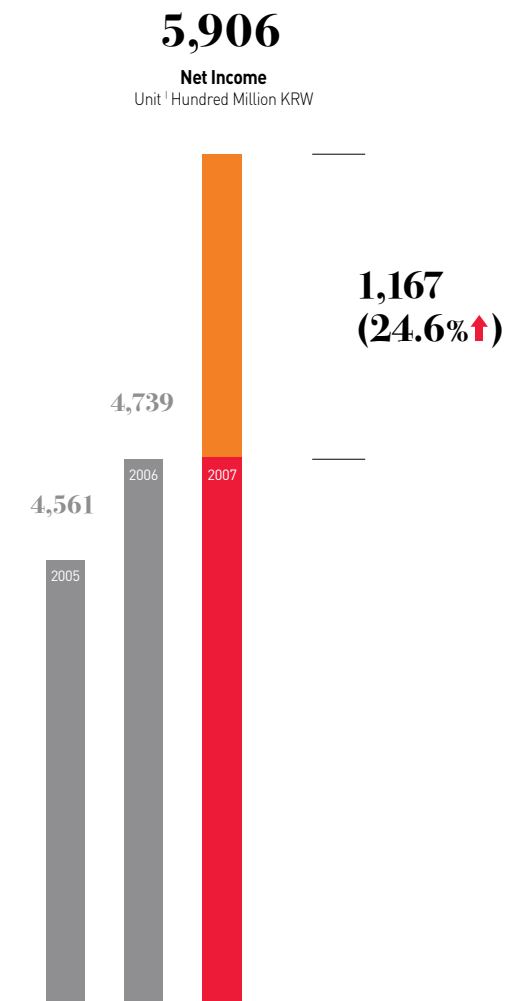
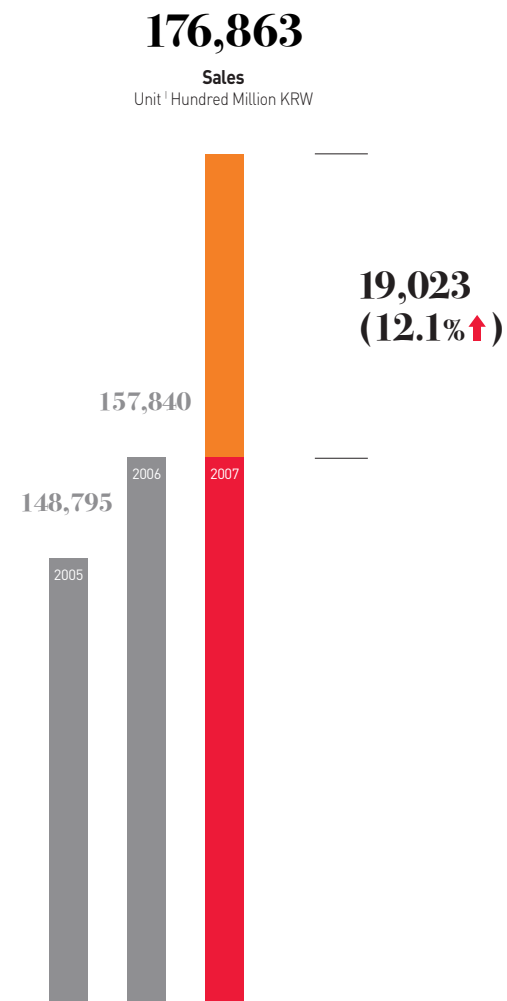


Special Networks For You

Financial Highlights

Main Financial Statements

In 2007, SK Networks has once again made great leaps forward from the year before in many areas including sales and net income. These results are not only a reflection on increase in figures, however. Improved competitiveness in existing business areas, successful drive in launching new businesses, and the enhancement of corporate value by several credit rating agencies were some of the factors that enabled SK Networks to achieve even stronger growth despite the global economic recession and skyrocketing oil prices among other challenges. SK Networks will continue on its path to becoming a global top marketing & logistics company by continuing to develop new growth engines, establishing a stable profit structure, and speeding up the process of globalization.



NETWORK

Network [nétwə:rk] n.

- 1 a netlike combination or organization, communication links
(canals · railway · electric wires · blood vessels, etc); chain (stores, etc)
e.g. a network of railroads
- 2 **【Radio · TV】** a group of (national) transmitting stations that broadcast the same programs at the same time
e.g. TV networks
- 3 **【Telecommunications · Computers】** a system of devices or terminals interconnected
by telecommunication equipment or cables
- 4 a netting or net
- 5 **【Electricity】** electric circuitry

NETWORKS

Networks [nétwɔːrks] n.

The plural form of "Network". However, there is more to the meaning of "Networks" than just a plural number, since networks is a chemical reaction between one network and another, rather than a physical combination.

Fashion, cars, friends, hobbies, menu for dinner, marketing, gifts, competing firms, resources, style, family, trading...

Taking the countless interconnecting networks that exist between people and people, people and company, company and company, or global and local environments to turn future potential into reality : This is what's fascinating about Networks.

Common Thinking

Gas stations are for filling up your car.

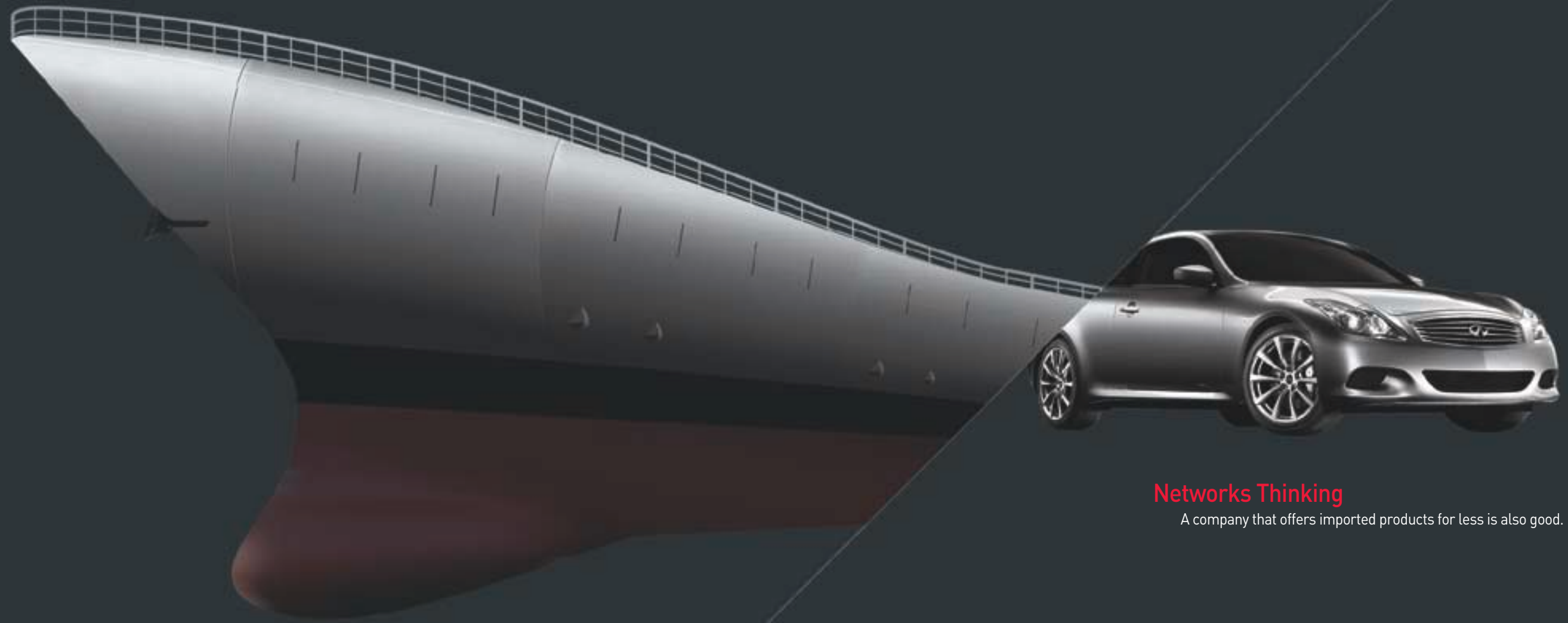
Networks Thinking

You should be able to pick up a gift for your wife at your gas station.



Common Thinking

A good company is one that exports more.



Networks Thinking

A company that offers imported products for less is also good.



Common Thinking

I carry discount coupons in my purse.

Networks Thinking

I carry discount coupons on my mobile phone.

Common Thinking

You need a computer to use the Internet.

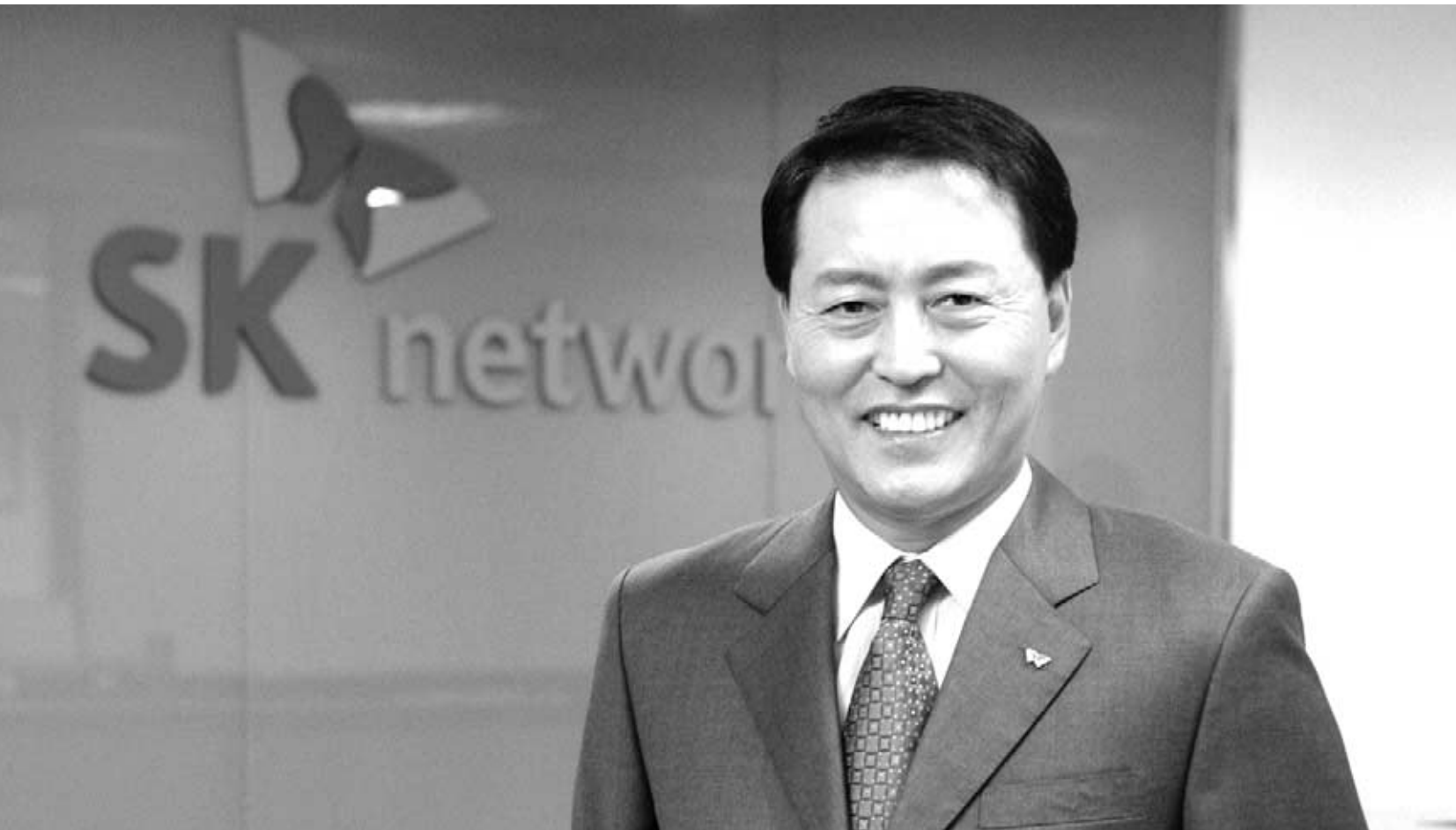
Networks Thinking

Life becomes more fun when Internet meets phone.



