SK Chemicals brings happiness to you as an eco-friendly business engaged in the development of future-oriented technologies.
SK Chemicals moves the world and changes the future.
To customers,
SK Chemicals continued to post a stable growth and profit in the face of difficult management conditions amid high international oil prices and raw material prices, ever-fiercer competition among businesses, and the unease in the financial market caused by the subprime loan crisis in the U.S.

We laid the groundwork for long-term growth in the Life Science sector through the merger of In2Gen and the takeover of Boehringer Ingelheim Korea’s factory in Cheongju and started operation of the eco-friendly biodiesel fuel business bringing it into full swing. We also carried out work to make forays into overseas markets, including commencement of the PET resin, polyurethane resin and biocide businesses in China, as well as of the jatropha plant project in China intended to secure raw materials for biodiesel.

We plan to make effort to post continued growth and create profits and thereafter:

We will reinforce the competitiveness in core business sectors and the basis for future growth through exploration of new businesses and technological development, while enhancing the brand value of SK Chemicals on a continuous growth.

First of all, we will reinforce competitiveness in core business sectors and explore growth engines, in addition to maximizing synergistic effects of the merger of Dongshin Pharmaceutical and In2Gen, and enhancing the business value of the Life Science sector through strategic alliance where necessary.

We plan to continue to push forward with enhanced management efficiency in the PET resin and Specialty Chemicals businesses, and start making solid sales in new sectors, such as the biodiesel business. Also, we will strive to make new growth engines through the exploration of new business opportunities and development of new technologies.

Second, we will enhance the competitiveness of global businesses in China. We have made positive efforts for those businesses in China, launching SK Chemicals Qindao Ltd. (2001), SK Chemicals Pharma Beijing Ltd. (2005), SK Chemicals Suzhou Ltd. (2006) and the PET resin and biodiesel businesses (2007). Recently, foreign-investment businesses in China see their management conditions worsen due to more stringent local regulations, ever-fiercer competition and worsening profitability. However, we are determined to push ahead with our operations in China with the momentum of the global experience we accumulated ahead of others in Indonesia and Poland. We will strengthen local production and the sales network in China to post early success in pharmaceutical goods, polyurethane resin and biocide, and continue to develop new businesses.

Third, we will do our best to enhance the capabilities of individuals and the operational efficiency of the entire organization to carry out businesses smoothly and cope with changes in business conditions.

To such an end, we will continue to improve the management system and help individual employees to enhance their capabilities. We will improve educational sessions and efficient human resources management systems to make better organization.

We will do our best to achieve the targets set for the year. Finally, I wish you and your family health and happiness. Thank you.

CEO & Vice Chairman Chang-Geun Kim
A Leader in Specialty Chemicals & Life Science

SK Chemicals moves ahead in development of new technologies that can help it move the world and change the future.

SK Chemicals has grown as a leading chemical business in Korea over the past nearly 40 years. SK Chemicals aims to be a world-class company specializing in Specialty Chemicals and Life Science based on a spirit of being willing to face challenges and sheer technological prowess.
| SK Chemicals’ Specialties |

**Specialty Chemicals**
- Highly Performance Coating & Adhesive Resin
- Polyurethane Resin
- Industrial Biocides / Water Treatment Chemicals
- Highly Functional PETG Resin
- High Purity Solvent
- Electrochemicals

**Life Science**
- New Chemical Entity (NCE)
- Herbal medicine
- Vaccine / Blood Preparations
- DDS (Drug Delivery System)
- Bio Technology

**Petrochemicals**
- PET Resin
- Carbon Fiber Composite Materials
- Building / Car Interiors and Exteriors
- Acetate Fiber and Tow
- Biodiesel
SK Chemicals makes an effort to find ways people can harmonize with the natural environment with its high technologies.

SK Chemicals strives to develop environmentally-friendly chemical products that will make people safe and healthy with its accumulated technological prowess in Specialty Chemicals and Life Science sectors.

