

2006 1H Financial Results

July 25, 2006

SK Corporation



This presentation contains forward-looking statements with respect to financial conditions, results of operations and business of SK Corporation, and plans and objectives of the management of SK Corporation.

Statements that are not historical facts, including statements about SK Corporation's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of SK Corporation to be materially different from any future results or performance expressed or implied by such forward-looking statements.

Financial results for 2006 1H are subject to change according to the outside independent auditors' review.

Contents



- 1. 2006 1H Financial Performance**
- 2. 2006 1H Divisional Analysis**
- 3. Appendix**

1. 2006 1H Financial Performance

Sales & Profit



(Unit : bn KRW)	2Q05	1H05	2Q06	1H06	1H06 – 1H05 (%)
Sales	5,181.7	9,945.6	5,748.6	11,026.3	1,080.7 (11)
Operating Profit	237.4	620.8	307.1	637.1	16.3 (3)
Non-Operating Profit	290.8	484.4	105.8	532.6	48.2 (10)
Pre-tax Income	528.2	1,105.2	412.9	1,169.7	64.5 (6)

Sales by Division



(Unit : bn KRW)	2Q05	1H05	2Q06	1H06	1H06 – 1H05 (%)
Petroleum	3,753.4	7,073.3	4,086.6	7,900.1	826.8 (12)
Petrochemical	1,093.7	2,255.3	1,323.2	2,456.2	200.9 (9)
E&P	82.4	158.4	86.3	161.4	3.0 (2)
Lubricant	168.4	298.8	191.5	366.1	67.3 (23)
Other	83.8	159.8	61.0	142.5	- 17.3 (- 11)
Total	5,181.7	9,945.6	5,748.6	11,026.3	1,080.7 (11)

Operating Profit by Division



(Unit : bn KRW)	2Q05	1H05	2Q06	1H06 (OP Margin)	1H06 – 1H05 (%)
Petroleum	61.1	157.2	112.8	269.4 (3.4)	112.2 (71)
Petrochemical	83.0	290.8	110.0	199.4 (8.1)	- 91.4 (- 31)
E&P	58.1	112.2	58.4	106.1 (65.7)	- 6.1 (- 5)
Lubricant	24.6	44.6	28.8	61.8 (16.9)	17.2 (39)
Other	10.6	16.0	- 2.9	0.4 (0.3)	- 15.6 (- 98)
Total	237.4	620.8	307.1	637.1 (5.8)	16.3 (3)

Non-Operating Profit



(Unit : bn KRW)	2Q05	1H05	2Q06	1H06	1H06 – 1H05
Net Interest Expense	- 51.0	- 97.8	-77.4	- 145.6	- 47.8
Net F/X Gains ¹⁾	- 0.1	26.5	34.0	107.7	81.2
Equity Method Gains ²⁾	108.9	346.5	162.6	570.8	224.3
Others ³⁾	233.0	209.2	- 13.4	- 0.3	- 209.5
Net Non-Operating Profit	290.8	484.4	105.8	532.6	48.2

1) 1H06 F/X rate change : - ₩ 52.7/U\$ (₩1,013.0/U\$ →₩ 960.3/U\$)

2) 1H06 Equity Method Gains: SK Networks(63.3 bn KRW), SK Incheon Oil(214.2 bn KRW), etc.

These figures are subject to change upon the independent auditors' review of the invested companies

3) Others : 287.5 bn KRW write-back of provisions for allowances of EB, etc. are included in 1H05

Balance Sheet



(Unit : bn KRW)	End of Dec. 2005	End of Mar. 2006	End of June 2006
Assets	17,509.2	17,814.4	18,718.3
Liabilities (Debts)	9,398.6 (5,572.8)	9,836.7 (6,096.0)	10,497.4 (6,445.4)
Shareholder's Equity (Paid-in Capital)	8,110.6 (653.4)	7,977.7 (653.4)	8,220.9 (653.4)
Debt/Equity (%)	115.9 %	123.3 %	127.7 %
Net Debt to Equity (%)	54.4 %	74.0 %	72.8 %