CEO's Greeting

Greetings from the CEO



Customers, Shareholders, and Investors:

2007 was a truly significant year for SK Networks. We have achieved many feats, including the localization of domestic businesses overseas mainly centering on China, developing our overseas resources, creating new brands for the prestige customer segment and expanding our services. But the most remarkable of all, was the recovering our business control by successfully putting creditors' joint management behind us. As a result, SK Networks has improved its creditability overseas by regaining the credit rating Grade A⁻ and being selected as an excellent example of complying with fair trade self-regulations. None of these achievements would have been possible without the trust and support that our customers, shareholders and investors have shown us, and on behalf of all of us at SK Networks, I extend my sincere appreciation to you once again.

1 2007 Business Performance

In 2007, SK Networks has recorded dramatic growth in terms of sales, EBITDA, and net income, with a 12 percent and 24 percent climb from the previous year in sales and net income respectively. Furthermore, each business arm of SK Networks has built up a stable foundation during the last year to reach out towards global customers and the future. On the basis of its existing previous network operation, the Network Business Divisional Group is expanding its client base to include governments and public agencies, as well as establishing the growth base for VoIP business by merging with Anyuser.Net. The Information & Telecommunication Distribution Business Divisional Group has gone beyond the role of the top player in the domestic mobile terminal distribution market, and is continuing to expand its business in China, by building a retail network of sixty branches around Shenyang, Beijing and Shanghai. The Global Business Divisional Group is also building on its Chinese market-centered value chain in areas such as energy, iron & steel and chemicals. With its overseas offices at the forefront, the Group is securing its future growth potential by developing new business opportunities and making active forays into the field of resource development.

Thanks to these efforts in overseas resource development, SK Networks has been able to acquire the equity of BeiFang TongYe Co., Ltd., one of the top 5 copper mining and refinery companies in China. The Energy Marketing Divisional Group is holding steady in its place of the No. 1 leader in domestic energy distribution by operating a stable business despite the sudden changes in international oil prices. It is also fully drawing on the company's national network to develop its role as a total auto services provider, offering auto maintenance and used car sales services among others. The Prestige Lifestyle Business Divisional Group is on schedule carrying out its real estate construction business in Byeongjeom and Yeouido, with sales completed in 2006. It is also creating new business models, such as beginning a direct import of foreign automobiles, and expanding its fashion brand portfolio by acquiring the brand of Obzee, as a result establishing itself as a new growth engine for SK Networks.

2

A CIC (Company in Company) System

At the end of 2007, SK Networks introduced a CIC(Company in Company) system in order to overcome the mounting uncertainties and external challenges to achieve continuous growth and maximize the corporate value. Under this new system, SK Networks operates three business companies [Information & Telecommunication Company, G & P Company(Global Business & Prestige Lifestyle Business Company, Energy Marketing Company)] and a Corporate Management Service Company, which will clearly delineate the responsibility and authority of the CEO and the president of each company, thus building a sound management structure of performance-based autonomy and accountability. In 2008, on the basis of establishing the CIC system SK Networks will focus on the following points in its business management.

First, SK Networks will strengthen our capacity for survival by improving the efficiency of existing businesses, which are facing ever-increasing market saturation and competition in the maturity stage. We will create new blue ocean opportunities, however, by approaching the world from a fresh perspective, and will expand cross-trading, redesign the business process and enhance the operational efficiency for each business arm.

Second, SK Networks will further strengthen our business portfolio to enable future growth. 2008 will be a year of making tangible results in the newly launched businesses, and reinforcing the business structure by upgrading our business models to create solid revenues as well as exploring future growth potentials. At the same time, we will establish a strong brand portfolio by building up competitive brands in both domestic and overseas markets. Last year, SK Networks introduced new business models. For example, we began to directly import the foreign brand automobiles and launching the first wine fund in Korea. I firmly believe that these creative achievements have their roots in the innovative and dynamic corporate culture SK Networks has built up over the years.

Third, SK Networks will steadfastly expand on the goal of globalization. We plan to reach the turning point in our Chinese market business at an early date, and to build a solid platform in resource development business, so that we will gather a visible outcome from our efforts. At the same time, we will extend the scope of our global business by exploring new markets and new business opportunities in addition to China, and enhance global competitiveness, or globality, by instilling the values of People, Culture, System in the local markets.

Fourth, SK Networks will strive to create a more compassionate world by carrying out corporate social responsibility activities. We are already carrying out many such programs, fulfilling our mandate as a responsible corporate citizen. A few examples include a job creation program for youths within our auto service provider Speedmate, donating clothing to developing countries through the Red Cross, and the dedicated volunteering efforts on the part of our employees. SK Networks is committed to making these efforts take firm root in our society.

3

Leaping Beyond Business

Normalization Process Toward a Greater Future

Overcoming numerous challenges, SK Networks has graduated the creditors joint management phase earlier than was expected, and is now on the threshold of ushering in a new era.

All of us at SK Networks pledge to become one with our customers, shareholders and investors in dedicating ourselves to creating a better world, so that 2008 will see us continuing towards our goal of becoming a corporation which earns the trust and respect of the public, which produces the maximum corporate value and shareholder value. We ask for your unflinching support in helping SK Networks achieve further growth and establish itself as a truly global corporation.

Thank you.

Man-won Jung,
President and CEO



2007 at a Glance

Major Business Activities in 2007

Launching a direct import business of foreign automobiles, an early graduation of joint management by creditors, securing bridgeheads for advancing into China in cities such as Shenyang and Beijing & The achievements by SK Networks in 2007 showed not only growths in quantity but in quality.

- JAN** Launched TONETZ SoftPhone
- MAR** Acquired equity in BeiFang TongYe Co., Ltd.
- APR** Early graduation of creditors' joint management
- MAY** Began construction of Shenyang-SK Terminal Complex
Selected as VoIP provider for Gyeonggi Provincial Office of Education
- JUN** Selected as final provider of next-generation fixed-line integrated network for National Police Agency / Led a strong retail distribution business in Chinese mobile device market
- JUL** SK Holdings Co., Ltd. set off
- AUG** Launched "OK Coufun" service / Launched ROOTS
- SEP** Began the world's first online-offline-mobile integrated auto service with Speedmate
- OCT** Recovered credit rating Grade A
Completed construction of Anseong integrated metropolitan logistics center
Completed construction of steel processing center (joint venture with POSCO)
- NOV** Launched direct import business of foreign automobiles / Acquired "Obzee"
- DEC** Speedmate opened 30th branch in China

January

01

Opening up Era of Free Video Service with TONETZ SoftPhone In January, 2007 SK Networks launched TONETZ SoftPhone, an upgraded version of the previous SoftPhone program. All customers of TONETZ SoftPhone are able to use its free-of-charge video service, through which they can talk to another person while looking at each other, no matter where they may be. An especial attractive point is the feature providing teleconferencing function for a low fee. It used to be that businesses had to purchase expensive program systems for teleconferences, but TONETZ SoftPhone enables companies to hold teleconferences easily without the need for any additional systems.

March

03

Takeoff in Developing Overseas Resources by Acquiring Equity in BeiFang TongYe On 29th March 2007, SK Networks held a signing ceremony to acquire equity in BeiFang TongYe Co., Ltd., the biggest copper mining and refinery company in Hua-Bei area, located in China's Shanxi province. This project, undertaken jointly with Korea Resources Corporation, provided the turning point in SK Networks' overseas mineral resource development business as it signed an equity acquisition contract with BeiFang TongYe, a company owned by the Shanxi provincial government. The entire investment will go into developing existing mines, expanding the capacity of refineries and modernization of facilities, thereby contributing to enhancing the corporate value.

April

04

Early Graduation of Creditors' Joint Management through Dedication and Energy SK Networks officially graduated the three and a half year-long joint management by creditors on 17th April 2007. This was a particularly significant feat since the completion was achieved about 8 months ahead of the expected schedule. Since formally entering a creditors' joint supervision phase in September 2003, SK Networks exceeded its business targets in performance until 2006, during which year it recorded its highest-ever figures in sales and operating income at 15,784 billion Won and 388.2 billion Won respectively.

May

05

Getting to the Heart of China's Distribution and Logistics with Shenyang-SK Terminal Complex On 21st May 2007, the ground-breaking ceremony of Shenyang-SK Terminal Complex was held in Shenyang, China. The Terminal Complex is expected to become a major landmark of the city when completed, by creating a one-stop space offering transportation, shopping and other amenities over 24 floors above ground level. Holding 70 percent of the shares, SK Networks is leading the entire project from construction to business operation. The project is highly significant in that it lays a solid groundwork for developing distribution and logistics business in the center of Shenyang, which is a strategic foothold for the three provinces in Northeastern China. The Terminal Complex will provide an opportunity for SK Networks to accelerate its business within the Chinese domestic market.

Leading Technologies Recognized : Selection as VoIP Provider for GOE SK Networks has been selected as the VoIP network provider for Gyeonggi Provincial Office of Education (GOE), in the largest single VoIP project in Korea until February 2007, at a total contract amount of 5.4 billion Won. SK Networks was chosen as the preferred candidate in this first VoIP project for a local educational body, receiving the highest scores in the competition with other leading telecommunications businesses in Korea, including KT and LG Dacom. Coming in just over a year since SK Networks launched the internet telephony business, the selection reflected a recognition and appreciation of the growth potential, marketing capabilities and technological prowess it has built up over the past year.

June

06

Taking on Core Security Network : Final Selection as Integrated Network Provider for NPA After being chosen for the Gyeonggi Provincial Office of Education's VoIP project, SK Networks was once again selected as the final provider of a next-generation fixed-line integrated network for National Police Agency (NPA). SK Networks has already completed the network construction and its test drive, and now provides a high-capacity, high-speed dedicated lines for the Agency. The awarding of this contract proved SK Networks was recognized for its excellent business capabilities, since it replaced the previous operators which had exercised for a long time a near-monopoly over the government's core security networks, and it will likely have repercussions on future businesses with government agencies.

Changing the Concept of Retail in Chinese Mobile Device Distribution Business Starting with the opening of the Zhuozhan branch in Shenyang in October 2006, SK Networks has been actively carrying out a mobile device retail distribution business in China. It went on to open the first Beijing branch and the first Shanghai branch in June 2007, and many others afterwards, which are doing thriving businesses.

July 07

The 3rd Foundation : Aiming for a Global SK with SK Holdings The SK Group has officially begun a holding company system from 2nd July, 2007. By creating a holding company, SK is promoting a more stable management power and improving the corporate governance, on the basis of which its global management is getting off to a full swing. This conversion to a holding company system can be described as the 3rd founding of SK, following the initial establishment in Suwon in 1953 and the 2nd beginning in 1975 when the business structure was reformulated centering on energy and telecommunications.

August 08

Launching Korea's First Next - Generation Mobile Coupon Business with OK Coufun Service

Based on its patented mobile coupon service technologies implementing an interactive system for the first time in Korea, SK Networks has launched "OK Coufun", a next-generation mobile coupon business provided to the 34 million subscribers of SK Telecom and KTF. Unlike the previous SMS advertisements which unilaterally transmitted information to an unspecified group of customers, the OK Coufun service allows mobile phone users to access the precise information within the "Shopping / Tickets / Food / Beauty / Leisure" categories that they need through its built-in and dedicated applications.

Launching of ROOTS, a Canadian Casual Fashion Brand By signing a three-year exclusive license deal with Li & Fung, the global sourcing company of international fashion and retail brands, SK Networks has acquired the sole rights to brand usage, product sales and store operation of the brand "ROOTS" in Korea until 2010. As a leading brand in premium casual fashion from Canada, a country with an environmentally friendly image, ROOTS has selected as its brand icon the beaver which is facing the risk of extinction due to environmental degradation. It is also laying emphasis on the nature-friendly brand image with a green tone interior design in the stores, a color that symbolizes the vitality and energy of Canada.

September 09

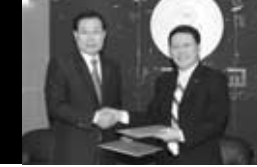
Everything Your Car Ever Wanted : Speedmate Offers Integrated Auto Service

The automobile service brand of SK Networks, "Speedmate", has completed the construction of its auto service portal website (www.speedmate.com), which integrates mobile technology with its over 500 offline networks across the country. The new website has begun full-on service in the seven categories of "New Cars/Lease, Used Cars, Maintenance/Driving, Shop, Community, Other Services, Travel", providing all the necessary services and information in relation to cars from purchasing to selling. Customers can easily and systematically access the data through a stylish and user-friendly design interface.