SK Chemicals aims to be a world-class business in Specialty Chemicals and Life Science.
Happy Creativity of Chemicals

I Major Achievements I

After 2000
- Developed the technology for production of biodiesel.
- Launched an antiarthritis agent JIONS®, the Korea's first natural new drug.
- Gained approval of NEXAD® for hypertension.
- Exported GINEVIN® tablet to Saudi Arabia and Turkey.
- Exported JIONS® tablet to Australia and New Zealand. Exported TRAST® to Southeast Asia.
- Exported ALBUMIN 20%® to Egypt.
- Exported UV GAMMA® to Thailand.
- Exported Japanese Encephalitis Vaccine to Thailand.
- Launched SKAD® for hypertension.
- Gained approval of PRANAR® for asthma.
- Launched Mvix® for erectile dysfunction.
- Developed thermoplastic polyurethane for breathable film.
- Obtained the Oeko-Tex certification for polyhexamethylene guanidine (PHMG) being eco-friendly fiber.
- License for the OAT (Organic Acid Technology), an engine coolant technology.
- Developed highly heat-resistant PREPREG®.
- Developed copolyester for profile conformation.
- Developed liquid photopolymer for flexo printing plates.
- Developed plasticizer-free, low-hardness thermoplastic polyurethane.
- Developed organic semiconductor material for electrochemicals.
- Developed the technology for TMA (Trimellitic Anhydride) production.
- Developed Bisalant Metal Free Biocide.
- Developed new Toner Binder.
- Developed an eco-friendly polyester sound-absorbing and heat-insulating material.
- Secured the technology for commercial production of CHDM.
- Developed eco-friendly, highly-functional resin SKYGREEN®.

Before 1999
- Launched Korea's first new drug, the third-generation platinum complex anti-cancer agent SUNPLA®
- Launched GINEVIN®, ginkgo biloba extract blood circulation enhancer
- Launched TRAST®, the world’s first patch of non-steroidal anti-inflammatory drugs (NSAID).
- Started exporting Omeprazole to Europe.
- Developed industrial biocides.
- Developed PEN resins.
- Developed biodegradable aliphatic polyester resins.
- Developed PPS resins.
- Developed thermoplastic polyurethane resins.
- Developed anti-freezing composition.
- Developed polyester adhesive.
- Developed PET resins for bottles.

I R&D area I

Life Science
- New Chemical Entity(NCE)
- Herbal medicine
- Vaccine / Blood preparations
- DDS (Drug Delivery System)
- Bio technology

Speciality Chemicals
- High Performance Resins
- Specialty Chemicals
- Materials for Electrochemicals

Petrochemicals
- Petrochemicals
- Functional PET Resin
- New Materials

Eco-friendly Materials
- Architecture
- Vehicles
- Composite Materials
Specialty Chemicals

SK Chemicals puts people and the nature first in its development of technologies and products, keeping the importance of nature conservation in mind.
Polyester Adhesive
Polyurethane Resins
Industrial Biocides / Heat Transfer Fluid / Water Treatment Chemicals
Highly Functional PETG Resins
High purity Solvent (CnR)
Materials for Electrochemicals

SPECIALTY CHEMICALS
SK Chemicals creates a safe and convenient everyday life for people. Most electronic or sports goods you use in your everyday life contain materials made by SK Chemicals.
POLYESTER ADHESIVES

SK Chemicals supplies elastomer used in many sectors, such as sport shoes, car seats and water hoses. It also supplies adhesives used for magnetic binders and ink binders. It is currently expanding its business category to eco-friendly products, such as water soluble adhesives.

SK Chemicals has developed specialty new materials, such as plasticizer-free low hardness TPU, non-yellowing type TPU and moisture-permeating/water-repellent TPU with its unrivaled technological prowess.

The company cooperates with world-famous businesses, such as NIKE, ADIDAS, Reebok, Samsung Electronics, Hyundai-Kia Motors, Motorola and GM, for joint development of new products for customers’ ultimate satisfaction.

POLYURETHANE RESINS

Polyester resin is used in wide applications, including coil coating and can coating, for its excellent adhesiveness and flexibility. It is also welcomed as a material for the inner side of food/soft drink cans and for the coating of paper wrappers for its eco-friendly characteristics. It is also used as an imaging material for toner binders of laser printers and high-speed copiers.

SK Chemicals strives to provide the best possible conditions for customers’ resin applications in coating and adhesives by offering total solutions.

INDUSTRIAL BIOCIDES / HEAT TRANSFER FLUID / WATER TREATMENT CHEMICALS

SK Chemicals produces preservatives and antimicrobial with wide industrial applications (such as paints, latex, papermaking and detergents) and provides technical service. It is currently building a local factory in China to meet to rapid increase in local demands.

