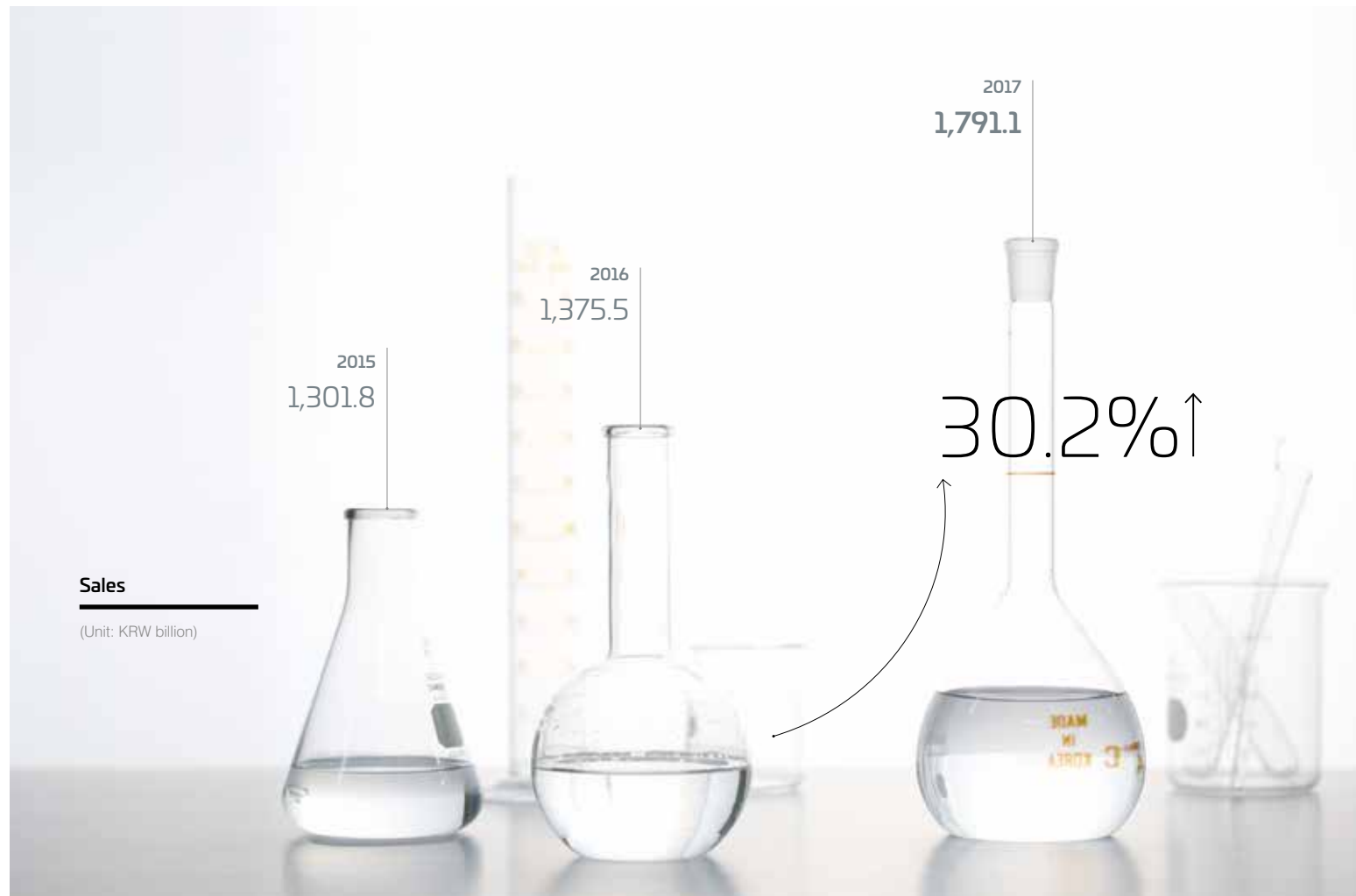


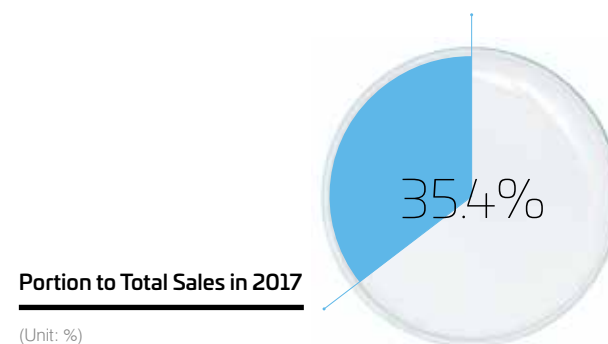
Other Businesses



Sales

(Unit: KRW billion)

In our other businesses, growth was stable in 2017, with phenol derivatives exceeding expectations, and our energy, specialty chemicals and building materials businesses all lifting their profitability despite a weak performance in the electronic materials business.



Portion to Total Sales in 2017

(Unit: %)

2017 REVIEW

Our other businesses consist of phenol derivatives, specialty chemicals, energy, electronic materials, etc. Other businesses posted sales of KRW 1,791.1 billion in 2017, a year-on-year increase of 30.2%, and accounted for 35.4% of KKPC's total consolidated sales. Most of these businesses achieved solid improvements, contributing to the company's overall performance.

In the phenol derivatives business, recently tightened regional environmental regulations and increased demand eased the supply/demand situation, which had been difficult in recent years due to production capacity expansion. As a result, we were able to improve profitability. In 2017, feedstock prices have been trending higher mainly attributable to higher international oil prices. KKPC however passed production cost increases onto selling prices thanks to strong demand, especially in the second half of the year, and thus performed better than expectations.

In the specialty chemicals business, oversupply continues to create difficulties, but strong prices for some feedstocks have enabled us to increase selling prices for major products. We also improved profitability by selectively targeting more profitable sales, enabling the specialty chemicals business to increase both sales and profits. Our energy business increased sales over the previous year thanks to the upward trend in international oil prices and a rise in the unit cost of sales.

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, stagnation in sales of major products caused a weaker performance than in the previous year. In contrast, our building materials business saw increases in both sales and operating income, thanks to higher sales volume combined with production cost improvements resulting from increased plant utilization rates.

