

SK Chemicals

1st

in Specialty Chemicals & Life Science



WWW.SKCHEMICALS.COM

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Until Our Customers are Happy 

In the 21st century, it is said that we have to change everything, but for us, we have one thing that we will never change: our customers' happiness. No matter how many changes take place, we are committed to bringing happiness to our customers.



**A GLOBAL
LEADER IN
SPECIALTY CHEMICALS
& LIFE SCIENCE**

As the world increasingly becomes one in the globalization Era,
SK Chemicals will grow as a world-class company in Specialty Chemicals & Life Science,
based upon its advanced technologies and knowledge.



| CEO MESSAGE |

Shareholders of SK Chemicals, thank you for your continued interest and support. Despite difficult conditions such as the rising price of raw materials and unstable exchange rates caused by oil price hikes, we were able to achieve sales of one trillion won by continuously investing in the areas of Specialty Chemicals and Life Science.

We have been promoting new high profit businesses such as IT (FCCL), high purity organic solvent, and functional cosmetics, while developing differentiated Specialty Chemicals and focusing on market diversification. We have achieved significant growth in the area of Life Science by implementing licensing strategies and developing blood pressure, impotence, and ulcer medications.

As for our global strategies, we have completed the construction of a PET plant in Poland and established a basis for entering the Chinese markets for Specialty Chemicals and Life Science. We were also able to establish good labor-management relations by implementing a bonus system, in which employees are awarded bonuses according to their management performance and productivity.



MESSAGE

TO SHAREHOLDERS

SK Chemicals will strive for change in 2005 in order to maintain our position in today's increasingly competitive business world. We will transform our Specialty Chemical range into a core business division of the future by promoting early stabilization for newly invested businesses, product development and technology implementation, while ensuring the growth of our Life Science business by securing the efficient management of assets and increasing R&D investment through the acquisition of SK Pharma.

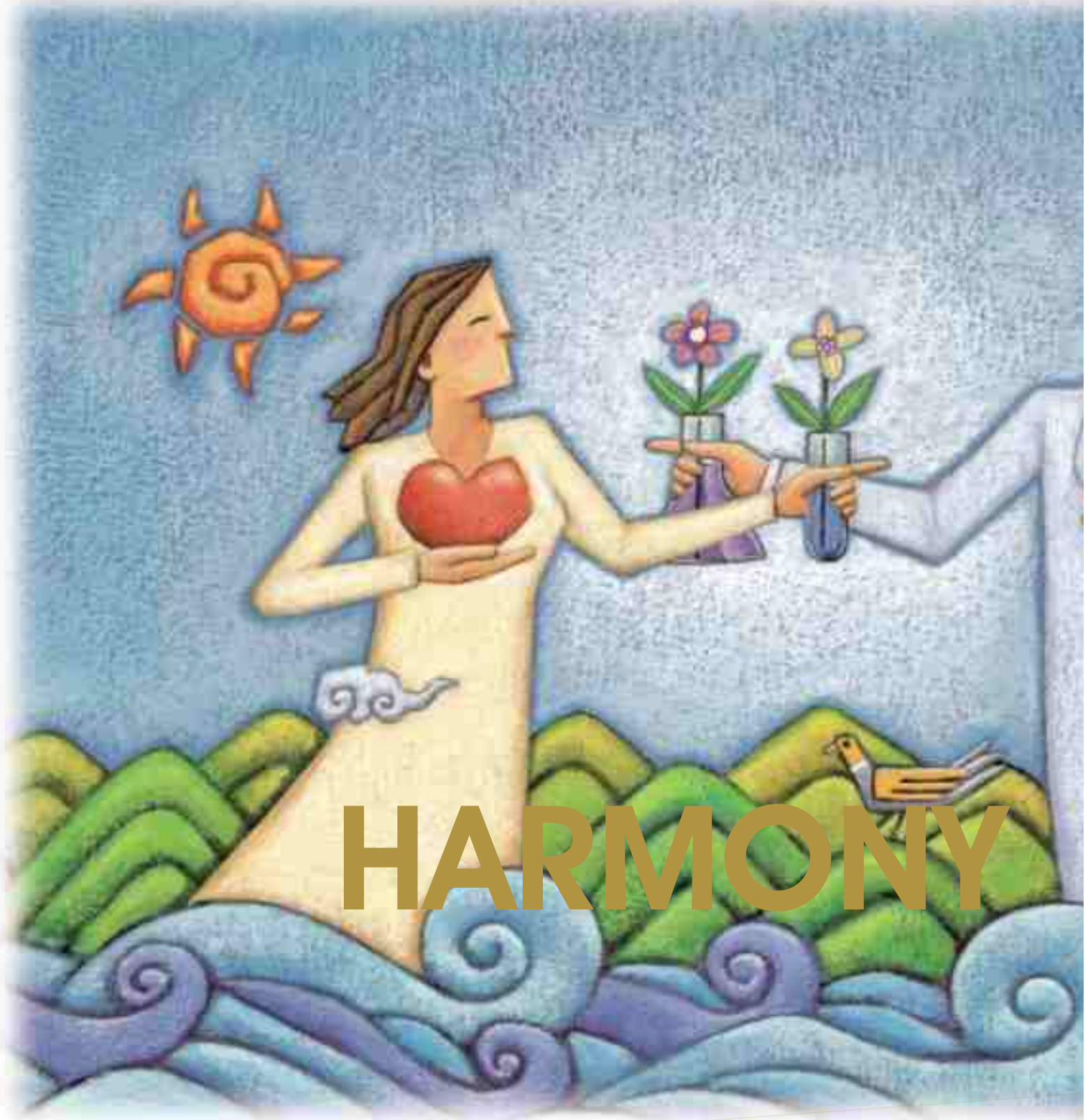
SK Eurochem, a PET plant in Poland, will be in the black in its first year of business after a successful start-up, and SK Keris is expected to reach a turning point once the current restructuring process has been completed. In keeping with these global initiatives, we will also launch our Specialty Chemicals and Life Science businesses in China.

