMW and Audi's flagship 7 Series and Q5/SQ5 (2016) vehicles.



Quality

OE Tire Supplier to Premium Brands

Passion

Partnership with Real Madrid

INSPIRATION
INSPIRATION IS EVERYWHERE

Constant
innovation in
pursuit of the
finest.

Hankook Tire, a leading global tire company, and Real Madrid, Spain's prestigious football team, agreed to form a global marketing partnership. Hankook Tire's relentless quest to bring driver and tire in perfect unison to create the finest driving experience and Real Madrid's endless drive to innovate and create the finest moments in football's history are a perfect match for partners who value "Winning Innovation." The "Be One with It" campaign with Real Madrid is a call to fans to "become one" with whatever they yearn for, whether it is innovation, passion, or football. Hankook Tire's passionate desire to innovate and be the best will be embodied in Real Madrid's games and be transmitted to football fans around the globe.



**Challenging
limits to create
better
technology.**

0.01 seconds. The time difference that determines victory on the circuit is less than this, which is why car racers are cautious about their choice of tires, a critical factor that determines racing time. Slick (dry) tires for dry roads, wet tires for wet roads, intermediate tires for mid-range roads, paved and unpaved road tires for rallies, and snow tires... the performance and strategic use of tires can dictate the outcome of a thrilling race. Hankook Tire has proven its exceptional technology and quality by sponsoring racing teams and participating in diverse motorsports competitions such as the Deutsche Tourenwagen Masters (DTM), Audi Sport TT Cup, and the 24 Hour Series. The vast amount of valuable data obtained in the extreme environment of car races is transferred to the production of tire technology for regular cars, helping to build Hankook Tire's technological leadership.

Challenge

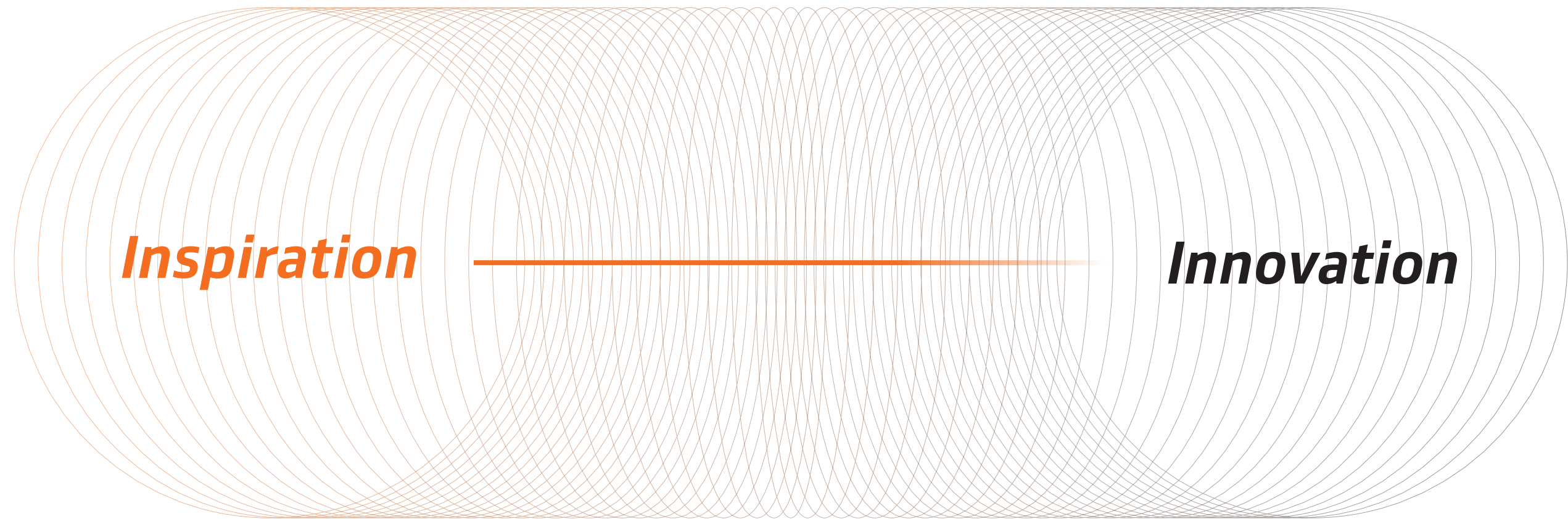
Motorsports Sponsorship

Sustainable
management
that ensures that
today's value
carries on into
the future.

Hankook Tire became the first tire company in Korea to be incorporated into the Dow Jones Sustainability World Index, raising its status as a representative global company with managed sustainability. Hankook Tire was selected as one of the top auto components companies in this index, used as an indicator for global sustainability and socially responsible investment, in recognition of its balanced expansion in the economic, environmental and social sectors and rapid sustainable growth. In particular, in 2016, it attained outstanding scores in the management of partner companies, response to climate change, and occupational safety and health maintenance. Separately, Hankook Tire integrated corporate social responsibility into its unique corporate fiber, systematically executing diverse social contribution activities through a holistic CSR management system and giving birth to a new culture that enables employees to grow together with society. Hankook Tire is committed to setting examples as a top-tier global company, not only in terms of technology and product quality, but also in sustainability management.

Sustainable

Incorporated into DJSI World



Inspiration gathered from the lives of customers who dream of a better future will instill innovation in Hankook Tire's vision.

Inspiration from customers' endless enthusiasm to pursue challenges will lead to innovation in technology.

Inspiration found in the endless pursuit of originality will lead to innovation in the tire culture.

Inspiration found in the warm gazes that fall upon society will bear fruit in the form of sustainable management.

Hankook Tire finds inspiration that leads to innovation in the current and future lives of each customer and their driving lifestyle.

INSPIRATION



FOR

HIGH TECHNOLOGY



superiority

innovation

advancement

customer
orientation

top tier

performance

driving

design

competitiveness

— The starting point of Hankook Tire's future is technology. Technodome, completed in 2016, is a center of innovation that will conceive and nurture new technology and a catalyst that will renew the company's vision and culture. Hankook Tire will continue to bring innovative driving experiences to customers around the world.

STEADY INVESTMENT IN R&D

Hankook Tire is steadily expanding its pool of global research professionals, assembling an unrivaled portfolio of cutting-edge technologies and consistently investing in infrastructure essential for high technology development. In particular, the completion of the Hankook Technodome in 2016 is expected to play a critical role helping the company secure innovative technologies that will dominate the tire sector in the future and strengthen the company's long-term competitiveness.

Hankook Technodome

Hankook Tire inaugurated Technodome in 2016 as a new central research facility to develop top-tier technology that will strengthen the company's future competitiveness and ensure its technological leadership in the global market place. Designed by Foster + Partners, a firm founded by master of high-tech architecture Sir Norman Foster, the center is a KRW 266.4 billion facility with 96,328 m² in floor space that consists of a research building four stories above ground and two stories underground, and a residential building seven stories above ground and one story underground. It features state-of-the-art eco-friendly technology that earned the building's sustainable eco-friendly construction Gold LEED (Leadership in Energy and Environmental Design) certification.

Hankook Technodome is equipped with state-of-the-art research equipment and testing facilities, such as a driving simulator to perform virtual tests in a racing environment that replicates reality and a world-class, anechoic chamber for tire noise testing. The building provides a work environment optimized for tire research and development. It features innovative spaces such as the Tire Workshop, a space separated from the office that provides a comfortable atmosphere to analyze tire specimens, and the Focus Box, a space that is conducive to concentration for the completion of intensive work. The Residence, a dormitory facility, features a variety of welfare facilities, including a café, daycare center, and fitness center.

Hankook Tire's goal is to create innovative technologies with these high-tech facilities and ideal work environment. It aims to cultivate a proactive corporate culture and continuously develop its R&D capabilities to consolidate its position as a top-tier global company.



Staff Lounge



Staff Lounge



The Residence

Hankook Technodome
Crucial for mid- to long-term R&D infrastructure development plans





Hankook Tire R&D - People are the key to the Company's future

In spite of the global recession caused by the economic downturn, Hankook Tire has steadily expanded its investment in human resources in pursuit of its R&D vision, augmenting its global R&D headcount to 1,000 people, or 5% of the total workforce. In addition, to recruit talent for the development of top-tier global technological competitiveness, the company stepped up PR of its proprietary technology in relation to the opening of the Hankook Technodome in 2016 and has actively pursued specialized science and engineering programs that link universities with the industry.

The Hankook Technodome is not only a stylish building that functions as the base for Hankook Tire's R&D activities, but also a smart working space designed to embody a spirit of change, innovation, convergence, and creativity. The company conducts strategically organized technical training to nurture a talented R&D workforce, taking into consideration the creative and professional requirements of research positions. Externally, it established and supports the Technical Engineering Department of Tires at Chungnam University, a graduate school for technology specialists that helps nurture tire experts with theoretical and practical knowledge. Moreover, it offers training opportunities at leading universities overseas and develops step-by-step educational road maps to enhance researchers' capabilities in accordance to their job requirements with engineering universities. Finally, it conducts diverse activities conducive to building an unrestricted and creative organizational culture and fosters an atmosphere that helps R&D researchers concentrate on their work. Hankook Tire R&D is at the helm of innovation in Hankook Tire's working culture.

Securing patents that will dominate future tire technology

Hankook Tire is reinforcing its R&D competitiveness by patenting its R&D accomplishments and emerging as a global patent leader. At the end of 2016, it held 1,363 patents in Korea and 498 patents overseas. This rising trend is expected to continue as the company has actively invested in registering patents in the US, Europe, Japan, and China in recent years to gain a global technological advantage. In particular, with the expansion of IP and R&D infrastructure last year, the company has applied for numerous design and manufacturing process-related patents, including performance related patents (rolling resistance, wet road surface performance, and wear-and-tear performance) as well as design patents that include structure, pattern, and compounds that use improved technology. These patents are contributing greatly to the development of world-class products including premium OE tires, UHP tires, winter tires, and TBR tires. More recently, Hankook Tire has been revamping efforts to register patents related to technologies with growth potential, such as run-flat tires, silent tires and sealant tires, to build a sustainable technological leadership. The company is also acquiring and patenting futuristic original technologies such as non-pneumatic tires and intelligent tires. Hankook Tire will continue to focus on elevating its core technology leadership by patenting core tire technologies required for future products.