The antifreeze/coolant developed by the company and certified by prominent multinational carmakers, including GM, and oil refinery businesses, is supplied worldwide in cooperation with Honeywell, one of the world’s leading companies. The company is also supplying products, such as solar heat/ice thermal storage systems and heat transfer fluid for the mold temperature controller.

In particular, the company supplies diversified industrial water treatment chemicals and provides relevant specialty service by means of the automatic management system. It also offers water treatment chemical-related total solutions for residential buildings, including apartments.

SK Chemicals exports these products made with its advanced technology to 30-plus countries all over the world.
HIGH PERFORMANCE CO-POLYESTER RESIN

PETG resin SKYGREEN® is a new transparent, eco-friendly material used in wide applications, such as high-end cosmetic jars, building materials, advertising materials and parts for household appliances. PETG resin features superb processibility and formability as well as applicability in optical products and those with high added value thanks to its high transparency and resistance to chemicals. Thus, it is a next-generation plastic materials that can replace existing ones, such as PC, PMMA or PVC. It can also enhance the value of products with its excellent outward appearance and functions.

SK NJC established as a joint venture with New Japan Chemical and Mitsubishi Corporation for stable supply of CHDM, raw material for SKYGREEN®, plays a pivotal role in the highly functional resin business.

HIGH PURITY SOLVENT / IMAGING CHEMICALS

High purity solvent is used in areas, such as instrumental analysis, composition of ultra-precision chemical goods and electronic and bio technology industry. SK Chemicals exports high purity solvent made with the technological assistance of Honeywell of the U.S. to Asian countries, including China. The company is also expanding the business of high value-added imaging chemicals used in digital printing, electrolyte and various display items.

ELECTROCHEMICALS

SK Chemicals is pushing forward with sophistication of the structure of the electrochemical business based on its polymer and other chemical technology, currently focusing on LEC (Liquid Encapsulant) and ACF (Anisotropic Conductive Film). The company has made efforts to make core IC Packaging materials, such as Solder Ball and DAA (Die Attach Adhesives) with its own technology, thus contributing to the development of the domestic semiconductor industry. At present, it makes investment in high value-added new technology sectors, such as encapsulant for organic EL and RFID.
SK Chemicals is like a cocktailer.

We enjoy making the new, as if making a cocktail by mixing, shaking, and testing.
Life Science

Life Science researchers at SK Chemicals strive to make people’s dreams come true - dreams of living longer in good health.

SK Chemicals aims to keep people and nature healthy.
1. New Chemical Entity (NCE)
2. Herbal medicine
3. Vaccine / Blood Preparations
4. Drug Delivery System
5. Bio Technology
SK Chemicals envisions a future in which all people live happily, enjoying good health.
NEW CHEMICAL ENTITY

SUNPLA®, the world’s first third-generation platinum complex anti-cancer agent, had its efficacy proven in clinical studies done by leading research institutions, including the U.S. National Cancer Institute and the Seoul National University Hospital. The company has applied for product patent in more than 20 countries. In 1999, the company launched it in Korean market.

In November 2007, the company started selling Mvix® for erectile dysfunction treatment following successful clinical studies.

At present, it concentrates on a new drug for metabolic diseases.

HERBAL MEDICINE

Arthritis treatment JOINS® extracted from herbs, such as Clematidis Radix, Prunellae Spica, Trichosanthis Radix, makes it possible to treat the disease fundamentally, having the efficacy of cartilage regeneration, in addition to anti-inflammatory and analgesic effects similar to existing treatment.

GINEXIN® has contributed to the company’s value as a product with the No.1 market share.

Recently, the company is doing research and clinical studies for development of drugs for treatment of chronic intractable diseases, such as asthma and dementia.
TRAST®, the world’s first antiarthritis patch, sustains an effect for 48 hours. Its polyurethane backing layer contains the Penetration Enhancer that helps the drug molecules penetrate skin and functions as a Releasing Rate Controller. It also minimizes gastrointestinal side effects caused by the oral administration.

TRAST® successfully entered the Chinese market in 2006.

OMED®, an oral antiulcer agent which stability was improved drastically using the formulation technology, for stabilization has been exported to Europe.

The company is also striving for development of IMD (Incrementally Modified Drug) for the treatment of obesity, hypertension and asthma, etc.

SK Chemicals completed the process of merging Dongshin Pharmaceutical, a leading company in vaccines and blood preparations, in November 2006, after becoming its largest shareholder in March 2001. This reinforced the foundation of its biopharmaceutical business. In December 2007, it merged In2Gen, a leading bio R&D biotech and has since been engaged in positive activities for development and marketing in the Life Science business sector.

