

Other Businesses

Sales in our other businesses—including phenol derivatives, specialty chemicals, energy, electronic materials, and building materials—increased 6.6% to KRW 1,588 billion in 2014. Our key focus for 2015 will be on keeping our energy expansion project on schedule, enhancing cost competitiveness, and improving our long-term business prospects.

Review // Other businesses accounted for 33.3% of total consolidated sales in 2014. Encompassing phenol derivatives, specialty chemicals, energy, electronic materials, and building materials, these businesses generated year-on-year growth of 6.6% to reach sales of KRW 1,588 billion. Improved performances by our phenol derivatives and specialty chemicals businesses combined with a solid performance by our energy business played a key role in this growth.

Our phenol derivatives business benefitted from an industry-wide cut in production and capacity expansion delays, which eliminated the ongoing supply imbalance and improved profitability. This, combined with the impact of our epoxy plant expansion, helped this business return to profitability in just one year.

Our specialty chemicals business entered 2014 facing the challenge of continued market oversupply. We focused on growing sales to global tiremakers and increasing market share, a strategy that boosted both shipments and profitability. We also adjusted our regional portfolio to reflect the changing marketplace and enable us to flexibly adapt to it. Together, these efforts enabled us to greatly improve performance for the year.

Our energy business continued to generate growth in both sales and operating profit driven by stable demand and rising sales to our affiliates. We also stepped up process management and flexibly adjusted operations to minimize opportunity cost during the ongoing Yeosu Energy II plant expansion.

Our electronics materials business enjoyed a small increase in sales from its existing product lineup. However, new investment and delays in new product sales were significant factors that kept us from achieving our performance targets.

Our building materials business increased production to meet rising sales. A focus on profitability across our product portfolio helped drive growth in both sales and operating profit, improving performance in a very challenging market.

Beyond the above businesses, we continued to explore ways to improve our butadiene self-sufficiency to provide a solid foundation for our core businesses. We also continued to invest in fields that will drive future growth such as renewable energy to create a foundation for sustainable long-term growth.

Outlook // With the unresolved oversupply issue in the phenol derivatives field due to capacity expansion, there are concerns over the negative impact that continued low oil prices will have. However, we believe that we will be able to overcome these challenges by expanding our customer base in China, across Asia, the Americas, and Europe as well as continuing our cost-reduction efforts. We are also confident that we will be able to maintain a solid financial position as we secure the funds for expansion projects scheduled for completion in 2016.

Our specialty chemicals business will focus on growing sales to global tiremakers and steadily diversifying into new markets to minimize the impact of anti-dumping actions. A focus on securing stable feedstock supplies and improving productivity will also improve cost competitiveness.

Our energy business will focus on keeping the Yeosu Energy II expansion project on track for a safe and successful completion in 2016. We will also focus on diversifying our tire-derived fuel sourcing to improve long-term sourcing stability and cost competitiveness, further improving our long-term business prospects.

Our electronics materials business will focus on solidifying sales of existing products to build a solid profit base as well as market leadership in new product areas to achieve operating profitability.

Our building materials business will focus on winning contracts to secure long-term profitability as we continue to improve productivity to maximize performance.

Sales Revenue

In KRW Billions

1,588

33.3% of total sales

Phenol Derivatives //

Main Products

Phenol, Acetone, BPA, MIBK, Epoxy Resin

Key Applications

Home Appliances, Automobile Parts, Paint

Specialty Chemicals //

Main Products

Vulcanization Accelerators, Antioxidants

Key Applications

Tires, Belts, Hoses, Electric Wire, Shoes, Paint for Ships

Energy //

Main Products

Steam and Electricity

Electronic Materials //

Main Products

Photoresist, BARC, PSPI, Sealant

Key Applications

Displays, Semiconductors

Building Materials //

Main Products

Window Systems, Interior Materials