Global R&D personnel

1,096 people

Domestic patents

1,363 cases

Overseas patents

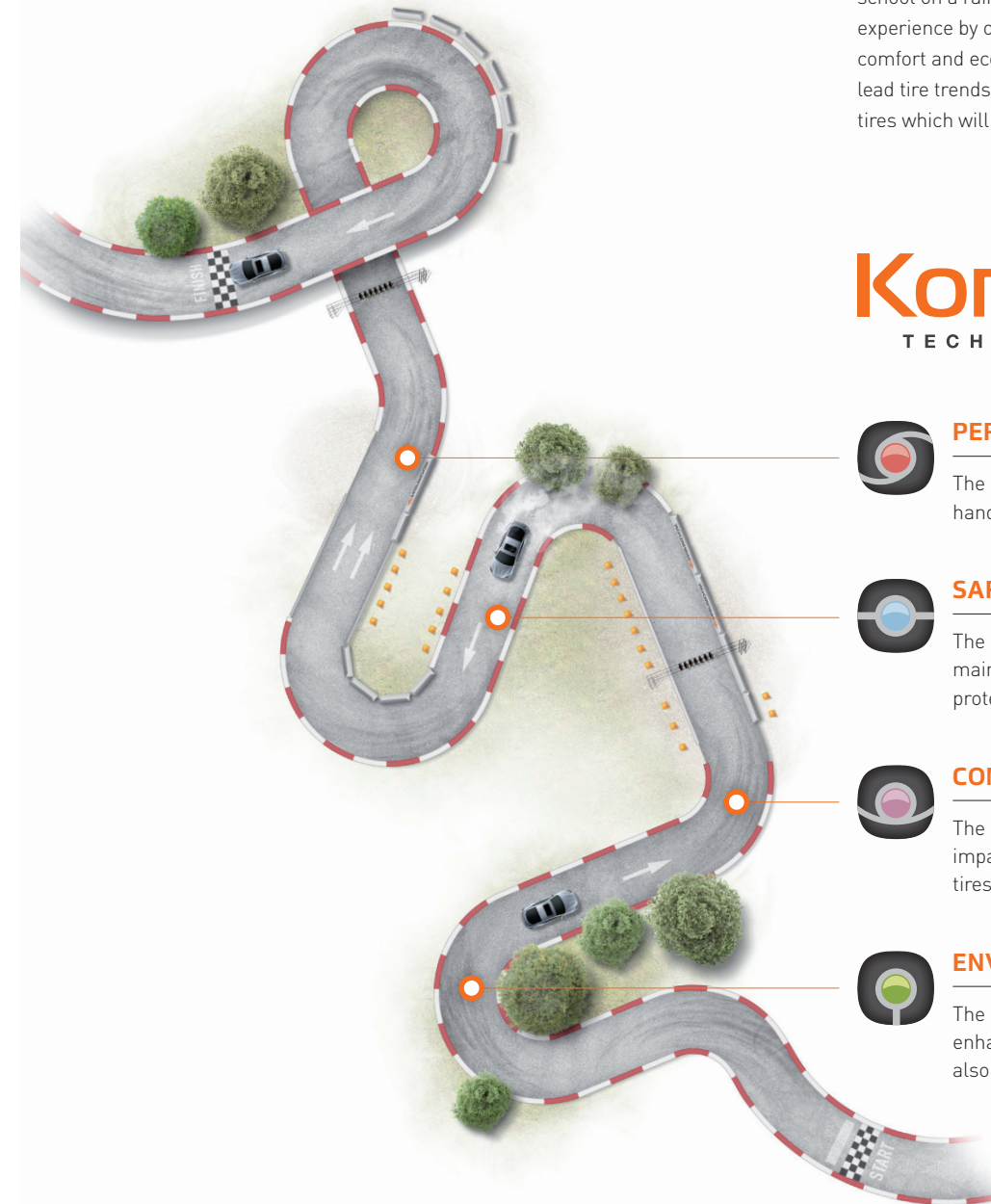
498 cases

KONTROL TECHNOLOGY

The relentless pursuit of innovative technology has been instrumental to Hankook Tire's steady growth. Based on the company's core technological philosophy, Kontrol Technology, the company has developed optimized tires that deliver the ultimate driving experience and that have earned premium brand recognition from drivers around the world.

Original Technology Philosophy

Kontrol Technology is not just technical: It is a philosophy and a set of principles – applied throughout research, development and production – developed by Hankook Tire to ensure controlled driving experiences. The "K" denotes "kinetic." This reflects the company's philosophy that the tire in motion can control the interaction between the driver and the automobile, between the automobile and the road, and between the road and the driver for the best possible performance. In other words, tires must be able to control the movement of a car under any conditions – be it the world's most demanding racing competitions or driving children to school on a rainy day. The company provides the ultimate driving experience by optimizing tires' key criteria – performance, safety, ride comfort and eco-friendliness. Banking on technological innovations to lead tire trends, Hankook Tire is committed to developing high-quality tires which will attract customers worldwide.



Kontrol TECHNOLOGY



PERFORMANCE

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



SAFETY

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



COMFORT

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



ENVIRONMENT

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

NEW AND INNOVATIVE PRODUCTS

Hankook Tire is future-proofing itself through a relentless commitment to technological innovation. The company has recruited top research professionals and continues to invest in the R&D infrastructure required to develop high technologies. The company is launching a series of new products customized for different markets by capitalizing on its global R&D network spanning five key regions, thereby providing ever greater value and satisfaction to customers. The company is raising the bar for drivers through continuous development of eco-friendly products with maximized energy efficiency.



ventus S1 evo²

Ventus S1 evo2

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



ventus S1 noble²

Ventus S1 noble2

Ventus S1 noble2 is a tire developed in 2014 by Hankook Tire using in-house noise resonance reduction technology that was supplied as an OE tire for the first time in Korea. The company's proprietary sound absorption technology, called Hankook Sound Absorber, is a result of securely attaching a polyurethane sound-absorption pad inside the tire. In a test performed by specialists, the tire reduced perceived noise in the cabin by about 10 percent without sacrificing driving performance, resulting in a more comfortable driving experience.



ventus R-s4

Ventus R-s4

Ventus R-s4 is an extreme performance tire for the ultimate racing enthusiast. A wider center block in the tire pattern optimizes the tire's grip of the road, eliciting a fine steering response. A reinforced shoulder nylon cover, bead filler, and sidewall stiffener maximize handling and cornering performance. R-s4 is a tire that delivers exceptional performance for professional racers as well as general drivers to enjoy the pleasure of sports driving through a differentiated performance on the circuit and public roads.

Passenger Car Radial (PCR) · Light Truck Radial (LTR) Tires

With safety being of central importance in tire technologies, Hankook Tire is concentrating its resources on the development of new technologies that meet the most demanding expectations. The company developed a third-generation run-flat tire by strengthening its core technological competences which include new materials and manufacturing methods. This integration of our cutting edge technologies will ensure the safety of customers. And in an attempt to reduce cabin noise, the company is also developing a sound-absorbing tire which reduces tire cavity noise*.

* Tire cavity noise:
Noise which is generated when the air inside the tire vibrates due to the shock from road surfaces during driving.

Truck and Bus Radial (TBR) Tires

Responding to the demand for environmentally friendly and fuel-efficient tires for trucks and buses, Hankook Tire moved quickly to ride on trends and satisfy customer needs by developing a variety of new, eco-friendly TBR tires in 2016. Demand was growing not only in Europe but also in North America, which led to the launch of the e³ MAX product line, a line of premium fuel-efficient products for long-haul transport that has boosted Hankook Tire's competitiveness in the trucks and buses segment. Moreover, Hankook Tire developed the new SMaRT TouRing AL22 products optimized for mid- to long-range coach buses to build market share.



e³ MAX AL21, DL21, TL21

The growing emphasis on environmentally friendly products in the global truck and bus tire market is affecting the North American market as well. As a result, Hankook Tire developed the AL21, DL21, and TL21 line of fuel-efficient e³ MAX premium tires for front wheel drive (Steer), rear wheel drive (Drive), and trailer vehicles. Hankook Tire aims to invigorate market competitiveness by satisfying the needs of fleet accounts by optimizing fuel economy (Smartway certification earned) and driving performance with improved pattern designs and grounding shapes.



AH37, DH37

The new AH37 and DH37 tires are steer and drive tires for regional-haul that use three dimensional (3D) Kerf technology to deliver better traction and improved mileage and fuel efficiency, earning Smartway certification. The company used specialized Stone Ejector technology to enhance the durability of the tires, which it hopes will generate publicity for the outstanding quality and technology behind Hankook TBR tires.



SMaRT TouRing AL22

SMaRT TouRing AL22 is an all-position product developed to penetrate the coach bus market segment. It was developed with mud and snow (M + S) in mind, delivering outstanding performance in a variety of road conditions. Tread Wear Equalized Stepper (TWES) technology was applied in response to the needs of the coach bus market, preventing irregular tread wear. Moreover, ride and handling performance, as well as braking performance, were reinforced by optimizing tire patterns and using compounds with a high level of hardness to provide drivers and passengers alike a comfortable drive.

DESIGN INNOVATION

Hankook Tire prioritizes customers' safety first and foremost in technical designs. However, sophistication, delicate tension, and future-oriented dynamism are also part of Hankook Tire's unique "Refined and Dynamic Style" aesthetics. Hankook Tire develops creative designs that cater to the demands of contemporary users through on-going communication with customers and by working in close collaboration with the top brands in each sector, offering innovative designs that allow customers to appreciate safety and beauty in their daily life.

Design philosophy built on vitality and interaction

Because the safety of drivers is of paramount importance, tire design does not tolerate even a 0.001% margin of error and requires precise design skills that set the category apart from other design categories. Hankook Tire is optimizing design concepts in every product division, implementing its sleek and dynamic, future-oriented design identity named "Refined and Dynamic Style." The company continuously pursues design innovations to ensure that every driver who chooses Hankook Tire enjoys the ultimate driving experience and discovers new challenges and possibilities.