Net Debt



(Unit : bn KRW)	End of Dec. 2005	End of Mar. 2006	End of June 2006
Short-term Debt	982.8	1,270.1	1,161.3
Long-term Debt	4,590.0	4,825.9	5,284.1
Total Borrowings (a)	5,572.8	6,096.0	6,445.4
Other Interest Bearing Debts (b)*	250.0	240.0	80.0
Total Interest Bearing Debts (a+b)	5,822.8	6,336.0	6,525.4
Cash & Cash Equivalents (c)	1,412.0	431.7	537.7
Net Debt (a+b-c)	4,410.8	5,904.3	5,987.7

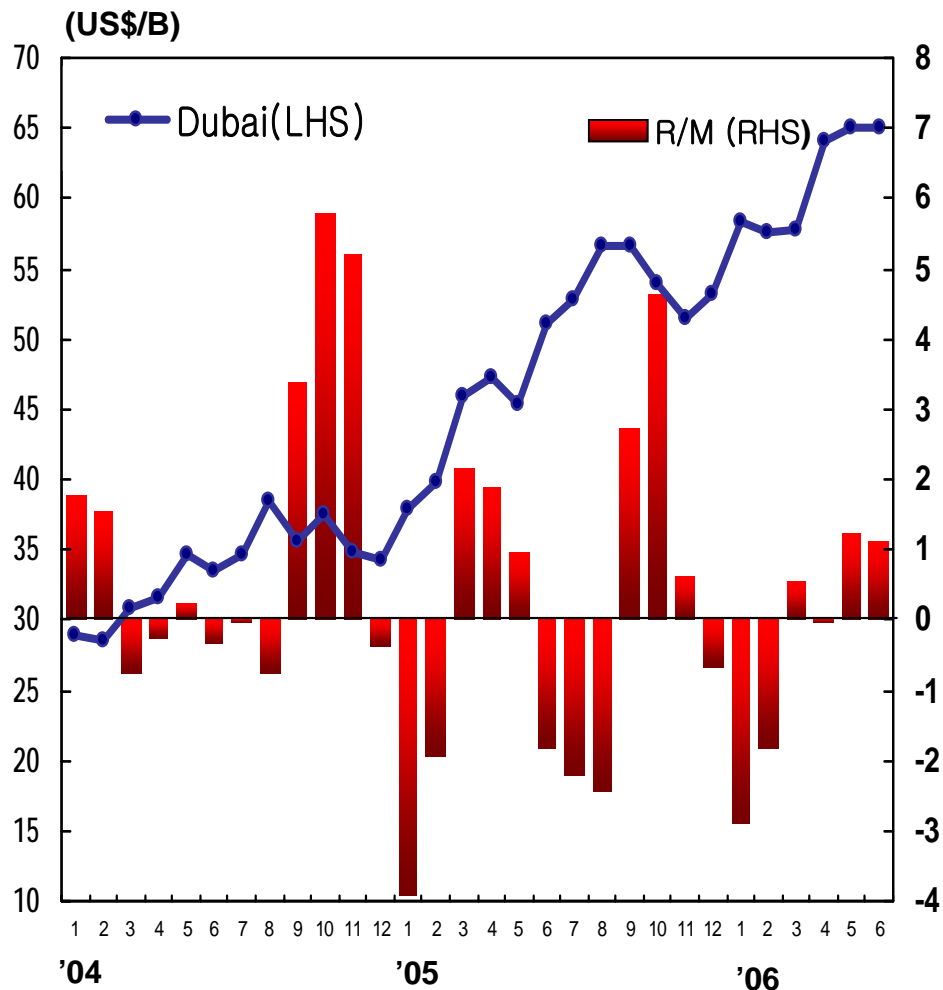
* End of June 2006 : ABS of 80 bn KRW

2. 2006 1H Divisional Analysis

Petroleum Business



Dubai simple refining margin



Source : Company

Refining margin analysis & outlook

Simple refining margin: Turned positive

- A gradual rise in Dubai crude oil prices (US\$/B)
→ April 64.1, May 65.0, June 65.2