October 10

Back on Track to Solid Growth with Credit Rating Grade A-

On the 22nd of October 2007, two different credit rating agencies raised the debenture rating of SK Networks up one grade from the previous BBB+ to A- Level. Korea Ratings Corporation explained the reasons for its decision as the continuous outward growth in each business arm of SK Networks through its solid business foundation and successful growth strategies, the resultant excellent operating cash inflows, and the value of investment stocks that it possesses. National Information & Credit Evaluation, for its part, declared that it raised the credit rating of SK Networks because of its stable business portfolio based on an advantageous market position, its ability to create strong revenues, and its improved creditability from completing creditors' joint management at an early date.



October

Laying the Groundwork for Logistics Infra Innovation : Completed Anseong Integrated Logistics Center SK Networks has completed the construction of a grand-scale metropolitan logistics center in Anseong, Gyeonggi province, which has begun full operation. Beginning service after a year and a half of construction and preparations since April 2006, the center integrates the telecommunication distribution, systems, fashion and auto maintenance businesses that had been divided among six logistics posts (Jukjeon, Singal, Hwaseong, Yongin, Osan, and Giheung) around the metropolitan area. SK Networks plans to carry out customized logistics reflecting the unique features of each business type, and for each business to jointly use logistic R&C such as space, personnel, and transportation vehicles. By doing so, it will continue to upgrade the logistics system, focusing on business competitiveness improvement by cost reduction and offering better services to customers.

Best Meets Best : Joint Steel Refinery Venture with POSCO Upgrading from its traditional trading system of simply exporting raw material products to foreign buyers, SK Networks will now realize a "customer-oriented marketing trading service" through which it will process products tailored to the form desired by end-users to be sold directly to the local markets. In order to do so, SK Networks has undertaken a joint venture with POSCO, the global top steelmaker, to build "POSCO SK-Pinghu Steel Processing Center (POSK-PPC)" in the city of Pinghu in China's Zhejiang province. Construction of the Center, which has a floor space of 14,215m² over a land space of 3,720m² has been completed and it is now in full operation. The joint venture project between SK Networks, the biggest general trading company in Korea and POSCO, the top steel maker in the world, also provides an excellent business model of domestic companies' cooperation to secure global competitiveness.

November

Ushering in an Era of Customer - oriented Auto Distribution : Direct Car Import Business Launched On 22nd November 2007, SK Networks opened stores dedicated to direct import of automobiles, in Bangbae-dong, Seoul and Bundang, Gyeonggi province. These stores now offer to domestic customers four premium auto brands (Benz, BMW, Audi, Lexus) and one mid-to-low price brand (Toyota Camry) that have been directly imported by SK Networks. This new business will bring many new benefits to customers in terms of price and service by leading the change into an advanced and customer-oriented auto distribution system, and has announced the birth of the biggest distributor of imported cars in Korea.

Aiming Higher as a Global Fashion Company by Acquiring "Obzee" At the headquarters office in Myeong-dong, Seoul, SK Networks signed an M&A deal on 54 percent of the equity of Obzee Co., Ltd. with Chang-gyu Lee, SK Networks president, Jin-young Kang, Obzee president, Han-hee Youn, inspector for Obzee, and other related personnel present at the ceremony. By acquiring the premium apparel company for women popular both in the domestic and overseas markets, SK Networks has secured two globally successful brands (Y&Kei, Hanni Y), two domestic premium women's apparel brands (Obzée, O'2nd) and one licensed brand(Club Monaco). In addition, it has reinforced its design leadership by bringing in the Jin-young Kang and Han-hee Youn couple, thereby taking another great leap towards establishing itself as a global fashion company.

December

Speedmate' Successful Localization in China : Opening of 30th Branch SK Networks has successfully established thirty branches of Speedmate, its auto maintenance brand, around the major traffic points in downtown Shanghai, China. Shanghai YuanZheng-SK Auto Service Co., Ltd., a company SK Networks founded and participates in as a major shareholder, held a ceremony on 19th December of last year in Shanghai celebrating the 30th shop opening. With members from the joint venture partner company and other guests present, the event marked SK Networks' first steps towards establishing itself as a leader in the Chinese auto service industry. The thirty branches embrace various business models, including an annex-shop to a petrol station through cooperation with SINOPEC (China Petrochemical Corporation), and an annex-shop to a discount store such as E-Mart and other shopping malls.



Executives Introduction

Putting customers and investors first: Creating a sound future value through transparent management

SK Networks is carrying out a transparent management system centering on the board of directors (BOD), and has already established an advanced corporate governance by creating and operating a Secretariat to support the BOD. Furthermore, SK Networks is also working to create sounder future values through transparent management for its customers and investors by building a BOD-centered management system and maximizing investors' profits. To this end, it has employed a higher ratio of outside directors and established several committees within the BOD to thoroughly review and check the major business activities of the corporation.



Greater Transparency in Corporate Governance

Boasting the most advanced corporate governance in Korea, SK Networks has set up various instruments within its system that allow the board of directors (BOD) to lead the business management in order to enable maximum profits for shareholders. Also, several committees exist within the BOD to perform a check and balance function against the CEO.

Greater Transparency in Accounting

SK Networks has laid the groundwork for transparent management by improving its internal control system after consulting with a top accounting firm in the country for several months. It has also dramatically enhanced the confidence from shareholders and financial institutions by actively complying with regulations requiring CEO and CFO verification on accounting material.

Auditing Functions Strengthened

SK Networks has installed an auditing committee composed only of outside directors and guarantees full independence of said committee, in order to provide it with a powerful control and check function and authorities against the board of directors and the CEO in their overall business management decisions.

Ethical Management by Employees

SK Networks has introduced an ethical management system in order to achieve not only a transparent management for maximizing shareholder profits but also a corporate culture that maximizes benefits for the entire society by fulfilling its responsibilities towards suppliers, customers and competitors. It is working to realize this culture through detailed ethical principles.

- ^a **Man-won Jung** / Inside Director / CEO and president
- ^b **Sang-hoon Choi** / Inside Director / Chief Management Officer, SK Holdings
- ^c **Chang-gyu Lee** / Inside Director / President, Global Business & Prestige Lifestyle Business Company
- ^d **Ki-haeng Cho** / Inside Director / President, Corporate Management Service Company
- ^e **Seung-hee Kwon** / Outside Director / CEO, Woori Accounting Corporation
- ^f **Chang-hyun Youn** / Outside Director / Professor, Business Management Department of University of Seoul
- ^g **Young-cheol Lee** / Outside Director / [former] Yonhap News, member of news evaluation committee
- ^h **Young-han Kim** / Outside Director / [former] Team manager, Internal Audit Department of Shinhan Bank
- ⁱ **Byung-joo Jang** / Outside Director / [former] CEO and president, Daewoo International Corporation



Globally Localized Marketing & Logistics Company



The Power of NetworkS



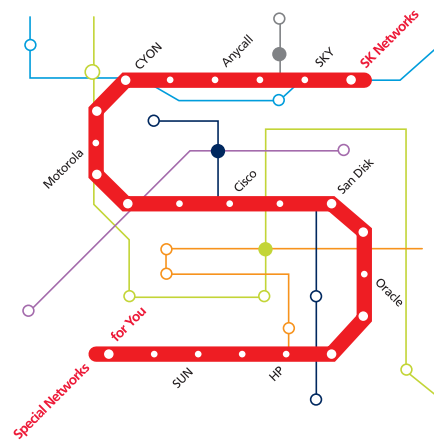
*Network***S** is fast

N e t w o r k B u s i n e s s

Providing fast and stable telecommunications service through

high-quality optic network and an efficient system. Nothing is

speedier than Networks.



*Network***S** is convenient

I & T Distribution Business

Preparing whatever the customer wants, and what the

customer will want in the future. Networks is always a step

ahead of the rest.



Network*S* is accurate

G l o b a l B u s i n e s s

Delivering the resources, the energy, the chemicals and steel products

requested around the world at the right time to the right place.

For Networks, keeping a promise is the key to successful business.



*Network***S** is attractive

P r e s t i g e L i f e s t y l e B u s i n e s s

Global fashion brands, luxury cars, many products to improve

the quality of life. Networks pursues a prestigious lifestyle for

its customers.



*Network***S** is elegant

E n e r g y M a r k e t i n g

A petrol station that keeps the customer locked inside the car,

and one which provides the customer with a short but

comfortable relaxation. This difference is the power of Networks.

CIC System : Four Companies within One Corporation

In order to improve the competitiveness of each business arm and to maximize the synergic effects between different business areas, SK Networks has introduced a CIC(Company in Company) system, dividing the organization into four companies and five business units. SK Networks will work to strengthen the CIC system on the basis of a "Separate Yet Together" principle, while striving to provide more value and benefits to customers by encouraging competition and information exchanges between the different business units.



● Information & Telecommunication Company

Network Business Divisional Group

Continuous Sales Growth of Existing Network Business & Building Base for New Business (e-Government, Public Data, VoIP, etc.)

On the basis of one of the most stable QoS (Quality of Service) in the country, Network Business Divisional Group provides "TONETZ", a telecommunication line rental service for corporate clients, and "TONETZ i-fone", an internet telephony service. Also selected as the operator for e-Government and public data network projects, the Divisional Group is providing high-quality telecommunications services for schools, government agencies and other major institutions. It hopes to build on these efforts to become the top dedicated line operator in Korea.

Information & Telecommunication Distribution Business Divisional Group

2nd Largest Telecommunications Business in SK Networks: Providing Integrated ICT Services

Information & Telecommunication Distribution Business Divisional Group is expanding its business spectrum, centering on domestic mobile devices such as mobile phones and PDAs and encompassing service businesses such as rental, roaming, after-sales service, exporting used mobile phones, and solution businesses including IT system equipment distribution as well as Ufit, Pullbbang.com, OK Coufun services that make use of wired & wireless platforms. In addition, the Divisional Group has launched a mobile phone distribution business in China, opening the first store in Shenyang in October 2006. Having grown to include sixty mobile phone stores in China by 2007, the business will serve as a solid foundation for SK Networks to secure the core four logistics hubs and sales networks, in order to join the ranks of the top five distributors by 2011.

● Global Business & Prestige Lifestyle Business Company

Global Business Divisional Group

A Total Solutions Provider that Satisfies Customers

With its information power to respond swiftly to market changes and its competitive logistics capacity, Global Business Divisional Group is engaging in trading through a network of more than twenty countries across the world, mainly on energy, chemicals, and steel. The Divisional Group is aiming to become a globally localized trader, focusing on local distribution in foreign markets such as China, and at the same time maintaining a stable and continuous growth rate by carrying out new businesses, for example developing strategic products, expanding strategic markets and developing natural resources.

Prestige Lifestyle Business Divisional Group

Creating Rich Customer Value through Customer-oriented Prestige Marketing

Established in March 2004 to reinforce customer service, Prestige Lifestyle Business Divisional Group is creating new value that satisfies customers' needs with services including fashion, imported cars, housing products and wine funds. The fashion business has secured top imported brands that reflect diverse lifestyles and is also developing global fashion brands that continue to be popular over the years. As of 2007, the imported car business offers a portfolio of four brands including Chrysler, and is bringing innovation to the market with reasonable prices and differentiated services by directly importing premium auto brands such as Benz. Furthermore, the new-concept housing development business that puts customers first, and the wine fund business that provides a special way of enjoying high-quality wines are offering customers options to enhance their quality of life.

● Energy Marketing Company

Energy Marketing Divisional Group

Top Network-based Marketing Business Unit that Creates New Customer Value

As a leader in the domestic petroleum product sales market, Energy Marketing Company continues to strengthen its competitiveness by consistently improving its service and quality, as well as conducting differentiated and unique marketing methods. It is expanding its Car-Life business to become a total service provider for automobiles, and is pursuing diversification of the distribution business by exploring new business models. The Divisional Group is also aiming to achieve greater globalization through a full-scale business in the Chinese market, such as the launching of Speedmate in Shanghai and an integrated petrol station business focusing on the three Northeastern provinces.

Special



Networks



For You



DKNY
DONNA KARAN NEW YORK

DKNY
DONNA KARAN NEW YORK

Enjoy a faster-paced life and business with SK Networks.