We will make our best efforts to maximize the value of our company and ensure a shareholder-oriented management based on these management strategies, so that we can meet your expectations for business results.

Thank you.

Ji-ho Hong / CEO & Chairman of the Board





HARMONY

Practicing a Science of Care - SK Chemicals

Safeguarding your health and well-being is our business. By making the most out of our technological excellence in Specialty Chemicals and Life Science, SK Chemicals will deliver environment-friendly chemical products to our consumers and pave the way toward a sustainable and prosperous future for our earth.

SK Chemicals opens new horizons in the world of Specialty Chemicals and Life Science



OF
MAN & NATURE

| MAJOR ACCOMPLISHMENTS |

2000's ~

- ; Developed environmentally friendly copolyester resins for profile extrusion
- ; Developed liquid photopolymer for flexographic plate
- ; Developed plasticizer-free low hardness thermoplastic polyurethane
- ; Polyhexamethyleneguanidine salt substance registration & listing (Japan, China, Australia)
- ; Received prize, environmental technology for small-drinking water technology
- ; Developed organic semiconductors for electronics
- ; Clinical trial on the herbal anti-inflammatory & analgesic injectable drug
- ; Clinical trials of SK3530 for the treatment of male erectile dysfunction in UK & Korea
- ; PTA process licensing out(Hulian Sunshine Petrochemical Inc., China)
- ; Developed new TMA(trimellitic anhydride) process
- ; Developed flame retardant polyester material using sandwich panel
- ; Established membrane manufacturing process and equipments
- ; Developed new formulation of bivalent metal-free biocide, SKYBIOF
- ; Developed water-based polyester resin for overprint varnish, 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 PÉTG
- ; Developed Korea's 1st natural anti-arthritis drug, Joins

~1999's

- ; Developed 3rd generation platinum complex anti-cancer agent, Sunpla
- ; Developed Ginkgo extract preparation, Genéxin
- ; Developed a patch for anti-arthritis, Trašt
- ; 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



INNOVATION

| R & D DIVISION |

Life Science Research Center

- ; Natural Products
- ; Synthetic Drug Discovery
- ; Formulation & Pharmaceutical Engineering
- ; Pharmacology & Toxicology

Chemicals Research Center

- ; Specialty Polymers & Plastics
- ; Specialty Chemicals
- ; Composite Materials
- ; Electrochemicals
- ; Petrochemicals
- ; Process & Technology

Auxiliary R&D Center

- ; Water Environment
- ; Environmental Materials



SK Chemicals R & D Center



FOR

TOMORROW

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.

OUR BUSINESS

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SPECIALTY CHEMICALS

ENVIRONMENTAL MATERIALS INDUSTRIAL MATERIALS ELECTROCHEMICALS WELLBEING

01	SPECIALTY CHEMICALS
+	Environmental Materials
+	Industrial Materials
+	Electrochemicals
+	Wellbeing
02	LIFE SCIENCE
+	Synthetic Drugs
+	Natural Products
+	Biological Pharmaceuticals
+	Drug Delivery System
+	Biotech
03	MAJOR BUSINESSES
+	PTA/DMT
+	PET/PETG
+	Acetate



Polyester Acoustic & Thermal Insulation



Biocides / Water Treatment Chemicals



Membrane Module

OUR BUSINESS < 1k

SK Chemicals is focusing R&D efforts on environment-friendly products. Environmental materials are largely divided into the three categories of water treatment, industrial biocide & heat transfer fluid, polyester acoustic & thermal insulation. With increasing revenues and environmental concern, it is an industry with high growth potentials.

SK Chemicals has pursued for the integrated environmental service supplier covering the total fields of water environment business, which can be classified into three categories. Product such as industrial & household water treatment chemicals and Indu membranes, Service such as water treatment management program, analysis & consultation, Engineering and Construction about water treatment and water re-use plant.