- An increase in product spreads owing to heavy maintenance shut-downs

- Naptha spread (US\$/B): -1.1 (2Q05) vs. 1.2 (2Q06)
- Diesel spread (US\$/B): 15.6 (2Q05) vs. 19.6 (2Q06)

Cracking margins: Strong

< Dubai crude price, simple r/m, spreads > (US\$/B)

	Dubai Price	Dubai R/M	B-C/ Dubai	Gasoline/ B-C	Diesel/ B-C
1Q05	41.2	-1.2	-9.6	22.3	23.5
2Q05	48.0	0.3	-8.3	19.2	24.1
1Q06	58.0	-1.4	-8.0	17.1	19.2
2Q06	64.8	0.8	-12.0	32.4	31.6

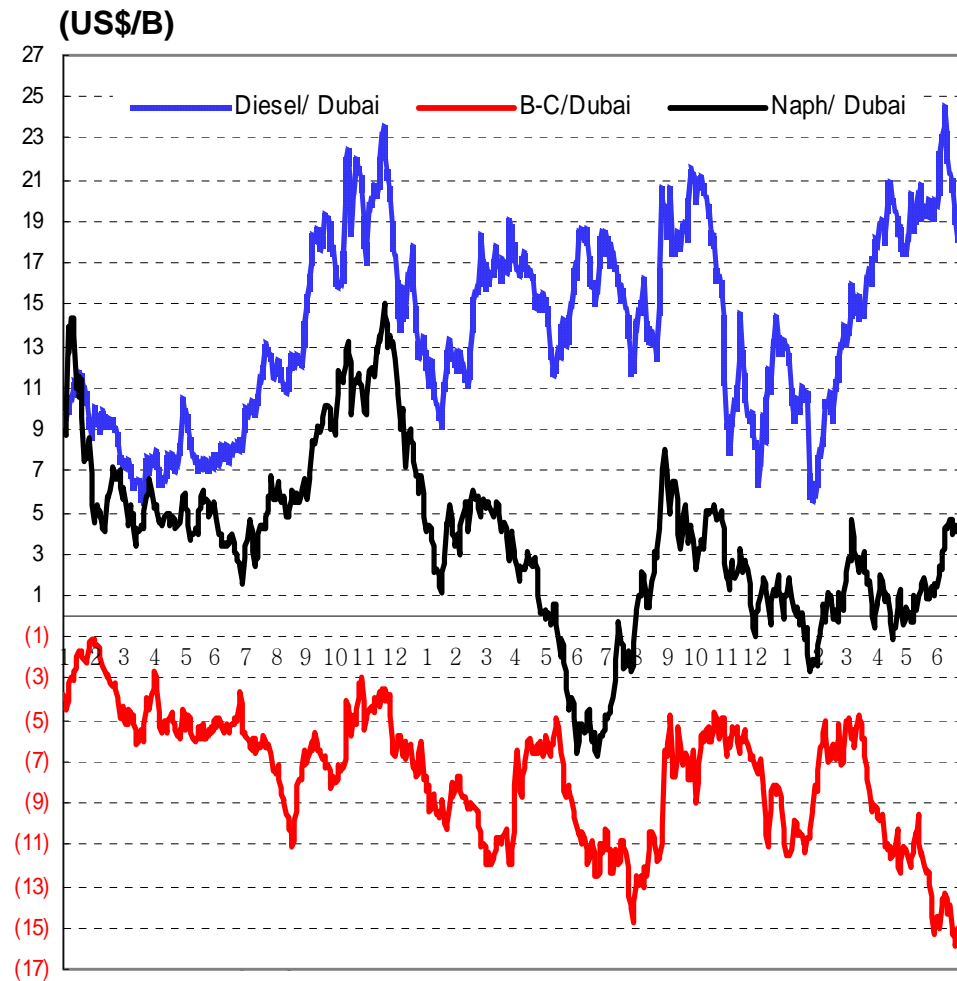
Refining margin outlook for 2H06

Higher margins expected with the arrival of the peak season and high prices of light distillates

Petroleum Business (Cont'd.)



