

SYNTHETIC RUBBERS



Amid a challenging environment for synthetic rubber business in 2018, KKPC improved profitability and thus proved its competitiveness. We are now preparing for new growth by turning obstacles into opportunities through preemptive investments for the future.



2018 REVIEW

Synthetic rubber is KKPC's key business, accounting for 36.1% of its total consolidated sales. Sales recorded KRW 2,015.4 billion, down by 2.5% compared with the previous year, but profitability increased and contributed to the improvement in the overall corporate performance.

The global economy was stagnant in 2018 due to the US-China trade conflict and the spread of other political and economic risks, including Brexit. In addition, car sales volume fell in China, resulting in global automobile production seeing its lowest growth rate since the financial crisis of 2009, at 0.2%. Tire production recorded the growth rate of around 1.7%, lower than the figure of 2.9% in 2017. With weaker market conditions in upstream industries, including automobiles and tires, demand for synthetic rubbers saw a growth rate of only around 0.8%, reflecting the continuing difficulties in the business environment.

In order to overcome this difficult business environment, KKPC focused on diversifying our product portfolio, and sought to improve productivity and profitability. We also developed new markets in a way to protect profitability and improve fundamentals, which enabled us to generate year-on-year improvements in profitability.

KEY PRODUCTS

SBR, HBR, LBR, SSB, NBR, HSR, NdBR, SB-Latex, NB-Latex, SBS, STE

KEY APPLICATIONS

Tires, Shoes, Automobile parts, Sporting goods, Asphalt, Waterproof sheet, Plastics, Paper, Gloves

MAJOR CUSTOMERS

Hankook Tire, Kumho Tire, Nexen Tire, Goodyear Tire, Continental Tire, Bridgestone Tire, Michelin Tire, YTY, Hartalega, Hankuk Paper

2019 OUTLOOK

Market conditions for upstream industries, including automobiles and tires, are expected to improve in 2019, but the growth rate is forecast to remain low, at around 1%, due to continuing political and trade risks. As a result, growth in demand for synthetic rubbers is forecast to be no more than around 1.8%. In contrast, countries around the world are continuing with social overhead capital (SOC) investments, and demand for NB latex gloves is expected to record growth as high as 8 to 10%.

In 2019, we will continue to adhere to our profitability-focused sales policies, based on which we will begin full sales of SBS that is used in various areas, including construction. In addition, our NB latex production capacity is being expanded by an annual capacity of 150,000 tons, with the goal of completion in the second quarter of 2019, and we will begin full sales in the second half of the year, thus increasing profitability. Moreover, we will respond rapidly to changing market conditions by making our production schedule more flexible and improving inventory management.

PORTION TO TOTAL SALES IN 2018

36.1%

SALES

(Unit: KRW billion)