- BUSINESS AREA**
- Phenol Derivatives
 - Specialty Chemicals
 - Energy
 - Electronic Materials
 - Building Materials



2018 OUTLOOK

Increased supply is forecast in phenol derivatives business, but demand is also expected to rise thanks to capacity expansion in the downstream market, including polycarbonate (PC). We will therefore continue to follow markets very closely, and adjust the supply of our products, which have been vertically integrated, so that we can flexibly adjust our portfolio to maximize profitability. Moreover, we will make sure the stability of feedstock supply and optimize operations for products which have seen recent expansions in capacity, as part of our efforts to increase profitability.

In the specialty chemicals business, we expect the supply/demand situation to improve steadily in the mid- to long-term, with no expectations of additional production capacity expansion. However, there is still oversupply in the industry, and so we will aim to expand our market share by increasing sales to global tire companies and by strengthening customer management in Korea. We will also broaden our customer base by focusing on reaching out to new customers.

In the energy business, we will stabilize power plant operations, improve output and make other efforts to optimize operations. In addition, we will improve utilization rates and diversify our customer base to enhance profitability. We will investigate the potential for expansion into related businesses and look for mid- to long-term synergy across the business.

In the electronic materials business, we will expand our market share by targeting more overseas customers for our main products and make inroads into new markets, thereby building a momentum for growth. Our building materials business will improve profitability by continuing to curtail production costs through product process improvements, and will diversify its sales/profit structure by developing new products.