A forerunner in preventive medicine, SK Chemicals specializes in production of parenteral nutrition, antibiotics and diagnostic agents, in addition to vaccine, blood preparation, insulin, interferon and antitoxin.

The company does its best for development of new products, such as polyvalent, mixed and oral vaccines, as well as biologic agent such as albumin, immunoglobulin, DPT vaccine, Japanese encephalitis vaccine and polo vaccine.

DRUG DELIVERY SYSTEM

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BIO TECHNOLOGY

In2Gen was established in 2000 as a joint venture with the Seoul National University Cancer Center for development of new drugs. In2Gen was accumulating the technology for development of diagnostics and drugs, using genomics, proteomics and cloning techniques.

In 2007, SK Chemicals merged In2Gen with the aim to create synergy with biological medications, such as vaccine and blood preparations and biotechnology. It lays the groundwork for a biopharmaceutical area.

Such a step, which was taken in accord with the worldwide trend in bio research toward biotechnology outsourcing, expansion and more efficient operation of research network, was part of SK Chemicals’ strategy to create synergy between existing business sectors and new business sectors.
SK Chemicals leads other businesses in the efforts to make humankind feel more comfortable and affluent by supplying petrochemical materials, which constitute people's basic needs, ranging from vehicles to clothes.
1. PET Resins
2. Carbon Fiber Composite Materials
3. Building / Car Interiors and Exteriors
4. Acetate
5. Biodiesel
With petrochemical materials, we are like the Wizard of Oz in people’s everyday life. Our high technology draws the future toward us, with materials stronger than steel, and fabrics softer than silk, and the bio energy protecting the environment.
Carbon fiber composite materials are used in a variety of applications, i.e. materials used to make golf club shafts, fishing rods, arrow shafts, parts for airplanes, vehicles and industrial robots & strengthening products for repair or reinforcement work in architectural or civil engineering sectors.

SK Chemicals made the Brand License Agreement and the Sales Agreement with DuPont USA for the reinforcing material business using Aramid Fiber, which draws attention as a reinforcing material for concrete structures against earthquakes or tsunamis. The company is also expanding into new areas to wind power, automobile and medical industry.

The company’s factory in Qingdao, China, which was established in 2001, has increased its capacity every year and made continuous efforts for development of new products.

PET RESINS
Since it started the PET resins business, the first of its kind in Korea, in 1978, SK Chemicals has made persistent efforts to improve product quality. Thus, it won quality certifications or approvals from FDA, Coca Cola and Pepsi Cola. It has also expanded its markets to North America, Europe, Australia and Japan.

The company has continued to expand its global presence (i.e. 80,000 tons in Indonesia in 1994 and 120,000 tons in Poland in 2005). In 2007, its total production capacity came to 440,000 tons together with 240,000 tons in Korea and the company posted $560 million in sales.

Seeing the global supply glut due to expansion of the facility in China, the company has focused on differentiated PET resins products and development of diversified uses.

PET RESINS
BUSINESS OPERATIONS
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As the only Korean business engaged in the acetate business, SK Chemicals focuses its efforts on development of differentiated products with high added value.

In the sector of acetate yarn, a material used for high-end clothes, the company has been engaged in the production of lining materials, velvet yarn and knitting yarn through continued development of technologies over the past 30-plus years. Recently, it has poured effort into development of new products aimed at global markets.

The company’s acetate tow used as materials for high-end cigarette filters is known for its excellent ability to filter out nicotine and tar and absorb moisture. It is exported to more than 20 countries.

ACETATE

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BIO DIESEL

SK Chemicals supplies environmentally-friendly energy biodiesel, which is fatty acid methyl ester created through chemical reaction between vegetable oil and methanol, to oil refinery companies in BD5 blend (a blend made with diesel (95%) and biodiesel (5%)), and to some businesses in BD20 blend in a small quantity.

Starting in January 2008, SK Chemicals supplies biodiesel with the brand name EcoPrime to leading domestic oil refinery companies.

Significantly, SK Chemicals is known for its commitment to first-rate service and products as well as the reliability in supply and R&D efforts concerning raw materials and technologies. The company is engaged in plantations business on a long-term basis in Asian countries, including China, to secure the stable and competitive supply of raw materials essential for its bio energy business.
SK Chemicals is committed to the protection of human health and environment. That is why it strives to develop eco-friendly plastic goods, water treatment chemicals, industrial biocides and natural pharmaceutical.