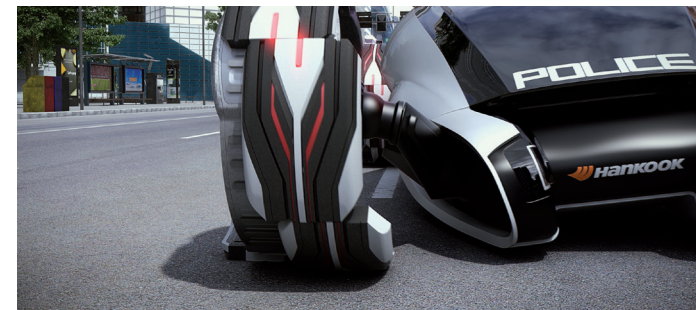
Hankook Tire Design Innovation

Hankook Tire Design Innovation is a bi-annual design collaboration program held in partnership with the world's leading design schools aimed at fusing students' creative ideas with Hankook Tire's technological solutions. Launched in 2012, the Design Innovation program was created to propose futuristic tire systems and present visions of future mobility by analyzing and forecasting changes in the driving environment and automotive technology. By envisioning the future of driving through tires, Hankook Tire is able to present the paradigm of its next-generation tire systems, which simultaneously combine design, technology, and new culture, in addition to conveying its distinctive personality and values.

2012 Hankook Tire Design Innovation 2012, joint project with the School of Design, University of Cincinnati, USA



2014 Hankook Tire Design Innovation 2014, joint project with the School of Design, Pforzheim University, Germany



Hankook Tire Design Innovation 2016, joint project with the School of Design, University of Cincinnati, USA

REINFORCING GLOBAL QUALITY COMPETITIVENESS

Hankook Tire will begin mass production of tires at its US plant in Tennessee in 2017. This will create a platform for the company to showcase its highest quality products in the center of automobile culture, the North American market, and compete side by side with other global top tier companies. In addition, it will serve as an opportunity to enhance the value of the Hankook Tire brand overseas by demonstrating process innovations that deliver superb quality throughout the value chain, from product development to after sales service.

Expansion of global production capacity

Hankook Tire is building a system that spans across the entire value chain that meets its market-oriented sales, product distribution, and delivery needs and that can satisfy the demands of its ever-increasing production volume while being commensurate to its leadership brand position. When production begins at the Hankook Tire Tennessee plant, its first production base in the world's largest North American tire market, annual global output will increase to 114 million units. By establishing a balanced production base around the world, Hankook Tire will be able to increase tire production capacity more stably and lay the groundwork to compete with top-tier global companies. Separately, to overcome steadily growing price competition, Hankook Tire will pursue cost competitiveness through innovations in the product development process and improve brand competitiveness by increasing customer satisfaction through superior quality and service.

World-class Quality Management

Hankook Tire is steadily reinforcing quality management with the credence that no compromises can be made when it comes to its customer-oriented quality management. It is focusing on developing quality differentiation through stringent quality controls that impress and satisfy customers. As a result, the company has made many achievements domestically and overseas, the major accomplishments being as follows: First, the company established innovative quality control infrastructure to ensure uniform quality across all areas, from product development to customer service. It revamped investments to ensure greater product quality uniformity throughout the manufacturing process. Moreover, to ensure quality uniformity across global production bases (Global One Quality), the company reconstructed its product quality standards and is focusing on building a culture that encourages open communication across organizational levels. These efforts have led to external recognitions, being awarded the top prize in the Korean Quality Satisfaction Index for eight consecutive years and nominated as an Outstanding Quality Competitiveness Enterprise for seven consecutive years. Second, Hankook Tire has continuously improved its quality assurance system to meet the requirements of premium carmakers and improved competitiveness in areas related to customer service quality, such as new technology development and production expansion. Such efforts have led to the growth of Hankook Tire's OE tire business and enhanced its brand image. Quality is Hankook Tire's most important means to communicate with customers and the starting point of innovation. The company strives to deliver highest quality products by continuously raising quality awareness inside the organization and building a culture that unquestionably views quality as its No. 1 priority.



Panoramic view of the Tennessee factory

MOTORSPORTS

Hankook Tire has proven its worldclass technology and quality through successful sponsorships of diverse racing teams and motorsport championships such as the Deutsche Tourenwagen Masters (DTM), the world's leading touring car championship attended by three of the world's top premium carmakers, as well as the Audi Sport TT Cup and the 24 Hour Series. As a strong supporter of worldclass motorsports, the company will continue to open new chapters in driving culture together with motorsports fans around the world.

Proof of state-of-the-art quality and technology

Motorsport competitions are a place where racers push their limits to reach new heights, which is perfect for Hankook Tire to demonstrate its capabilities. By sponsoring racing teams, participating in diverse motorsport competitions, and showcasing tires that incorporate the company's state-of-the-art technology that can enable racers to break new records, the company is supporting the quest of pilots from around the world to pursue new challenges, overcome the limits of speed, and realize their dreams.

Since 1992, Hankook Tire has been actively participating in the world's most prestigious motorsports competitions, starting with Super GT, Nürburgring 24h, and 24 Hours of Le Mans. After years of competing with some of the world's leading tire companies, Hankook Tire achieved the feat of being selected as the official tire supplier for DTM and the FIA Formula 3 European Championship starting from 2011. DTM is one of the world's top three touring car racing competitions in which Germany's foremost premium carmakers, such as Audi, BMW and Mercedes-Benz, put their technology to the test. Subsequently, in recognition of the quality and product technology demonstrated through DTM, Hankook Tire has been selected as the official tire supplier to the Audi Sport TT Cup, a support event for DTM that is directly hosted by Audi Motorsport.

In addition, Hankook Tire demonstrated its superior technology and quality in 2014 by participating in the Nürburgring 24h, a 24 hour circuit race also known as Green Hell. Since 2006, it has steadily participated in Formula Drift, the sole professional drift championship series in North America, and in particular, Formula Drift racers sponsored by Hankook Tire landed at first place in 2016, winning the overall race for three consecutive years. Also, as title sponsor and exclusive supplier of tires to the world's biggest endurance race, the 24H Series Powered by Hankook Tire, Hankook Tire is solidifying its brand image.

Meanwhile, in 2016, Rhys Millen broke the unbreakable 9-minute record at the Pikes Peak International Hill Climb, the world's top mountain motor sport competition, landing at No. 1 in the electric car category while sporting Hankook tires. Separately, Hankook Tire reaffirmed the prestige of its brand by extending exclusive supply agreements with DTM and FIA F3 and entering into an exclusive tire supply agreement and title sponsorship with the Supercar Challenge in the Netherlands from 2017. Living up to expectations and enthusiasm of motorsport fans around the world, Hankook Tire will continue to support top events around the world in 2017 and participate in world-class competitions continuously, strengthening brand power and product recognition to become a brand beloved by a growing number of customers in the global market place.

FIA Formula 3
Renewal of an exclusive, official tire supply agreement in 2016



Formula Drift
Company-sponsored racer wins three years in a row



Pikes Peak
International Hill Climb

Company-sponsored racer sets
new record and lands at No. 1



DTM, FIA F3

Renewal of exclusive, official
tire supply agreement



Supercar Challenge

Title sponsorship and exclusive,
official tire supply agreement of
the Dutch Supercar Challenge



INSPIRATION

FOR

PREMIUM BRAND

— Hankook Tire is a partner to more than 30 global automotive companies worldwide. In 2016, it reaffirmed its technological prowess as a premium brand, supplying OE tires for the BMW 7 series and the Audi Q7 and SQ7 models. Meanwhile, it plans to stage more exciting encounters with customers worldwide through its global marketing partnership with Spain's prestigious Real Madrid Football Club.

MARKETING COMMUNICATIONS

Hankook Tire implemented diverse market outreach programs in 2016 to bolster communications, familiarize global customers with the brand, and give them opportunities to experience the products firsthand. Based on marketing communication strategies that take into consideration the characteristics of individual markets and customer groups, the company has been actively promoting the Hankook Tire brand through various activities such as campaigns, exhibitions and sponsorship of sporting events.

Global Brand Communication

Starting from the 2016 -17 season, Hankook Tire embarked in a premium brand marketing campaign by signing a three-year marketing partnership agreement with Real Madrid, the world's top football team. Riding on the unrivaled innovation shown by Real Madrid and following the September 2016 launch of the "Be One with Innovation" campaign in key markets outside of the US, Hankook Tire will instill the value of "Winning Innovation" shared with Real Madrid in fans and consumers all over the world. Separately, since 2012, Hankook Tire has been actively participating as an official partner of the Union of European Football Associations (UEFA), actively engaging local consumers in brand marketing activities.

In line with consumer interests in the strategic US market, Hankook Tire has been running the Never Halfway campaign since 2015. In Racing Daylight advertising, the company conveyed its tireless passion and its spirit of challenge through the eyes of adventure photographer Chris Burkard. In April 2016, the company unveiled Vanishing Act advertising featuring professional racer Rhys Millen to steadily build Hankook Tire's brand awareness. In addition, the company is running signage advertising with 27 MLB teams, and began signage advertising with nine NBA teams starting in 2016, boosting its association with major sports categories in the US. In China, in accordance to changes in consumer attitudes and continued strengthening for the brand's premium image, the company adapted the innovation-focused "Be One with It" campaign. In addition, by continuing to strengthen integrated marketing communications (IMC), Hankook Tire is delivering consistent brand messages at consumer contact points and pursuing continuous activities that will elevate the brand's premium status.

In Korea, Hankook Tire has been airing Ball Pin Tire advertising of the The Next Driving Lab campaign to promote a young and innovative image and to convey Hankook Tire's commitment to lead the future of driving. Moreover, through a new campaign for its T'Station retail channel brand, it is communicating the concrete value of its Smart Care service, which helps differentiate the brand from competitors and conveys a premium image that reassures customers that they can count on the brand to take care of their cars.

Furthermore, the company is actively promoting Hankook Tire's outstanding products and technologies at renowned exhibitions, including the International Automobile Ausstellung (IAA) and the Shanghai/Beijing International Automobile Exhibition, also known as Auto China.



