

Other Businesses

In addition to our mainstay synthetic rubbers and resins businesses, we are involved in the specialty chemicals, electronic materials, building materials, and energy businesses. Specialty chemicals and electronic materials are used to facilitate manufacturing or enhance the properties of the final product. Our Hugreen line of building materials continues to grow rapidly. And the Yeosu Energy I and II cogeneration utilities at our Yeosu plant provide power and steam for our use as well as resale.

Sales Revenue In KRW Billions

1,675.1

Synthetic Rubbers

Synthetic Resins

Other Businesses

25.9%

of total sales

Specialty Chemicals

Main Products

Vulcanization Accelerators, Antioxidants

Key Applications

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

Electronic Materials

Main Products

Photoresist, BARC, PAG, PSPI, Sealant

Key Applications

Displays, Semiconductors

Building Materials

Main Products

Window Systems, Interior Materials

Energy

Main Products

Steam and Electricity

2011 Review

Our other businesses—phenol derivatives, specialty chemicals, energy, electronic materials, and building materials—grew sales 11.4% to KRW 1,675.1 billion, accounting for 25.9% of overall sales. With the exception of building materials, each of these businesses generated solid gains for the year. The addition of the phenol derivatives business of Kumho P&B Chemicals under the new Korean International Financial Reporting Standards (K-IFRS) also contributed to these results.

Our phenol derivatives business enjoyed higher profitability in the first-half of the year, benefitting from tight supply in the wake of Japan’s earthquake and operational issues at certain competitors. In the second-half, belt-tightening in China combined with an intensifying of the Eurozone financial crisis led polycarbonate manufacturers to cut production to balance supply and demand, reducing profitability. Our specialty chemicals business saw our K-13 antioxidant earn the “World Class Product of Korea” designation in recognition of its top-5 global market share. Our energy business once again achieved strong growth in both sales and operating income through efficient operation of our Energy I and II cogeneration utilities at our Yeosu plant. Our electronic materials business continued to gain momentum, surpassing monthly sales of 1,000 gallons for the first time. Our building materials business put in place a solid foundation for growth with the completion of the new Yesan plant in March 2011. Overall, we pushed ahead with investment in improving our butadiene self-supply ratio, a carbon nanotube plant, and other areas that will help drive future growth.



2012 Outlook

With the adoption of K-IFRS, we believe that our other businesses will continue to steadily generate sales growth, becoming new engines of growth for the company. Our phenol derivatives business will be focusing on cost reduction to secure an absolute competitive edge in phenol and bisphenol A. We will also be moving into the acetone derivatives field to deal with the current oversupply issue in the acetone marketplace as we strengthen vertical integration in these related fields.

Our specialty chemicals business will be focusing on diversifying purchasing channels to secure a stable supply of raw materials as we aggressively target major tire makers and customers we were previously unable to sell to due to patent litigation with Flexsys to expand our customer base. We will also step up cross-marketing with our insoluble sulfur plant in China. Our energy business will continue to streamline operations at both Yeosu Energy plants, securing additional supplies of tire-derived fuel to make our generating costs more competitive. Our electronic materials business will focus on securing our position as a top-tier ArF photoresist supplier to Hynix Semiconductor as well as pursuing additional business from Samsung Electronics and Taiwanese semiconductor makers. Our building materials business will focus on generating its first operating income as we optimize and expand operations at our new Yesan plant.