SK Chemicals is the only company specializing in the industrial biocide, water treatment chemicals and heat transfer fluid in Korea. Under the business expansion strategy through globalization, we are supplying our specialty chemical products to more than 30 countries world-wide as well as to the domestic customers, and have made important contributions to the improvement of industrial environment and the globalization of Korean Specialty Chemicals Industry.

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. Particularly the flame-retardant polyester core materials for sandwich panel system are totally harmless to human and recognized as a new innovative fireproofing material that can replace styrofoam, 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. / 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.

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+	Acetate

OUR BUSINESS < X



Polyurethane Resins



Polyester Adhesives



Carbon Fiber Composite Materials

From the mid-1980s to the present, SK Chemicals has strategically nurtured its specialty chemicals materials business, which includes polyester resins, polyurethane resins, carbon fiber composite materials, and various other products.

Polyester resin is widely used for coil coating and can coating. It is environment-friendly without any environmental hormones, and is used for can inner coatings for food and beverages. The resin is also used for making high performance inks, adhesives and sizing agent for textiles. Recently, resins for toners in laser printers and copiers were developed, and areas of application are being expanded.

The polyurethanes business consists of adhesives, such as magnetic binders and ink binders, and elastomers. In the adhesives area, water-soluble polyurethanes have been developed recently. Elastomers include polyesters(TPEE) and polyurethanes(TPU), and are being exported globally for communication cables, tubes, sports shoes, etc.

Prepreg, an innovative composite material with remarkable strength and elasticity, is used as a raw material in golf shafts, fishing rods, and other products in the leisure industry. It is also used in aircraft wings which demand light weight, and as a material for robotic equipments. From 1996, prepreg's usage has expanded into reinforcement materials used in civil engineering and construction. SK Chemicals has acquired significant recognition as a leading manufacturer of maintenance and supplementary materials, both domestically and internationally. In 2001, to keep pace with rapid global changes, we completed the construction of our plant in Qingdao, China. This plant, in a country widely regarded as the potential largest market, constitutes our second foundation for growth. By the way, SK Chemicals has started business named SKYSUN(Carbon Plane Heater) which use carbon fiber's unique power of resistance from 2004.

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+	Acetate

OUR BUSINESS < k



Electrochemicals

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

SK Chemicals has been supplying LEC(Liquid Encapsulant), RM(Rubbing Materials) and FCCL(Flexible Copper Clad Laminates) used in flexible circuit board to the leading electronic companies such as Samsung, LG Philips LCD etc. since we successfully developed for the first time in Korea, and 6-axes electro compass(3D sensor) as world's first component for handset to Pantech & Curitel.

Furthermore, SK Chemicals is now developing ACF(Anisotropic Conductive Film) for LCD, PDP and OLED while investing in new value-added technologies of the 21st century such as sealant for OLED, FPCB materials and the development of manufacturing process for high polymer electrolytic capacitors.

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OUR BUSINESS < k



SK Chemicals supplies well-being products including cosmetics with natural extracts and environment-friendly agricultural goods.

SK Chemicals focuses on developing 'skincare science' for cosmeceutical products based on its years of experience in biotechnology. SK Chemicals Biotech R&D center, selected as the Korea's number one research institute in natural extracts by the TIMES, created a skincare brand called CARA[®] as a result of its vast database on efficacies of herbal medicines and the efforts of an excellent research team. CARA[®] is an advanced cosmetic formulation effective in preserving the youthfulness and elasticity of skin. The CARA[®] series include skincare products for troubled skin, whitening solutions, and moisturizers. SK Chemicals CARA[®] business continues to develop its new products.



As for environment- friendly agricultural products, SK Chemicals pursues customers' well-being by offering superior quality agricultural products with the help of its reliable producers.

(2)

LIFE SCIENCE

SYNTHETIC DRUGS

NATURAL PRODUCTS

BIOLOGICAL PHARMACEUTICALS

DRUG DELIVERY SYSTEM

BIOTECH

01	SPECIALTY CHEMICALS
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OUR BUSINESS <K>



Sunplā, SK Chemicals' revolutionary cancer fighter, 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, Sunplā was successfully commercialized in 1999, and patents were granted in more than twenty countries.

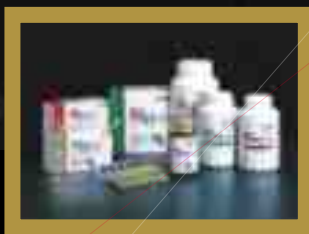


Currently, the ED(Erectile Dysfunction) medicine is also being under development. Phase I of the clinical study was successfully completed in Great Britain, and we are currently on the final steps of phase II. Plans are now on the way to prepare for Phase III of the clinical trial. In addition to our R&D products, many of our synthetic medicines such as LEVOPRIDE dyspepsia, licensed in from then Ravizza(Abbot), are continuously showing market growth.

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OUR BUSINESS < 16



Glnexin[®]



Joins[®]

SK Chemicals' brand-new and innovative anti-arthritis drug, Joins[®], formulated from the extracts of 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.