SK Chemicals aims to be a world-class chemical business specializing in Life Science and Specialty Chemicals sectors based on the creative power of the chemical science.

Eco-friendly SK Chemicals
SK Chemicals is committed to open a new page in the chemical sector with the aim to move the world and user in a new age.

| Global Networks |

**INDONESIA**  
P.T. SK Keris Indonesia  
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Fax: 62-21-537-8811

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Fax: 001-86-10-8518-0893

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Fax: 86-574-6307-0420

**GUILIN SK ZNH BIO CO., LTD.**  
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Tel: 86-0773-366-2000  
Fax: 86-0773-366-1616

**SK PHARMA BEIJING SHANGHAI OFFICE**  
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Fax: 86-21-6270-1606

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Fax: 86-20-8730-0598

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Fax: 48-54-237-2229

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Fax: 1-201-613-8044

**JAPAN**  
SK Chemicals Tokyo Office  
Toranomon Roots21 Bldg., 7-3, 3-Chome Toranomon, Minato-Ku, Tokyo 105-0001, Japan  
Tel: 81-3-5733-6095/6  
Fax: 81-3-5733-6097
NETWORKS
SUBSIDIARIES

SK Chemicals’ subsidiaries joining in the effort to bring happiness to people

SK Chemicals and its subsidiaries strive to set a grand vision for the next century based on what they have done over the past 40 years.

In carrying out their business activities, they think about how bring happiness to humankind and protect people and environment.

They are committed to enhance the quality of people’s everyday lives.

SK Petrochemical
Lines of business
PTA/DMT
Equity stake - 100%

SK Eurochem
Lines of business
PET resins
Equity stake - 53.90%

SK Keris
Lines of business
Polyester fiber, PET resin, Film resins
Equity stake - 98.47%

SK NJC
Lines of business
Cyclohexanedimethanol (CHDM)
Equity stake - 60.00%

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SK NJC
Lines of business
Cyclohexanedimethanol (CHDM)
Equity stake - 60.00%
SK CYTEC
Lines of business
UV/EB curable oligomers & monomers, Polyester resins for powder coatings
Equity stake - 50.00%

SK E&C
Lines of business
Construction and engineering
Equity stake - 58.03%

SK Utis
Lines of business
Microcellular polyurethane foam and pad
Equity stake - 60.00%

SK Chemicals Qingdao
Lines of business
Prepreg
Equity stake - 100%

SK Chemicals Suzhou
Lines of business
Polyester adhesive, polyurethane resin, biocide
Equity stake - 100%

HUVIS
Lines of business
Polyester fiber, PET resin
Equity stake - 50.00%

SK Pharma Beijing
Lines of business
TRAST
Equity stake - 100%

SK ZB
Lines of business
PET resins
Equity stake - 19.7%

SK ZN
Lines of business
Plantation, biodiesel materials
Equity stake - 65%
SK GROUP AT A GLANCE

The SK Group committed to bring happiness to people!

The SK Group has built a solid business over the past 60 years in step with the nation’s rapid economic development. It now aims to be a world-class business.

The Group will continue to strive to bring ultimate satisfaction and higher values of everyday lives to customers.
Financial Statements
SK Chemicals continues to make efforts to enhance its competitiveness in Life Science and Specialty Chemicals, which are its core lines of business.

In 2007, the company merged In2Gen engaged in bio R&D and took over Boehringer Ingelheim Korea’s factory in Cheongju, thus reinforcing the basis of the growth of the Life Science sector. In its biodiesel business, the company obtained the permit as a production business, making it possible to make forays into markets. In the PET resins, polyurethane resins and biocide sectors, the company entered the Chinese market, as part of its globalization strategy.

SK Chemicals made positive efforts, such as maximization of synergies by merging Dongshin Pharmaceutical, raising sales prices of products in existing businesses increasing sales in new business sectors, despite difficult management conditions amid high international oil prices, ever-fiercer competition in the industry and unstable situation in the financial market. As a result, the company posted 1,009.3 billion won in sales, 46.7 billion won in operating profit, and 39.2 billion won in income before taxes in 2007.

In the Life Science sector, the company set up a stable product portfolio by merging Dongshin Pharmaceutical, which made it possible to enter the preventive medicine sector in addition to disease treatment medications. It also laid the groundwork to rise to the top position in the Pharmaceutical industry through the merger of In2Gen and the takeover of Boehringer Ingelheim Korea’s factory in Cheongju.