'Racing Daylight' episode of the 'Never Halfway' campaign



Ball Pin Tire



BE ONE WITH IT



GLOBAL AUTOMOTIVE PARTNERSHIPS

Hankook Tire is growing into a global company that is leading the new-car (OE) tire segment by strengthening its trust with global automakers based on continuous R&D investment and competitive high technology in a rapidly changing automobile environment.

Leading the future of the automotive industry

Tires play a key role maximizing the performance of a car and improving satisfaction from a driving experience. The growing consumer demand for improved emotional qualities such as noise, ride, and appearance, and the emergence of a new automobile environment leading to the future, has led to a growing importance of OE tires. Hankook Tire is actively responding by establishing research centers in key global regions and developing advanced tires optimized for each market and vehicle type. Its global network and decades of steady R&D investment have helped to build partnerships with global automakers that will strengthen the company's position in the future automobile industry. In particular, the Hankook Technodome, inaugurated in October 2016, will serve as critical infrastructure to develop future-leading technologies and play an instrumental role in the development of OE tires.

In 2016, Hankook Tire continued to build OE tire sales to world-class automobile companies such as Audi, BMW, Ford, Mercedes-Benz, Nissan, and Toyota. Specifically, with the growth of the electric car market, it started to supply eco-friendly tires to Ford for its plug-in hybrid (PHEV) vehicle, and as a testament to the company's futuristic top-tier global technology, it succeeded in supplying silent tires to Audi for its premium Q7 and SQ7 SUVs. Hankook Tire has a partnership with more than 30 global automobile companies, and it confidently vows to lead the future of the global automobile industry with cutting-edge advanced technology and superb quality.



Expansion of OE tire supplies to world-class automotive companies



Hankook Technodome, inaugurated in October 2016



Hankook Tire has partnership agreements with more than 30 global automobile companies. It will continue to build the future of the global automobile industry with superb quality and cutting-edge technology that will lead future markets.

OE TIRE MARKET PERFORMANCE AND FUTURE STRATEGY

Hankook Tire OE tire sales to premium brands such as Audi, BMW, Mercedes-Benz, and Porsche increased 28% YOY in 2016, while sales to Japanese companies such as Honda, Nissan, and Toyota grew by 26%, and premium brand sales for trucks and buses grew by 13%. In addition, company succeeded in supplying eco-friendly tires for electric vehicles and silent tires for premium cars, demonstrating once again its technological prowess and capabilities as a global tire company.

2016 Performance

Despite slowing growth in the global passenger car market, Hankook Tire continued to expand OE tire sales in 2016. The remarkable growth of OE tire sales in North America continued into 2016. While the North American automobile market was stagnant in 2016, Hankook Tire's OE sales grew more than 12% by expanding supplies to Japanese and North American companies. In the meantime, the European automobile market is experiencing a prolonged downturn due to chronic dips in demand in Western Europe and uncertainties over Brexit. Nevertheless, Hankook Tire recorded even sales YOY in Europe, thanks to stable supply to premium customers such as Audi, BMW, Mercedes-Benz, Porsche, and Volkswagen. In China, automobile sales growth was high due to sales tax cuts, however, the benefit went mostly to inexpensive local SUVs and competition in the new car market intensified. Hankook Tire's OE business grew by 9% YOY in 2016 thanks to growing demand from premium-brand European customers such as Audi, BMW, Mercedes-Benz, and Volkswagen.

In 2017, the global economy appears to be more susceptible to the risk of uncertainty and forecasting has become more difficult than ever before. Nevertheless, Hankook Tire plans to minimize risk in each region and grow sales in emerging markets, as well as advanced markets, by continuing to diversify its global businesses and to implement cost innovations and systematic business portfolio innovations as it has been doing in recent years.

Hankook Tire's OE Tire Partners



Accelerating penetration of the North American market by supplying OE tires for Nissan's Frontier



Supplying Ventus S1 evo2 for the New Audi A4

2017 Business Strategy

Hankook Tire has adopted the following business strategies to ensure stable growth of OE tire sales in a rapidly changing market environment:

First, it will further expand the supply of OE tires to top-class carmakers. The company will continue to grow sales to premium brands, such as BMW, Mercedes-Benz and Audi, in addition to mass-production brands, such as Hyundai Kia Motors, Volkswagen, Ford, GM, Toyota, Honda and Nissan, that it is currently supplying. It will seek to expand business with increasingly important Chinese automakers, as well as Japanese automakers operating in India and ASEAN. Moreover, it will seek to deepen partnerships with automobile brands by expanding OE tire supply agreements to a greater variety of popular models.

Second, Hankook Tire will increase sales to premium brands. It will aim to expand passenger car, truck, and bus tire sales to current partners, such as Audi, BMW, and Mercedes-Benz. It will use these efforts as a stepping stone to strike OE tire supply agreements with other major premium car brands in Europe and North America.

Third, the company will dedicate more resources to the development of new technologies that better meet the needs of global markets and consumers. In addition to silent tires, whose demand is rapidly increasing, it will supply futuristic safety-oriented run-flat and sealant tires as OE tires, and develop new tires that are optimized for electric (EV), hybrid (HEV), plug-in hybrid (PHEV), and hydrogen fuel cell (FCEV) vehicles, keeping abreast of emerging trends in the development of future cars.

Fourth, Hankook Tire will strengthen cooperation with automobile companies through diverse communication activities. In addition networking through regular business meetings, it will promote Hankook Tire's OE tire business in global auto shows and exhibitions. In addition, it will build mutually beneficial cooperative relationships with major automobile companies by strengthening ties through collaboration in joint research, concept tire development, and technological exchanges.

2017 Strategy for OE Tires

- 1 Increase OE tire sales to the top global carmakers
- 2 Expand OE tire usage among premium brand passenger cars, trucks and buses
- 3 Focus resources on the development of new technologies
- 4 Strengthen collaboration with automakers through diverse communication activities



Supplying Premium SUV OE tires for Audi's Q7

ANALYSIS BY REGION AND FUTURE STRATEGY

Korea

The Korean Headquarters solidified its domination of the domestic market, strengthening its franchise and brand capabilities through specialized distribution, service differentiation, and diverse product developments.

While the nation's economy grew minutely by 0.1% YOY in 2016 to 2.7%, the country was in recession as a result of a domestic and international economic downturn driven by growing trade protectionism and slowing economic growth in China. While domestic automobile registrations increased by 3.9%, new car sales declined 0.4% due to a drop in imported car sales and domestic tire sales remained flat vs. YA. In spite of this depressed market environment, the company maintained market leadership by strengthening its distribution expertise and wholesaler power, in addition to brand differentiation through improved retail-oriented franchise capabilities.

Key achievements and marketing activities by the Korean Headquarters in 2016 were as follows:

First, it continued to air the Next Driving Lab campaign to strengthen the young and innovative image that corresponds to its global brand and built consumer confidence by promoting T'Station's complete and differentiated Smart Care services. It also reinforced the brand's top-tier global leadership image by sponsoring top sports clubs in Korea and overseas. Moreover, it built the company's customer-friendly and industry-leading image through automobile-related content aired on television.

Second, the company introduced new products to improve competitiveness and build market leadership, delivering higher quality and better driving performance. Specifically, it introduced Ventus S2 AS, an ultra-high performance (UHP) tire for imported cars and large sedans; Dynapro HL3, a stylish premium product for SUV & CUVs; and Winter l'cept IZ 2A, a winter tire. The Korean Headquarters also reinforced marketing partnerships with global premium luxury brands, extending sales of OE tires to top models such as BMW 7 Series and Audi Q7.

Third, the Korean Headquarters provided differentiated, sales-oriented services and distribution expertise to retail channels. It rolled out T'Station's standardized Smart Care services to establish credibility as a professional franchise in the market, launched franchise-specific products, and expanded safety insurance to address consumer concerns about tire damage in the initial period following the purchase of new tires. Moreover, it conducted winter tire and MD package preorder events online and offered tire storage services to win over winter tire customers.

In 2017, the Korean economy is expected to undergo a long-term recession due to deteriorating household and business economic confidence and declining consumption and capital investment. Furthermore, the domestic tire market is expected to become more competitive due to lower demand and oversupply of products stemming from stagnant consumption. Thus, the Korean Headquarters will pursue more innovative marketing strategies that match the rapidly changing market environment and provide differentiated services that deliver critical value to shop owners and customers in retail outlets, in addition to featuring a lineup of products that better meets consumers' diverse needs. It will support retail activities with efficient manpower and logistical management and focus on establishing greater presence in the field.

Finally, the Korean Headquarters will reinforce the brand's perception as a leader of innovation and technology, and enhance its trustworthy and reliable image through new distribution channels and brand advertising.



China

The Chinese Headquarters grew sales of replacement (RE) tires by 20% in 2016 vs. YA, supported by growing sales of new-car (OE) tires and the stabilization of distribution channels. In addition, it enhanced the brand's premium image by expanding OE tire sales to premium car brands and building presence of its high-end Hankook Masters distribution outlets.

As the Chinese government announced, China is making the transition from being a rapid growth economy (7.0% or more growth per year) to a medium growth economy. In 2016, China's GDP grew by 6.7%, slightly below the 6.9% growth rate in 2015. In spite of these circumstances, the Chinese Headquarters grew RE tire sales by more than 20% YOY and OE tire sales by 9% YOY, thanks to steady investment in distribution and participation in new car development projects over the years.

Key achievements by the Chinese Headquarters in 2016 are as follows:

First, it significantly boosted sales of ultra high performance (UHP) tires in the replacement tire market, achieving a remarkable 35% growth vs. YA. Through the timely launch of new, high-inch UHP tires, it posted a significantly higher growth rate versus other segments, and the growing sales of high-end tires helped Hankook Tire to establish a premium brand image.

Second, Laufenn, the Chinese Headquarters' new brand, settled down in the market. The company mounted over 280 branded Laufenn shops and laid out a distribution network that covers the entire country. By giving consumers the possibility to buy premium Hankook Tire products or new Laufenn products anywhere in China, the company is in a position to better fulfill consumers' diverse needs.