Product spreads



Factors behind change in spreads

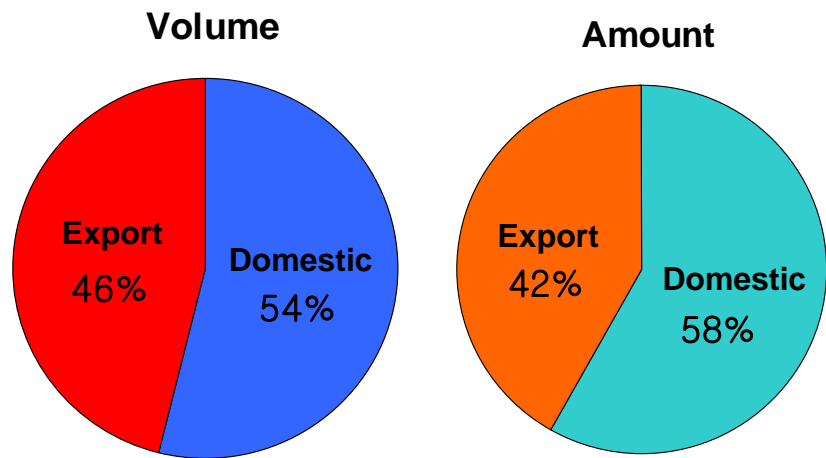
- ❑ **Diesel spread: Continuation of robust trend**
 - A decrease in Diesel production owing to heavy maintenance shut-downs
 - Higher demand from Indonesia, Vietnam, West Africa
 - A fall in the inflow of arbitrage cargoes from the Middle East
- ❑ **Naphtha spread: Rebounding**
 - Higher demand due to an increase in utilization rates of downstream petrochemical manufacturers
 - A rise in Naphtha demand as a result of the operation of new Naphtha splitters / reformers
 - A fall in the inflow of arbitrage cargoes as a beneficiary of high Naphtha prices in Europe
 - Impact of higher demand for Gasoline blending
- ❑ **B-C spread: Bearish**
 - Lower demand for B-C due to high oil prices
 - An increase in the inflow of arbitrage cargoes from Europe, Russia, etc.
 - A rise in B-C inventories in Singapore

Petroleum Business (Cont'd.)

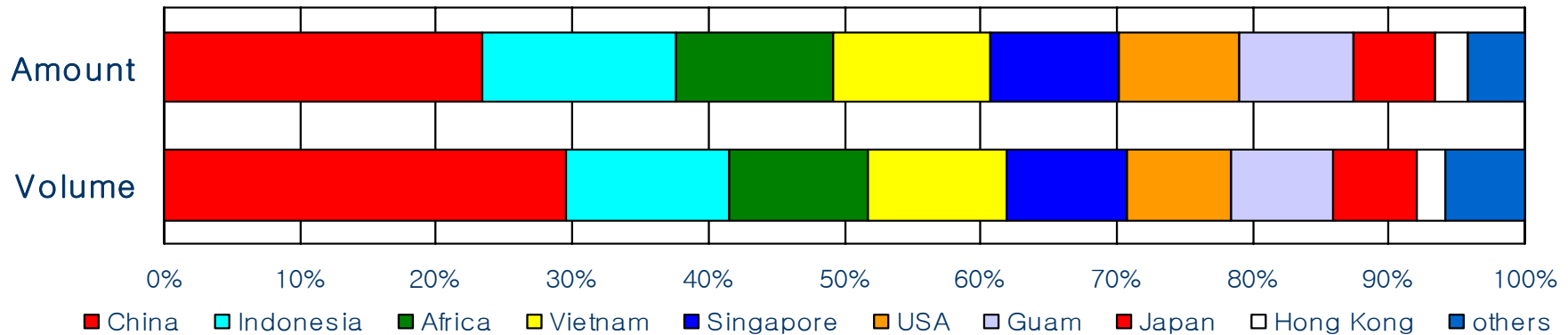


Sales composition (2Q)