Glnexin[®], being one of SK Chemicals' representative natural product for enhancing blood circulation, holds the number one market share of its respective field and have met it's share of improving SK's 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, diabetes and others.

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OUR BUSINESS < 1k

By becoming the largest shareholder of Dong-Shin Pharmaceuticals, the leading company in biological pharmaceuticals in Korea, in March 2001, SK Chemicals secured its position as one of the leaders in the pharmaceutical bio-technology market. With the cooperation of In2Gen, one of the major bio R&D start-up companies in Korea, SK Chemicals plans to aggressively market these future bio R&D products in order to increase its position in the life science business.

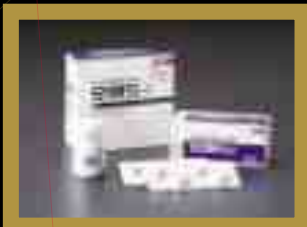
Dong-Shin Pharm., a subsidiary of SK Chemicals, was the first private enterprise to be publicly funded in Korea to develop preventive vaccines. It now specializes in the production and sales of parenteral nutrition, antibiotics and diagnostics with its biological products, such as vaccines, plasma derivatives, insulin, interferon and anti-toxin. While producing Albumin, Immunoglobulin, Japanese Encephalitis Vaccine, Polio Vaccine and other biological products essential for the public health, Dong-Shin Pharm. is playing a leading role in building a disease-free society by developing orally administered DDS (Drug Delivery Systems), orally-vaccine, combined vaccine, oral vaccine and other new pharmaceutical products.

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OUR BUSINESS < k



Trast[®]



Omed

Trast[®], commercialized successfully in 1996, is the world's first arthritis treatment in a patch formulation, which used pharmaceutically acceptable polyurethane and our own proprietary 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.

Omed is a safe ulcer medication utilizing the most advanced pharmaceutical technology and it is currently being exported to various overseas markets including Europe. SK Chemicals is boosting its R&D efforts to apply our own formulation know-how's including controlled release systems to develop new pharmaceutical products for treatments of hypertension, depression, ulcer, asthma, hyper-lipidemia and others. SK Chemicals also plans to develop new DDS by utilizing nano-technology in collaboration with global research institutes.

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+	PET/PETG
+	Acetate

OUR BUSINESS < k



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.

(3)

MAJOR BUSINESSES

PTA/DMT, PET/PETG, ACETATE

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OUR BUSINESS < 1 >



PTA/DMT Plant in Ulsan



PTA



DMT

With accumulated experience and technology, the petrochemicals business of SK Chemicals has global competitiveness. Captive users, including subsidiaries Huvis, were also secured for continued growth.

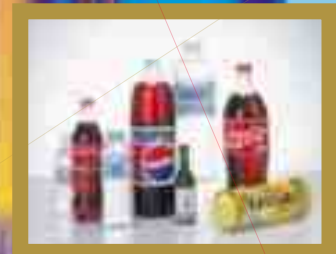
Since 2001, PTA/DMT manufacturing technology has been exported through technology transfer. With PTA, a licensing agreement was made with Eastman Chemical and Lurgi to pursue technological export to the global market, including China. The manufacturing design technology, process improvement technology, and plant operation experience make SK's PTA/DMT technology one of the best in the world.

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OUR BUSINESS < 1k



High Performance Plastic Resins - SKYGREEN



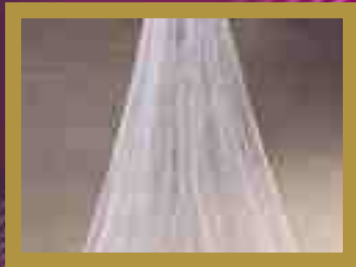
PET Resin for sheet and bottle - SKYPET

PET bottle resin, first manufactured in Korea by SK Chemicals in 1978, is recognized for its quality and stable supply, has FDA certification, and is approved globally by Coca Cola. SK Chemicals distributes PET resin to worldwide market including US, Japan, Australia, Europe etc. A plant with 80,000 tons annual capacity was previously constructed in Indonesia in 1996 as the first overseas manufacturing base, and a 120,000 tons annual capacity plant in Poland was constructed on March in 2005. In the European market, the price of PET resin products is attractive and high profitability and growth is expected in the future. Commercial manufacturing and sales will begin in 2005, and annual sales are expected to reach US\$100 million.

SK Chemicals has developed specialty copolyester resins, SKYGREEN, which is only the second company to successfully develop these environmentally friendly advanced resins. SKYGREEN is an environmental pollutant. Also, in a price to performance comparison, we hold high expectations that SKYGREEN. To ensure the steady supply of CHDM, a key raw material for SKYGREEN, SK Chemicals is in cooperation 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.

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+	Acetate

OUR BUSINESS < k



Acetate Tow



Acetate Filter Tow

Acetate Fiber

Acetate is used as material for high-end clothing, while acetate tow is used as material for cigarette filters. Both are produced 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 high grade of cigarette filter. SK Chemicals acetate tow is exported to 20 countries worldwide, and is recognized for its superior quality.



