



Synthetic Rubbers

Synthetic rubber is any type of artificially produced polymer material that acts as an elastomer or rubber. Elastomers are able to take much more deformation than most materials without permanent effects. The chemical properties of synthetic rubbers vary depending on the raw materials and methods used to make them. Synthetic rubbers are superior to the real thing in certain ways, including resistance to oil, heat, and ozone.



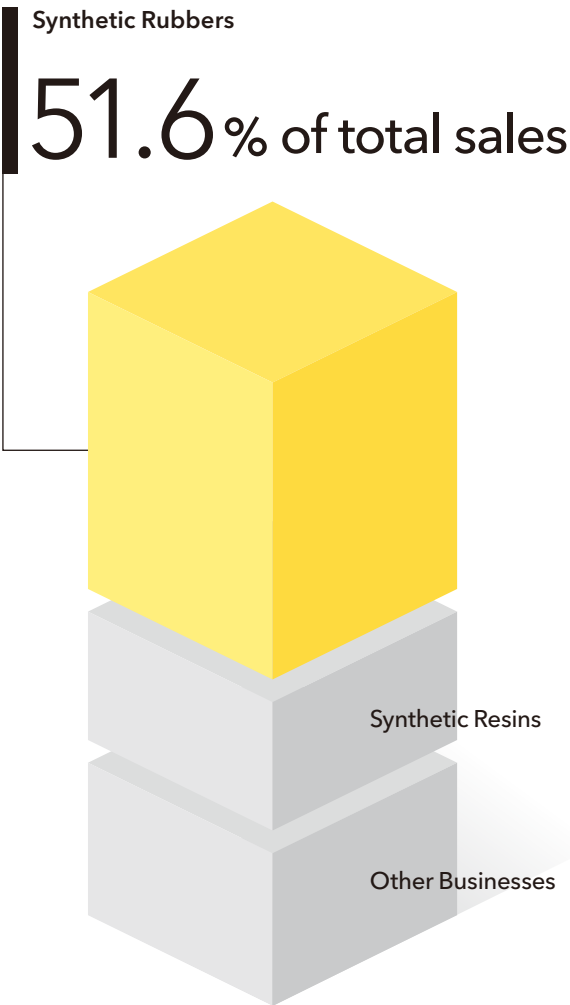
Synthetic Rubbers

Sales Revenue
In KRW Billions
3,037.7

Main Products
SBR, BR, SSBR, NBR, HSR, Nd-BR, SB Latex, NBR Latex, SBS, SEBS, STE

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

Major Customers
Kumho Tires, Hankook Tire, Nexen Tire, Bridgestone Tire, Michelin Tires, Goodyear Tires, Continental Tires, Cooper Tires, Sumitomo Tires, Pirelli Tire, Styrolution Korea, LG Chem, Moorim Paper, Hankuk Paper, Kimberly Clark



2012 Review

Accounting for 51.6% of overall sales in 2012, our synthetic rubbers business saw sales fall 14.1% to KRW 3,037.7 billion, playing a leading role in our disappointing performance. There were two primary factors behind these lower-than-expected results. First, global tiremakers cut back production, reducing demand for synthetic rubbers, turning that market into a buyer's market and sending selling prices downward. Second, volatile BD feedstock prices made it difficult to raise prices to cover the higher cost of production, significantly impacting profitability.

On a positive note, we successfully completed a new 110,000-mtpy SBR line in September and a 60,000-mtpy SSBR line in November, enhancing our economies of scale and taking our competitiveness to the next level. When the synthetic rubbers market returns to growth in the future, we will be in a better position to capitalize on the market opportunities. Our NBR latex and NBR products also earned the "World-Class Product of Korea" designation during the year for achieving a global top-five market share in their respective categories.

2013 Outlook

With the Eurozone financial crisis dampening consumer sentiment, global automobile sales are projected to be slow, rising around 3.4% in 2013. Tire production is expected to rise about 4.2% driven by demand in emerging markets. Following the end of US special safeguard measures on Chinese tires, Chinese tiremakers are expected to increase operating rates, creating expectations for synthetic rubbers sales growth in that market.

With new tire labeling standards coming into force at the end of 2012, demand for "green" tires and high-performances rubbers such as SSBR and Nd-BR is expected to gain momentum. We plan to aggressively ramp up production and pursue sales to secure leadership in these strategic product categories. For commodity products such as SBR and BR, we plan to focus on bolstering our sales base and profitability. Although BD feedstock is seeing stable availability in the first half of 2013 due to the stagnant global economy, we are putting in place a number of measures to ensure a stable supply in preparation for a projected tightening of supply in the second half as an expected economic recovery increases demand.