

Specialty Chemicals & Life Science

by SK Chemicals 2007





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wings of happiness _ SK's new face





| CEO MESSAGE |

A difficult business environment throughout 2006 was attributed to lowered export competitiveness caused by the falling won, soaring raw materials costs in the petrochemical industry, and slow economic recovery. However, thanks to the concerted efforts exerted by everyone at SK Chemicals, we were able to survive the year and even make it a year of growth.

Our Life Science business group has established a solid basis on which to become a leading player in the domestic pharmaceutical industry, through the merger of Dong-Shin Pharmaceuticals, a company with roots in vaccines and biomedical products. In Intermediates business group, SK Chemicals Qingdao Ltd. has set new records in sales and profits. The opening of SK Chemicals Suzhou Factory has also helped to speed up our marketing process in the Chinese Specialty Chemicals industry.

We will make our best efforts to maximize the value to our shareholders and company by improving our corporate structure, as well as marketing and R&D capabilities for sustainable growth, particularly in the areas of Life Science and Specialty Chemicals. Below are some of our main management objectives for 2007 that all of us at SK Chemicals will concentrate our efforts to achieve.

First, we will "Achieve the Management Goals for 2007".

2007 will be the year in which we should be able to see the results of business restructuring, which encompasses the mergers of SK Pharmaceuticals and Dong-Shin Pharmaceuticals, and the spin-off of our petrochemical division. All of us at SK Chemicals will make all-out efforts to achieve the management goals, since the management performance of this year will determine the future of SK Chemicals.

MESSAGE

TO SHAREHOLDERS

Second, we will do our best to “Develop Growth Engines for the Future”.

Today’s business environment is changing so fast that nobody knows what lies in front of us, and companies that do not prepare for the future will not be able to survive. We will not only create new businesses based on our know-how in current businesses, but also strive to develop new businesses in other industry sectors.

Third, we will focus more on globalization, particularly in China.

Our Specialty Chemicals business group will build a production base in China within this year for the production of biocides and polyurethanes, in order to increase cost effectiveness and brand recognition of SK Chemicals in the Chinese market. Our Life Science business group will implement aggressive marketing strategies by launching Trast[®] and other products.

Fourth, we will promote the personal growth of all employees.

Under the goal “Educate 10% of employees at any time”, we will offer a number of training programs aimed at the development of global capabilities for each business area, so we can promote the personal growth and retention of our employees.

We will try our best to bring happiness to our shareholders by maximizing our corporate value through sustainable growth and development.

Thank you.

Chang Geun Kim / CEO & Chairman of the Board

A



| BUSINESS DOMAIN |

SPECIALTY CHEMICALS

- Electrochemicals
- Polyester Binders
- Polyurethane Resins
- Industrial Biocide & Water Treatment Chemicals
- High Performance PETG Resins

LIFE SCIENCE

- Synthetic Drugs
- Natural Products
- Biological Pharmaceuticals
- Drug Delivery System
- Biotech

PETROCHEMICALS & ..

- PET Resins
- Carbon Fiber Composite Materials
- Polyester Acoustic & Thermal Insulation
- Acetate Fibers & Tow



Leader in Specialty Chemicals & Life Science



Over the past 39 years, SK Chemicals has been playing a leading role in the Korean chemical industries.

SK Chemicals strives to become a world-class company in the areas of 'Specialty Chemicals' and 'Life Science' based on creative challenge and excellence in chemical technologies.

The background of the page features several petri dishes containing small, vibrant green seedlings with two leaves each, growing in a clear liquid. The dishes are arranged in a grid-like pattern, with some in sharp focus and others blurred in the background, creating a sense of depth and scientific precision.

Creativity of Chemicals

In a small chip, an element to new materials . . .

In a pill, preserving our health and lives . . .

Creativity of chemistry making our lives and cultures better is hidden in it.

Chemistry - Creating a beautiful and healthy life!

SK Chemicals stands at its forefront.

SK Chemicals will make continuous efforts towards customer happiness by developing various environment-friendly chemical products ranging from raw materials for daily necessities to new medications through R&D challenges.



| MAJOR ACCOMPLISHMENTS |

2000's -

- Acquired approval to sell SKAD[®], anti-hypertension drug
- Acquired approval to sell Pranair[®], drug for asthma symptoms
- Applied for New drug application of Mvix[®] for the treatment of male erectile dysfunction
- Phase II Clinical trials on the medication for dementia
- Developed breathable thermoplastic polyurethane
- Developed FCCL(Flexible Copper Clad Laminates) for FPC
- Received approval for textiles from Oeko-Tex Association in swiss
- Technical licensing for organic acid technology engine coolant
- Developed high Tg prepreg
- Developed environmentally friendly copolyester resins for profile extrusion
- Developed liquid photopolymer for flexographic plate
- Developed plasticizer-free low hardness thermoplastic polyurethane
- Developed organic semiconductors for electronics
- Developed new TMA(trimellitic anhydride) process
- Developed new formulation of bivalent metal-free biocide, SKYBIO BMF
- Developed water-based polyester resin for overprint varnish(OPV), clear varnish
- Developed polyester resin for electrophotographic toner
- Developed environmentally friendly polyester sound & thermal insulation material
- Developed CHDM commercial production technology
- Developed specialty copolyester resin, SKYGREEN PETG[®]
- Developed Korea's 1st natural anti-arthritis drug, Joins[®]

