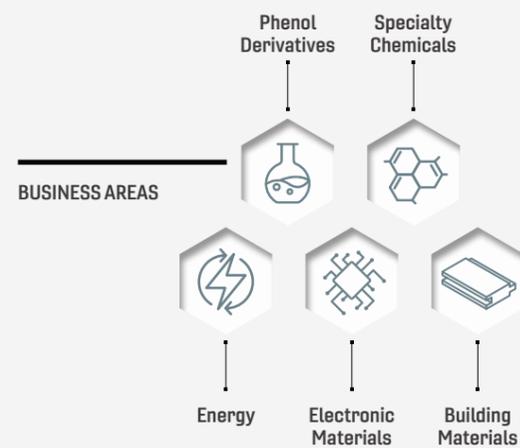
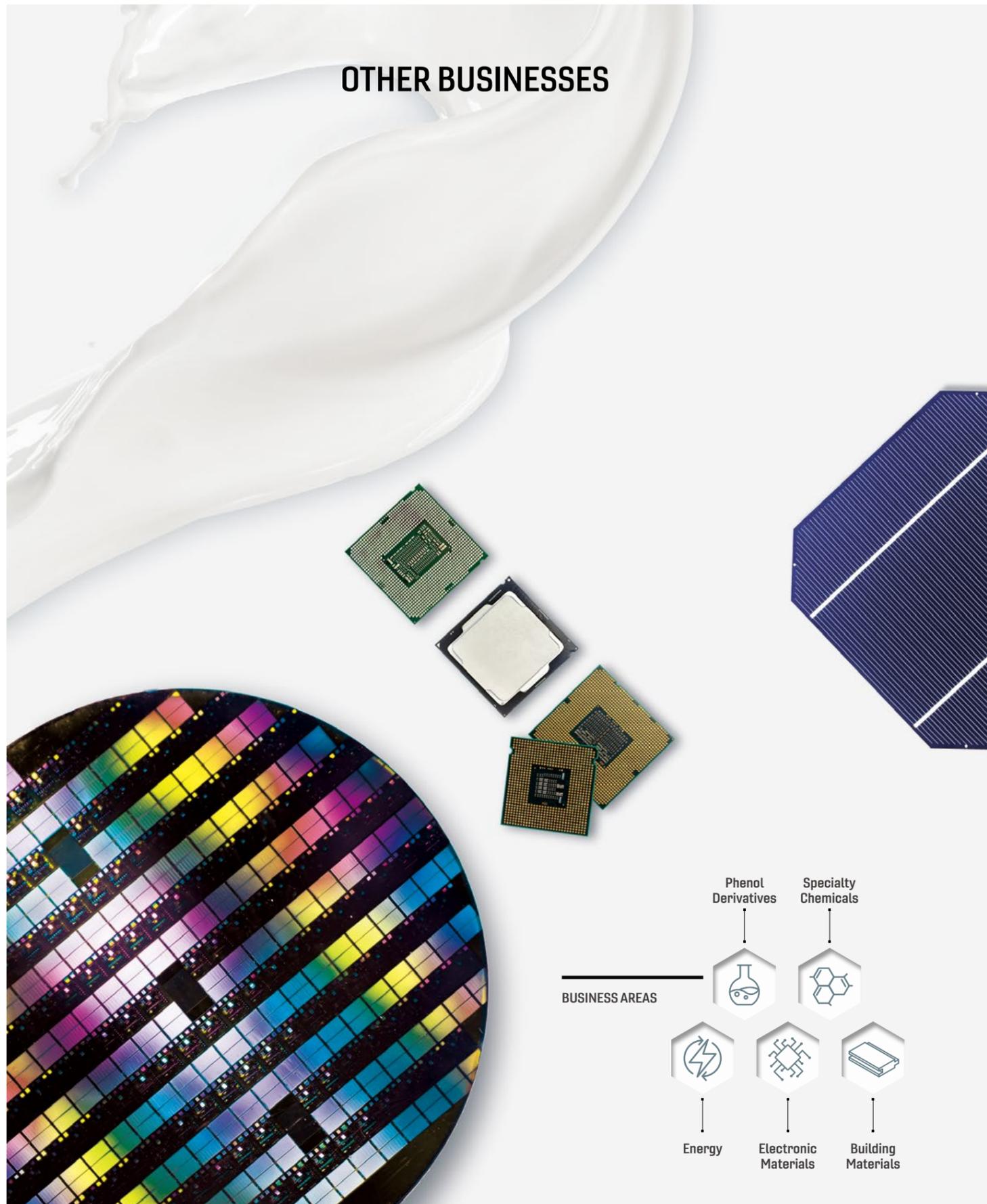


OTHER BUSINESSES



In other businesses, KKPC has maintained solid growth in 2018, mainly attributable to a strong performance from our phenol derivatives business. We will continue to build foundations for future growth by responding flexibly to market conditions.

2018 REVIEW

Our other businesses consist of phenol derivatives, specialty chemicals, energy, electronic materials, etc. Other businesses posted sales of KRW 2,343.8 billion in 2018, a year-on-year increase of 30.9%, and accounted for 42.0% of our total consolidated sales.

The phenol derivatives business achieved significant performance improvements. In particular, favorable conditions in the polycarbonate (PC) industry led to strong prices for Bisphenol-A (BPA) in the first half of the year, which helped to generate considerable year-on-year improvements in profitability. In the phenols business, both sales and profitability improved thanks to supply shortages resulting from regular regional shutdowns and mechanical defects at newly expanded plants, as well as strong demand for downstream products.

In the specialty chemicals business, our Chinese competitors, which suffered from unstable operations due to China's stricter environmental regulations in 2017, rebounded in 2018 and engaged in aggressive price cuts in an effort to reclaim market share, which worsened market conditions. As a result, our sales volume and profitability went down slightly compared with the previous year. In contrast, our energy business delivered a stronger performance than the previous year as sales volume increased thanks to good utilization rates of customers, and system marginal costs (SMP) rose in the second half of the year.

Our electronic materials business increased its sales volume by diversifying the range of products for sale and by laying foundations for entry into overseas markets. However, stagnating sales of major products resulted in a weaker financial performance than in the previous year. The building materials business also saw a slight slowdown in sales and operating income as stricter government real estate regulations led to a contraction in the construction market.

2019 OUTLOOK

Increased supply of BPA is forecast in 2019, but at the same time, expanding PC capacity in China may generate increased demand. We will therefore closely follow markets and supply-demand status of our vertically integrated products, so that we can maximize profitability through the flexible adjustment of our product portfolio.

In the specialty chemicals business, most competitors are looking at capacity expansion due to tight supply caused by unstable operations of Chinese competitors, so that oversupply is likely to continue. KKPC will therefore increase sales by focusing on global tire companies, and will build market share by generating new demand. In the energy business, we will stabilize power plant operations, improve output for the most optimized operations, and enhance profitability by improving utilization rates and diversifying our customer base. We are also looking into the potential for expanding into related businesses, and thus create mid- to long-term synergies.

In the electronic materials business, we aim to expand our market share by winning more overseas customers for major products, and build the foundations of a rebound by introducing new products to Korea. The building materials business will continue to focusing on cost reduction and product differentiation, thereby securing market competitiveness.

PORTION TO TOTAL SALES IN 2018

42.0%

SALES
(Unit: KRW billion)