Utilization rates & strategy



- A decrease in utilization rates due to regular maintenance shut-downs
 - No 2 CDU (115,000 B/D): April 9~May 6, 2006 (28 days)
 - No 4 CDU (265,000 B/D): June 13~July 10, 2006 (28 days)
 - CDU utilization rate: 5%p reduction (2Q06: 86% vs. 1Q06: 91%)
 - HOU (45,000 B/D): April 10~May 5, 2006 (26 days)
- Diversification of export markets
 - Additional expansion into Indonesia, Africa and Vietnam

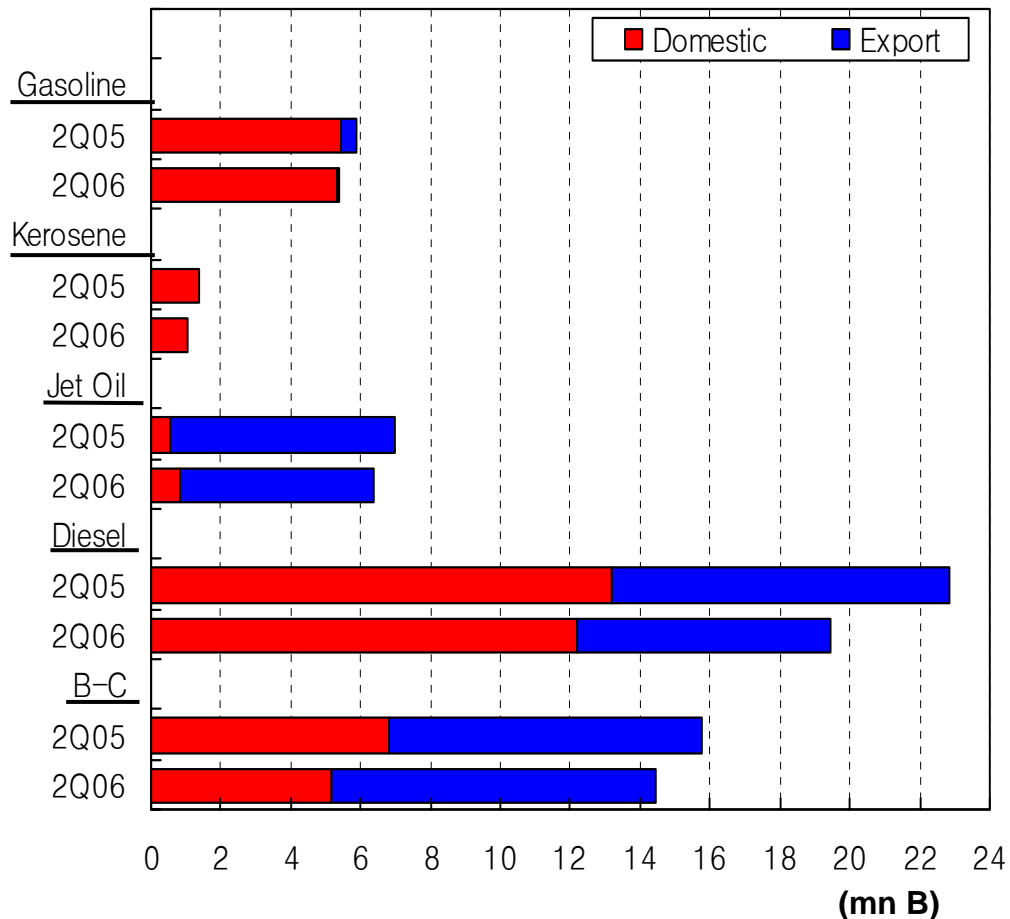


Petroleum Business (Cont'd.)