-1999's

- Developed 3rd generation platinum complex anti-cancer agent, Sunpla[®]
- Developed Ginkgo extract preparation, Genexin[®]
- Developed a patch for anti-arthritis, Trast[®]
- Developed new patented formulation of Omeprazole, Omed[®]
- Developed industrial use disinfectants
- Developed PEN resin for packaging application
- Developed biodegradable polyester resins
- Developed poly-phenylene-sulfide resins
- Developed thermoplastic polyurethane resins
- Developed polyurethane binders for magnetic tape
- Developed anti-freeze liquid agent
- Developed polyester adhesives
- Developed PET resins for bottle application

| R & D DIVISION |

Life Science R&D Center

- Natural products
- Synthetic drug discovery
- Pharmaceutical formulation
- Biopharmaceuticals
- Pharmacology & toxicology
- Pharmaceutical analysis

Specialty Chemicals R&D Center

- Specialty resins (Elastomers, Adhesive/Coating Resins, PETG Resins)
- Specialty chemicals (Biocides, Water Treatment Chemicals)
- IT Materials

Petrochemical R&D Center

- Petrochemical processes
- Polyester resins
- New products & processes

Environmental Materials R&D Center

- Building materials
- NVH solution for vehicles
- Composite materials



SK Chemicals R & D Center

SPECIALTY CHEMICALS
LIFE SCIENCE
PETROCHEMICALS & . .

OUR BUSINESS ...▶



SPECIALTY CHEMICALS

- ① Electrochemicals
- ② Polyester Binders
- ③ Polyurethane Resins
- ④ Industrial Biocide & Water Treatment Chemicals
- ⑤ High Performance PETG Resins

1

ELECTROCHEMICALS

SK Chemicals is endeavoring to improve its business structure by entering the electrochemical industry based on its polymer and chemical technologies accumulated in years of experience through specialty chemicals.

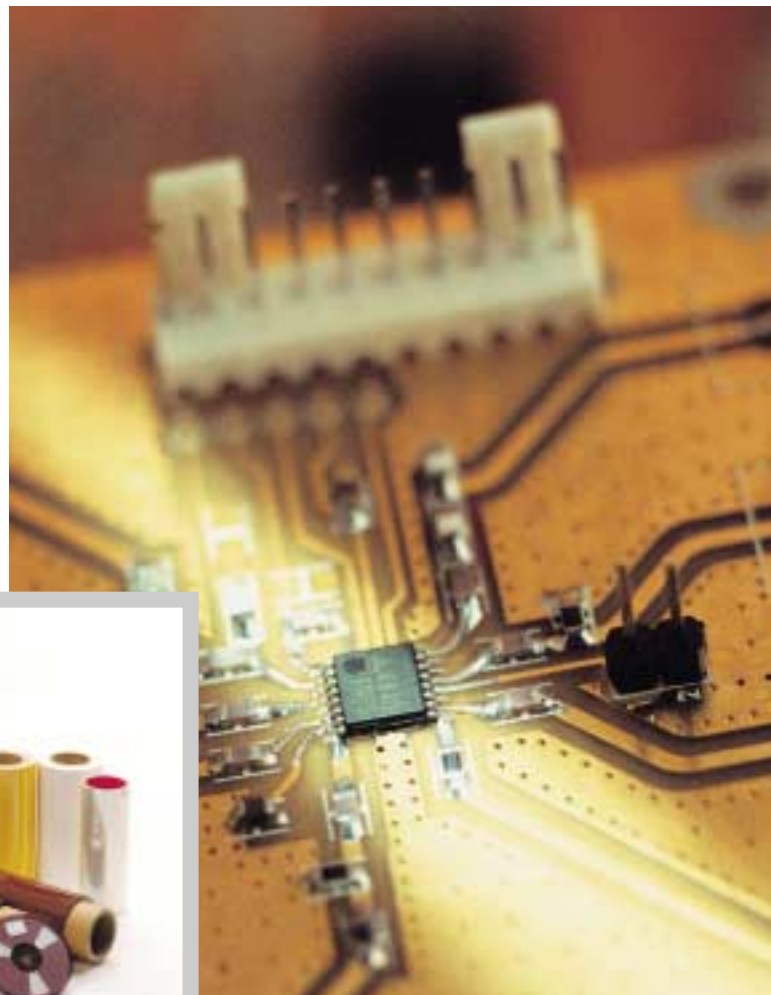
SK Chemicals succeeded in developing and market FCCL(Flexible Copper Clad Laminates) for flexible circuit boards, and LEC(Liquid Encapsulant) and ACF(Anisotropic Conductive Film), the core components of flat displays.

Furthermore, SK Chemicals is now concentrating on IC packaging industry by developing Solder Ball and DAA(Die Attach Adhesives) to provide better products and services for Semiconductor industry, while investing in new value-added technologies of the 21st century such as sealant for OLED, FPCB materials, RFID and the development of manufacturing process for high polymer electrolytic capacitors.

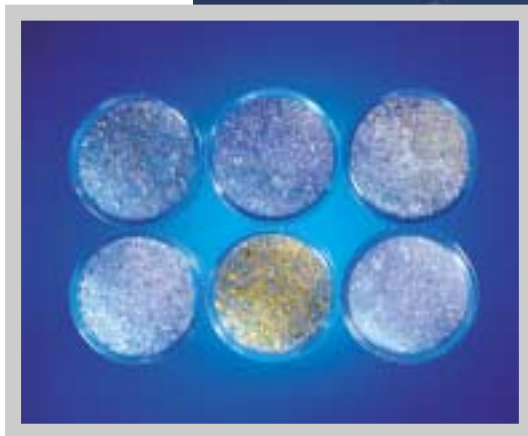
SK Chemicals produces purified solvents for the research, electronics and biotechnology industries with Honeywell which has 50 years of experience. SK Chemicals also manufactures imaging chemicals for digital printing, electrolytes and various displays.



Purified Solvent



Electrochemicals



Polyester Adhesives



POLYESTER RESINS

Polyester resin is widely used for coil coating and can coating. As being environment-friendly without any environmental hormones, the water-base & hotmelt polymers are applied in inner coatings for the canned food or beverages, paper package coatings where the interest is continuously increasing.