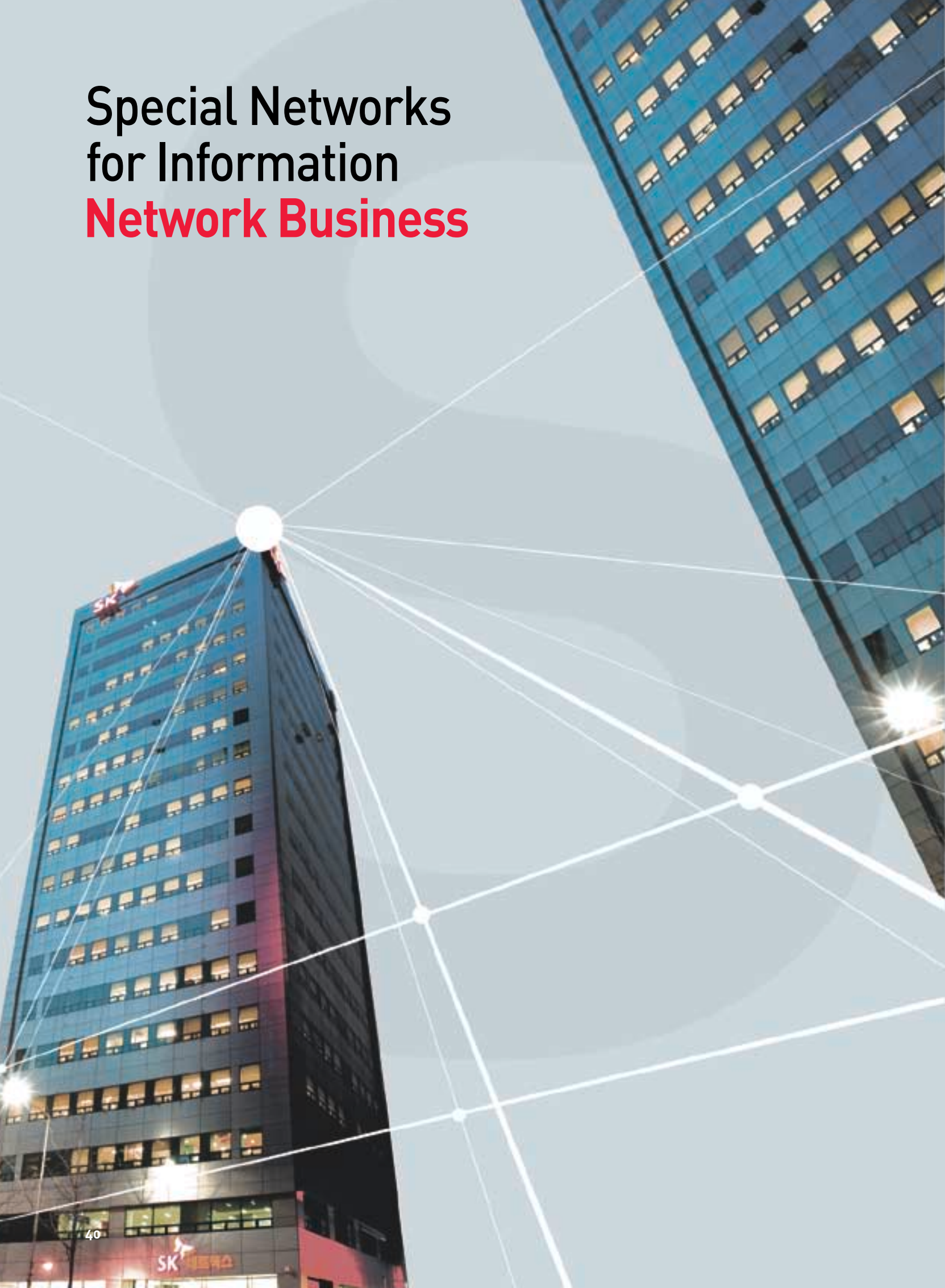
I & T Company **Network Business Divisional Group**

SPEEDY

An optical telecommunications network of 75,000 Km across the country, and the abundant information that flows along this network at a speed of 300,000 Km per second.



Special Networks for Information Network Business



Improving ICT Competitiveness with 100% Optical Network

The dedicated line service offered by SK Networks is an information and telecommunications service that connects the positions a customer wants end-to-end by using optical cable networks across the nation. A fiber optical network that connects the shortest possible distances over the entire section enables a stable and speedy transmission of high-capacity data, and a perfect network operation & management system provides customers with many services such as general dedicated lines, internet dedicated lines, and internet telephony.



- 1 **General Network Business**
general dedicated lines services / internet dedicated line services
Metro Ethernet services / other security management services
- 2 **e-Government Telecommunication Network Business**
general services : ATM, dedicated lines, Ethernet, internet
additional services : VPN for joint use by national agencies,
VPN for data integration center connection, other security management services
- 3 **Public Data Telecommunications Business**
work network services : ATM, dedicated lines, Ethernet
internet services : internet, MPLS VPN, VoIP
other security management services
- 4 **Internet Telephony Business (TONETZ i-fone)**
TONETZ i-fone Basic for families and SOHO
TONETZ i-fone Enterprise for large corporations and public agencies
TONETZ i-fone Messenger that enables transmitting and receiving messages over the PC
TONETZ i-fone Centrex for SOHO and smaller corporations



Delivering top-quality products and services where and when you need them the most.

I & T Company Information & Telecommunication Distribution Business Divisional Group

SATISFIED

The special distribution capacity and services of SK Networks is the secret recipe in its customer satisfaction.

Special Networks for Convenience

I & T Distribution Business

I & T Distribution Business : Providing Customers with Easiest Access

In this 21st century often referred to as the age of ubiquitous technology, SK Networks performs the role of a gateway to the ubiquitous telecommunications environment. It allows customers to experience not only diverse personal devices such as mobile phones and PDAs but also state-of-the-art IT systems and online/offline services. Boasting the largest number of wireless telecommunication distribution network and service channels, SK Networks brings customers a more convenient IT environment than ever before.



1/ Telecommunication Distribution Business

Five branches in major cities across the country, four operational centers, six logistics centers and more than 1,500 retail outlets. The telecommunication distribution unit of SK Networks provides customers the devices and after-sales service they demand from the closest possible distance. Also, it is utilizing its many years of experience, established logistics infrastructure and management system to create mutual values with business partners, including other providers, manufacturers and dealership stores, in order to build a "Win-Win" network of virtuous cycles.

2/ Telecommunication Service Business

Expanding business spectrum to include online as well as offline. In order to improve online customer channels and to strengthen business capacity, SK Networks reinforced contents and online service R&C in 2007 by acquiring Pullbbang.com, the top UCC entertainment portal website in Korea. In addition, it launched Ufit SMS / MMS, Group Talk, MOBI-CAM businesses that rely on mobile platform and solutions, began the OK Coufun service that transmits free coupons directly to mobile phones, and thereupon is actively expanding customer services and pursuing new growth engines.

3/ System Distribution Business

Established as the first-ever computer integrated distribution business in Korea. By building partnerships with international leading IT system companies, such as HP, SUN, Cisco, Oracle, and San Disk, SK Networks has constructed a turn-key based solution supplying system which enables a one-stop shopping experience for IT infrastructure customers. It is also striving to deliver the highest level of customer satisfaction through differentiated marketing support policies and total solutions such as a multi-brand, multi-item product line-up, tailor-made customer services, and a close-on-hand customer support network.

G & P Company *Global Business Divisional Group*

SINCERE

SK Networks' Global Business connects producers with consumers across the world.

The safest and most accurate global network becomes a reality with SK Networks.



Special Networks for Globe Global Business



A Global Trading Network Connecting Across Oceans

With a shift of perspective, Korea is no longer a resource-poor country. Developing natural resources in seas around and beyond the Korean peninsula, SK Networks is distributing to the global markets many types of energy and industrial products, including petroleum, soft coal, copper, zinc, iron ore and many chemical and steel goods that form the foundation of basic industries.



- 1 Natural Resources & Energy**
SK Networks possesses an expert organization consisting of petroleum product trading specialists, geologists expert on resource development, geologic engineers and other related specialist traders. In addition, it is securing markets and customers through domestic and overseas networks, for example by setting up subsidiaries and offices in major Asian countries, and is widening the business range through Win-Win policies with its business partners.
- 2 Chemicals**
The chemical business of SK Networks offers global top quality products and services as well as network management. Through strategic partnerships with the world's major suppliers, it is leading the export & import, domestic sales and cross trade of chemicals, thereby marking itself as a global supply chain manager.
- 3 Steel Products**
SK Networks is supplying the products of many steelmakers in both Korea and overseas to countries not only in Asia, such as China, Malaysia, Vietnam and Taiwan, to nearly the whole globe, especially centering on Middle Eastern countries, including Iran and the UAE. It is also operating Coil Processing Centers (C/C) in China (Dongguan, Pinghu) and Australia (Sydney) to carry out overseas investment in terms of expanding the value chain.



G & P Company *Prestige Lifestyle Business Divisional Group*

SUCCESSFUL

Numerous prestige collections of SK Networks guarantee the satisfaction of its customers.

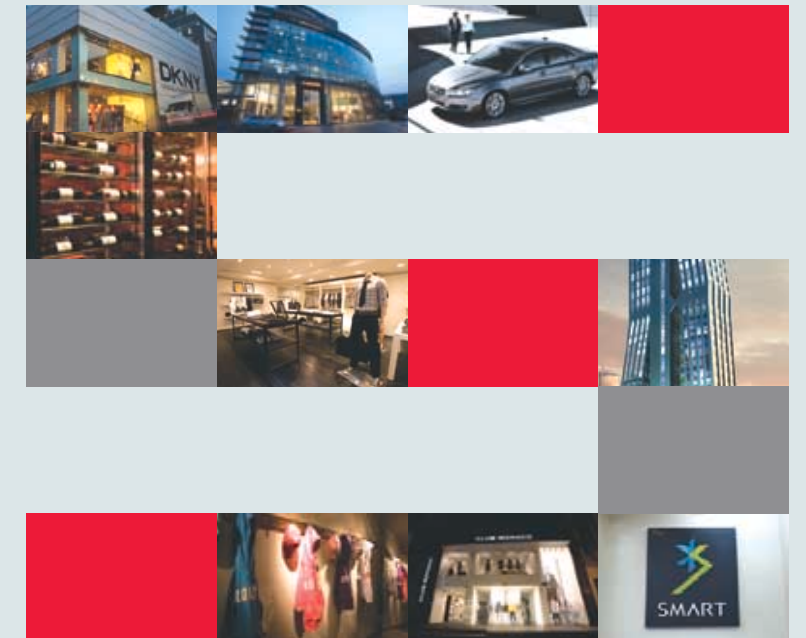
Luxury goods become all the more precious when belonging to people who know their true value.

Special Networks For High-End Prestige Lifestyle Business



Prestige Lifestyle Business Proposes Innovative Lifestyles

Marketing of international fashion brands, developing global fashion brands, sedans and SUVs that are the pride of Europe, the U.S., and Japan, new-concept housing and wine products... SK Networks is introducing prestige marketing to all areas of our lives to deliver special value and innovative lifestyles to customers.



- 1 Leading the Global Fashion Industry : Fashion Business**
The most urban and the most internationally renowned brand DKNY, the icon of young American style Tommy Hilfiger, the Korean-American designer that shocked the world Richard Chai, the luxury fashion brand created in Korea Obzée... SK Networks is taking the lead in fashion marketing by utilizing its sophisticated design sense and competitiveness to accomplish partnerships and M&As with global brands.
- 2 Finest Way to Own a Luxury Car : S-Movilion**
Rearranging the imported car distribution industry by directly importing and selling foreign luxury auto brands such as Benz and BMW. Securing the dealership of four brands including Chrysler to meet diverse customer needs. Building the first-ever integrated store where customers can compare and contrast many imported auto brands in one shop. Many potential buyers interested in world-famous cars are coming to SK Networks to make their choice.
- 3 Delivering New Luxury in Housing Culture : S-Welheim**
SK Networks is working to upgrade Korea's housing culture by developing many luxury housing products, for example the elegant community space of S-Trenue.
- 4 A Special Way to Enjoy High-Quality Wine : Wine Business**
The wine fund offers an alternative investment product, guaranteeing negotiating and purchasing power in high-quality wine and its distribution business as well as stability and profitability. SK Networks provides a more sophisticated and sensible way of enjoying your wine.

SK Networks never stops producing new ideas for its customers and their cars.

Energy Marketing Company **Energy Marketing Divisional Group**

SYNERGETIC

Changing the old conceptions that a petrol station is only for filling up your car to the new innovative idea that a petrol station can offer multiple amenities.



Special Networks for Car Life Energy Marketing



Energy Marketing's One-Stop Total Service Changes Concept of Petrol Station

SK petrol stations are supplying top quality petroleum products, and also aiming to provide a wide array of one-stop services encompassing repairs, used cars and shopping, such as the convenience store OK Mart, the auto service channel Speedmate.



