

2016 Overview

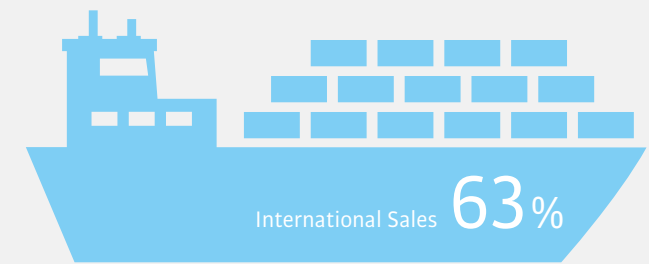
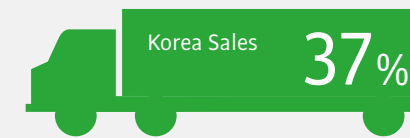
THE GLOBAL ECONOMY CONTINUED TO BE VERY CHALLENGING IN 2016. FEW IF ANY COULD HAVE PREDICTED THE DRAMATIC POLITICAL AND ECONOMIC DEVELOPMENTS OF OIL HITTING ITS LOWEST PRICE IN A DECADE, THE UNITED KINGDOM VOTING TO LEAVE THE EUROPEAN UNION, AND THE OUTCOME OF THE UNITED STATES PRESIDENTIAL ELECTION. IN A SITUATION WHERE THE GLOBAL ECONOMY WAS ALREADY LIMPING ALONG, THIS POLICY UNCERTAINTY BROUGHT ON A SENSE OF CRISIS THAT SPREAD BEYOND THOSE ECONOMIC BLOCS TO TOUCH THE ENTIRE GLOBAL ECONOMY.

This uncertainty was certainly felt in the synthetic rubbers market, one of our core businesses. Here, the structural oversupply situation combined with tight feedstock supplies made it once again difficult to pass on rising costs to customers. Fortunately, rising selling prices in the first half of the year helped temporarily boost demand and margins, enabling us to stay profitable amid the challenging market situation.

In our synthetic resins business, improved margins in certain product categories enabled us to maintain overall profitability at 2015 levels. The completion of a capacity expansion project in our phenol derivatives business was instrumental in helping us maintain profitability there. Our energy business saw profits drop as selling prices fell in the face of continued low oil prices and plentiful supply in the electricity market.

Overall, our business performance was similar to 2015. We closed 2016 with consolidated sales of KRW 3,970.4 billion, a 0.9% year-on-year increase. Operating income declined 4.2% to KRW 157.1 billion. In terms of financial structure, our debt-to-equity ratio rose slightly from 153% to 163% as we wrapped up several major capacity expansion projects. We expect this ratio to improve in 2017 as investment spending declines and we pay down debt with revenues generated by these new facilities.

Sales by Market



Exports by Region

