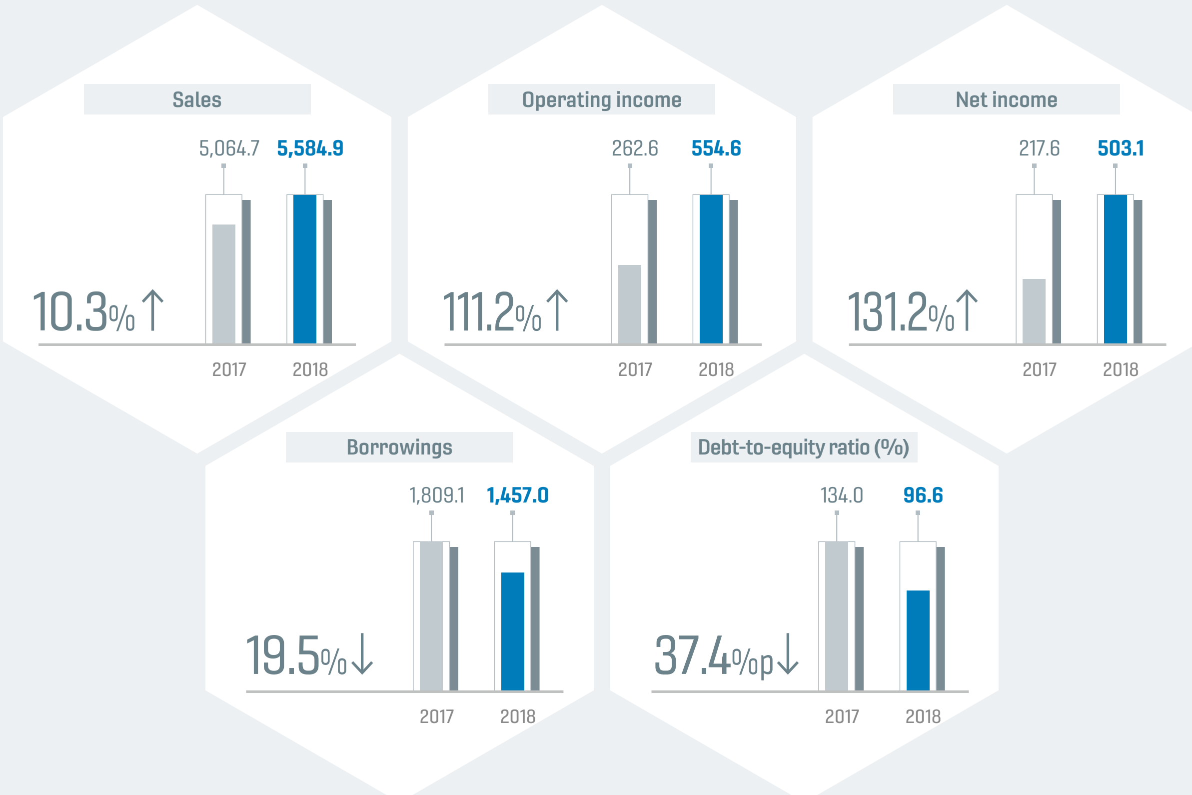
2018 OVERVIEW

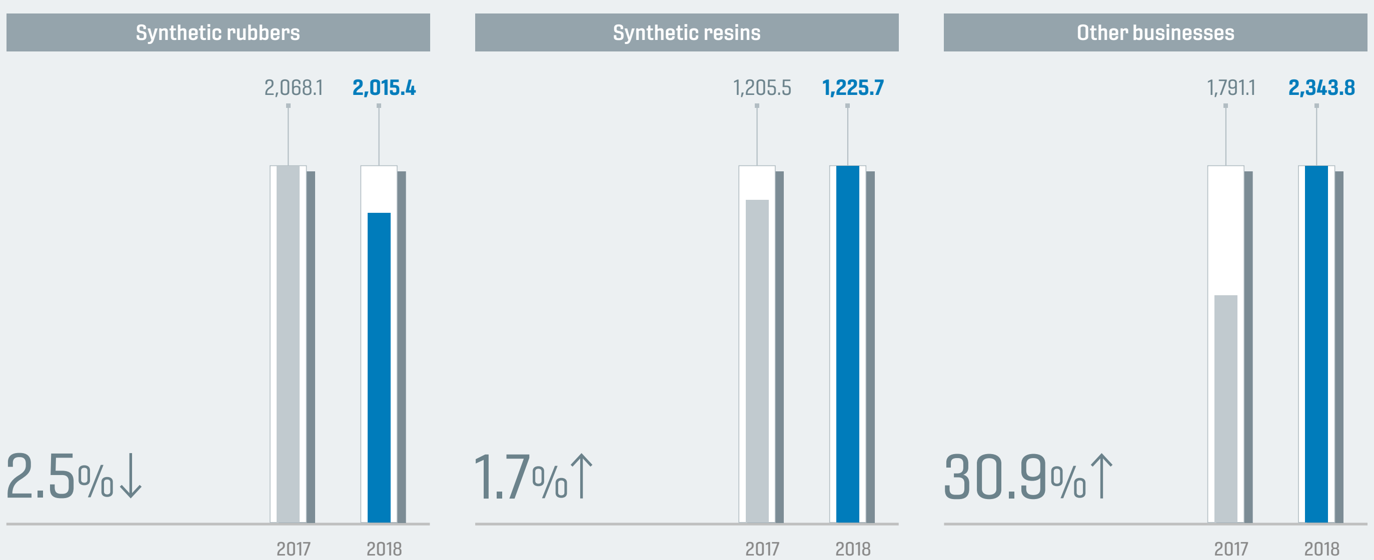
KEY FIGURES

(Unit: KRW billion)



SALES BY BUSINESS

(Unit: KRW billion)



Despite a difficult market environment in 2018, KKPC continued solid growth and recorded its best performance since 2011. This was achieved thanks to production and sales strategies formulated as a preemptive response to changing markets, and the efforts made by each business to improve profitability.

Growth in the global economy slowed in 2018 due to the increased uncertainties caused by the US-China trade conflict and other political issues worldwide. International oil prices were very volatile, exceeding USD 80 in October ahead of the imposition of sanctions on Iranian crude oil, but then falling after eight countries were given waivers, including Korea.

In 2018, KKPC recorded its best performance in seven years. The business environment was difficult, with overall demand falling as global economic growth slowed and commodity products remained oversupplied. However, we were able to achieve good results thanks to the efforts made by all of our businesses to improve their performance. Our synthetic rubber business has experienced years of challenges resulting from oversupply due to capacity expansion in Asia, but improved profitability by curtailing costs and enhancing productivity. In synthetic resin business, profitability was good in the first half of the year thanks to strong demand for ABS, but fell in the second half of the year due to negative market sentiments resulting from the US-China trade conflict and weak feedstocks. Our phenol derivatives business achieved considerable increases in both sales and operating income as a result of strong demand from upstream industries. Our energy business also saw increased sales mainly attributable to good utilization rates from our customers, and profits also increased in line with the rise in the unit price of electricity. Backed by these combined achievements, KKPC made substantial improvements in its performance in 2018, with consolidated sales of KRW 5,584.9 billion and operating income of KRW 554.6 billion, sharp increases of 10.3% and 111.2% year-on-year, respectively.

We demonstrated strong improvements in financial structure as well. With performance improvements in our major businesses generating stable cash flow, we continued to pay back borrowings, so our debt-to-equity ratio dropped from 134.0% at the end of 2017 to 96.6% at the end of 2018. Our interest coverage ratio and asset turnover ratio also rose.