1 Operational Development Headquarters

Its 3,600 petrol stations across the country account for 25 percent of the domestic market in retail industry, supplying not only petroleum, kerosene and diesel, but also Solux, a high-quality petroleum, and HPD, a high-performance diesel fuel. SK Networks' energy business is evolving from a simple petrol station into a "Life Station", by providing unique services to maximize customer value in this age of sky-high oil prices. It is also delivering customer satisfaction with its differentiated quality and services in LPG and asphalt industries. Currently it operates four integrated petrol stations in China, and is working to expand its scale to run thirty integrated stations in the Chinese market.

2 Speedmate business headquarter

Having started off as a maintenance-oriented business, Speedmate has expanded its service area to include emergency roadside service (ERS) as well as auto accessory and used car sales. It is leading the maintenance market by using genuine components, applying a fixed fee system, and providing high-quality repair technologies, and is strengthening its hold in the used car market by being the first in the industry to offer a two-year, 40,000 Km guarantee system. The website of Speedmate has also been reborn in September 2007 as a total car-life portal site by adding contents relating to new cars, used cars, auto lease, repairs, shop for auto accessories and other communities. It offers an abundant amount of information from purchasing a car to selling one, allows customers to enjoy high-quality car-life services whenever and wherever by converging online, offline and mobile channels, and is delivering differentiated customer communications and services. Speedmate has built on its success in the domestic market to advance into China, beginning with the first Speedmate shop in Shanghai in 2005 to currently operating thirty maintenance shops as of 2008. It plans to spread the business into rest of the Chinese market in the coming future.

3 Distribution Business Headquarters

OK Mart : This convenience store is located in more than 500 SK petrol stations across the country, providing many products and a pleasant place to relax around the clock for the customers to enjoy while receiving fueling or maintenance services. OK Mart aims to deliver diverse values to customers, for example through selling seasonal products or local specialties.

Skopi : The first and the best photo imaging brand in Korea converging online, offline, and mobile services. It has secured a business foundation of selling prints and specialized photo products through many channels such as the internet, digital photographs, automated photograph machines and mobile phones. In 2007, it began a digital school album business which has changed the conception of previous graduation albums and is actively carrying out social community activities, including producing albums free of charge for 320 schools in remote regions.



Contributing to Public Welfare



Creating a Happier World through CSR Activities

At the scene of oil spills inflicting heavy damages on Taeaeon peninsula, at the homes of young boys and girls left without their parents, and at the job training fields of low-income youths who need not just a one-time aid but the ability to stand on their own two feet, SK Networks is there, ready to help.

With the firm belief that only in a healthy society can a business prosper, and the conviction that corporate profits become all the more valuable when returned to the public good, SK Networks stands with those in need by delivering compassion and practical solutions at the same time.

Cleaning up oil spill area in Taeon peninsula
 Sponsoring prizes for [Scholarship Quiz] program at
 EBS Job creation program for young adults from low-income families Free-of-charge
 auto checkup events for the disabled
 Donation of SMART brand school uniforms to developing countries
 Visiting and giving donations to social welfare facilities
 Establishing sisterhood relations with foster families in Jung-gu Environment
 protection and rural volunteering activities
 Providing subsidies to the poorest families
 Blood donation and soliciting blood donations
 Supplying briquets to elderlies living alone and low-income families
 Sponsoring boys and girls left without parents
 Environmental cleanup activities by each branch across the country
 Environmental cleanup activities at Mt. Gwanaksan
 Environmental cleanup activities at Mt. Namsan Hanok Village
 Environmental cleanup activities at Samcheong Park
 Environmental cleanup activities at Mt. Gyeryongsan
 Environmental cleanup activities at Gwanganli beach, Busan
 "I Love Clean Gangnam" campaign for environmental cleanup
 Protecting the Yangjaecheon stream environment
 Volunteering at homes for the elderly by SK Networks' Chinese venture company
 Donating steam buns to the poor
 Participating in "Beautiful Store" activities
 Helping out farming communities
 Participating in serving free meals to the poor
 Delivering food to elderlies living alone
 Donating briquets to Guryong Village
 Volunteering at Changdeokgung Palace
 for cultural assets preservation



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Statement of Retained Earnings

Statement of Cash Flows

Network Business

Network Business Divisional Group has recorded an overall growth in sales as a result of strong sales in VoIP (TONETZ i-fone) business. The VoIP business will act as the driving engine of future sales growth in Network Business Divisional Group, together with the dedicated line business.

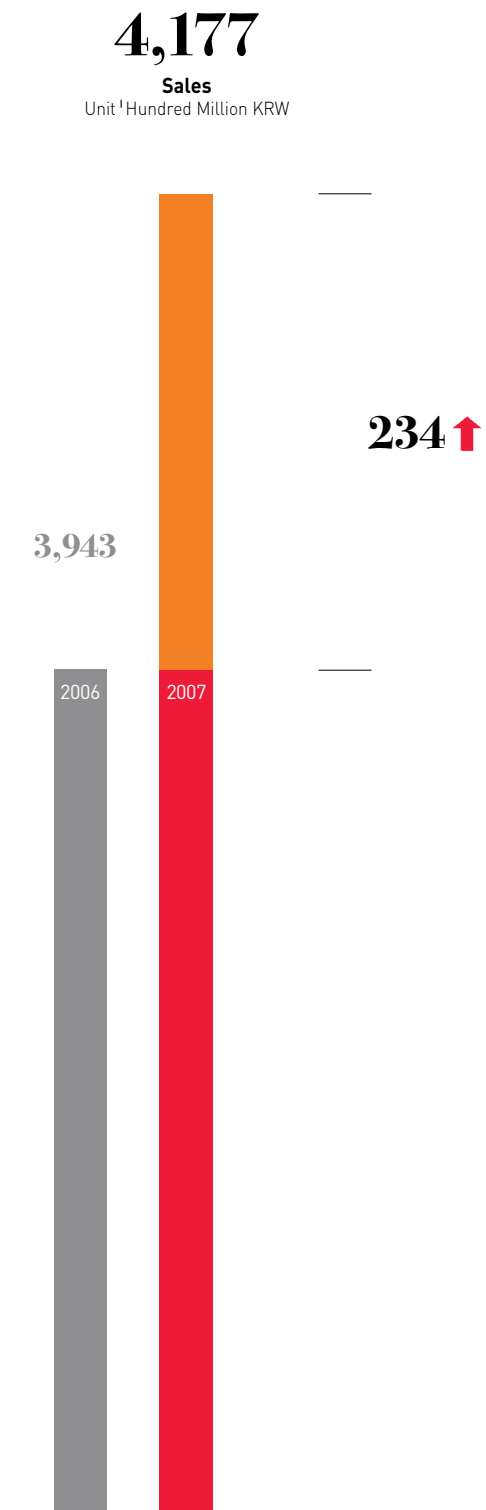
Year-on-Year Sales Growth

Maintained continuous growth trend as a result of stronger VoIP sales than prior year.

Outlook for 2008

Dedicated lines business is expected to see higher sales growth than market average (3.7%, Korea Information Society Development Institute) by actively expanding external markets.

VoIP business is expected to record growth in sales from merging with Anyuser.Net and the introduction of number portability system.



This data has been prepared for aiding the use of customers, shareholders, investors, media and related companies, and institutions. You are kindly asked to understand that it cannot be used as documentary evidence in court for matters of investment results.

I & T Distribution Business

Information & Telecommunication Distribution Business Divisional Group has recorded a dramatic growth in year-on-year sales thanks to continuous strong sales in mobile devices. In addition, many paradigm changes in the industry, including expansion of the 3G device market arising from changes in business regulations provide factors for continuing growth in this area.

Year-on-Year Sales Growth

Year-on-year growth in sales thanks to continuous strong sales in devices
(9.061 million units in 2007 / 7.332 million units in 2006)

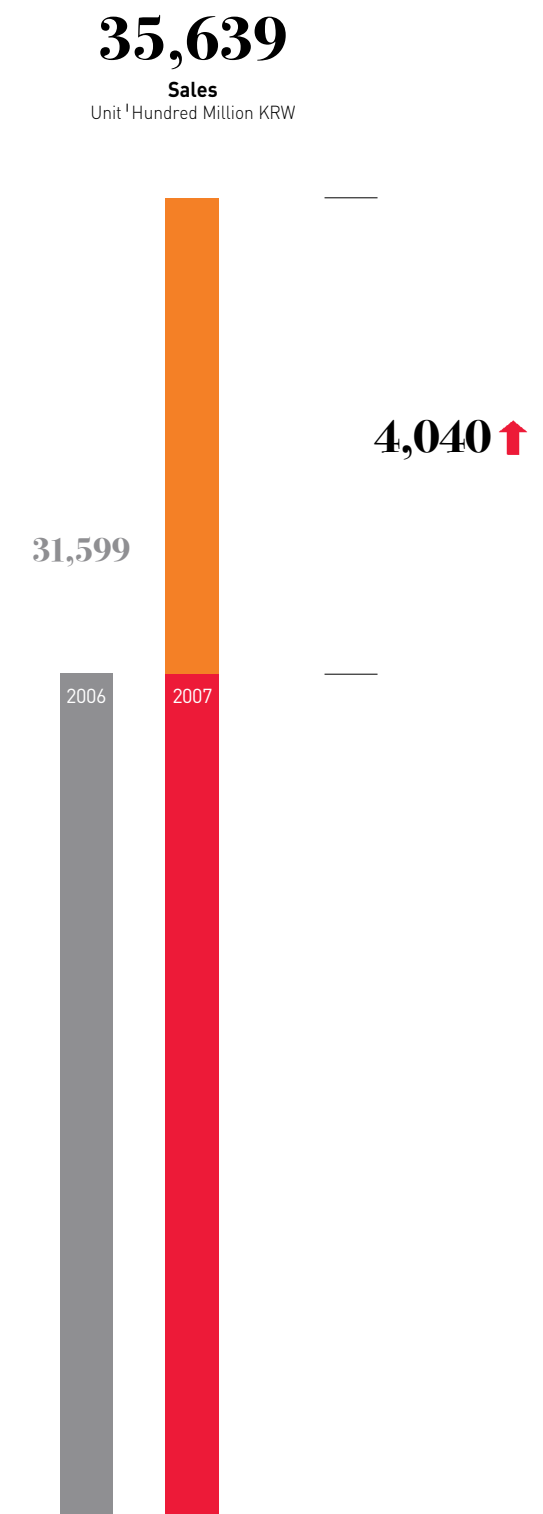
Wholesale : 6.324 million units in 2006 → 7.277 million units in 2007

Retail : 1.008 million units in 2006 → 1.784 million units in 2007

Outlook for 2008

Growth in mobile telecommunications market expected to continue, as device sales will increase following the abolition of device subsidy regulation in March 2008, and vitalization of 3G services.

Mobile telecommunications usage rates expected to increase by end of 2008
(89.9% in 2007 → 94.3% in 2008, Ministry of Information and Telecommunications)



Global Business

Composed of resources & energy, chemicals, and steelmaking, **Global Business Divisional Group** has recorded a 32 percent growth in sales from 2006, as a result of increase in compound transactions and expansion in product market size. It is expected to continue the current boom in the coming future by extending businesses with long-term clients and developing clients in cross trade.

Year-on-Year Sales Growth

Chemicals : Sales growth from increase in compound transactions.
(connecting up-down streams)

Steel : Sales growth in hot rolled steel products and automobile steel plates.