In the Specialty Chemicals sector, it added polyurethane resins and biocide businesses through its local corporation in Suzhou, China, to its existing polyester adhesive business. In 2008, the company will start reinforcing production and sales in China through full-fledged operation of production of polyurethane resin and biocide.

In the Petrochemicals sector, the company carried out brisk activities to make forays into the Chinese market, including establishment of local PET resins production corporation in alliance with Zhenbang and commencement of the jatropha plant project designed to secure raw materials of biodiesel.
**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>2007 (Millions of Won)</th>
<th>2006 (Millions of Won)</th>
<th>2007 (Thousands of US Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>357,426</td>
<td>339,591</td>
<td>380,970</td>
</tr>
<tr>
<td>Current assets</td>
<td>207,719</td>
<td>207,793</td>
<td>221,402</td>
</tr>
<tr>
<td>Inventory</td>
<td>149,707</td>
<td>131,798</td>
<td>159,568</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>1,066,496</td>
<td>938,221</td>
<td>1,136,747</td>
</tr>
<tr>
<td>Investment and Others</td>
<td>604,783</td>
<td>493,185</td>
<td>644,621</td>
</tr>
<tr>
<td>Property, Plant, and Equipment</td>
<td>442,232</td>
<td>432,311</td>
<td>471,362</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>19,481</td>
<td>12,725</td>
<td>20,764</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,423,922</td>
<td>1,277,812</td>
<td>1,517,717</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>536,619</td>
<td>428,029</td>
<td>571,966</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>398,262</td>
<td>407,449</td>
<td>424,496</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>934,881</td>
<td>835,478</td>
<td>996,462</td>
</tr>
<tr>
<td><strong>Shareholders'equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Stock</td>
<td>118,301</td>
<td>117,639</td>
<td>126,094</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>275,985</td>
<td>278,337</td>
<td>294,164</td>
</tr>
<tr>
<td>Capital adjustments</td>
<td>(60,335)</td>
<td>(63,602)</td>
<td>(64,309)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>39,322</td>
<td>20,913</td>
<td>41,912</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>115,768</td>
<td>89,047</td>
<td>123,394</td>
</tr>
<tr>
<td><strong>Total Shareholders'equity</strong></td>
<td>489,041</td>
<td>442,334</td>
<td>521,255</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders'equity</strong></td>
<td>1,423,922</td>
<td>1,277,812</td>
<td>1,517,717</td>
</tr>
</tbody>
</table>
## INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of Won</td>
<td>Thousands of US Dollar</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>1,009,285</td>
<td>872,457</td>
<td>1,075,767</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>784,887</td>
<td>688,680</td>
<td>836,588</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>224,398</td>
<td>183,777</td>
<td>239,179</td>
</tr>
<tr>
<td>Selling, General</td>
<td>177,712</td>
<td>142,388</td>
<td>189,418</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>46,686</td>
<td>41,389</td>
<td>49,761</td>
</tr>
<tr>
<td>Non Operating Income</td>
<td>103,920</td>
<td>149,798</td>
<td>110,765</td>
</tr>
<tr>
<td>Non Operating Expense</td>
<td>111,409</td>
<td>151,617</td>
<td>118,747</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>39,197</td>
<td>39,570</td>
<td>41,779</td>
</tr>
<tr>
<td>Income Tax</td>
<td>8,367</td>
<td>10,537</td>
<td>8,918</td>
</tr>
<tr>
<td>Net Income(Net loss)</td>
<td>30,830</td>
<td>29,033</td>
<td>32,861</td>
</tr>
</tbody>
</table>