This resin is also used for making high performance inks, adhesives and sizing agent for textiles. Recently, the new developed resin for toners in laser printers and copiers, is being expanded into more various applications in America.

SK Chemicals has completed the construction of SK Chemicals Suzhou, a polyester production base in China, and recently embarked on the production of high-performance polyester resin in order to tap into the Chinese paint and binder markets.

POLYURETHANE RESINS

③

The polyurethane business consists of elastomers which are used for sports shoes, seats and hoses and adhesives used for magnetic binders and ink binders. Soluble environment-friendly adhesives are also being developed.

By the innovative new product developments like Plasticizer-free soft TPU, Non-yellowing TPU, Breathable TPU etc., and joint developments with NIKE, adidas, Reebok, Samsung Electronics, Hyundai-Kia Motors, Motorola and GM, we are concentrating all efforts for customer satisfaction.



Polyurethane Resins



BIOCIDES, HEAT TRANSFER FLUID, WATER TREATMENT CHEMICALS



SK Chemicals manufactures and sells preservatives and antimicrobial agents to various industrial sectors, supported with technical service. Their main applications include paint, latex, paper, and detergents. SK Chemicals is now planning to build a factory in China in order to meet the increasing local demand for these products.

The quality of SK Chemicals antifreeze is recognized by major petroleum companies and many multinational automakers such as General Motors. SK Chemicals supplies antifreeze to a number of GM factories in Asia, and to other foreign automakers with the cooperation of Honeywell, which is a leading global company in this area. SK Chemicals also supplies special application products such as catalysts for solar power systems, ice storage systems, and temperature controllers.

SK Chemicals' other areas of specialization include the supply of various industrial water treatment agents necessary for problem-free operation of factories. These products are supplied along with special services through an automated management system. SK Chemicals is also a total solution provider of water treatment agents for both residential and commercial buildings.

While being a leading manufacturer of antifreeze, preservatives, and anticorrosive agents, SK Chemicals also exports these products to approximately 30 countries.

5

HIGH PERFORMANCE - PLASTIC RESINS

SKYGREEN® PETG is an environmentally friendly and high performance plastic resin which can be used for many applications such as luxury cosmetic containers, architectural material, ancillaries & components for electric home appliances & electronics, and so on.

SKYGREEN® PETG has outstanding features on excellent processibility, optical property and chemical resistance what make it possible to be used for high-end goods. Accordingly, SKYGREEN® PETG is growing up with substituting for PC, PMMA and PVC as well. SKYGREEN® PETG raises the values of end-using products with great appearance and performances.

To ensure the steady supply of CHDM, a key raw material for SKYGREEN® PETG, SK Chemicals established SK NJC, a joint corporation with New Japan Chemical and Mitsubishi Corporation of Japan. CHDM has been successfully developed by SK NJC, becoming only the second company in the world to be able to manufacture it on a commercial scale.



High Performance Plastic Resins - SKYGREEN®

LIFE SCIENCE

- ① Synthetic Drugs
- ② Natural Products
- ③ Biological Pharmaceuticals
- ④ Drug Delivery System
- ⑤ Biotech

1

SYNTHETIC DRUGS

SUNPLA[®], SK Chemicals' innovative antineoplastic agent, is the first third-generation platinum complex anti-cancer drug in the world. Extensive pre-clinical and clinical studies by the National Cancer Institute in the US, Seoul National University Hospital in Korea and other leading worldwide research institutes, have repeatedly confirmed its efficacy. In Korea, SUNPLA[®] was successfully launched in 1999, and patents were granted in more than twenty countries.

SK Chemicals has successfully completed the clinical tests of an anti-impotence agent that will be available on the market from 2007. SK Chemicals is currently focusing on the development of new drugs for inflammatory and metabolic diseases. In addition to our R&D products, SKAD[®] for anti-hypertensive is continuously showing market growth.



The first new drug in Korea - SUNPLA[®]



SKAD[®]



GINEXIN®



JOINS®



2

NATURAL PRODUCTS

SK Chemicals' brand-new and innovative anti-arthritis drug, JOINS® was extracted from Clematis mandshurica, Trichosanthes kirilowii and Prunella vulgaris. Not only does JOINS® show anti-inflammatory and analgesic activities comparable to current products with much less side effects, it also shows cartilage protection effect. JOINS® itself is not only being considered the first new herbal drug in Korea, but it is also considered a pioneer in opening new opportunities for natural products to be formulated into innovative new drugs.

GINEXIN®, the blood circulation enhancing herbal drug, holds the number one market share and contributes to the creation of corporate value. Currently, SK Chemicals is focusing its continuous R&D efforts in developing new treatments for chronic and intractable diseases such as asthma, Alzheimer's disease, cancer and others.

BIOLOGICAL - PHARMACEUTICALS

3

SK Chemicals became the largest shareholder of Dong-Shin Pharmaceuticals, a leading biopharmaceutical company in Korea, in March 2001, and completed the merger process in November 2006 after a period of cultural integration. With this, SK Chemicals was able to gain a solid footing in the biopharmaceutical industry. SK Chemicals is currently tapping into the pharmaceutical market while also developing new biopharmaceutical products, which are now an integral part of SK Chemicals' Life Science business, with the cooperation of In2Gen, a leading start-up company in biological research and development in Korea.

Since the merger of Dong-Shin Pharmaceuticals, the first private enterprise in Korea to make vaccines, SK Chemicals has been specializing in the production and sales of parenteral nutrition, antibiotics, diagnostics, and biological products, such as vaccines, plasma derivatives, insulin, interferon and anti-toxin, as a leading provider of preventive medicine.

