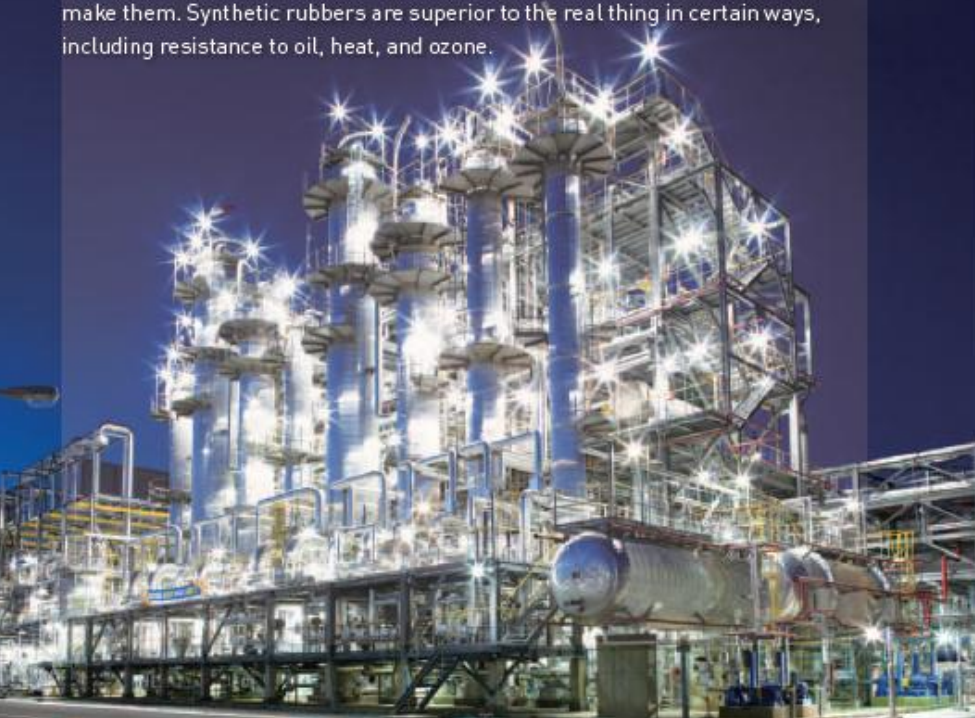


SYNTHETIC RUBBERS

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.



Sales Revenue

KRW 2,234.0 bn



2010 Review

Our synthetic rubbers business grew sales 51.1% to KRW 2,234.0 billion in 2010, accounting for 57.5% of overall sales as it played a leading role in our record-setting performance. There are two primary factors behind these impressive results. First, the tire industry capacity utilization rose, spiking demand for synthetic rubber. As the global No. 1 supplier, we operated at full capacity and sold everything we produced. Second, prices of substitute and complementary natural rubber soared, as did selling prices of synthetic rubbers. In contrast, prices of primary feedstock butadiene (BD) rose at a relatively lower rate, increasing the price spread and ultimately profitability.

Our multi-year capacity expansion plan to strengthen our market leadership in this field wrapped up in 2010. Our completion of a 110,000-mtpy styrene butadiene rubber (SBR) expansion project in April 2009 made us the world's No. 1 producer of synthetic rubbers. Our completion of a 120,000-mtpy polybutadiene rubber (BR) expansion project in December 2010 further expanded our lead as the industry leader in this field.



2011 Outlook

Demand for synthetic rubbers in China, the world's largest consumer with 39% of the market, is projected to continue to be solid in 2011. While the fast-growing local auto industry has recently experienced a minor downturn, growth continues to be strong, driving price increases for original equipment tires as well as replacement tires as consumer sentiment improves. Tire makers are set to steadily increase their operating rates as economic recoveries in North American and European markets continue. These factors indicate that the synthetic rubbers industry will continue to thrive in 2011.

Global synthetic rubbers makers are focusing on expanding their production facilities in China, the world's leading export market, setting the stage for tougher competition. Interestingly, China's domestic BR production capacity lags significantly behind its SBR capacity. Here, we will leverage the additional capacity provided by our new 120,000-mtpy BR plant to aggressively market and grow our local sales. Our recently expanded Yeosu Synthetic Rubber Plant II also has the industry's highest single-plant employee productivity rating, paving the way for even greater profitability going forward.