

# Shareholder Value

WE NEVER STOP WORKING ON WAYS TO CREATE GREATER VALUE FOR OUR SHAREHOLDERS. DESPITE UNFAVORABLE INDUSTRY TRENDS AND A CHALLENGING GLOBAL ECONOMY, OUR SHARE PRICE CLIMBED 57% IN 2016, A PERFORMANCE DUE IN LARGE PART TO OUR MULTIFACETED IR STRATEGY. WE WILL CONTINUE TO EXPAND THESE EFFORTS TO DELIVER GREATER SHAREHOLDER RETURNS IN THE COMING YEAR.

## Capital Market Overview

As the global economy continued to struggle in 2016, ongoing political and policy issues had a major impact on stock markets. Contrary to market expectations, the UK decided to exit the EU. Uncertainty about trade policy following the US presidential election also added to market volatility. In China, the government launched structural reforms aimed at mid- to long-term growth. As major European markets saw growth stagnate, China continued to grow in the 6% range. This continued economic slowdown in both advanced and emerging economies alike resulted in another challenging year for the global economy.

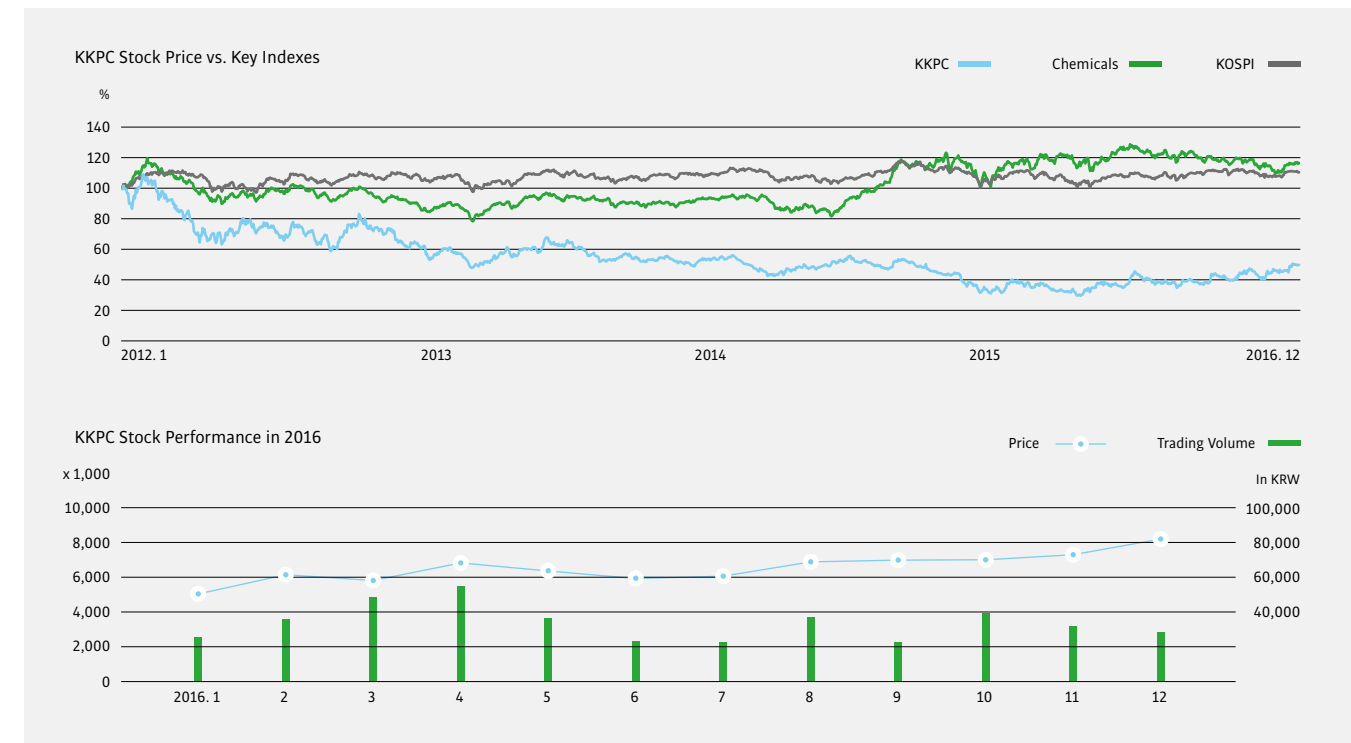
The Korean financial market was also impacted by the above factors, dampening investor sentiment. Despite efforts to stimulate the market such as the increase of the bid-ask price spread to  $\pm 30\%$  in 2015 and the lengthening of trading hours by 30 minutes daily to 3:30 pm in 2016, total trading value fell approximately 16% during the year. The KOSPI Index closed the year at 2,026.46 points, up just over 3% from 1,961.31 points at the start of the year.

## Share Performance

In 2016, our shares followed an upward trajectory throughout the year. While our core synthetic rubbers business continued to face a challenging marketplace, improving profitability and high expectations for an overall improvement in the rubber industry going forward helped boost our share price from KRW 52,100 at the start of the year to KRW 82,000 at the close, a 57% increase for the year. In 2017, we will be focusing on improving our performance to meet market expectations and lay a solid foundation for future stock price appreciation.

## IR Initiatives

Our ongoing, coordinated investor relations initiatives span the range from the disclosure of key business developments and financial information via our website and DART (<http://dart.fss.or.kr>) to regular meetings with both domestic and international institutional investors. These efforts continue to earn us credibility in the market and a fair market valuation for our shares as we focus on our strategic goal of attracting quality, long-term investors.



In addition to timely disclosure of board decisions and other major business information, we focused on expanding the information available through our IR website in conjunction with our earnings releases in 2016. We continued to hold regular small group meetings with investors on a weekly basis, including in-depth discussions that went beyond simple information sharing. We also held one-on-one meetings and conference calls for investors unable to participate in regularly scheduled meetings due to language, timing, or geographic constraints.

Together, these efforts helped our stock price rise by a remarkable 57% in 2016 as we continued to attract quality long-term investors from global markets. The portion of our shares held by foreign investors rose from 14.96% at the beginning of the year to 18.97% at the end, the highest level recorded during the past 10 years, as we increased meetings with foreign investors by approximately 70%.

## Share Dividend

It is our policy to consistently return a fair and reasonable portion of our profits to our investors. This policy has led us to continue to declare a basic dividend each year despite the continued market challenges we have had over the past few years.

As we were wrapping up major investments in a number of capacity expansion projects designed to position the company for future growth in 2016, we also faced a difficult business environment that hampered our efforts to improve our performance. Given these constraints, we declared a cash dividend of KRW 800 per common share and KRW 850 per preferred share, representing 16% and 17% of the KRW 5,000 par value, respectively, matching the 2015 dividend. We declared a reduced dividend of 15% of par value or KRW 750 per common share for the controlling shareholder as a gesture of responsibility for failing to meet business targets for the year.

Although the business environment is expected to remain challenging in 2017 due to ongoing oversupply and intensifying competition in our core businesses, we will continue to strive to improve our performance to enable us to increase our dividend payout going forward.



**Annual Report Recognition** — Our 2015 annual report was recognized at a number of prestigious awards competitions in 2016. We took Platinum in the Chemical class at the 2015 Vision Awards hosted by the League of American Communications Professionals (LACP). We also took Bronze in the LACP's Most Engaging category for the Asia region. At the 2016 ARC Awards hosted by MerComm, we took Silver in the traditional annual report category. We intend to continue to raise the bar for excellence in communications as we engage shareholders, investors, and stakeholders around the world in creative and memorable ways through our annual report.