While producing Albumin, Immunoglobulin, DPT Vaccine, Japanese Encephalitis Vaccine, Polio Vaccine and other biological products essential for the public health, SK Chemicals is also playing a leading role in developing orally administered DDS(Drug Delivery Systems), polyvalent vaccine, combined vaccine, oral vaccine and other new pharmaceutical products.



SK ALBUMIN®



SK DPT VACCINE®



TRAST®



OMED®

DRUG DELIVERY SYSTEM

4

TRAST® is the world's first arthritis patch, which uses medical grade polyurethane and our own transdermal penetration enhancing technology. It has been a great success in the anti-arthritis market, since not only does it provide 48 hours of activity, but also it minimizes G.I. troubles and other systemic adverse effects noticeable in conventional oral NSAIDs treatment. TRAST® has been gaining recognition in China since 2006 based on its outstanding quality.

OMED® is an antiulcer agent utilizing the most advanced formulation technology and it has been exported to various overseas markets including Europe.

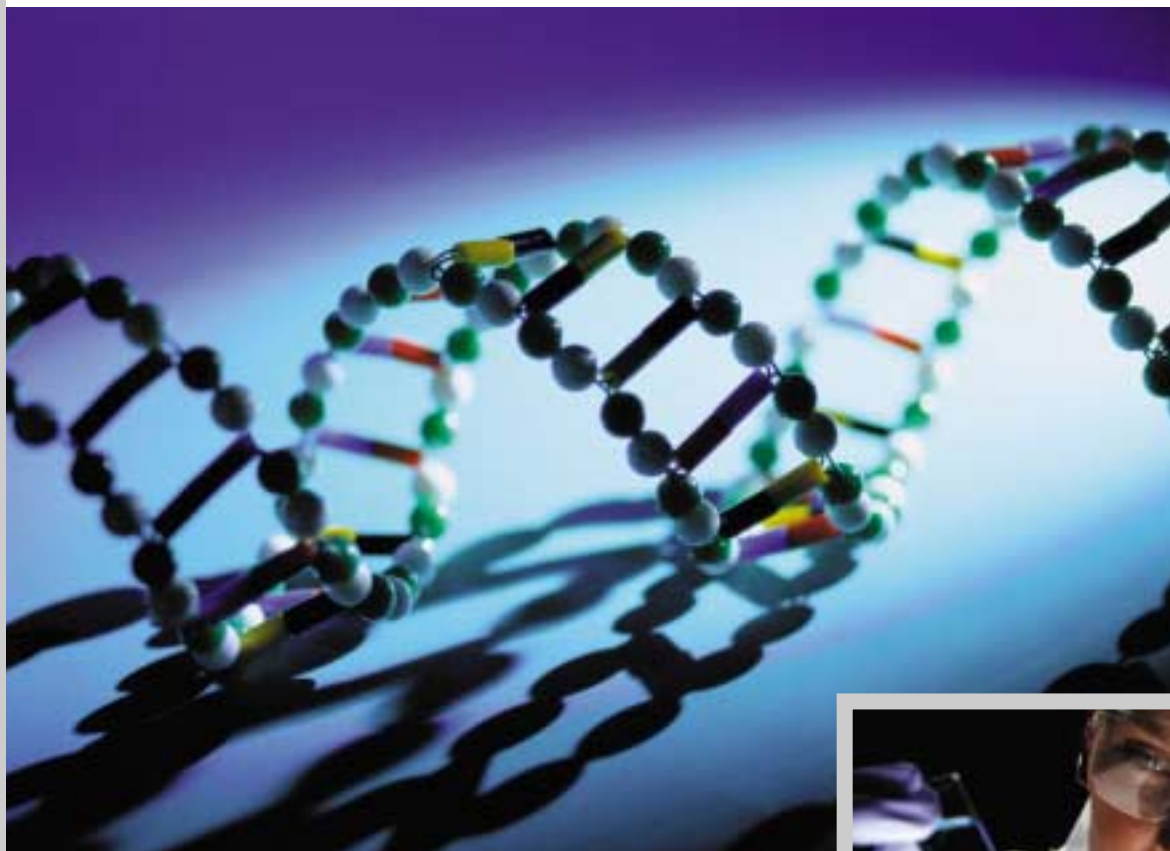
SK Chemicals is boosting its R&D efforts to apply our own formulation know-hows including controlled release systems to develop new pharmaceutical products for treatments of obesity, hypertension, asthma and etc. SK Chemicals also plans to develop new DDS by utilizing nano-technology in collaboration with global research institutes.

BIOTECH

5

In order to develop new pharmaceutical products through genomics, which became a fast-growing research area since the announcement of the human genome sequence, SK Chemicals has established a bio-tech start-up, 'In2Gen', jointly with the Seoul National University Cancer Research Institute.

SK Chemicals' dual strategy is not only to create synergistic effect between characteristics of current business with the venture companies, but also to keep pace with the international bio-tech trends, which are to utilize outsourcing, secure clinical data and expand research networking. In2Gen is currently developing new and innovative technologies for the mass productions of biological pharmaceuticals by using genomics, proteomics and cloning.



PETROCHEMICALS & . .

- ① PET Resins
- ② Carbon Fiber Composite Materials
- ③ Polyester Acoustic & Thermal Insulation
- ④ Acetate Fibers & Tow

1

PET RESINS



PET Resin for sheet and bottle - SKYPET®

SK Chemicals has been recognized for their quality globally by FDA, CoCa Cola and Pepsi Cola approval from the beginning of business, since they have started PET resin bottle grade business for the first time in Korea. Through global marketing capability, SK Chemicals have expanded sales market share to worldwide market including America, Europe, Australia, and Japan etc.

SK Chemicals also secured global presence in Indonesia(80KT capa.), Poland(120KT capa.) and Korea(230KT). Throughout global total sales by total capacity of 430K, annual revenue reached up to U\$520Mil in 2006.