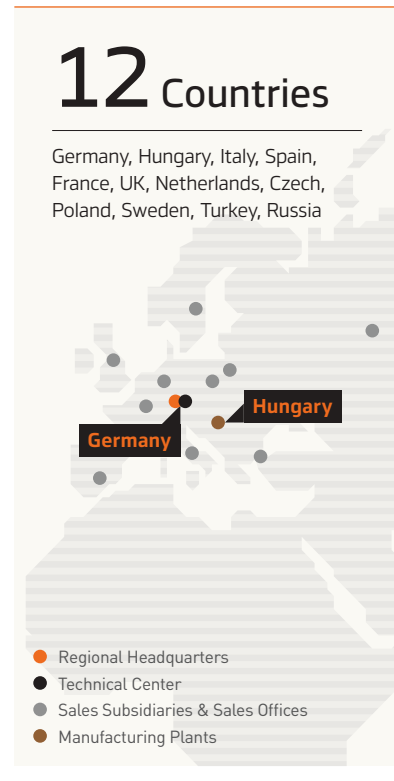
Third, in addition to Hankook Tire-branded distribution points, the company has actively expanded distribution into new channels, achieving quantitative expansion and qualitative improvement of distribution at the same time. Although, the Chinese Headquarters is continuously expanding retail distribution by investing in Hankook Masters (a channel for passenger cars) and Hankook Truck Masters (a specialized channel for trucks and buses), it is also diversifying retail channels by expanding

distribution into online shopping malls, luxury car brand franchise stores (4S), and independent tire franchises. These efforts to strengthen distribution has been the backbone behind Hankook Tire's steady growth in China.

Fourth, the Chinese Headquarters expanded OE tire sales to premium brands and proactively responded to new car developments. It grew OE tire sales to premium brands, such as Audi, BMW, and Mercedes-Benz by more than 20% YOY. In 2017, it expects to grow sales by more than 30%, thanks to proactive participation in new car development projects in 2016.

Finally, the Chinese Headquarters conducted sports marketing activities that leveraged the company's partnership with Real Madrid. From July 2016, it aired the new Real Madrid TVC in major cities in China using CCTV as its primary medium, and posted promotional materials related to the Real Madrid campaign in all Hankook Masters and Hankook Truck Masters stores. It boosted Hankook Tire's premium image and brand preference leveraging sport marketing related to China's favorite sport, football.

In 2017, the Chinese Headquarters hopes to see a rapid growth in RE sales once again through the launch of diverse products optimized for the market, quantitative growth of distribution outlets, and quality improvement. In addition, it plans to reinforce its sales portfolio by expanding sales of OE tires for premium cars and increasing the sales portion of UHP tires. Moreover, it plans to use sports marketing aggressively to further strengthen Hankook Tire's premium image.



Europe

The European Regional Headquarters continued to grow market share by reinforcing the brand's premium image, improving productivity, developing competitive products, and proactively leveraging marketing communications. The unwavering growth that the company has demonstrated is driving Hankook Tire's emergence as a top-tier regional brand.

Making leaps towards becoming a premium brand

2016 was a fiercely competitive year for tire makers in Europe. Major brands began to expand their sales network through mergers and acquisitions and remaining brands engaged in diverse marketing activities to boost awareness and promote sales. In spite of this difficult situation, the European Regional Headquarters sold over 23 million tires and achieved over 7% market share.

Key achievements by the European Regional Headquarters in 2016 are as follows:

First, in order to strengthen the brand's premium image throughout Europe, it partnered with Real Madrid, one of the most prestigious football clubs in the world.

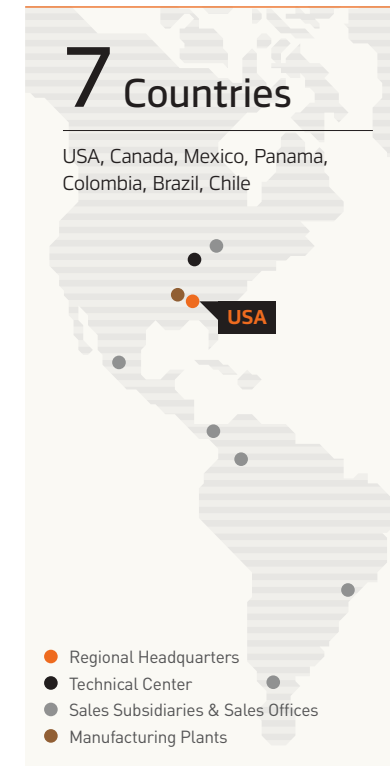
Second, it participated in IAA Hannover, the largest commercial vehicle exhibition in the world, and publicized its OE supply agreements with premium commercial vehicles, such as MAN, Mercedes-Benz, and Scania, to media, business, and industry.

Third, it extended its contract with Deutsche Tourenwagen Masters (DTM), which it started to sponsor in 2011, to supply tires exclusively for the next three years, securing the opportunity to promote its tire partnership with top brands such as Audi, BMW, and Mercedes-Benz among consumers.

Fourth, it launched the company's second brand, Laufenn, in order to position the Hankook Tire brand even higher among the global premium brands. Together with the existing Aurora and Kingstar brands, it aims to build a stronger brand portfolio that will enable it to meet the diverse consumer needs and open the opportunity to position the Hankook Tire brand as being even more premium.

Fifth, to secure better winter tire technology, it founded a corporate winter tire test track in Ivalo, Northern Finland. It plans to invite numerous media and industry representatives in the future to promote the company's excellent winter tire technology.

In 2017, the European Regional Headquarters will be a driving force making the entry into the top-tier of global brands by raising brand value in the European market and expanding contacts with European customers in all areas, such as products, services, and marketing.



The Americas

The American Regional Headquarters is expanding market share by diversifying distribution channels in North America, developing new markets in Latin America, and investing proactively in marketing. Through the impressive growth realized in the region, it is also laying the foundation for Hankook Tire to emerge as a top-tier global brand.

Under sluggish economic growth, new vehicle sales in the US increased slightly to 17.7 million units in 2016, while new car registrations ended at 268 million vehicles. However, in 2017, an economic rebound is expected, driven by alleviation of the negative impact of a strong dollar and high energy prices. In addition, the Tennessee plant will start to operate and it is expected to be a springboard for Hankook Tire's activities in the US.

Key achievements by the American Regional Headquarters in 2016 are as follows:

First, it achieved sales growth centered on large retailers and regional dealers. It set the stage to take a leap forward by growing corporate accounts in the US by 16%, expanding market share in national distribution networks in Canada, securing new dealers in Central and South America, and growing ultra high performance (UHP) tire sales volume. The organization has set the stage for mid- to long-term sales growth in the Americas by expanding retail sales through warehouses, improving its distribution portfolio, and focusing on channels that have potential for sustainable growth.

Second, the American Regional Headquarters conducted diverse activities to enhance brand value in the market. It built consumer affinity for the brand by continuing to air the Never Halfway campaign launched in 2015 and continued to strengthen sports marketing in MLB and NBA, building Hankook Tire's brand recognition and brand preference.

Third, the American Regional Headquarters closed the chapter of its 35-year-old history in New Jersey and moved premises to Nashville in 2016. The relocation will serve as a springboard to make new leaps into the future. The organization is prepared to successfully operate the Tennessee plant and to grow its Southeastern US business.

It aims to achieve qualitative and quantitative growth through the following key strategies:

First, it will optimize operation of distribution channels. Under stable demand, it will drive quantitative growth in the US by cultivating new large-scale accounts and launching new product lines. In Central and South America, it will lay the groundwork for future growth by developing new accounts and bringing innovation to distribution channels, starting with a steady expansion of Hankook Masters distribution points. In Canada, it will cultivate sales in mid to large retail outlets in Eastern Canada, focusing on national distribution networks, and it will build sales in warehouse stores to further develop retail channels.

Second, it will establish a stable base for growth by successfully operating the new Tennessee Plant and executing related sales plans.

Third, it will implement differentiated promotional programs and campaigns for high value-added tires to raise the average sales price point.

Fourth, it will enhance brand value through the implementation of diverse marketing communication plans aimed at building brand awareness and supporting sales. It will continue to conduct sports marketing by leveraging popular sports in each region, such as MLB and NBA or hockey in Canada, and increase visibility in motorsports and exhibitions. It will work relentlessly to reach new heights in the Americas and realize the vision of "Hankook Everywhere."



Middle East, Africa and Asia-Pacific

The company grew sales in the Middle East, Africa and Asia-Pacific by increasing sales coverage and building distribution infrastructure by downstreaming.

In 2016, the Middle East and Africa experienced growing economic instability due to internal and external difficulties, such as persistent insecurity and civil war in some countries, depressed oil prices, and the deterioration of current account and fiscal account balance. This was exacerbated by political turmoil caused by IS's extremist activities. In the case of developed countries, such as Australia and Japan, slow or negative growth continued to plague the tire market, while ASEAN countries continued to experience economic contraction due to slow growth in China.

However, despite this challenging market situation, Hankook Tire responded proactively to the changes in the Middle Eastern, African and Asian-Pacific regions by laying the groundwork for sustainable growth.

First, in order to establish a base for quantitative and qualitative expansion, it accelerated regional downstreaming of distribution in 2016, adding 49 Hankook Masters distribution points in the Middle East, Africa and Asia-Pacific, and focusing on expanding the retail network beyond Hankook Masters. It concentrated on optimizing product management and achieved 30% YOY growth on ultra high performance (UHP) tires.

To overcome difficult market conditions, achieve quantitative growth, and improve profitability in 2017, the Middle East, Africa and Asia-Pacific operation will pursue the following strategies:

First, it will continue to increase the level of sophistication of distribution channels to lay the foundation for quantitative growth and improve brand value to ensure steady sales. To this end, it will strengthen sales infrastructure by expanding the Hankook Masters retail network and collaborating with heavyweight business partners to optimize distribution strategies for the market and maximize return on investment.

Second, it will aggressively pursue the newly emerging Indian and Iranian markets to grow the potential of the Middle East, Africa, and Asia-Pacific.

Third, it will continue to focus on expanding market share in the ASEAN market with a local strategy that leverages the Indonesian factory.