SK NEW JERSEY

INDONESIA

PT. SK Keris Indonesia

Desa Cihuni, Kec. Legok, Kab. Tangerang Jawa Barat, Indonesia
Tel: 62-21-537-1111 Fax: 62-21-537-8811

CHINA

SK Chemicals Shanghai Office

RM. 2310 International Trade Center No. 2201, Yan An Road(W) Shanghai, China
Tel: 86-21-6295-7070 Fax: 86-21-6270-1606

SK Chemicals Qingdao Co., Ltd

12 Jiang Shan, Middle Road, Economic & Technical Development Zone, Qingdao, China
Tel: 86-532-676-3281~3 Fax: 86-532-676-3190

HUVIS Co., Ltd Shanghai Office

RM. 1909 Far East International Plaza Tower A. No. 319 XianXia Road, Shanghai, China
Tel: 86-21-6295-4588 Fax: 86-21-6295-2700

POLAND

SK Eurochem Sp.z o.o.

Factory: Ul Torunska 222, 87-805 Wloclawek, Poland
Tel: 48-54-237-3979 Fax: 48-54-237-3949

Marketing Office: Ul Migdalowa 4, Klatka "C" Nr 39, 02-796 Warszawa, Poland
Tel: 48-22-645-1592 Fax: 48-22-645-1595

GERMANY

SK Chemicals Frankfurt Office

Lyoner Strasse 44-48, 60528, Frankfurt am Main, Germany
Tel: 49-69-6690-1370~1 Fax: 49-69-6616-1704

HUVIS Co., Ltd Dusseldorf Office

Graf-adoff-str, 21 D-40212 Dusseldorf, Germany
Tel: 49-211-379016 Fax: 49-211-377052

U.S.A

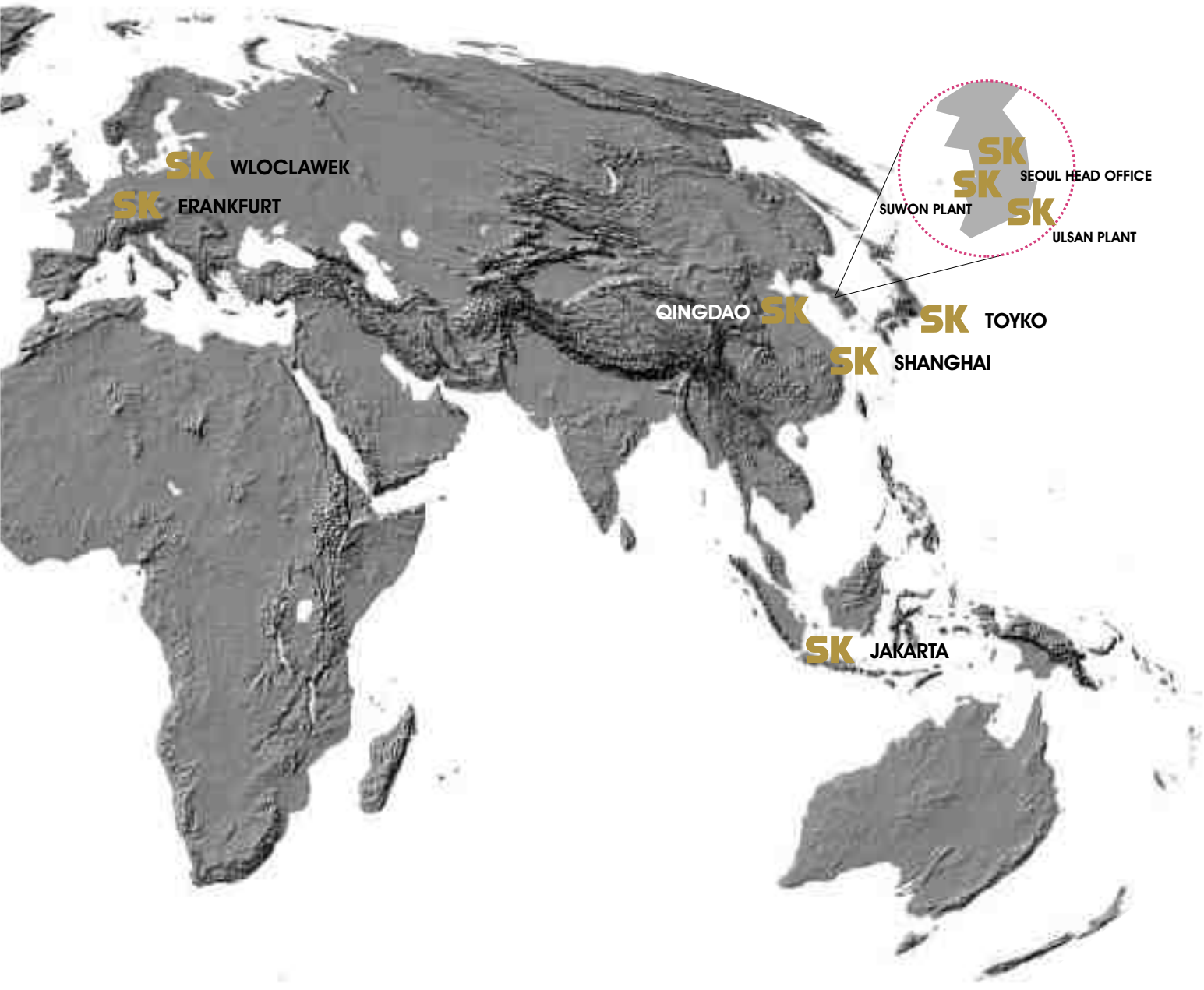
SK U.S.A, Inc.