## STATEMENT OF RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of Won</td>
<td>Thousands of US Dollar</td>
<td></td>
</tr>
<tr>
<td>Retained Earnings before Appropriations</td>
<td>87,338</td>
<td>87,137</td>
<td>93,091</td>
</tr>
<tr>
<td>Unappropriated retained earnings carried over from prior years</td>
<td>55,452</td>
<td>56,445</td>
<td>59,105</td>
</tr>
<tr>
<td>Equity method adjustment</td>
<td>1,056</td>
<td>1,659</td>
<td>1,125</td>
</tr>
<tr>
<td>Net Income</td>
<td>30,830</td>
<td>29,033</td>
<td>32,861</td>
</tr>
<tr>
<td>Appropriations of Retained Earnings</td>
<td>5,954</td>
<td>31,685</td>
<td>6,346</td>
</tr>
<tr>
<td>Legal Appropriated Retained Earning</td>
<td>550</td>
<td>520</td>
<td>586</td>
</tr>
<tr>
<td>Reserve for Technological Development</td>
<td>-</td>
<td>26,000</td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td>5,404</td>
<td>5,165</td>
<td>5,760</td>
</tr>
<tr>
<td>Unappropriated retained earnings carried over forward to Subsequent year</td>
<td>81,384</td>
<td>55,452</td>
<td>86,745</td>
</tr>
</tbody>
</table>
## STOCK&RIGHT ISSUING(INVESTMENT)

### STOCK RELATED

#### STOCK TYPES/QUANTITY

<table>
<thead>
<tr>
<th>Stock Type</th>
<th>No.of Stock</th>
<th>Denomination per Stock</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>20,843,047</td>
<td>5,000</td>
<td>104,215,23</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>2,817,125</td>
<td>5,000</td>
<td>5</td>
</tr>
<tr>
<td>Sum</td>
<td>23,660,172</td>
<td></td>
<td>14,085,825</td>
</tr>
</tbody>
</table>

### MAJOR SHAREHOLDERS

<table>
<thead>
<tr>
<th>Name</th>
<th>No.of Stock in Possession</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chang Won Choi &amp; Others</td>
<td>2,569,759 100,350 2,670,109</td>
<td>11.29%</td>
</tr>
<tr>
<td>Mirae Asset Investment</td>
<td>3,294,541 - 3,294,541</td>
<td>13.92%</td>
</tr>
<tr>
<td>A National Pension</td>
<td>1,797,782 70,720 1,868,502</td>
<td>7.90%</td>
</tr>
<tr>
<td>JF Asset Management Limited</td>
<td>1,504,724 - 1,504,724</td>
<td>6.36%</td>
</tr>
<tr>
<td>Taeyoung</td>
<td>886,000 - 886,000</td>
<td>3.74%</td>
</tr>
</tbody>
</table>

### INVESTMENT IN SUBSIDIARIES AND AFFILIATED COMPANIES

<table>
<thead>
<tr>
<th>Investment Company</th>
<th>No.of Stock in Possession</th>
<th>% of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>SK Engineering&amp;Construction</td>
<td>11,776,718</td>
<td>58.03%</td>
</tr>
<tr>
<td>SK Petrochemical</td>
<td>4,000,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>SK NJC</td>
<td>1,200,000</td>
<td>60.00%</td>
</tr>
<tr>
<td>SK Cytec</td>
<td>250,000</td>
<td>50.00%</td>
</tr>
<tr>
<td>SK Uts</td>
<td>480,000</td>
<td>60.00%</td>
</tr>
<tr>
<td>SK Keris</td>
<td>1,925,000</td>
<td>98.47%</td>
</tr>
<tr>
<td>SK Eurochem Sp.zo.o.</td>
<td>156,562</td>
<td>53.95%</td>
</tr>
<tr>
<td>SK Chemicals Qingdao</td>
<td>USD 3,250,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>SK Chemicals Suzhou</td>
<td>USD 7,300,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>SK Pharma Beijing</td>
<td>USD 100,000</td>
<td>100.00%</td>
</tr>
<tr>
<td>Ningbo SK Zhenbang Chemical Company Limited</td>
<td>USD 3,800,000</td>
<td>19.69%</td>
</tr>
<tr>
<td>SK China</td>
<td>14,140</td>
<td>10.40%</td>
</tr>
<tr>
<td>SK Chemicals America</td>
<td>USD 906,500</td>
<td>100.00%</td>
</tr>
<tr>
<td>PT RC Chemicals</td>
<td>USD 30,000</td>
<td>30.00%</td>
</tr>
<tr>
<td>Huvis</td>
<td>14,375,000</td>
<td>50.00%</td>
</tr>
<tr>
<td>Cara Care</td>
<td>50,000</td>
<td>26.88%</td>
</tr>
<tr>
<td>Intersect</td>
<td>760,000</td>
<td>38.00%</td>
</tr>
<tr>
<td>KRCC</td>
<td>5,900</td>
<td>29.50%</td>
</tr>
</tbody>
</table>
With Customers

SK Chemicals will outdo customers' expectations with customer-centered management.