Moreover, SK Chemicals has been focusing on the developing and expansion of specialty product and market rather than regular product sales, in order to avoid unprofitable competition caused by significant surplus situation caused by massive expansion in Asia recently.





Carbon Fiber Composite Materials

②



CARBON FIBER - COMPOSITE MATERIALS

Carbon fiber composite materials are currently being used in the field of sports in manufacturing golf shafts, fishing rods and arrow shafts as well as in high tech products such as aircrafts, automobiles and industrial robots.

Especially, in 2006, through 'Brand License Agreement' & 'Sales Agreement' with DuPont, SK Chemicals started to do a business with vigorously using Kevlar Brand, and this Aramid fiber is well qualified materials against earthquake & seismic wave that happens frequently in these days.

In addition, business has been expanded into Carbon Plane Heaters which produce heat with carbon fiber and Composite Cylinders that are used for SCBA(Self contained breathing apparatus) & HOT(Home oxygen therapy). And in case of Qingdao Plant in China shows continuous growth every year since 2001 when factory was built in and still working hard to search new business items.

POLYESTER ACOUSTIC & THERMAL INSULATION

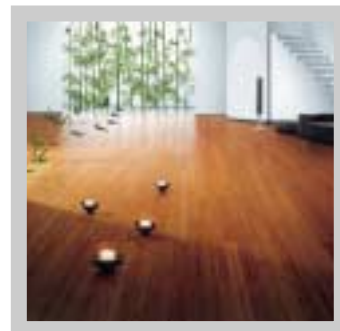
3

In the area of polyester acoustic & thermal insulation, SK Chemicals is producing and selling harmless and recyclable sound absorption and thermal insulating materials for construction industries as well as flame-retardant polyester core materials for construction.



Polyester Acoustic & Thermal Insulation

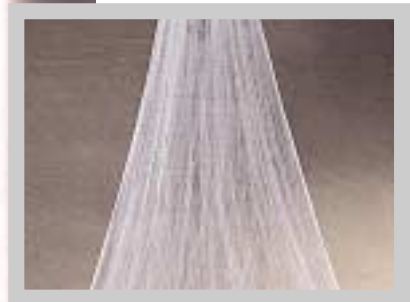
Particularly the flame-retardant polyester core materials for sandwich panel system are totally harmless to humans and recognized as a new innovative fireproofing material that can replace styro-foam, fiberglass and urethane foam. To meet the consumer demand for environment-friendly housing environment, SK Chemicals is expanding the scope of business by applying it to wood flooring for housing area.



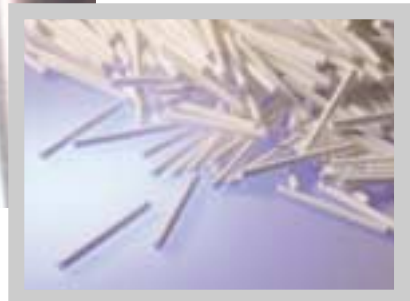
Wood Flooring for Housing Area

SK Chemicals is producing acoustic absorption materials for the vehicle interior. This excellent new concept-based environmentally friendly material is extremely light weight and resolves the unpleasant smell caused by acoustic absorption material, while providing outstanding NVH performance at the same time. This product is currently applied to all vehicle models manufactured by major domestic and overseas manufacturers, including Hyundai Motors and Kia Motors, to universal approval.





Acetate Tow



Acetate Filter Lod



ACETATE

Acetate is used as material for high-end clothing, while acetate tow is used as material for cigarette filters. Both are products that only SK Chemicals manufactures in Korea. We place great importance on providing high quality, value added fiber.

SK Chemicals has developed and manufactured acetate yarn and textiles for lining, velvet and knits for the past 30 years. We have received praise for their superior texture, color and luster. Recently, we have set our sights on development of new products in pursuit of the high value-added, differentiated sector of the fabric market.

Acetate tow is noted for its excellent absorption of nicotine and its tar filtering ability. It is used as material for the highest grade of cigarette filter. SK Chemicals acetate tow is exported to 20 countries worldwide, and is recognized for its superior quality.

