

## Synthetic Rubbers

Sales in our synthetic rubbers business fell 19.3% to KRW 1,853 billion in 2014. Our key focus for 2015 will be on securing a stable sales base and boosting profitability.

**Review //** Synthetic rubbers accounted for 38.9% of total consolidated sales in 2014. This business experienced a 19.3% drop in sales to KRW 1,853 billion, making it the primary reason behind our poorer-than-expected performance for the year. Taking a closer look at the factors behind the drop, slowing growth in China and stagnant economies in Europe led to a continued decline in demand. As synthetic rubbers producers cut production and oil and naphtha prices crashed, prices of key feedstock butadiene (BD) also fell. As those prices fell, so did the price of synthetic rubbers and our profitability. Another factor that added further downward pricing pressure was continued pricing softness for natural rubber as producers in Vietnam, China, and other markets continued to add capacity.

One bright spot in these challenging circumstances was the designation of our KSL-341 foam latex product as a "World-Class Product of Korea" for achieving a global top-5 market share. The designation is awarded by Korea's Ministry of Trade, Energy & Industry to products that achieve a global top-5 market share in their respective category with at least 5% of the market and global sales of at least USD 50 million. We have now achieved a top-5 global market share in a total of 9 product categories, including 7 synthetic rubber products—SBR, HBR, LBR, NB latex, NBR, KLS-341 foam latex, and EPDM.

**Outlook //** Global auto production is projected to rise approximately 4% in 2015, bolstered by a steady recovery in the US and rising sales in China and India. Tire production is also projected to rise around 4%, driven by growing demand in China.

We will be focusing on expanding sales of commodity SBR and BR to global tiremakers to secure a solid sales base and improve profitability. At the same time, we will secure leadership in strategic value-added product categories such as SSBR and NdBR by upgrading our customer management capabilities and expanding our customer base.

For key feedstock butadiene, delayed global economic recovery and continued low oil prices are expected to keep prices at roughly the same level or slightly lower in the near term. However, supplies are expected to be tight if the economic recovery gains momentum. In addition to pushing forward with plans to adopt new production processes to ensure a stable and economical supply of this feedstock, we will be strategically investing to improve our self-supply ratio and secure a stable supply of feedstock.

## Sales Revenue

In KRW Billions

# 1,853

38.9% of total sales

### Main Products //

SBR, BR, SSBR, NBR, HSR, NdBR, Latex, SBS, STE, LEADCAP

### Key Applications //

Tires, Shoes, Automobile Parts, Sporting Goods, Asphalt, Waterproof Sheet, Plastics,

### Major Customers //

Kumho Tire, Hankook Tire, Nexen Tire, Bridgestone Tire, Goodyear Tire, Continental Tire, Moorim Paper

