



Shareholder Value

At KKPC, we are focused on creating greater value for our shareholders. Although we now face challenging circumstances in our core businesses, our strong fundamentals in those same businesses position us to generate significant growth and value in the coming years as the global economy returns to growth.

Capital Market Overview

Although the real economy experienced a downturn in 2012, global stock markets rebounded from major losses in 2011 despite continuing uncertainty and volatility. In the first half of the year, the Eurozone financial crisis peaked with the downgrade of France's sovereign rating by Standard & Poor's and rumors of a financial bailout for Spain. In the second half of the year, the US fiscal cliff negotiations were the major factor driving uncertainty.

In Korea, the KOSPI Index started the year at 1,826 and rose over 9% to close at 1,997. After making gains in the first quarter of the year, the KOSPI lost considerable ground in the second quarter when the Eurozone crisis once again came to the forefront. In the second half of the year, the upgrade of Korea's sovereign credit rating by leading ratings agencies helped the bourse make a turnaround and finish the year higher.

Share Performance

Starting the year at KRW 167,500, our shares climbed as high as KRW 181,500 during the first quarter. However, our synthetic rubbers business continued to worsen contrary to expectations, sending our shares on a steady decline for the remainder of the first half. After trading as low as KRW 96,800 in the fourth quarter, the market consensus that the synthetic rubbers market had bottomed out gained favor, allowing our shares to make up some lost ground to close the year down 22% at KRW 130,500. Considering that our closing share price was over 30% off its high for the year while the KOSPI chemical industry index only fell 1% during the same period, this drop was comparatively steep. This was due to the fact that the synthetic rubbers segment had a relatively weaker performance than the chemical industry as a whole.



IR Initiatives

We transparently and actively communicated key business issues and performance information to ensure that the market had a good understanding of our situation as we strategically worked to attract quality, long-term investors. We communicated our results, outlook, and major issues for both KKPC and our chemical affiliates at each quarterly earnings release. Our management team conveyed our firm commitment to improving shareholder value in both conferences and meetings with institutional investors. We also actively courted overseas investors through non-deal roadshows and other channels, helping boost their portion of the total from 9.9% at the end of 2011 to 11.9% at the end of 2012.

In addition to the above, we participated in an active calendar of one-on-one meetings and conference calls with both domestic and overseas investors as well as frequent large and small conferences, corporate days, and small group meetings. In the interest of providing fair, transparent, and timely disclosure to all investors, we also continued to expand the scope of information available on our IR website, making it as easy as possible for all interested parties to access and understand our overall business situation.

Share Dividend

It is our policy to consistently return a fair and reasonable portion of our profits to our investors. Although the synthetic rubbers market downturn significantly impacted profitability, we declared a cash dividend of KRW 2,000 per common share and KRW 2,050 per preferred share for 2012, the same dividend we declared following our best business performance

to date in 2011. We made this decision based on the 2013 global economic outlook and early indicators in the year of a gradual recovery in our key businesses. Based on our confidence in our ongoing ability to generate profits, we intend to continue to increase our dividend to deliver greater value to our shareholders.

Annual Report Recognition

Our 2011 annual report was recognized at a number of prestigious awards competitions in 2012. At the 2012 ARC Awards hosted by MerComm, we were honored with four awards, including the overall Grand Award for written text as well as Gold for overall report, Silver for interior design, and Bronze for financial data in the Chemicals category. We also took Gold and Silver at the 2011 Vision Awards and Silver at the 2012 Spotlight Awards, both hosted by the League of American Communications Professionals (LACP). Our consistently strong showing at the industry's top annual report awards year after year continues to raise our profile in global capital markets, enhancing our credibility with the international investment community.