INDONESIA

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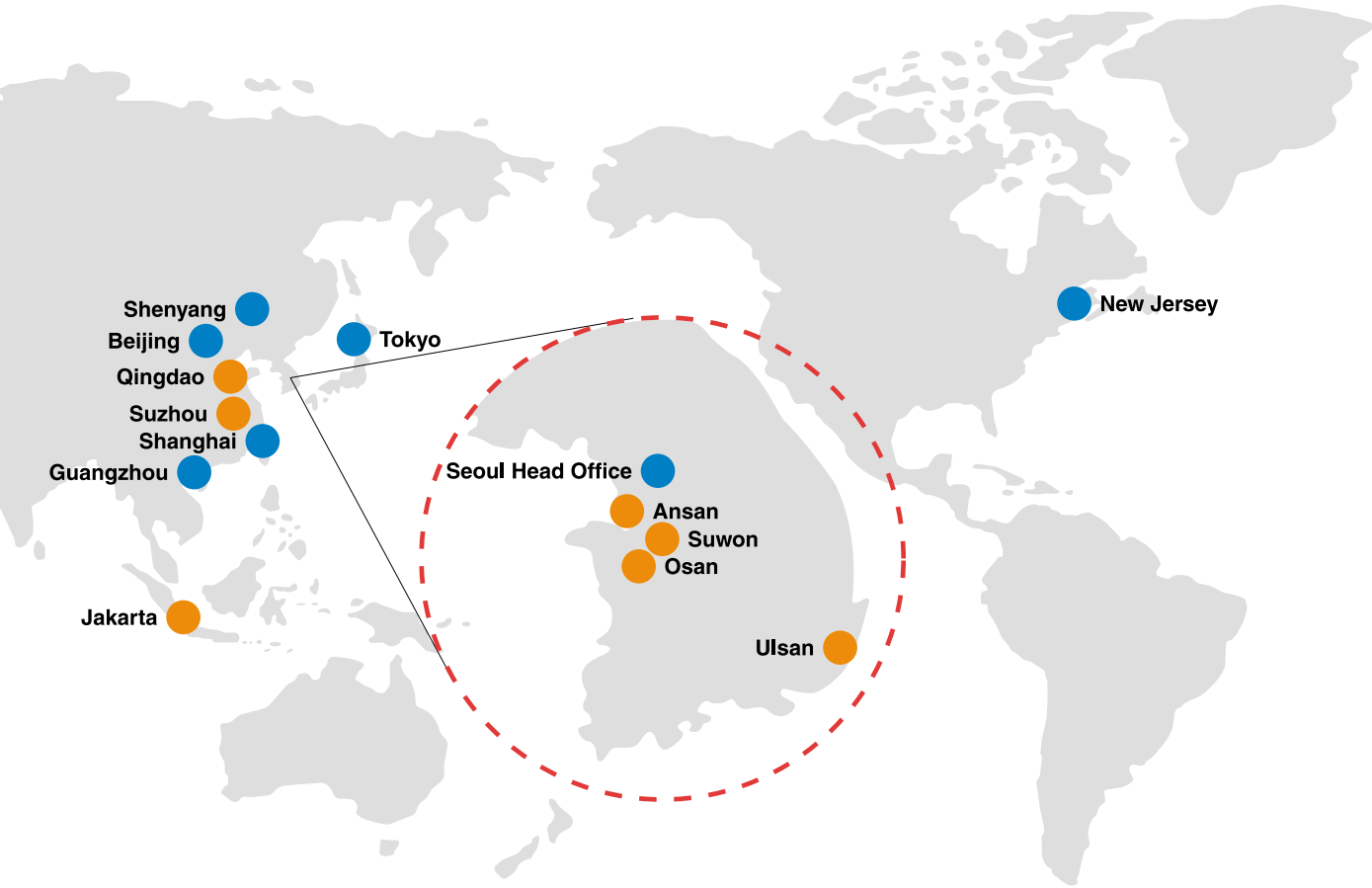
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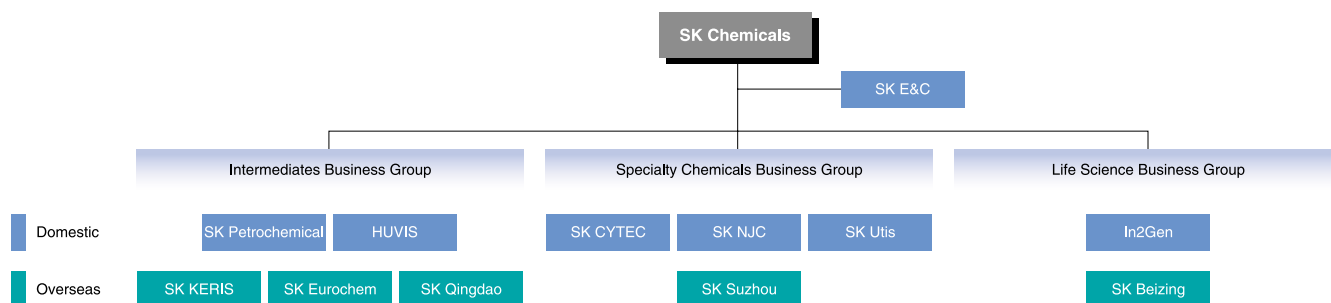
Tel: 81-3-5733-6095/6 Fax: 81-3-5733-6097





GLOBAL NETWORKS

| SUBSIDIARIES |



SK Petrochemical

Business Field:
PTA / DMT
Percentage of Ownership: 100%



SK Eurochem

Business Field:
PET Resin
Percentage of Ownership: 53.90%



SK Keris

Business Field:
Polyester Fibers, PET Resin
Percentage of Ownership: 62.50%



SK Utis

Business Field:
Microcellular Polyurethane Foam/Pad
Percentage of Ownership: 60.00%



SK Chemicals
Qingdao

Business Field:
Carbon Fiber Prepreg
Percentage of Ownership: 100%



SK Chemicals
Suzhou

Business Field:
Polyester Adhesives
Percentage of Ownership: 100%



SUBSIDIARIES

SK NJC

Business Field:
Cyclohexanedimethanol(CHDM)
Percentage of Ownership: 60.00%



SK CYTEC

Business Field:
Powder Coating Polyester Resin, UV Curing Resin
Percentage of Ownership: 50.00%



SK Engineering
& Construction

Business Field:
Construction and Engineering Service
Percentage of Ownership: 58.03%



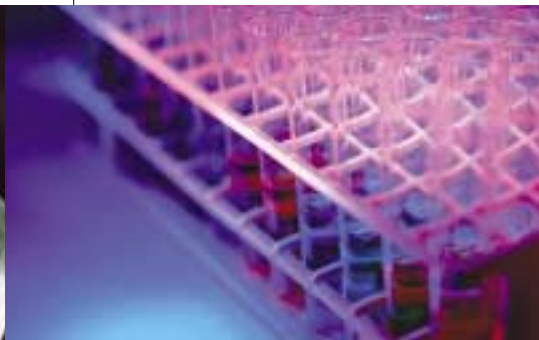
HUVIS

Business Field:
Polyester Fibers, PET Resin
Percentage of Ownership: 50.00%



In2Gen

Business Field:
Genomics, Biological Medicines R&D
Percentage of Ownership: 44.66%



SK Pharma
Beijing

Business Field:
Life Science Marketing Company
Percentage of Ownership: 100%



ENERGY/CHEMICALS

The Power to Create Happiness - SK

As SK marched forward for more than 50 years, the nation's economy advanced in its steps.