One Parker Plaza 400 Kelby Street, 17th floor Fort Lee, NJ 07024
Tel: 1-201-613-8124 Fax: 1-201-613-8044

JAPAN

SK Chemicals Tokyo Office

Toranomon Roots21 Bldg., 7-5, 3-Chome Toranomon, Minato-Ku, Tokyo 105-0001, Japan
Tel: 81-3-5733-6095/6 Fax: 81-3-5733-6097



GLOBAL NETWORKS

| SUBSIDIARIES |

HUVIS

Business Field:
Polyester Fibers, PET Resin for bottle
Percentage of Ownership50.00%

SK Cytec

Business Field:
Powder Coating Polyester Resin, UV curing Resin
Percentage of Ownership50.00%



SK Keris

Business Field:
Polyester Fibers, PET Resin for bottle
Percentage of Ownership62.50%

SK Eurochem

Business Field:
PET Resin for bottle
Percentage of Ownership53.95%

SUBSIDIARIES

In2Gen

Business Field:
Genomics, Biological medicines R&D
Percentage of Ownership21.56%

SK Chemicals- Qingdao

Business Field:
Carbon Fiber Prepreg
Percentage of Ownership100%



SK NJC

Business Field:
Cyclohexanedimethanol(CHDM)
Percentage of Ownership60.00%

Dong Shin- Pharma

Business Field:
Medicines, Health Foods
Percentage of Ownership80.66%

ENERGY/CHEMICALS

SK CORPORATION

99, SEORIN-DONG,
JONGNO-GU, SEOUL, KOREA
www.skcorp.com



SK ENRON

60, YOIDO-DONG,
YOUNGDUNGPO-GU,
SEOUL, KOREA
www.sk-enron.com



SK GAS

60, YOIDO-DONG,
YOUNGDUNGPO-GU,
SEOUL, KOREA
www.skgas.co.kr



SKC

KYOBO TOWER, 1303-22,
SEOCHO-4DONG, SEOCHO-GU,
SEOUL, KOREA
www.skcc.co.kr



TELECOMMUNICATIONS

SK TELECOM

99, SEORIN-DONG,
JONGNO-GU, SEOUL, KOREA
www.sktelecom.com



SK TELETECH

737, YOKSAM-DONG,
GANGNAM-GU, SEOUL, KOREA
www.skteletch.co.kr



SK TELINK

267, 5-GA, NAMDAEMUN-NO,
JUNG-GU, SEOUL, KOREA
www.sktealink.co.kr



SK C&C

267, 5-GA, NAMDAEMUN-NO,
JUNG-GU, SEOUL, KOREA
www.skcc.com



SK GROUP AT A GLANCE

LOGISTICS

SK NETWORKS

199-15, 2-GA, EULJI-RO,
JUNG-GU, SEOUL, KOREA
www.sknetworks.co.kr



SK ENGINEERING & CONSTRUCTION

192-18, KWANHOON-DONG
CHONGNO-GU, SEOUL, KOREA
www.skec.co.kr



SK SHIPPING

267, 5-GA, NAMDAEMUN-NO,
JUNG-GU, SEOUL, KOREA
www.skshipping.com



SHERATON WALKER HILL

SAN 21, KWANGJANG-DONG
KWANGJIN-GU, SEOUL, KOREA
www.walkerhill.co.kr



FINANCE

SK SECURITIES

23-10, YOIDO-DONG
YONGDUNGPO-GU,
SEOUL, KOREA
www.sks.co.kr



SK LIFE INSURANCE

168, GONGDEOK-DONG
MAPO-GU, SEOUL, KOREA
www.sklife.com



FINANCIAL REPORTS < k



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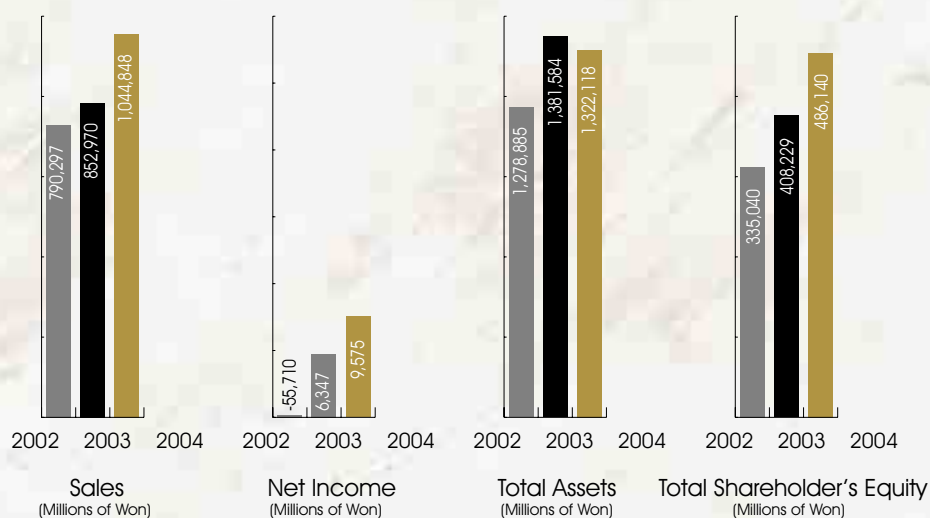
FINANCIAL HIGHLIGHT

	2004	2003	2004
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Sales	1,044,848	852,970	1,001,004
Net Income	9,575	6,347	9,173
Total Assets	1,322,118	1,381,584	1,266,639
Total Shareholder's Equity	486,140	408,229	465,741

SK Chemicals is becoming a globally competitive company in the areas of Specialty Chemicals and Life Science based on our stable petrochemicals business. 2004 was a record-breaking sales year for us. We have achieved one trillion won in sales thanks to sales increase in overall areas of specialty chemicals, life science, and petrochemicals businesses, and our profit before taxes reached 11.6 billion won despite price hikes in raw materials including PX and EG.

