2017 Overview

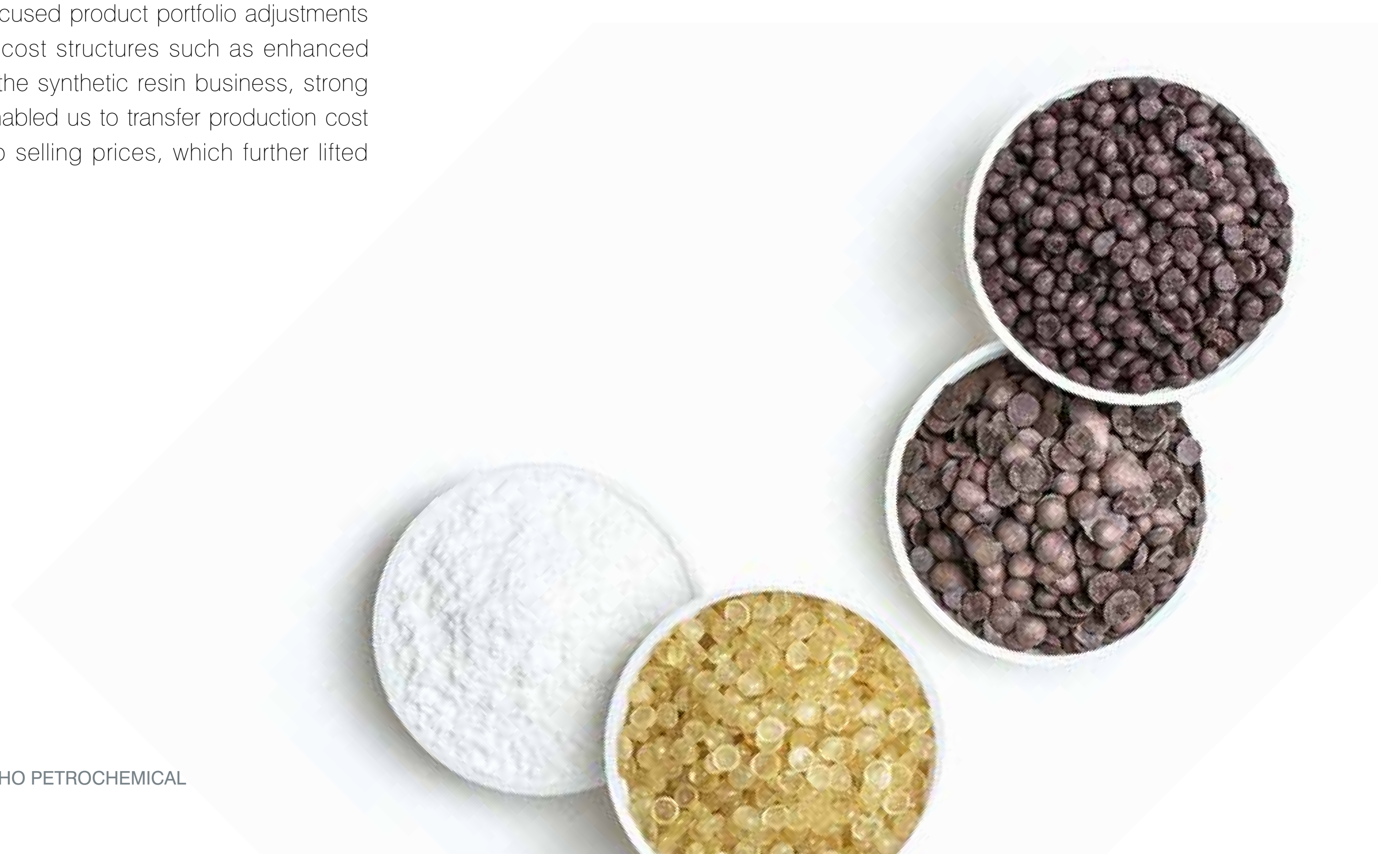
In 2017, KKPC achieved increases in sales across all its businesses, and operating income rose substantially by 67.2% year-on-year, thanks to the efforts made by every business to improve their product competitiveness and boost profitability. This strong performance led in turn to improvements in our financial structure and enhanced financial stability.

The global economy saw a gradual recovery in 2017. International oil prices, which had dropped to the USD 20 range, recovered to USD 50-60 range, and while the year began with uncertainties in the global economy due to geo-political issues across the world, many of these were resolved in ways that were market-friendly, without any major unexpected negative events, which helped the global economic recovery. The world economic growth rate therefore exceeded both expectations and the previous year's figure.

KKPC also recorded its best performance in six years. Although business conditions remained difficult due to oversupply and other factors, each business unit strived to improve performance, which resulted in KKPC being able to achieve strong profits. Our synthetic rubber business had experienced years of challenges from excessive competition and oversupply, but it was able to improve profitability by making profit-focused product portfolio adjustments and improving cost structures such as enhanced productivity. In the synthetic resin business, strong demand has enabled us to transfer production cost increases on to selling prices, which further lifted profits.

Our phenol derivatives business also improved profitability thanks to rising demand and despite expanding supply. Profits were increased in our energy business as well, mainly attributable to higher international oil prices and stronger unit costs of sales. Thanks to these, KKPC achieved substantial improvements in performance, with consolidated sales of KRW 5,064.7 billion and operating income of KRW 262.6 billion in 2017, year-on-year increases of 27.6% and 67.2%, respectively.

Our financial structure improved as well. With performance improvements in our major businesses generating strong cash flow, we continued to pay back borrowings, so our debt-to-equity ratio dropped from 163% at the end of 2016 to 134% at the end of 2017, thereby enhancing financial stability.



KEY FIGURES

(Unit: KRW billion)

	Change	2016	2017
Sales	27.6%↑	3,970.4	5,064.7
Operating income	67.2%↑	157.1	262.6
Net income	169.3%↑	80.8	217.6
Borrowings	13.0%↓	2,080.6	1,809.1
Debt-to-equity ratio (%)	29 %p↓	163	134

SALES BY BUSINESS

(Unit: KRW billion)