However, there remains a long road ahead and more works to be accomplished.

Until the day SK becomes a truly global company equipped with world-class competitiveness,

Until the day all our clients are happy with more satisfaction and greater value of life,

Until the day we gain complete trust and respect from the public,

SK will make every possible efforts to bring that day closer.

SK CORPORATION
www.skgcorp.com



SKC
www.skcc.co.kr



SK E&S
www.sk-enron.com



SK GAS
www.skgas.co.kr



SK INCHEON OIL
www.skico.co.kr



SK GROUP AT A GLANCE

TELECOMMUNICATIONS

SK TELECOM
www.sktelecom.com



SK C&C
www.skcc.com



SK TELINK
www.sktelink.com



SK COMMUNICATIONS
www.corp.nate.com



TRADING & SERVICES

SK NETWORKS
www.sknetworks.com



**SK ENGINEERING
& CONSTRUCTION**
www.skec.co.kr



SK SHIPPING
www.skshipping.com



WALKER HILL
www.walkerhill.com



SK SECURITIES
www.priden.com



FINANCIAL REPORTS ...▶



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- **Statement of Disposition of Deficit(Retained Earnings)_ 36**

- **Stock & Right Issuing_ 37**

- **Brief History_ 39**

FINANCIAL HIGHLIGHT

	2006	2005	2006
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Sales	872,457	1,086,034	938,530
Net Income	29,033	56,481	31,231
Total Assets	1,277,812	1,195,515	1,374,582
Total Stockholder's Equity	442,333	433,192	475,832

SK Chemicals is becoming an increasingly competitive company by building a high-return and high-growth business portfolio in the areas of Life Science and Specialty Chemicals.

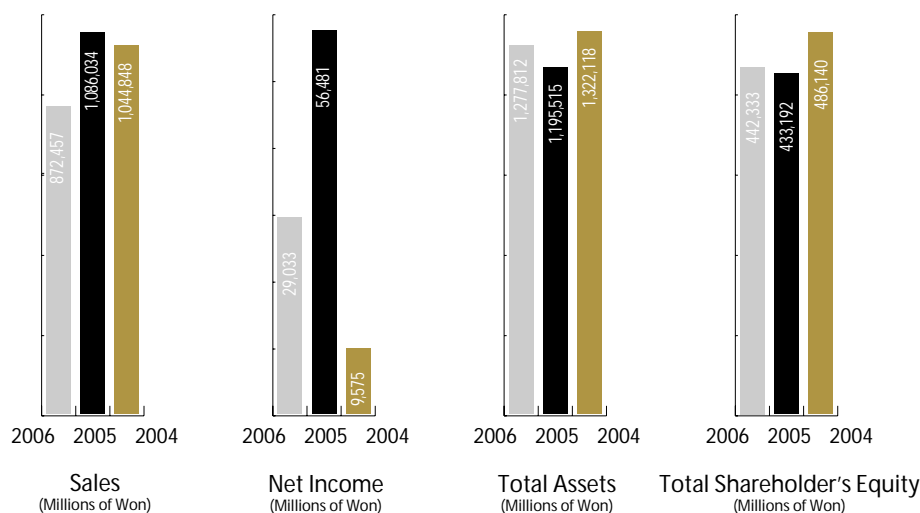
Despite a difficult business environment caused by the falling won, oil price hikes, and a slow economy, SK Chemicals nevertheless proceeded to merge with Dong-Shin Pharmaceuticals and invest more in the Chinese Specialty Chemicals and Life Science industries. As a result, SK Chemicals posted 872.5 billion won in sales, 41.4 billion won in operating profit and 39.6 billion won in ordinary income in 2006.

Through the merger of Dong-Shin Pharmaceuticals in November 2006, SK Chemicals was able to improve the competitiveness of its Life Science business that promises to be the core business of the future and become one of the leading pharmaceutical companies in Korea. SK Chemicals has successfully completed the clinical tests of an anti-impotence agent and also established a foothold in the Chinese market by obtaining a license for the sales of anti-arthritis drug 'TRAST®' in Beijing, China.

SK Chemicals Life Science R&D Center is currently developing a number of new pharmaceutical products including an anti-hypertensive agent with the cooperation of In2Gen, a leading venture company in biological research and development, while also introducing a new vaccine.

In the area of Specialty Chemicals, SK Chemicals has completed the construction of a PET adhesive factory in Suzhou, China in 2006, following previous the introduction of 'Carbon Prepreg' at the Qingdao factory. SK Chemicals is planning to further tap into the Chinese market by launching its polyurethane, biocide, and other Specialty Chemicals products.

SK Chemicals has been showing continued growth in sales of its high-performance PETG resin 'SKYGREEN®' and polyester acoustic & thermal insulation 'SKYVIVA®' since 2000. In particular, the 'SKYVIVA®' business has been focusing on expansion since obtaining a quality certification for its multiple layered sound insulation material.



