

Other Businesses

2016 Sales Revenue

KRW 1,375.5 billion

34.6%

of total sales

PHENOL DERIVATIVES

Main Products

Phenol, Acetone, BPA, MIBK, Epoxy Resin

Key Applications

Chemical Intermediates, Home Appliances, Automobile Parts, Solvents, Paint

SPECIALTY CHEMICALS

Main Products

Antioxidants, Vulcanization Accelerators, Paint Additives

Key Applications

Tires, Belts, Hoses, Electric Wire, Shoes, Marine Paint

ENERGY

Main Products

Steam and Electricity

ELECTRONIC MATERIALS

Main Products

Photoresist, BARC, PSPI, Sealant, CNT

Key Applications

Semiconductors, Displays, Rechargeable Batteries, Plastic Composites

BUILDING MATERIALS

Main Products

Window Systems, Interior Materials



2016 Review

Other businesses accounted for 34.6% of total consolidated sales in 2016. Consisting of phenol derivatives, specialty chemicals, energy, electronic materials, and building materials, these businesses recorded sales of KRW 1,375.5 billion, a 5.7% increase for the year. Although the energy business saw performance weaken due to lower international oil prices and lower-than-expected demand from customers as they ran at lower utilization rates, the phenol derivatives business recorded a modest increase following the completion of a capacity expansion project, helping offset lower profits by other businesses.

Our phenol derivatives business wrapped up a multi-year vertical integration project with the completion of major capacity expansion projects to increase production of phenol, acetone, and cumene. Despite concerns about the steady stream of new capacity coming online, we successfully ramped up production and grew our business in a challenging environment. We did this by entering new markets to boost sales volume and reducing costs through improved productivity, increasing profitability in the process.

Our specialty chemicals business faced the same market oversupply challenge that many chemical makers are experiencing, but to a slightly greater extent. Although additional increases in supply during the year were not major, they did add to the oversupply situation, leading to tougher competition and lower performance.

Our energy business completed its Yeosu Energy II expansion project in the first half of the year and began commercial production. However, continued low international oil prices led to weaker market prices for steam and electricity. This, combined with lower-than-expected sales as customers ran their operations at lower utilization rates prevented us from improving profitability.

Our electronic materials business faced difficulties advancing into new markets. Despite this performance setback, we were able to stay profitable for the year.

Our building materials business delivered its best performance to date, continuing to steadily improve in line with its rising utilization rate.

Beyond the above businesses, we continued to move forward with investments in a number of energy-related businesses and vertical integration as we continued to lay the foundation for sustainable long-term growth.

2017 Outlook

Our phenol derivatives business expects to ramp up production at its recently expanded facilities in 2017, further intensifying competition in the Asia region. We aim to take maximum advantage of this expansion by growing our market base, strengthening customer relationships, and tapping opportunities in niche markets. We will also continue to focus on cost reduction, securing a stable supply of feedstocks, and optimizing our utilization rate to further enhance competitiveness.

Our specialty chemicals business is expected to face a continued supply imbalance, although the situation is projected to steadily improve with no new capacity scheduled to come online. With the oversupply situation not anticipated to improve substantially in the short-term, we will be focusing on improving our sales organization to better respond to market realities. Here, we will focus on sales to global tiremakers as we cultivate stable, long-term customer relationships with them.

Our energy business is expected to face a stable pricing environment as international oil prices and demand remain flat. Fuel prices are expected to rise, leaving limited opportunities to improve performance. Accordingly, we will focus on boosting operational efficiencies to improve profitability.

Our electronic materials business will focus on growing sales across-the-board as we carefully evaluate the fast-changing market and aggressively move into areas with growth potential.

Our building materials business will focus on extending its growth trajectory with an emphasis on both qualitative and quantitative growth built on cost reduction and distribution network expansion.