Year-on-Year Operating Income Growth

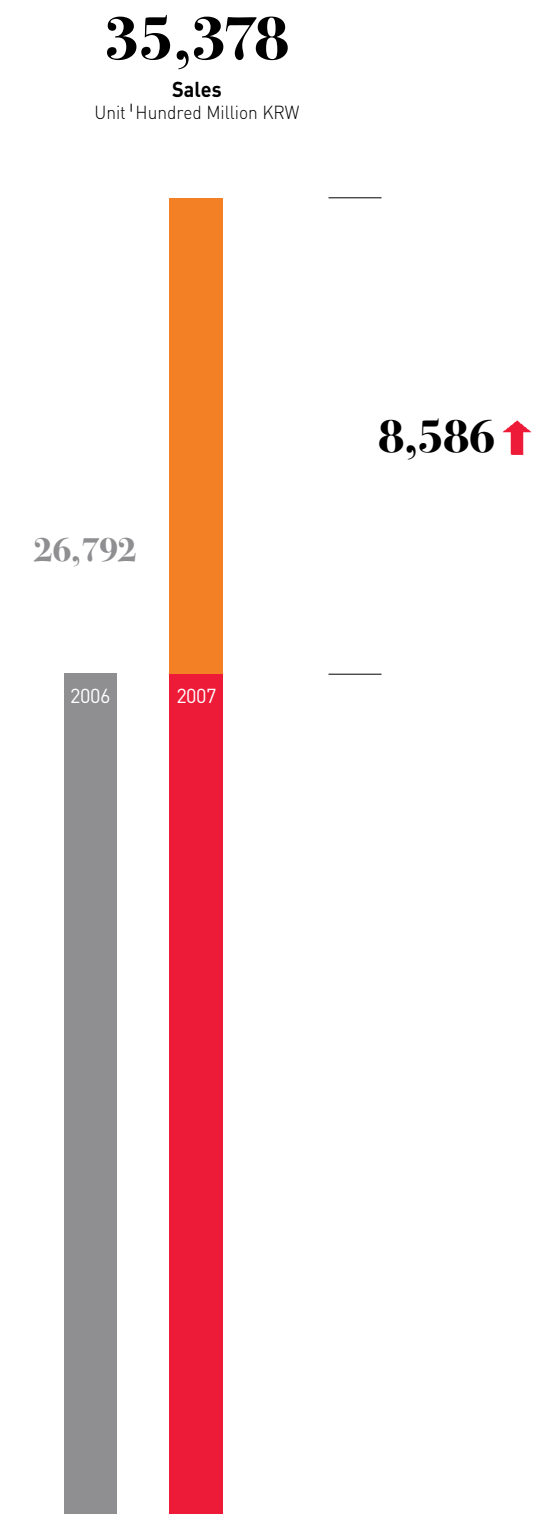
Operating income growth from increased orders of basic chemical emulsifiers and hot/cold rolled steel product.

Outlook for 2008

Resource Development : Will continue exploration for lead/zinc, copper, coal, iron ore focusing on China, Indonesia, Kazakhstan.

Chemicals : Will see further development in trading techniques, e.g. expanding compound transactions, and will expand new long-term clients.

Steel : Will see an increase in cold rolled steel plates for cars and will expand global sourcing (cross trade).



Prestige Lifestyle Business

Prestige Lifestyle Business Divisional Group has recorded a dramatic growth in operating income, as a result of expanding imported car brands, securing price competitiveness through direct importing, advancing into new real estate development projects, and developing the fashion business through securing global fashion brands. Prestige Lifestyle Business is expected to continue a stable growth based on expanding the existing businesses and exploring new innovative business fields.

Year-on-Year Sales Growth

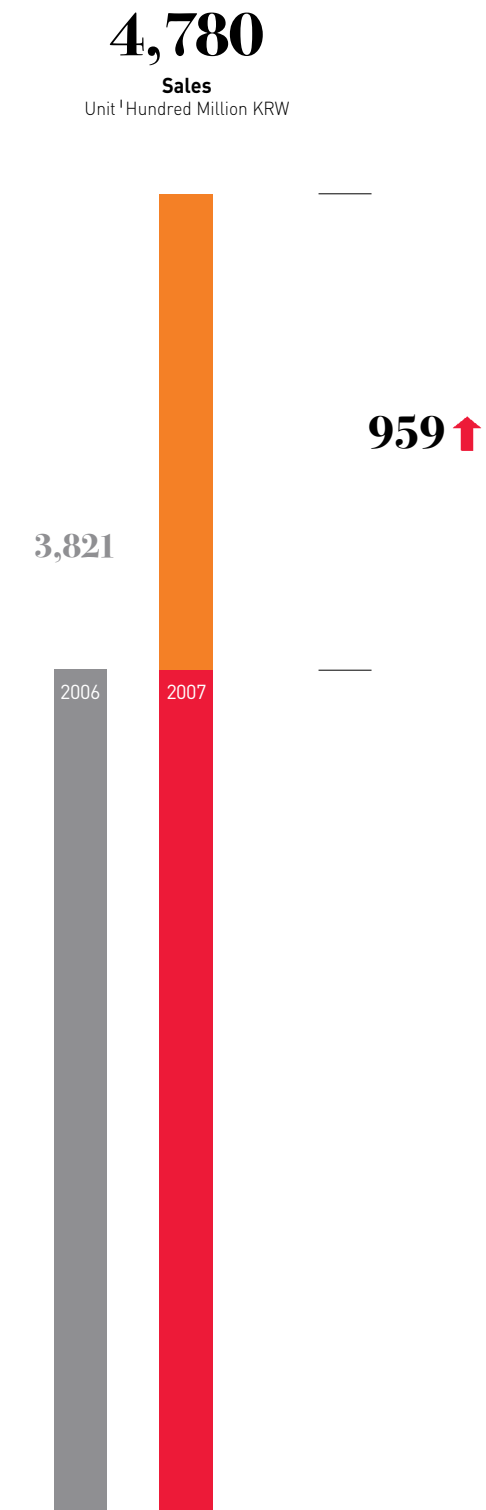
Sales growth from prior year from continuous increase in imported car sales
(2006 Total : 1,913 units / 93.3 billion → 2007 Total : 3,777 units / 175.3 billion)
Sales growth from systematic real estate development in Yeouido and Byeongjeom
(2006 Total : 30.5 billion → 2007 Total : 86.1 billion)

Year-on-Year Operating Income Growth

Growth in real estate development operating income :
2006 Total : 8.5 billion → 2007 Total : 21.1 billion

Outlook for 2008

Fashion : Performance of existing import brands will accelerate, own brands expected to expand, e.g. through acquiring of Obzee.
Imported Car Sales : Will see a growth in sales and operating income in 2008 by expanding direct imports.



Energy Marketing

Energy Marketing Divisional Group recorded a sales growth of more than 500 billion won from 2006. Some factors which contributed to this growth were launching many new businesses, including the petrolstation business in the Chinese market and Speedmate's maintenance services, as well as a rise in oil prices. Energy Marketing Divisional Group plans to maintain high growth in sales by expanding the integrated petrol station business and Speedmate's usedcar business in the domestic market, as well as overseas localization strategies including those for Speedmate.

Year-on-Year Oil Sales Growth

Total sales volume is similar to prior year, but revenues have climbed as a result of higher oil prices. (2006: 40.779 million drums → 2007: 40.475 million drums)
However, operating income has fallen due to a narrowing in average gasoline margins

Speedmate

Expanded total auto service to include maintenance, used cars, auto accessories, etc., based on national network.

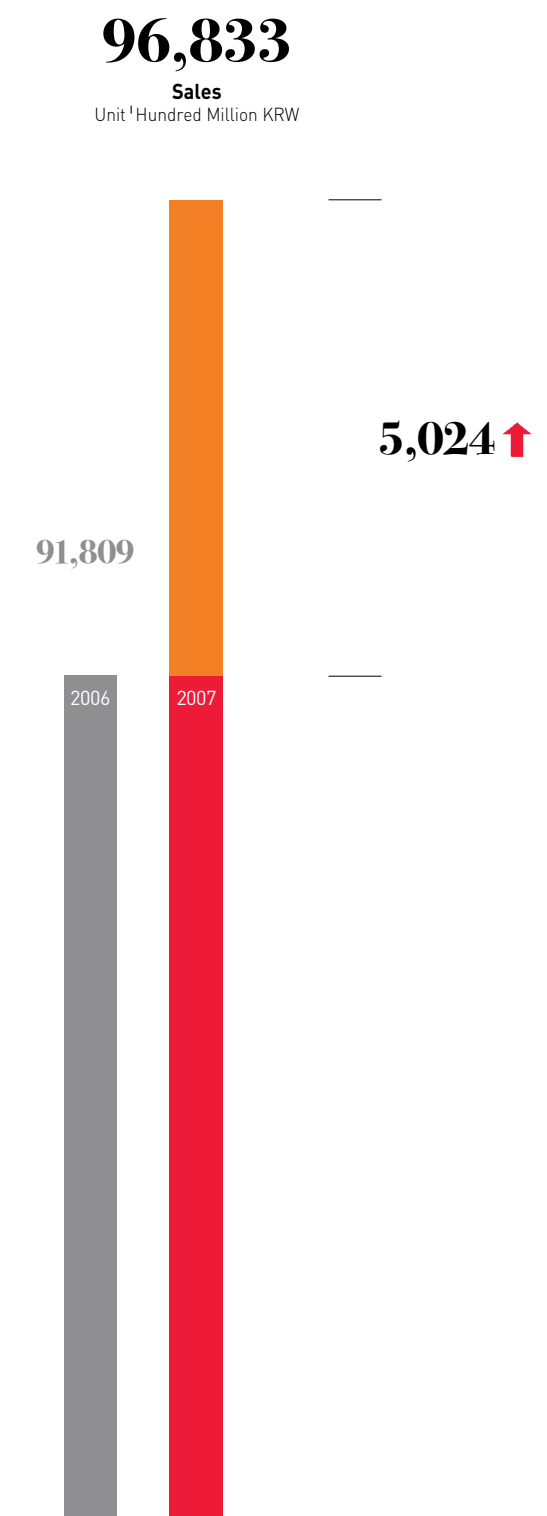
Used car sales volume continues to grow (2006: 1,380 units → 2007: 3,265 units)

Outlook for 2008

Oil Sales : Expect a slight growth in sales from a 1.6% growth in demand for gasoline/diesel, and a 19.2% drop in demand for kerosene / heavy oil.

Used Car Sales : Expect a continuous sales growth from the two-year 40,000 Km guarantee system and enhanced brand awareness

Speedmate : Projected increase in shops from 561 at end of 2007 → 660 by end of 2008.



Balance Sheet

(Current) Year 55 : As of Dec. 31, 2007
(Prior) Year 54 : As of Dec. 31, 2006

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
Current Assets	2,413,269	2,730,511
(1) Quick Assets	1,718,072	2,052,401
Cash & Cash Equivalents	115,627	517,908
Government Subsidies	-127	-
Short-term Financial Instruments	2,741	59,417
Short-term Investment Securities	837	875
Trade Receivables	1,403,006	1,277,333
Allowance for Doubtful Accounts	-21,442	-39,711
Short-term Loans	33,817	40,025
Allowance for Doubtful Accounts	-85	-106
Receivables	117,416	125,621
Allowance for Doubtful Accounts	-572	-816
Accrued Income Receivable	200	461
Allowance for Doubtful Accounts	-1	-1
Advance Payments	25,248	5,599
Prepaid Expenses	14,921	18,802
Income Tax Refund Receivables	1,749	1,767
Current Portion of Deferred Income Tax Assets	17,208	37,414
Other Quick Assets	7,531	7,813
(2) Inventories	695,197	678,110
Merchandise	620,131	607,080
Allowance for Valuation of Merchandise	-9,493	-22,916
Finished Goods	9,642	23,786
Allowance for Valuation of Finished Goods	-1,824	-1,276
Work in Process	2,283	2,574
Raw Materials	7,611	15,210
Allowance for Valuation of Raw Materials	-354	-240
Sub-materials	106	487
Goods in Transit	41,346	22,499
Unfinished Housing	7,835	6,767
Land for Construction	17,914	24,139
2. Non-Current Assets	3,850,741	3,101,697
(1) Investment Assets	1,489,614	777,586
Long-term Financial Instruments	37	43
Long-term Investment Securities	553,274	71,808
Securities under Equity Method	858,882	652,018
Advances to Investment	11,747	6,367
Long-term Loans	42,049	35,846
Allowance for Doubtful Accounts	-399	-346
Other Investment Assets	24,041	11,868
Allowance for Doubtful Accounts	-17	-17
(2) Tangible Assets	2,193,588	2,046,066
Land	1,052,574	965,029
Buildings	296,217	225,448
Accumulated Depreciation	-41,923	-36,388
Accumulated Impairment Losses	-1,149	-1,149
Structure	166,645	148,667
Accumulated Depreciation	-26,693	-21,100
Contribution in Aid of Construction	-1,134	-119
Machinery & Equipment	1,031,595	880,554
Accumulated Depreciation	-411,933	-300,154
Contribution in Aid of Construction	-3,624	-1,041
Vehicles & Transportation Equipment	17,385	17,846
Accumulated Depreciation	-12,336	-11,949
Tanks	21,299	23,629
Accumulated Depreciation	-6,180	-6,152
Ships	1,667	1,667
Accumulated Depreciation	-996	-857
Other Tangible Assets	144,566	139,738
Accumulated Depreciation	-98,650	-97,122
Government Subsidies	-170	-
Construction in Progress	66,428	119,520
(3) Intangible Assets	-1,784	-14,331
Goodwill	12,729	4,643

