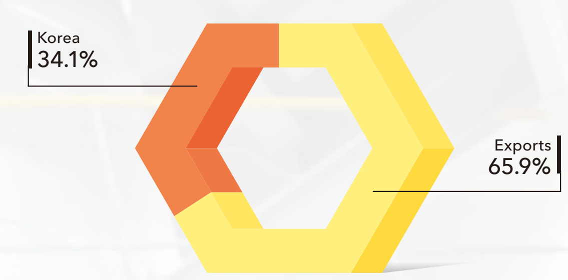
Review of Operations

2012 Overview

In 2012, KKPC sales fell 8.9% to KRW 5,883.7 billion and operating income fell 73.3% to KRW 223.8 billion. There were a number of primary drivers behind this disappointing performance. The global market experienced an overall downturn fueled by the ongoing Eurozone financial crisis and slowing growth in China. In addition, our synthetic rubbers business faced falling prices as well as volatile price fluctuations of its primary butadiene (BD) feedstock, worsening the business environment. Our phenol derivatives business also experienced falling demand, preventing rising feedstock prices from being reflected in selling prices. Rising inventories also led to lower operating rates, negatively impacting profitability.

Although our 2012 performance was disappointing, the year saw a number of notable achievements. In December, we graduated from the MOU with our creditor banks, enabling us to fully regain our managerial independence after three years of bank oversight. Although we actually fulfilled the graduation requirements at the end of 2011, in the interest of managerial continuity and strengthening our foundation for continuous growth, we extended the MOU an additional year to improve our financial structure. Another positive development was the upgrade of our credit rating, which enabled us to reduce our borrowing costs. We also paid off a portion of our debt and rescheduled and converted the rest to long-term debt, significantly improving our financial soundness.

Sales by Market



Exports by Region