We have invested in the development of new Specialty Chemicals such as FCCL(Flexible Copper Clad Laminates), high purity organic solvent, and functional cosmetics. Sales of our Life Science range, including Trast[®], Ginexir[®], Joins[®], and Levopride, along with other existing products, have increased in 2004, and we have enjoyed a fruitful venture into the development and sale of products for the treatment of high blood pressure. We have also been working hard to accelerate the development of new pharmaceutical products. The first phase clinical test of a new ED(Erectile Dysfunction) medicine has been completed, and we are currently in the second phase of the clinical test.

We have sold off our investment securities and increased current assets in order to improve our financial structure. As a result, our total debt decreased to 535 billion won in 2004 from 686 billion won at the end of 2003. We have also significantly decreased our ratio of total liabilities to net worth to 172%. In 2005, we plan to achieve 1.3 trillion won in sales following our merger with SK Pharma and an increase in the sales of new Specialty Chemicals.



BALANCE SHEET

	2004	2003	2004
Assets	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Current Assets	246,416	353,557	236,075
Quick Assets	159,937	273,637	153,226
Inventories	86,479	79,921	82,850
Fixed Assets	1,075,703	1,028,026	1,030,564
Investments	599,472	526,012	574,317
Property, Plant, and Equipment	456,289	482,357	437,142
Intangible Assets	19,942	19,658	19,105
Total Assets	1,322,118	1,381,584	1,266,639
Liabilities			
Current Liabilities	534,986	674,736	512,537
Long-term Liabilities	300,992	298,618	288,362
Total Liabilities	835,978	973,355	800,899
Shareholders' Equity			
Capital Stock	102,213	102,213	97,924
Capital Surplus	242,321	278,243	232,152
Retained Earnings	9,488	(34,975)	9,090
Capital Adjustments	132,119	62,749	126,575
Total Shareholders' Equity	486,140	408,229	465,741
Total Liabilities and Shareholders' Equity	1,322,118	1,381,584	1,266,639

INCOME STATEMENT

	2004	2003	2004
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Sales	1,044,848	852,970	1,001,004
Cost of Sales	931,523	748,739	892,434
Gross Profits	113,325	104,231	108,569
Selling, General and Administrative Expenses	85,288	86,237	81,709
Operating Income	28,037	17,994	26,861
Non Operating Income	126,131	127,822	120,843
Non Operating Expenses	142,533	140,022	136,552
Ordinary Income	11,640	5,793	11,151
Income Tax Expenses	2,065	(554)	1,978
Net Income	9,575	6,347	9,173

STATEMENT OF APPROPRIATION OF RETAINED EARNINGS

	2004	2003	2004
	<i>Millions of Won</i>		<i>Thousands of US Dollars</i>
Retained Earnings before Appropriations	9,488	(73,041)	9,090
Unappropriated Retained Earnings- carried over from prior years		(79,034)	
Equity Method Adjustment	(87)	(354)	(83)
Net Income	9,575	6,347	9,173
Transfer from Voluntary Reserves		29,000	
Reserve for Facility Replacement		29,000	
Appropriations of Retained Earnings	5,381	(44,041)	5,155
Reserve for Business Rationalization		(1,556)	
Reserve for Financial Status Improvement	900	(5,247)	862
Legal Reserve	410	(2,263)	393
Reserve for Revaluation		(34,975)	
Dividend	4,071		3,900
Unappropriated Retained Earnings - Carried over forward to Subsequent year	4,107		3,934