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
Negative Goodwill	-26,045	-27,199
Patents - Industrial	32	29
Development Costs	10,960	8,080
Government Subsidies	-46	-
Other Intangible Assets	586	116
(4) Other Non-Current Assets	169,324	292,376
Deposits Provided	166,046	174,975
Non-Current Portion of Deferred Income Tax Assets	811	114,856
Other Non-Current Assets	3,484	7,380
Allowance for Doubtful Accounts	-773	-4,429
Present Value Discount	-244	-407
TOTAL ASSETS	6,264,010	5,832,209
Liabilities		
1. Current Liabilities	3,140,542	2,255,030
Trade Payables	2,254,902	1,986,431
Short-term Borrowings	364,905	4,408
Non-Trade Payables	170,187	160,936
Advance Receipts	24,382	56,790
Unearned Revenues	159	1,412
Withholdings	12,891	13,147
Deposits Received	34,869	31,380
Accrued Expenses	20,408	61
Current Portion of Long-term Liabilities	258,075	465
Discount on Bonds Payable	-235	-
2. Non-Current Liabilities	1,488,842	2,308,079
Bonds Payable	50,000	-
Discount on Bonds Payable	-209	-
Bonds with Stock Warrants	700	29,362
Discount on Bonds Payable	-8	-978
Premium on Bond Redemption	68	-
Stock Warrant Adjustment	-229	-
Long-term Borrowings	1,390,982	2,256,226
Long-term Accrued Interest	-	4,755
Present Value Discount	-	-19,807
Long-term Advances	-	1,817
Long-term Non-Trade Payables	1,876	-
Allowance for Severance & Retirement Benefits	79,250	70,615
Deposits for Severance Benefits	-33,590	-34,139
Contribution to National Pension Plan	-832	-869
Other Allowance	833	1,098
TOTAL LIABILITIES	4,629,384	4,563,109
Stock holders' Equity		
1. Capital Stock	628,224	626,548
Common Stock	600,039	598,363
Preferred Stock	284	284
Redeemable Preferred Stock	27,901	27,901
2. Capital Surplus	35,506	31,162
Paid-in Capital in Excess of Par Value	35,116	31,162
Consideration for Stock Warrant	390	-
3. Capital Adjustments	-1,312	-
Treasury Stock	-1,287	-
Stock Warrants	-25	-
4. Accumulated Other Inclusive Gain (Loss)	301,034	104,227
Gain on Valuation of Long-Term Investment Securities	239,937	2,153
Loss on Valuation of Long-Term Investment Securities	-	-1,332
Gain on Valuation of Investment Stock under Equity Method	62,711	108,828
Loss on Valuation of Investment Stock under Equity Method	-1,614	-5,422
5. Retained Earnings	671,176	507,162
Voluntary Reserve	80,617	33,223
Unappropriated Retained Earnings	590,559	473,939
TOTAL STOCKHOLDERS' EQUITY	1,634,627	1,269,099
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	6,264,010	5,832,209

Income Statement

(Current) Year 55 : As of Dec. 31, 2007
(Prior) Year 54 : As of Dec. 31, 2006

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
1. SALES	17,686,274	15,784,019
Sales - Merchandise	13,398,754	12,711,057
Sales - Merchandise for Export	3,209,358	2,418,016
Sales - Finished Goods	67,948	90,665
Sales - Finished Goods for Export	82,135	46,095
Sales - Other	1,059,107	728,984
Sales for Export - Other	4,010	4,327
Sales Discounts	-135,037	-215,124
2. COST OF SALES	16,359,463	14,528,822
(1) Cost of Merchandise Sold	15,911,407	14,185,457
Beginning Inventory of Merchandise	584,164	402,183
Cost of Merchandise Purchased	16,262,576	14,779,058
Total	16,846,740	15,181,241
Transfer to Other Accounts	-324,695	-411,620
Ending Inventory of Merchandise	-610,637	-584,164
(2) Cost of Finished Goods Sold	118,294	96,922
Beginning Inventory of Finished Goods	22,511	26,722
Cost of Finished Goods	103,600	92,710
Total	126,111	119,433
Ending Inventory of Finished Goods	-7,818	-22,511
(3) Cost of Other Goods Sold	329,762	246,443
3. GROSS PROFIT	1,326,811	1,255,197
4. SELLING & GENERAL ADMINISTRATIVE EXPENSES	951,709	866,967
Salaries Expenses	139,497	133,905
Severance Benefits	18,092	17,707
Employee Benefits	23,846	20,017
Travel Expenses	6,650	5,751
Communication Expenses	5,071	4,902
Utility Expenses	10,450	10,073
Taxes & Dues	22,965	18,531
Rental Expenses	65,118	60,414
Depreciation Expenses	38,922	41,169
Amortization Expenses on Intangible Assets	4,683	3,341
Repairs Expenses	5,489	7,376
Vehicles Expenses	9,211	7,512
Insurance Premium	8,122	7,898
Entertainment Expenses	4,350	4,163
Conference Expenses	2,567	2,028
Transportation & Warehousing Expenses	65,613	63,330
Office Supplies Expenses	6,469	7,007
Books & Subscriptions	691	815
Training Expenses	6,781	5,599
Service Fees	461,746	406,536
Samples Expenses	530	649
Advertising Expenses	32,939	28,716
Management Expenses of Overseas Branches	11,147	8,922
Bad Debt Expenses	-	72
Miscellaneous Expenses	763	535
5. OPERATING INCOME	375,102	388,230
6. NON-OPERATING INCOME	491,753	220,238
Interest Revenues	12,697	13,119
Gain on Foreign Currency Transaction	78,628	99,557
Gain on Foreign Currency Translation	12,051	9,299
Dividends Income	595	1,127
Gain on Sale of Short-term investment Securities	2	0
Gain on Valuation of Short-Term Investment Securities	-	69
Reversal of Allowance for Doubtful Accounts	19,079	1,434
Gain on Valuation of Long-Term Investment Securities	4,874	-
Gain on Valuation under Equity Method	161,169	62,422
Gain on Sale of Investment Assets	2,169	272
Gain on Sale of Tangible Assets	24,321	4,025
Gain on Sale of Intangible Assets	147	-
Amortization on Negative Goodwill	1,153	1,153
Transfer from Allowance for Other Losses	-	11,421

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
Gain on Valuation of Forward Contract	523	144
Gain on Assets Contribution	149,734	-
Other Non-Operating Revenues	24,609	16,195
7. NON-OPERATING EXPENSES	315,295	270,937
Interest Expenses	141,447	124,252
Loss on Foreign Currency Transaction	90,014	96,751
Loss on Foreign Currency Translation	6,417	9,340
Loss on Sale of Short-term investment Securities	204	11
Loss on Valuation of Short-Term Investment Securities	-	70
Loss on Sale of Trade Receivables	19,282	9,155
Other Bad Debt Expenses	269	4,465
Loss on Inventory Obsolescence	783	7
Loss on Sale of Inventories	20	225
Loss on Impairment of Long-Term Investment Securities	6,656	7,594
Loss on Valuation under Equity Method	14,159	2,286
Loss on Sale of Tangible Assets	9,496	7,751
Loss on Retirement of Tangible Assets	2,691	-
Loss on Sale of Investment Assets	540	20
Loss on Sale of Intangible Assets	68	9
Donations	368	192
Loss on Valuation of Forward Contract	4,898	1,705
Other Non-Operating Expenses	17,983	7,105
8. INCOME BEFORE INCOME TAX EXPENSES	551,560	337,531
9. INCOME TAX EXPENSES	-38,997	-136,405
10. NET INCOME	590,557	473,936
11. Gain or Loss per Share (Unit: KRW)		
Earnings per Share	2,422	1,918
Earnings per Preferred Share	2,423	1,919
Diluted Earnings per Share	2,418	1,909

Statement of Retained Earnings

(Current) Year 55 : For the Year Ended Dec. 31, 2007 Date of Appropriations: Mar. 14, 2008
(Prior) Year 54 : For the Year Ended Dec. 31, 2006 Date of Appropriations: Mar. 2, 2007

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
1. Retained Earnings before Appropriations	590,559	473,939
Retained Earnings before Appropriations from Prior Year	426,546	261,790
Capital Redemption	-426,544	-261,787
Net Income	590,557	473,936
2. Appropriation of Retained Earnings	-	47,394
Reserve for Financial Structure Improvement	-	47,394
3. Unappropriated Retained Earnings Carried over to Subsequent Year	590,559	426,546

Statement of Cash flows

(Current) Year 55 : As of Dec. 31, 2007
(Prior) Year 54 : As of Dec. 31, 2006

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
1. Cash Flows from Operating Activities	613,478	229,028
(1) Net Income	590,557	473,936
(2) Addition of Expenses without Cash Outflows	260,729	223,026
Severance Benefits	18,092	17,707
Depreciation Expenses	156,375	134,574
Amortization Expenses on Intangible Assets	4,683	3,341
Bad Debt Expenses	-	72
Advertising Expenses (Loss on Other Allowance)	277	973
Amortization of Present Value Discount Account (Interest Expenses)	15,052	14,359
Amortization of Bond Discounts (Interest Expenses)	748	671
Other Bad Debt Expenses	269	4,465
Loss on Sale of Trade Receivables	19,282	9,155
Loss on Sale of Short-term investment Securities	204	11
Loss on Valuation of Short-Term Investment Securities	-	70
Loss on Valuation of Inventories	-	5,709
Loss on Inventory Obsolescence	783	55
Loss on Foreign Currency Transaction	42	3,257
Loss on Foreign Currency Translation	6,416	9,244
Loss on Valuation under Equity Method	14,159	2,286
Loss on Impairment of Long-Term Investment Securities	6,656	7,594
Loss on Retirement of Tangible Assets	2,691	-
Loss on Sale of Tangible Assets	9,496	7,751
Loss on Sale of Intangible Assets	68	9
Loss on Sale of Investment Assets	540	20
Loss on Valuation of Forward Contract	4,898	1,705
(3) Deduction of Revenues not Involving Cash Inflows	-388,166	-90,474
Interest Revenues (Amortization of Present Value Discount Account)	163	193
Gain on Foreign Currency Transaction	-	41
Gain on Foreign Currency Translation	11,592	9,299
Gain on Valuation of Short-Term Investment Securities	-	69
Gain on Sale of Short-Term Investment Securities	2	0
Reversal of Allowance for Valuation of Inventories	13,239	-
Gain on Sale of Tangible Assets	24,321	4,025
Gain on Sale of Intangible Assets	147	-
Gain on Valuation of Forward Contract	523	144
Reversal of Allowance for Doubtful Accounts	19,079	1,434
Reversal of Negative Goodwill	1,153	1,153
Transfer from Allowance for Other Losses	-	11,421
Gain on Valuation under Equity Method	161,169	62,422
Gain on Valuation of Long-Term Investment Securities	4,874	-
Gain on Sale of Long-Term Investment Securities	2,169	272
Gains on Assets Contributed	149,734	-
(4) Changes in Assets & Liabilities Resulting from Operating Activities	150,358	-377,460
Decrease (Increase) in Trade Receivables	-133,927	-427,971
Decrease (Increase) in Bad Debts	-	4,012
Decrease (Increase) in Other Receivables	25,657	-31,754
Decrease (Increase) in Accrued Income	283	1,132
Decrease (Increase) in Advance Payments	-19,378	2,890
Decrease (Increase) in Prepaid Expenses	3,882	-393
Decrease (Increase) in Income Tax Refund Receivable	22	-248
Decrease (Increase) in Current Portion of Deferred Income Tax Assets	20,206	2,107
Decrease (Increase) in Other Quick Assets	389	4,150
Decrease (Increase) in Inventories	-3,803	-173,274
Decrease (Increase) in Other Non-Current Assets	615	-
Decrease (Increase) in Non-Current Portion of Deferred Income	10,280	-66,168
Increase (Decrease) in Trade Payables	263,046	254,000
Increase (Decrease) in Non-Trade Payables	3,902	17,771
Increase (Decrease) in Advance Receipts	-34,164	42,760
Increase (Decrease) in Unearned Revenues	-1,254	791
Increase (Decrease) in Withholdings	-259	7,588
Increase (Decrease) in Deposits Received	3,479	-3,806
Increase (Decrease) in Accrued Expenses	20,346	-142
Payment of Severance Benefits	-9,645	-6,812
Decrease (Increase) in Contribution to National Pension Plan	38	63

(Unit : Million KRW)