Middle Eastern product advertising



Indonesian product advertising

TIRE MARKET PERFORMANCE BY PRODUCT GROUP

In 2016, Hankook Tire sold about 97.5 million tires worldwide, with replacement (RE) tires and new-car (OE) tires accounting for 65% and 35% of sales respectively. High value ultra high performance (UHP) tires grew 12.5% YOY.

2016 Performance Analysis

Hankook Tire's sales distribution by region in 2016 was 14.4% in Korea, 20.6% in China, 31.2% in Europe, 22.3% in the Americas, and 11.5% in the Middle East, Africa and Asia-Pacific. The company achieved a well-balanced sales distribution around the world, including the advanced European and American markets. In terms of sales by product group, sales volume of passenger car tires increased by 5.48 million tires YOY to 88.48 million tires, and the sales ratio of RE tires to OE tires for passenger cars was 65:35.

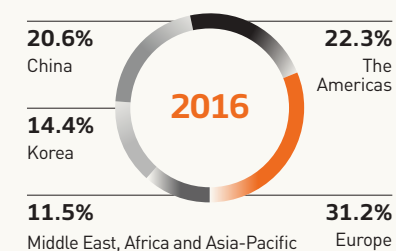
In particular, sales of UHP tires for passenger cars increased steadily, reaching 31.25 million tires in 2016, or +12.5% YOY. UHP tires accounted for 35.3% of passenger car tire sales, a 1.9% point increase YOY, and accounted for 58% and 42% of RE and OE sales respectively. Considering that OE tires sales correlate with RE tire sales, the weight of UHP tires in the RE tire segment is expected to increase in the mid- to long-term.

The sales percentage of UHP tires in the RE tire market by region was 11% in Korea, 11% in China, 46% in Europe, 17% in North America, 2% in Central and South America and 12% in the Middle East, Africa and Asia-Pacific, showing a skew toward advanced markets in Europe and North America which is gradually expected to balance out with emerging markets.

Sales percentage of truck and bus RE tires by region was 20% in Korea, 12% in China, 31% in Europe, 18% in North America, 6% in Central and South America, 13% in the Middle East, Africa and Asia-Pacific. In particular, China and Europe grew by 10% and 12%, respectively.

Geographical distribution of tire sales

Based on global sell-in amounts



UHP Tire Sales

Unit: Ten thousand units

+12.5%

2015 | 2,779

2016 | 3,125

INSPIRATION

FOR

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원두소개♥

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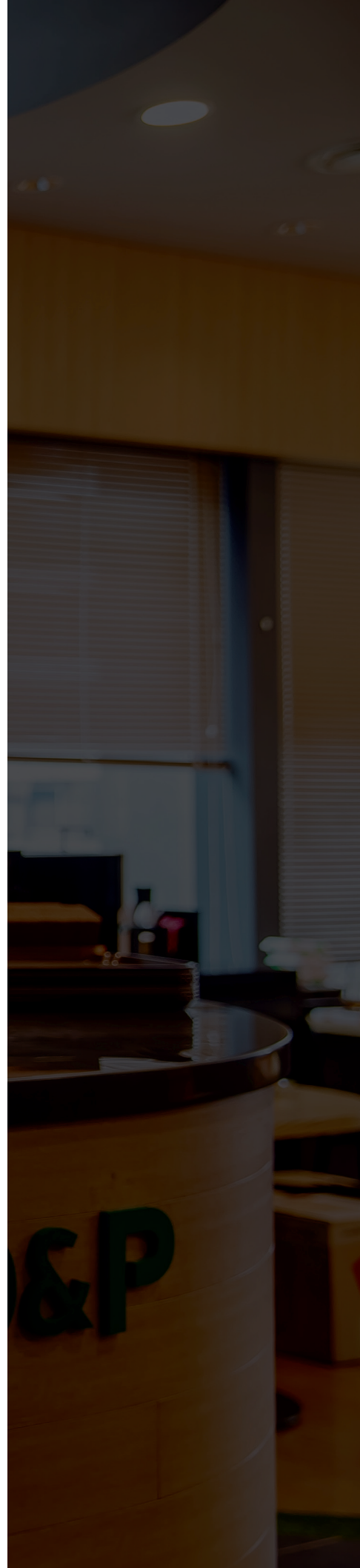
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Cafe D&P



———— Hankook Tire is making diverse efforts to build a sustainable future. Hankook Tire is motivating employees to innovate by cultivating a proactive organization and by integrating social contribution into the company's unique organizational fiber through an integrated CSR management system. It is committed to pursuing sustainable management that lives up to people's expectations from a top-tier global company.



PROACTIVE CULTURE

Hankook Tire is building competitiveness by making a proactive culture a unique corporate trait. By nurturing innovative, proactive leaders in a corporate environment that allows them to pursue new challenges without fear and that encourages them to share and develop opinions to achieve goals, Hankook Tire is building a better future.

Proactive Culture

Hankook Tire has grown steadily based on its unique growth engine, Proactive Culture. "Proactive" refers to Hankook Tire's "professional" and "active" corporate culture that values professionalism and voluntary innovation. Hankook Tire aims to make Proactive Culture an integral part of all systems and management of the company, encouraging employees to pursue innovation in all aspects of their work. Hankook Tire's ideal is the "Proactive Leader," someone who passionately develops creative ideas and perfects them by practicing open communication, and who generates new value by enthusiastically bringing them to fruition. Proactive Culture manifests itself in the company in various forms and is helping the company evolve on its own, bringing innovation and growth.

Proactive Friday, an innovative challenge never witnessed in any other company

Once a month, Hankook Tire has a special Friday called Proactive Friday. All executives and team leaders are absent from work, and employees can take advantage of their time as they please, unbounded by regulations and formats. It is an opportunity that enables them to plan various activities outside of work and practice innovation on their own. In addition to pursuing insightful experiences such as benchmarking other companies, test driving, viewing exhibitions, and running voluntary seminars that are normally difficult to pursue, they participate in diverse in-house and external activities that can provide inspiration, such as new cultural activities or volunteer activities, with in-house club companions. Hankook Tire's goal is to create an environment that cultivates creative talent rather than forcing creativity out of employees.

* Executives and team leaders who do not participate in Proactive Friday participate in Strategic Sunday on the following Sunday, analyzing the company's strategic direction and holding discussions on diverse issues.

Proactive 1 Grand Prix: Making innovation a part of everyday life

Hankook Tire runs the Proactive 1 Grand Prix program to encourage voluntary employee participation generating ideas company-wide and to raise employee pride and morale. It is a bottom-up in-house idea generation system meant to make innovation a part of everyday life by having constituents propose a wide range of innovative ideas related to business and company life through an online virtual racing competition world. Proactive 1 Grand Prix allows everybody to express themselves freely regardless of rank or position. People can post ideas even though they are unrelated to their job and can designate an individual to evaluate or execute their ideas.

More than 6,000 ideas are posted every year on Proactive 1 Grand Prix, which has been operating since 2012. Ideas are improved and evaluated through online comments posted by employees, leading to actual corporate execution. Backed by employees' passion, Proactive 1 Grand Prix has become a driving force behind Hankook Tire's continuous growth, bolstering the competitiveness of employees and the company.

Proactive Concert: A forum for horizontal and transparent communication

Proactive Concert is a quarterly event where all Hankook Tire employees gather by department in one place. It has evolved from an in-house IR forum to share the company's quarterly results to a communication forum to share corporate information in a transparent manner. It is not a stodgy, tightly managed meeting in which the company unilaterally sets the agenda and finishes with brief comments from top-ranking managers, but an open forum where participants set the agenda based on issues that interest them the most and share information mutually, providing answers on the spot. The Proactive Concert is held in a relaxed atmosphere, with all staff members sitting close to each other, without seat designations based on rank. All speakers are encouraged to maintain a sense of humor, and presentations on the agenda are meant to be kept short while Q&As are meant to be conducted with ample time. Specifically, Q&As are conducted in a relaxed manner, with speakers sitting on the edge of the stage. Sensitive questions are posted anonymously through text messaging. In the first quarter of 2017, over 200 questions were raised at the Proactive Concert, serving as a forum to exchange thoughts on diverse issues related to the company. Questions that remained unanswered due to time constraints were addressed online through the intranet, demonstrating that the Proactive Concert is constantly evolving to better promote effective communication between the company and its employees.

To be

The key factors that differentiate Hankook Tire from other companies is its "Proactive" thinking and ways of communication. The process of sharing ideas, no matter how small, and progressively building on them makes Hankook Tire special. "Proactive Culture" is a critical part of Hankook Tire's success story that embodies the company's most important values of innovation and spirit of challenge and a demonstration of the company's commitment to help associates reach their full potential. Hankook Tire's Proactive Culture continues to bring evolutionary changes and innovation.



Proactive Awards



Proactive 1 Grand Prix



Community of Practices

Hankook Tire is already creating new value by encouraging employees to grow with society through various social contribution activities that are now deeply rooted into its corporate culture. By establishing an integrated CSR management system, it has achieved specific goals naturally as part of work and daily life. Separately, the company improved corporate risk management systems and set new guidelines for human rights and environmental protection to ensure the sustainability of the business. Hankook Tire will continue to pursue its mission, enhance corporate value, and fulfill its social responsibilities as a global company.

Declaration

Hankook Tire is making every effort to make CSR a part of employees' daily work and make it a part of its corporate culture. Through integrated CSR management, Hankook Tire will maximize value to diverse stakeholders and lead the sustainable development and growth of the mobility industry.

CSR achievements

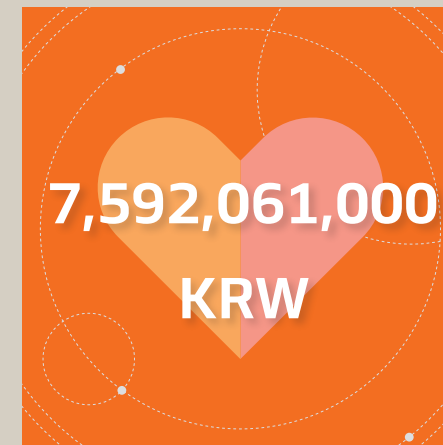
Hankook Tire has been striving to fulfill its corporate social responsibilities through the establishment of an integrated CSR management system in 2010. To ensure that CSR activities naturally become a part of employees' work, it classified activities into eight categories such as product environment, workplace environment, health & safety, energy and emissions, employees, ethical management, compliance, social contribution, and partner companies, and established committees to manage each category, assigning roles and direct CSR responsibilities to each committee and related department. In 2016, to improve sustainability of programs from a mid- to long-term perspective, it developed the CSR Roadmap Vision 2020 to be achieved by 2020.