BALANCE SHEET

	2006	2005	2006
Assets	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Total Current Assets	339,591	303,407	365,309
Current Assets	207,793	212,011	223,529
Inventory	131,798	91,396	141,780
Fixed Assets	938,220	892,107	1,009,273
Investments	493,184	539,537	530,534
Property, Plant, and Equipment	432,311	338,353	465,050
Intangible Assets	12,725	14,217	13,689
Total Assets	1,277,812	1,195,515	1,374,582
Liabilities			
Current Liabilities	428,029	383,944	460,444
Long-term Liabilities	407,449	378,379	438,306
Total Liabilities	835,478	762,323	898,750
Shareholders' Equity			
Capital Stock	117,639	102,213	126,548
Capital Surplus	278,337	243,844	299,416
Retained Earnings	89,047	64,330	95,791
Capital Adjustments	(42,690)	22,805	(45,923)
Total Shareholders' Equity	442,333	433,192	475,832
Total Liabilities and Shareholders' Equity	1,277,812	1,195,515	1,374,582

INCOME STATEMENT

	2006	2005	2006
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Sales	872,457	1,086,034	938,530
Cost of Sales	688,680	920,953	740,835
Gross Profits	183,777	165,081	197,695
Selling, General and Administrative Expenses	142,388	126,977	153,171
Operating Income	41,389	38,104	44,524
Non Operating Income	149,798	178,459	161,142
Non Operating Expenses	151,617	141,055	163,099
Ordinary Income	39,570	75,509	42,567
Income Tax	10,538	19,028	11,336
Net Income(Net Loss)	29,033	56,481	31,231

STATEMENT OF DISPOSITION OF DEFICIT(RETAINED EARNINGS)

	2006	2005	2006
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Retained Earnings before Appropriations	87,137	63,020	93,736
Unappropriated Retained Earnings carried over from prior years	56,445	4,107	60,719
Equity Method Adjustment	1,659	2,433	1,785
Net Income	29,033	56,481	31,231
Transfer from Voluntary Reserves			
Reserve for Facility Replacement			
Appropriations of Retained Earnings	31,685	6,575	34,084
Legal Appropriated Retained Earning	520	600	559
Reserve for Technological Development	26,000		
Dividend	5,165	5,975	5,556
Unappropriated Retained Earnings -	55,452	56,445	59,652
carried over forward to subsequent year			

STOCK & RIGHT ISSUING(INVESTMENT)

「STOCK RELATED」

STOCK TYPES/QUANTITY

Share, Thousands of Won

Stock Type	No. of Stock	Denomination per Stock	Price
Common Stock	20,710,723	5,000	103,553,615
Preferred Stock	2,817,125	5,000	14,085,625
Sum	23,527,848		117,639,240

MAJOR SHAREHOLDERS

Name	No. of Stock in Possession			Ownership
	Common Stock	Preferred Stock	Sum	
Tae Won Choi & Others	6,870,057	1,047,873	7,917,930	33.65%
A National Pension	1,456,336		1,456,336	6.19%
Taeyoung	886,000		886,000	3.77%
MSIL-SRGLOBALFD	619,700		619,700	2.63%
HBFS-B-BBCLSPXSIFK	458,470		458,470	1.95%
HUNTERHALL INVEST.M	446,000		446,000	1.90%

STOCK & RIGHT ISSUING(INVESTMENT)

「INVESTMENT IN SUBSIDIARIES AND AFFILIATED COMPANIES」

Share, %

Investment Company	No. of Stock in Possession	% of Ownership
SK Engineering & Construction	11,776,718	58.03%
WalkerHill	20,000	0.25%
SK China	14,140	10.40%
Huvis	14,375,000	50.00%
SK Cytec	250,000	50.00%
SK NJC	1,200,000	60.00%
SK Petrochemical	4,000,000	100.00%
SK Utis	480,000	60.00%
In2Gen	294,719	44.56%
SK Keris	50,000	62.50%
SK Eurochem	156,562	53.90%
SK Chemicals Qingdao	US\$2,250,000	100.00%
SK Chemicals Suzhou	US\$5,000,000	100.00%
SK Pharma Beijing	US\$100,000	100.00%
SK Chemicals America	US\$906,500	100.00%
KRCC	5,900	29.50%
Ndosa Technologies	1,000,000	12.50%

Brief History

1966.6	Established Sunkyong Chemical Fibers Ltd.
1968.12	Completed construction of acetate filament yarn factory in Suwon
1968.12	Completed construction of polyester filament yarn factory in Suwon
1969.7	Established Sunkyong Fibers Ltd.
1976.2	Merged Sunkyong Chemical Fibers Ltd.
1976.6	Listed on the Korean Stock Exchange
1984.12	Constructed R&D Center
1985.10	Acquired textile plant in Suwon from Sunkyong Ltd.
1987.4	Established SK ucb Ltd.
1988.5	Renamed to Sunkyong Industries Ltd.
1988.6	Established SK Pharmaceuticals Ltd.
1989.7	Constructed Life Science Research Center
1989.9	Completed construction of PTA/DMT Plant
1990.8	Established Petrochemical Research Center
1991.3	Established SK Keris Ltd. in Indonesia
1998.2	Established SK NJC Ltd.
1998.3	Renamed to SK Chemicals Ltd.
1999.7	Developed the first new drug in Korea(the 3rd generation platinum complex anti-cancer agents, SUNPLA [®])
2000.7	Established In2Gen Ltd.
2000.11	Established Huvis Ltd.
2001.3	Acquisition of Dong Shin Pharmaceuticals Ltd.
2001.3	Started Commercial Production of SKYGREEN [®] (High Performance PETG Resin)
2001.7	Obtained Patent for Joins [®] , Korea's first natural anti-arthritis drug
2001.10	Established SK Chemicals Qingdao Ltd. in China
2002.6	Established SK Eurochem Ltd. in Poland
2005.3	Completed construction of SK Eurochem Ltd. factory
2005.4	Merged SK Pharmaceuticals Ltd.
2005.4	Established SK Utis Ltd.
2005.11	Established SK Pharma Beijing Ltd. in China
2005.11	Established SK Chemicals Suzhou Ltd. in China
2005.12	Established SK Petrochemical Ltd.
2006.11	Merged Dong Shin Pharma Ltd.
2006.11	Completed construction of SK Chemicals Suzhou Ltd. factory



With the Customer

We at SK Chemicals will strive to exceed our customers' expectations, by means of 'customer-oriented management', putting the core of our business, the goal of corporate management, and our value focus, on our customers.