Description	2007 (Year 55)	2006 (Year 54)
Decrease (Increase) in Deposits for Severance Benefits	549	-4,155
Increase (Decrease) in Other Allowance	93	-
2. Cash Flows from Investing Activities	-364,040	-368,373
(1) Cash Inflows from Investing Activities	408,652	94,446
Decrease in Short-Term Financial Instruments	42,104	673
Sale of Short-Term Investment Securities	755	591
Collection of Short-term Loans	23,779	12,336
Decrease in Long-Term Financial Instruments	6	3
Sale of Long-Term Investment Securities	4,893	1,435
Collection of Advances to Investment	52,866	-
Sale of Securities under Equity Method	12,755	-
Receipt of Dividends	12,486	14,248
Collection of Long-term Loans	74,474	10
Decrease in Deposits Provided	121,031	43,657
Decrease in Other Investment Assets	5,182	688
Sale of Land	39,388	7,449
Sale of Buildings	2,218	1,254
Sale of Structures	1,160	775
Sale of Machinery & Equipment	465	423
Sale of Vehicles & Transportation Equipment	5,568	3,232
Sale of Tanks	824	157
Sale of Other Tangible Assets	1,841	488
Sale of Construction in Progress	-	771
Receipt of Contribution in Aid of Construction	5,665	6,246
Sale of Goodwill	180	10
Sales of Patents-Industrial	130	-
Receipt of Government Subsidies	883	-
(2) Cash Outflows from Investing Activities	-772,692	-462,819
Increase in Short-Term Financial Instruments	733	17,388
Acquisition of Short-Term Investment Securities	826	1,333
Loans in Short-Term Loans	11,309	597
Acquisition of Long-Term Investment Securities	18,695	12,337
Increase in Advances to Investment	63,805	4,177
Loans in Long-Term Loans	86,938	15,080
Acquisition of Securities under Equity Method	108,421	31,191
Increase in Deposits Provided	112,028	44,665
Acquisition of Other Investment Assets	15,234	254
Acquisition of Land	51,402	15,544
Acquisition of Buildings	11,794	877
Acquisition of Structures	5,214	4,273
Acquisition of Machinery & Equipment	10,109	8,590
Acquisition of Vehicles & Transportation Equipment	6,649	4,654
Acquisition of Tanks	214	271
Acquisition of Other Tangible Assets	21,178	19,483
Increase in Construction in Progress	239,725	275,481
Acquisition of Goodwill	2,336	2,418
Acquisition of Patents-Industrial	145	-
Increase in Development Costs	4,691	4,134
Acquisition of Other Intangible Assets	490	72
Consumption of Government Subsidies	756	-
3. Cash Flows from Financing Activities	-651,720	-269,521
(1) Cash Inflows from Financing Activities	3,643,028	13,473
Short-term Borrowings	956,321	-
Long-term Borrowings	2,634,676	-
Bonds Borrowings	49,788	-
Exercising of Stock Warrant	2,088	13,473
Cash Increase from Merger	155	-
(2) Cash Outflows from Financing Activities	-4,294,747	-282,994
Repayment of Short-term Borrowings	596,255	15,865
Capital Redemption	426,544	261,783
Repayment of Long-Term Borrowings	3,271,949	5,347
4. Decrease in Cash (I + II + III)	402,281	408,867
5. Cash at Beginning of Year	517,908	926,774
6. Cash at End of Year	115,627	517,908

Group & Affiliated Companies, Domestic & Overseas Networks

Group & Affiliated Companies

Domestic Networks

Overseas Networks

Group & Affiliated Companies

SK Holdings Co., Ltd. <http://www.sk.com>

The holding company of SK Group, SK Holdings has a business portfolio composed of subsidiaries that possess core competence in energy & chemicals, information & telecommunications, and logistics services. It enhances the corporate value of its subsidiaries by encouraging each business to improve its competitiveness.

SK Energy Co., Ltd. <http://www.skenergy.com>

A total energy & chemical company, SK Energy is participating in overseas oil field development, and is expanding its global network by actively pursuing overseas businesses and exports, especially in China.

SK Telecom Co., Ltd. <http://www.sktelecom.com>

SK Telecom is the leading telecommunications company in Korea, having led the development of global mobile telecommunications by being the first in the country to introduce first-generation analogue mobile telephony, and being the first in the world to successfully commercialize CDMA technologies.

SK Chemicals Co., Ltd. <http://www.skchemicals.com>

Developing high value-added businesses and future technologies with precision chemistry and biotechnology, SK Chemicals is dedicated to building a safer and healthier society by creating environmentally-friendly chemical products.

SKC Co., Ltd. <http://www.skcc.co.kr>

SKC is a state-of-the-art parts & components company in chemical materials, film, processing and coating among others, that is growing at a rapid pace based on its technologies and know-how accumulated over the past thirty years.

SK C&C Co., Ltd. <http://www.skcc.com>

Building upon the foundation of unique high-quality integrated IT services, latest technologies, and expert personnel, SK C&C is advancing into ubiquitous and IT convergence areas by carrying out a converged development of contents, platforms, and solutions.

SK Engineering & Construction Co., Ltd. <http://www.skec.co.kr>

Already recognized for its excellence both in the domestic and overseas markets, SK Engineering & Construction is a total construction company that has pursued a balance of nature and mankind through its advanced technologies and abundant experiences.

SK Shipping Co., Ltd. <http://www.skshipping.com>

SK Shipping is a major resource shipping company in Asia, centering on the four main areas of tankers, gas ships, bulk carriers and bunkers to connect the world, and providing top level maritime transport services.

SK Securities Co., Ltd. <http://www.priden.com>

Having grown for the past 52 years along with the Korean securities industry, SK Securities is a specialized and customer-oriented marketing company leading wired & wireless convergence in securities trading, helping individual customers as a total asset manager and corporate clients as a financial solution provider.

Walkerhill Inc. <http://www.walkerhill.com>

Walkerhill is a leading hotel specialist company in Korea, aiming to provide customers with the highest level of relaxation, culture and entertainment services.

SK E&S <http://www.sk-enron.com>

SK E&S is a company specializing in the energy industry and its subsidiaries, the nine City Gas companies of Daehan, Busan, Chungnam, Gumi, Cheongju, Pohang, Jeonnam, Gangwon, Iksan, are leading the export/import and sales of LPG.

SK Gas Ltd. <http://www.skgas.co.kr>

Established in 1985, SK Gas is building on its top LPG business competence in the country to reinforce the competitive power of existing businesses and exploring new business opportunities at the same time. It is a clean energy company pursuing the goal of customer satisfaction.

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Steel Business Division

199-15, Euljiro 2-ga, Jung-gu, Seoul
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Global Business Strategy & Planning Division

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Fashion Business Division

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S-Welheim Business Division

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Shenyang

86-24-2281-4330
SKN(china)Holdings Co., Ltd.
18/F Block a President Building, No. 69
Heping North Street Heping District,
Shenyang, Liaoning, China, 110003

Shenyang

86-24-2281-4346
Shenyang SK Networks Energy Co., Ltd.
18th FL. Block a President Building, No.
69 Heping North Street Heping District,
Shenyang, Liaoning, China, 110003

Shenyang

86-24-2281-4332
Shenyang SK Networks Bus Terminal
Co., Ltd. 19th FL. Block a President
Building, No. 69 Heping North Street
Heping District, Shenyang, Liaoning,
China, 110003

Shenyang

86-24-3132-5000
ShenYang SK Networks Electronics &
Telecommunications Co., Ltd.
31th Fl. Yuning Building, No. 76 Sanhao
Street Heping District, Shenyang,
China, 110004

Dandong

86-415-389-1993
Dandong SK Networks Real Estate Co.,
Ltd. Room 2304, Sun Mansion, No.128
Binjiang Road, Economic & Cooperation
District, Dandong, Liaoning,
China, 118000

Dandong

86-415-389-1991
Dandong SK Networks Energy Co., Ltd.
Room 2304, Sun Mansion, No.128
Binjiang Road, Economic & Cooperation
District, Dandong, Liaoning,
China, 118000

Dongguan

86-769-8111-2002
SK Steel(Dongguan) co., Ltd.
Changshan Industrial Estate, Xiaokeng
Village, Liaobu Town, Dongguan,
Guangdong, China

Shantou

86-754-881-7218
SK Networks PS (Shantou) Co., Ltd.
Huang Jin Wei Zhuchi Shantou
Guangdong China, 515041

Pinhu

86-573-8522-3366
SK Networks POSK (Pinghu) Steel
Processing Center Co., Ltd.
2222, Xingming Road, Economic
Development Zone, Pinghu City, Zhejiang
Province, China, 314200

Ningbo

86-574-6307-0428
SK Networks Ningbo SK Zhenbang
Chemical Co., Ltd.
Hangzhou Bay New District, Cixi, Ningbo,
Zhejiangprovince P.R.China, 315336

Zhangjiagang

86-512-5810-9908
Zhangjiagang SKOK Metal Products
Co.,Ltd.
Room no2401,blok B,century mansion,
chang an road, zhangjiagang, China

Jakarta

62-21-5799-8157
PT SK Networks (Indonesia) S.Widjojo
Building 3rd Floor Jl. Jend. Sudirman
No.71 Jakarta 12190 Indonesia

Ulaanbaatar

976-11-318840
SK Networks LLC 2nd floor of 7/2
building, Peace Avenue, Chingeltei
District, Ulaanbaatar 211213, Mongoli

Sydney

61-2-9265-1804
SK Networks Australia Pty Ltd.
Level 24, BT Tower, 1 Market Street,
Sydney, NSW 2000, Australia

KIWI STEEL

64-9-277-2715
KIWI STEEL (NZ) Ltd. P.O.Box 98-851,
6 Hautu Drive, Wiri, Auckland,
New Zealand

SK STEEL

61-2-9891-3038
15 Wonderland Drive, Eastern Creek,
NSW 2766, Australia

Dhaka

880-2-8817292
8th floor North Tower Uttara Dhaka-
1230, Bangladesh

HISTORY

2007~2004

- Nov. 2007 Acquired Obzee Co., Ltd.
- May. 2007 Began construction on Shenyang-SK Terminal Complex
- Oct. 2006 Launched mobile phone distribution business in China
- May. 2006 Launched integrated petrol stations in Shenyang, China
- May. 2005 Sold off SK Life Insurance Co., Ltd.
- Feb. 2005 Selected as e-Government network provider
- Apr. 2004 Held "Announcement of Vision 2010" ceremony

2003~2000

- Oct. 2003 Surpassed 30 million units in CDMA device sales
- Oct. 2003 Changed CI to SK Networks
- Sep. 2003 Concluded dealership with Daimler-Chrysler
- Sep. 2003 Man-won Jung become 10th CEO & president in office
- Aug. 2003 Launched a premium casual brand "Tommy Hilfiger"
- May. 2003 SMART school uniforms and Speedmate are awarded "No. 1 in Brand Power, 2003"
- Nov. 2002 Acquired Thrunet dedicated lines business
- Jun. 2001 Launched "Skopi", a digital photo service
- Jul. 2000 Merged with SK Energy sales, changed company name to SK Global
- Apr. 2000 Launched casual brand "Eigenpost"

1999~1991

- Dec. 1999 Merged with SK Distribution Co., Ltd.
- Dec. 1999 Launched "OK Mart", a convenience store annexed to petrol stations
- Feb. 1999 Acquired "Speedmate"
- Jan. 1998 Changed CI to SK Global(SK Sangsa)
- Sep. 1996 Exceeded 1,000 mobile telecommunications outlets
- Jul. 1995 Exceeded 3,000 SK petrol stations
- Feb. 1991 Launched a traditional casual brand "Caspi"

1990~1953

- May. 1990 Launched school uniform business (brand name: SMART)
- Dec. 1980 Acquired Korea National Oil Corporation
- Jun. 1977 IPO and listing on Korean Stock Exchange
- Nov. 1976 Awarded for earning 100 million USD in exports
- Nov. 1976 Designated as a general trading company
- Jan. 1976 Absorption merger of Sunil Textiles Co., Ltd. and changing company name to Sunkyong Co., Ltd.
- Nov. 1973 Chairman Jong-hyun Chey assumed office
- Jul. 1966 Received a presidential award (for increasing exports by 1.835 million USD)
- Apr. 1953 Established Sunkyong Limited (CEO Jong-hyun Chey)

Special Networks for All over the World

We cherish a dream: a dream of delivering greater happiness to our customers in their daily lives.

We have a hope: a hope that we will soar on into the future with more and better products & services, and a wider array of global brands.

Beyond Korea, beyond Asia, SK Networks will go onto towards the goal of becoming a truly globally localized marketing & logistics company.

The future that SK Networks dreams of, a future bringing a happier, more enjoyable life for our customers, has already begun.