Hankook Tire was the first Korean tire company to join the Dow Jones Sustainability World Index (DJSI World) in 2016. It has been recognized as one of the top, sustainable global auto parts companies in the world from a pool of about 2,500 companies. In particular, in 2016, it received outstanding scores in the management of partner companies, responses to climate change, and industrial safety and health.



Dow Jones Sustainability Indices - World

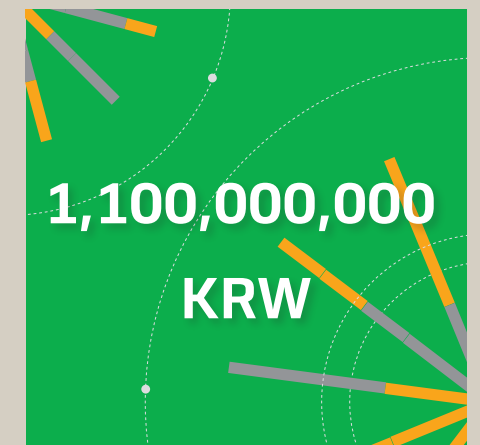
CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES



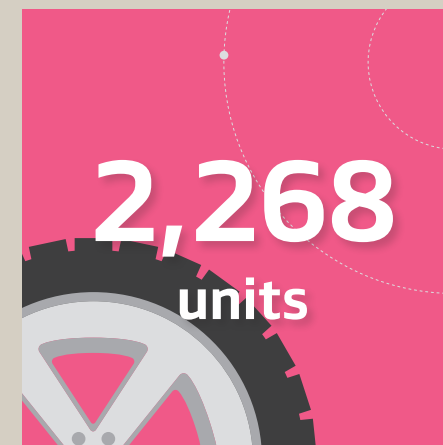
Social contribution expenditure



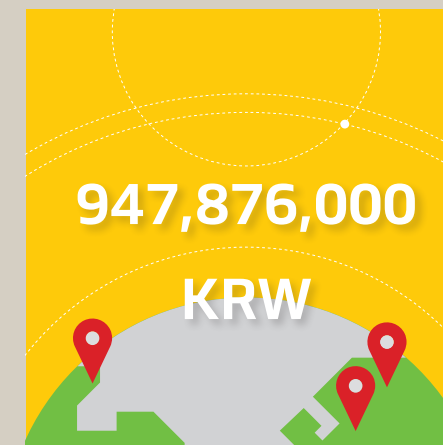
Cumulative hours logged by the Donggeurami volunteer force



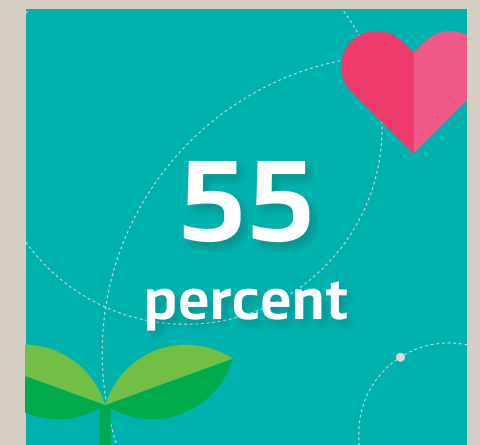
Donations to social welfare community chests



Tire allowances for social welfare agencies



Social contribution expenditure in regional headquarters and overseas factories



Percentage of disabled employees in Donggeurami Partners Korea

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

2016 DJSI World

Social Contribution Activities

Hankook Tire contributes directly and indirectly to the development of national and local communities through social contribution activities and fulfills its role and responsibility as a corporate citizen by actively practicing reciprocity to society.

Social contribution expenditure in 2016: KRW 7,592,061,000 (0.1% of consolidated annual sales)

Korea

Hankook Tire is actively engaging in social contribution activities to bring a positive impact to local communities through employee volunteer activities as well as the Hankook Tire Welfare Foundation.

Social contribution expenditure in Korea in 2016: KRW 6,644,185,000.

Operation of the Donggeurami Employee Volunteer Force

After launching a company-wide employee volunteer force in 2013, Hankook Tire is participating in diverse volunteer activities, including neighborhood cleanup campaigns and visits to low-income households and social welfare facilities. Participation has been extended to employee family members, and in 2016, the organization introduced a new form of community services through the launch of an in-house childcare center.

2016 Performance: Absolute number of participants 3,244 / Cumulative time logged 30,876 hours / Number of activities 715

Social Contribution through Donations to the Social Welfare Community Chest

Hankook Tire contributes to society through annual donations to the Social Welfare Community Chest.

Contribution to the Social Welfare Community Chest in 2016: KRW 1.1 billion

Support for the Children's Traffic Safety Map project

To safeguard accident-prone elementary school children and the community from traffic accidents, Hankook Tire is conducting the Children's Traffic Safety Map project with the Korean Association for Safe Communities. 536 elementary school students from four elementary schools (20 classes in total) in Seoul, Gyeonggi, Gangwon and Daejeon participated in the program in 2016.

Support for underprivileged women seeking self-sufficiency

Building on its association with mobility and the growing number of female drivers, Hankook Tire has been helping underprivileged women in Korea to acquire driving licenses since 2014. In 2016, 57 individuals in five regions (Seoul/Gyeonggi, Jeolla, Chungcheong, Gyeongsang, and Gangwon) earned their licenses and used them to pursue careers in sectors such as traveling nail service and food trucks for self-reliance.

Fulfilling corporate social responsibilities through the Hankook Tire Welfare Foundation

Three major mobility-related social contribution programs

Car sharing with social welfare institutions: To improve the mobility of social welfare facility users, Hankook Tire has been running a compact car sharing program with social welfare centers since 2008.

40 vehicles donated to social welfare organizations in 2016 (total of 347 vehicles donated from 2008 to 2016)

Tire sharing with social welfare institutions: Hankook Tire is supporting social welfare institutions by replacing worn tires on passenger vans owned by organizations and compact cars donated by the company. Organizations chosen for their outstanding activity write-ups receive additional support in the form of winter tires.

2,268 tires donated to social welfare organizations in 2016 (total of 14,024 tires for 3,506 vehicles donated from 2010 to 2016) / Winter tires donated to 29 social welfare organizations

Tuieum Bus Program: Since 2013, Hankook Tire has been providing free bus services to social welfare institutions that have transportation needs to help them experience diverse activities related to culture, history, tradition, ecology, and learning. 492 Tuieum buses were provided for the benefit of 16,673 people in 2016

Operation of Community Engagement Programs

Hankook Tire actively supports local communities to help them overcome difficulties and enact change.

Support for Charitable Hospitals: For 24 years since 1991, the company has been supporting charitable hospitals which rely solely on charitable support, without any financial contributions from the national medical insurance system. In 2016, the company supported five charitable hospitals to show respect for the rights of underprivileged individuals to live healthy lives.

Support for Social Welfare Institutions: Since the foundation of the Hankook Tire Welfare Foundation, the company has been supporting social welfare institutions to improve the living environment and quality of life of the underprivileged, such as the disabled and the elderly and children in need. In 2016, it sponsored a camp for families with children with pediatric cancer, a camp for families with learning disabilities, and classes for young North Korean defectors.

Children and Youth Support Programs

Hankook Tire supports the dreams and hopes of children and adolescents who will lead the future of Korea by supporting children and youth programs.

Dream With: Dream With is a collaborative project between corporations, broadcasters, college students, and private citizens to provide positive programs to children in local children centers. It supports the mutual growth of children and volunteer organizations. In 2016, Dream With held activities related to science, film, mountain climbing, humanities and traditional culture with 348 children and 325 university volunteers in 21 local centers.

Support for Teenagers in Crisis: The company looks for and protects teenagers in crisis by providing them with shelter and job-training so that they may grow into healthy members of society. Since running a pilot program in 2015, the Hankook Tire Welfare Foundation has been supporting programs to protect, educate, and teach self-reliance to teenagers in need.

Support for Children and Teenagers from Low-income Families: The company provides support and mentoring to children and teenagers struggling at school or in their careers due to economic difficulties. In 2016, the company provided monthly living stipends to 22 children and teenagers in need.

Social housing activities

Since 2016, Hankook Tire is running a social housing fund to support households in need. The program began through the provision of newly built or remodeled houses at 40% to 80% below market price to prevent economic entrapment of low-income families due to the burden of housing costs. Construction projects are underway in four districts in Seoul (Cheonho, Yongdap, Jangwi, Changcheon), and 39 households have moved into units completed in the Yongdap-dong community housing project in 2016.

Overseas

Hankook Tire has been implementing CSR activities optimized for local conditions in its overseas plants and regional headquarters. Social contribution expenditure by overseas plants and regional headquarters in 2016: KRW 947,876,000

Chinese Regional Headquarters

Scholarships for local low-income students

European Regional Headquarters

Turkish subsidiary: Tires support for vehicles for the handicapped
Italian subsidiary: Donations to earthquake-affected areas

Hungarian Factory

Sponsorship of local festivals; Operation of an employee volunteer force

Indonesian Factory

Support in the form of free medical care and tires

American Regional Headquarters

Donations to the Disabled American Veterans Charity (DAV)

Center Circle Carrier Program

As an official sponsor of the UEFA Europa League, Hankook Tire provided the exciting experience to youth football fans in Europe to become a center circle carrier and participate directly in the game.

Operation of Hankook Tire's subsidiary-style Hankook Donggeurami Partners model workplace for the disabled

Hankook Tire established a subsidiary-style model workplace for the disabled to provide continuous professional employment to people with disabilities. Hankook Donggeurami Partners, which officially opened in June 2016, consists of 93 employees of which 51 people (55%) are disabled. The goal is to gradually increase the employment rate of disabled employees to 100%. The staff provide a variety of services, including administrative support for Hankook Tire's employee welfare, operation of cafeterias (coffee and beverage centers), laundering of worker uniforms (cleaning center), and provision of employee snacks (bakery center). In addition, Hankook Tire employees cooperate with Hankook Donggeurami Partners to collect, wash, and deliver bedding belonging to elderly persons who live alone in the neighborhood.