STOCK & RIGHT ISSUING(INVESTMENT)

STOCK RELATED

STOCK TYPES/QUANTITY

Share, Thousands of Won

Stock Type	No. of Stock	Denomination per Stock	Price
Common Stock	17,755,537	5,000	88,777,685
Preferred Stock	2,687,021	5,000	13,435,105
Sum	20,442,558		102,212,790

MAJOR SHAREHOLDERS

Name	No. of Stock in Possession			Ownership
	Common Stock	Preferred Stock	Sum	
Tae Won Choi & Others	3,768,922	134,029	3,902,955	19.09%
SKC	335,053	76,085	1,177,647	5.76%
The Korean Foundation for Advanced Studies	315,100		335,053	1.64%
Kookmin Bank	187,766		315,100	1.54%
Teijin	840,980		187,766	0.92%
OZ Master Fund Ltd.	339,010		840,980	4.11%
Genecon	210,000		339,010	1.66%
JPSAP-CITIMD INTL Ltd.			210,000	1.03%

STOCK & RIGHT ISSUING(INVESTMENT)

INVESTMENT IN SUBSIDIARIES AND AFFILIATED COMPANIES

USD

Share, %

Investment Company	No. of Stock in Possession	% of Ownership
SK Corporation	3,065,826	2.39%
SK Engineering & Construction	7,997,140	39.40%
WalkerHill	20,000	0.25%
SK China	14,140	10.40%
Huvis	10,000,000	50.00%
Dong Shin Pharma	1,483,130	30.66%
SK Cytec (formerly known as SK UCB)	250,000	50.00%
SK NJC	1,200,000	60.00%
SK Keris	US\$50,000,000	62.50%
SK Chemicals Qingdao	KRW 2,735,074,887	100.00%
SK Eurochem	156,562	53.95%
SK Chemicals America	US\$906,500	100.00%
In2Gen	98,000	21.56%
KRCC	5,900	29.50%
Koentech	60,000	1.20%
PF SYSKO	1,000	5.00%
Mikyung Fiber	US\$1,150,000	6.39%
GreenTek 21	4,005	2.13%
Dynajet	1,667	2.60%
Zeropack	196,000	9.80%
Regen Biotech	85,300	0.82%
Ndosa Technologies	1,000,000	12.50%
Noble Optics	3,284	22.00%
SKOE	100,000	10.00%
Invest Fund II	KRW 6,000,000,000	
Global Millenium Venture Fund	KRW 1,000,000,000	
Most Fund IV	KRW 600,000,000	

| BRIEF HISTORY |

- 1966. 6. Established Sunkyong Chemical Fibers Ltd.
- 1968. 12. Completed construction of acetate filament yarn factory in Suwon
- 1969. 2. Completed construction of polyester filament yarn factory in Suwon
- 1969. 7. Established Sunkyong Fibers Ltd.
- 1974. 5. Completed construction of polyester staple fiber factory in Ulsan
- 1976. 6. Listed on the Korean Stock Exchange
- 1984. 12. Constructed R&D Center
- 1985. 10. Acquired textile plant in Suwon from Sunkyong Ltd.
- 1986. 11. Completed factory producing Carbon Fiber Prepreg in Ulsan
- 1987. 4. Established Sunkyong ucb Ltd.
- 1988. 5. Renamed to Sunkyong Industries Ltd.
- 1988. 6. Established Sunkyong Pharmaceuticals Ltd.
- 1989. 7. Constructed Life Science Research Center
- 1989. 9. Completed construction of PTA/DMT Plant
- 1990. 4. Completed Thermoplastic Polyurethane factory
- 1990. 8. Established Petrochemical Research Center
- 1991. 3. Established Sunkyong Keris Ltd.
- 1994. 9. Acquired Certificate of ISO 9002 in Ulsan factory
- 1995. 12. Signed sales contract for industrial biocides with LONZA, Switzerland
- 1996. 6. Developed process for dissolving Methylene Acetate
- 1997. 1. Signed joint development contract for PTT fiber with Shell Chemical, U.S.A
- 1998. 1. Renamed to SK Chemicals Ltd.
- 1998. 2. Established SK NJC Ltd.
- 1999. 7. Developed new drug(the 3rd generation platinum complex anti-cancer agents, SJUNPLA)
- 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
- 2001. 7. Obtained Patent for Joins Tab Korea's first natural anti-arthritis drug
- 2001. 10. Established SK Chemicals Qingdao Ltd.
- 2002. 6. Established SK Eurochem Ltd.
- 2003. 1. Licensing out PTA manufacturing technology to China
- 2003. 9. Restructuring of textile unit completed
- 2005. 3. Completed construction of SK Eurochem factory in Poland