

# SHAREHOLDER VALUE

KKPC's commitment to all of our stakeholders is reflected in why we focus on creating values for them. In particular, we have been involved in extensive dialogues with our shareholders as part of our efforts to enhance shareholder value, while also increasing our corporate value.

## CAPITAL MARKET OVERVIEW

Stock markets around the world went down in 2018, with interest rate hikes by the US Federal Reserve and the US-China trade conflict bringing uncertainty to global stock markets. As a result, the US stock market failed to follow up on its positive start to the year, and all three major indices, including the Dow Jones Industrial Average, went down. European stock markets were also sluggish, mainly attributable to the US-China trade conflict, Brexit and financial instability in Italy. China's Shanghai Composite Index declined significantly during the year as well. Global stock markets were also held back by tight monetary policies in major economies and the pressures of a potential full-scale trade war.

Korea's stock market was not able to avoid the downturn. The Korea Composite Stock Price Index (KOSPI) began the year at 2,467.49 points, but fell by 17.3% to end the year at 2,041.04, the worst annual performance since the global financial crisis. Although inter-Korean economic cooperation was a major

positive in the first half of the year, it did not last long. Other external factors, including the US-China trade conflict and tight monetary policy of the US Federal Reserve, resulted in considerable volatility in the KOSPI stock index. In chemicals industry, increased uncertainty from the US-China trade conflict weakened demand for chemical products, and the chemicals index fell by 19.7% from the previous year.

## SHARE PERFORMANCE

Market conditions for phenol derivatives improved noticeably in 2018. The performance of our core synthetic rubbers business was also improved over the previous year, which in turn attracted more interest in our shares from investors, especially from overseas. The proportion of our shares held by foreigners increased from 28.05% at the end of 2017 to 34.94% at the end of 2018.

Thanks to good performance from each of our business areas in the first half of 2018, and the inflow of investment from long-term, high-quality foreign institutional investors, our share price rose from KRW 99,500 at the beginning of the year to KRW 116,500 during the first half of 2018. However, in the second half of the year, the US-China trade conflict, along with the resulting weaker market demand and company performance, led to our share price finishing the year at KRW 87,300.

## FOREIGNERS' SHARE OWNERSHIP

(Unit: %)



## MAJOR IR ACTIVITIES IN 2018

In order to ensure that our company is fairly valued in the market, KKPC communicates through continuous and consistent investor relations (IR) activities, and from a long-term perspective. In addition, we strive to build a consensus with investors by actively leveraging information which can be shared with the markets. We therefore publish public notices about the company's performance and major business matters, and share performance and other data on our website, in addition to holding regular meetings with investors.

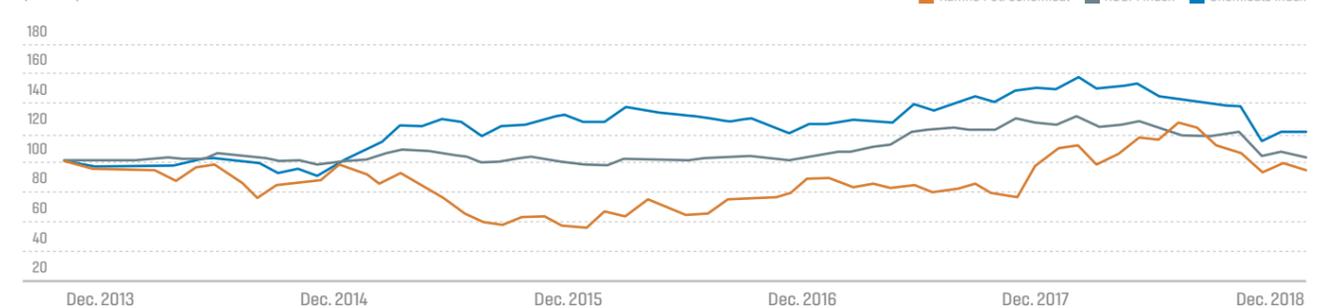
In 2018, we hosted small weekly group meetings with domestic investors in order to share information about the company's status and market conditions, and to gather objective opinions from an outside perspective. Moreover, we held one-on-one meetings and conference calls with investors with language, timing or geographical constraints, as part of our efforts to make sure that domestic and overseas investors have the same level of communications. We will continue to undertake a wide range of IR activities and focus on improving our performance by responding proactively to market fluctuations, which will help us to enhance shareholder value.

## SHARE DIVIDEND

KKPC does its utmost to ensure that increases in its corporate profits are shared with shareholders. In 2018, we recorded our best results since 2011. To ensure that these improvements were shared with shareholders, we increased cash dividends to KRW 1,350 per common share and KRW 1,400 per preferred share, a year-on-year dividend increase of 35%, representing 27% (KRW 1,350) and 28% (KRW 1,400) of par value (KRW 5,000), respectively. Our largest shareholders received a different, lower cash dividend of 24% (KRW 1,200), similar to the payout on common shares, in order to support our corporate development. The increased cash dividend is particularly significant because it was made even though we were also able to pay down debt in order to improve our financial structure. We will continue to aim for further increases in dividend payments by continuing to improve profits.

## KKPC STOCK PRICE vs. KEY INDEXES

(Unit: %)



## STOCK PERFORMANCE IN 2018

Stock Price (Unit: KRW)

Trading Volume (Unit: 1,000 shares)



## ANNUAL REPORT RECOGNITION

Our 2017 Annual Report received three Grand Awards at the Traditional Annual Reports Category, Interior Design Category and Best of Korea Category in the International ARC Awards. The 2017 Annual Report also received a top award, the Platinum Award, in the LACP Vision Awards, proving its level of excellence reached to annual reports of world-renowned companies. Each year, KKPC publishes an annual report as a way to communicate with stakeholders, and we have entered our annual reports in global annual report contests since 2008 and have consistently won awards.