Donggeurami Volunteers



Mural painting volunteer work



Vehicle sharing



Dream With



Volunteers improve a kindergarten in the Hungarian factory



Cafeteria (Cafe D&P) operated by Hankook Donggeurami Partners

RISK MANAGEMENT & EMERGENCY RESPONSE

Hankook Tire is identifying diverse risks related to uncertainty, setting risk management directions and establishing systematic procedures that strengthen companywide risk management and emergency response.

Risk Management

Hankook Tire appointed personnel in each department to survey risks that can threaten the company's operation. Ninety potential risks were identified and grouped into four key categories according to function and nature of risk. Risk management guidelines were established and disseminated to the relevant functions to safeguard the company.

Financial risk

The global economic slowdown intensified, protectionist trade sentiments grew, and global economic unrest continued in 2016. Political factors, such as Brexit, presidential elections in key countries, and US interest rate hikes, also impacted the financial environment. Nevertheless, Hankook Tire improved corporate resilience through risk management and continued to invest heavily across the globe to build sustainable growth. In preparation for continuous US rate hikes, the company preemptively increased the weight of fixed interest liabilities and is continuously monitoring and managing financial expenses and currency positions to minimize exposure. In addition, it upgraded its financial trends reporting system to detect volatility early and circulates information quickly to ensure that management can take decisions efficiently.

Currency Risk

Hankook Tire is expanding global operations, handling 28 foreign currencies. To diversify currency risk and minimize currency exposure, it conducts all sales-related import, export, deposit, credit, current, and fund transactions in local currencies and tries to match currency denominations of collections and payments. Nevertheless, foreign exchange positions that exceed certain limits are managed in accordance to the company's foreign currency risk management guidelines, which include defining the currency risk and issues to be managed and abiding by management procedures and hedge ratios. Moreover, the Financial Risk Management Committee meets regularly on a quarterly basis to establish currency risk strategies by region and currency. While natural hedging using common currencies is being used for assets and liabilities, external financial instruments to mitigate currency exposure are being used in parallel within approved limits.

Risk Management Guidelines

| Groups | Major Risks | Management Guideline |
|--------------|--|---|
| Group 1 [19] | Fires, serious disasters, typhoons/heavy rains, earthquakes, heavy snows, accidents during overseas business trips, terrorism, IT system failures, blackouts, infectious diseases/food poisoning and others | Emergency response per operation site |
| Group 2 [8] | Antidumping, product liability, customer information protection, intellectual property right/trademark disputes, fair trade, labor-management culture, sexual harassment, affiliate risk management | Managing risk subcommittee |
| Group 3 [31] | Quality issues, information leakages, customer complaints, shortfall in greenhouse gas emissions allowances, currency risks, strikes, inappropriate waste disposal, elapse of raw materials' expiration dates and others | Report through committee or conference |
| Group 4 [32] | Raw material incompatibility, property valuation losses, import customs clearance errors, illegal transactions, major breakdowns in manufacturing equipment, human rights violations, negative PR and 25 other types of risk | Daily management by the supervising department (team) |

Liquidity risk

Hankook Tire manages headquarter and overseas subsidiary debt, liquidity, and short- and long-term cash flow from a global perspective. It also manages global liquidity preemptively by periodically forecasting future cash flows and focuses on maintaining a more stable financial structure through conservative liquidity management in a rapidly changing financial market environment. The company is also managing liquidity among global regions through integrated liquidity management systems such as cash pooling. Cash pooling enables real time exchange of liquidity shortfall and surplus information between companies, minimizing liquidity risk, reducing the burden of financial management, and reducing financing costs. Hankook Tire integrated all regional headquarters and Hankook Tire affiliates around the world under its Global Cash Management System.

Legal Risk

Hankook Tire manages legal risks by seeking legal advice on the drafting and reviewing of contracts, M&As and other legally sensitive issues related to diverse projects, as well as to the day-to-day business of operational divisions. It also provides full support for the resolution of legal disputes such as litigations, arbitrations and more, both at home and abroad. In preparation for the impending commercial operation of the Tennessee Plant, Hankook Tire is perfecting compliance guidelines specified in US labor laws. We are also implementing additional measures aimed at ensuring enhanced management of potential legal risks associated with US product liability. And in an attempt to enhance our compliance management, the company is implementing the following measures: (1) Diagnosing and improving the practices of collecting and utilizing customers' personal information in the wake of the legislation of the

Personal Information Protection Act; (2) Carrying out sexual harassment prevention training in Korean and overseas business operations; and (3) Diagnosing and improving its compliance with the Monopoly Regulation and Fair Trade Act in businesses with affiliated companies and contracts with suppliers. Hankook Tire will continue to strengthen its legal risk management via compliance management both in Korea and overseas operations.

Emergency Response Business Continuity Management System

In 2016, Hankook Tire's Daejeon/Geumsan Plant obtained ISO 22301 (Business Continuity Management System - BCMS) certification for the first time in the tire industry. ISO 22301 is an international standard certification that affirms that a business can restore its core functions in a short period of time in spite of risks of business interruption due to unexpected crises such as accidents and disasters. To this end, the company identified all business activities that are directly or indirectly related to production, such as procurement of raw materials, manufacturing of products, and shipments to customers, evaluated the risks that can affect business activities, and formed a business continuity plan. In addition, it commissioned an emergency response team to create a manual that would enable the organization to respond systematically to accidents and disasters in accordance with established procedures in a timely manner. To improve agility and proficiency, simulated emergency response training is being conducted every year. Hankook Tire will obtain ISO 22301 certification for all of its production bases by 2020 to ensure that customer and stakeholder losses are minimized by being able to protect employees and normalize business in the shortest period of time even in the event of an emergency.

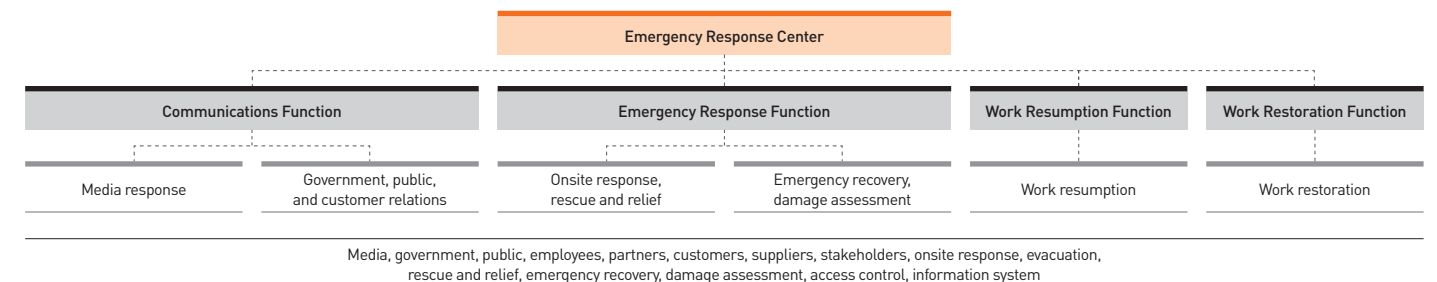
Fire Risk

Following the fire that broke out in the logistics center at the Daejeon Plant in 2014, Hankook Tire in-house teams joined forces with external professionals specialized in fire preparedness diagnosis to assess the fire risk and to strengthen our response capability for any fire risk. Based on the assessment results, the company will invest over KRW30 billion from 2015 to 2017 on related facilities to enhance fire-fighting preparedness. And the company upgraded the Disaster Prevention Centers in each plant to Integrated Control Centers by expanding fire prevention infrastructure and staffing, including assigning additional fire safety managers and installing monitoring systems for emergency response.

Hankook Tire has been bolstering and operating systems to strengthen fire prevention in the vulnerable areas of each operations site. Its capability to respond to fire and explosion-related emergencies is improving with the assignment of a fire prevention officer to each zone, including vulnerable areas, via whom continuous prevention activities are performed. And the fire prevention officer in each vulnerable area was reinforced with a fire safety assistant capable of supporting safety management tasks. This motivates them to function with a strong sense of responsibility.

The company has also expanded virtual fire-fighting training and evacuation drills. And in an effort to establish a close collaborative system with public agencies, the company performed evacuation and fire-fighting drills jointly with public agencies on October 14, 2015 in its Daejeon Plant. In recognition of these concerted efforts across its production plants, Hankook Tire's Geumsan Plant won the Grand Prize in the 2015 Korea Safety Award.

Emergency Response System Operation Framework



All limits and boundaries have been removed.

Not limiting itself to perfecting the experience of driving but setting out to create life-changing technology and cultural experiences has lifted all boundaries that restrict Hankook Tire's vision and scope of activity.

Ideas no longer have to come from roads, but inspiration can be drawn from customers' lives. Partner companies are no longer limited to automobile companies, and stodgy research centers have been transformed into dynamic centers of innovation.

The task of creating a better future is formidable, but Hankook Tire is committed to creating innovations that will deliver special experiences that customers can see, touch, and feel here and now, in this world where we all live together.



hankooktire.com

133 Teheran-ro (Yeoksam-dong) Gangnam-gu, Seoul, Korea
Tel: +82-2-2222-1000

st global competitiveness. Premiums are special means to
Sincerity is the single most important key to realizing the
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타이어가 단순한 이동수단이 아닌 '기술과 문화의 체험'이라 생각하면 모두 것이 가능합니다.

운전자와 자동차가 하나되는 드라이빙의 혁신, 오늘의 자동차와 미래의 자동차를 잇는 진보, 새로운 문화를 경험할 수 있는

신선한 경험, 다 함께 더 풍요로운 미래를 만들어갈 기회. 타이어를 넘어 '미래를 위한 혁신'을 만든다고 믿기에

지금, 여기, 우리가 함께 하는 모든 순간이 한국타이어에게는 소중한 영감입니다.

Inspiration

Inspiration

Innovation