Although exports decreased on the back of lower utilization rates, strong product prices pushed up yoy sales

Sales volume by product



Factors behind change in sales volume

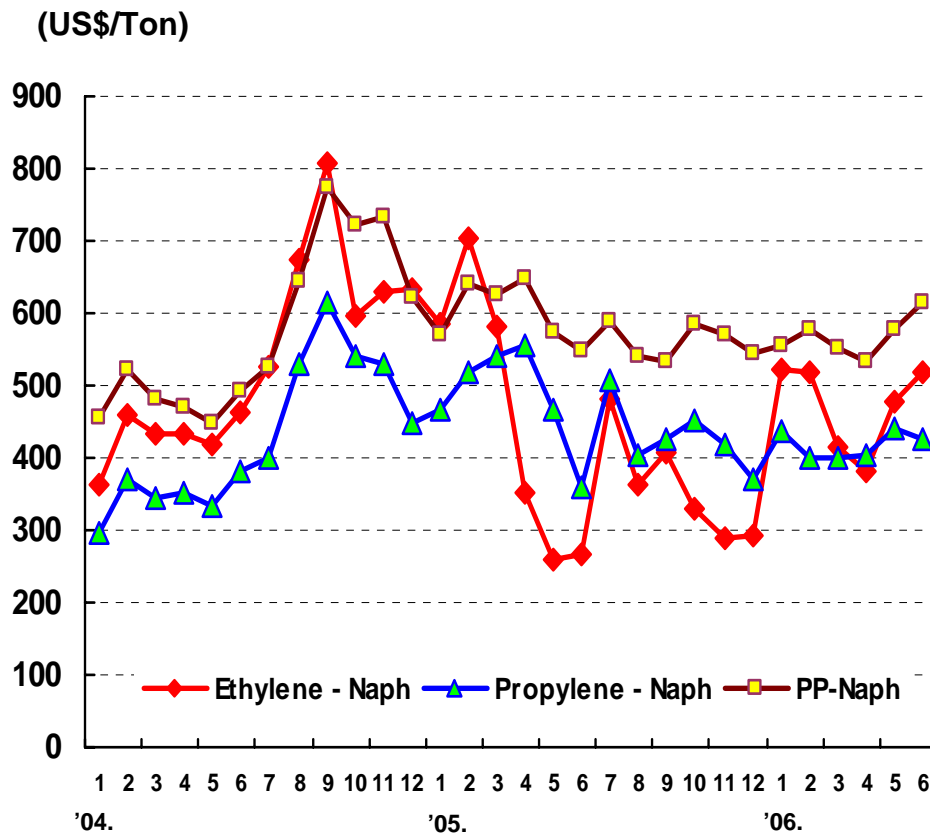
- Gasoline**
 - A slight decline in sales volume caused by sluggish domestic demand
 - Exports decreased due to lower utilization rates
- Kerosene**
 - Sales volume went down as a result of the substitution effect
- Jet Oil**
 - Domestic sales volume increased slightly
 - Exports declined from lower production
- Diesel**
 - Reduction in sales volume owing to a fall in Industrial/Transportation demand
 - Exports dropped from lower utilization rates
- Bunker-C**
 - A fall in demand for power generation led to a decrease in domestic sales volume
 - A rise in exports due to expansion into China

Petrochemical Business



Maintenance shut-downs and improved market conditions of derivatives widened Olefin spreads

Olefin product spreads



Source : ICIS

Factors behind change in spreads

Product spreads (vs. Naphtha) (US\$/Ton)

	1Q05	2Q05	1Q06	2Q06
Naphtha Price	439	448	555	617
Ethylene spread	623	292	485	460
Polymer spread (PP)	612	591	561	575

- Maintenance shut-downs by petrochemical companies
- Improved market conditions for derivatives
- Ethylene : Increased demand by downstream petrochemical manufacturers (PE/EG)
- Propylene : Strong market conditions for PP

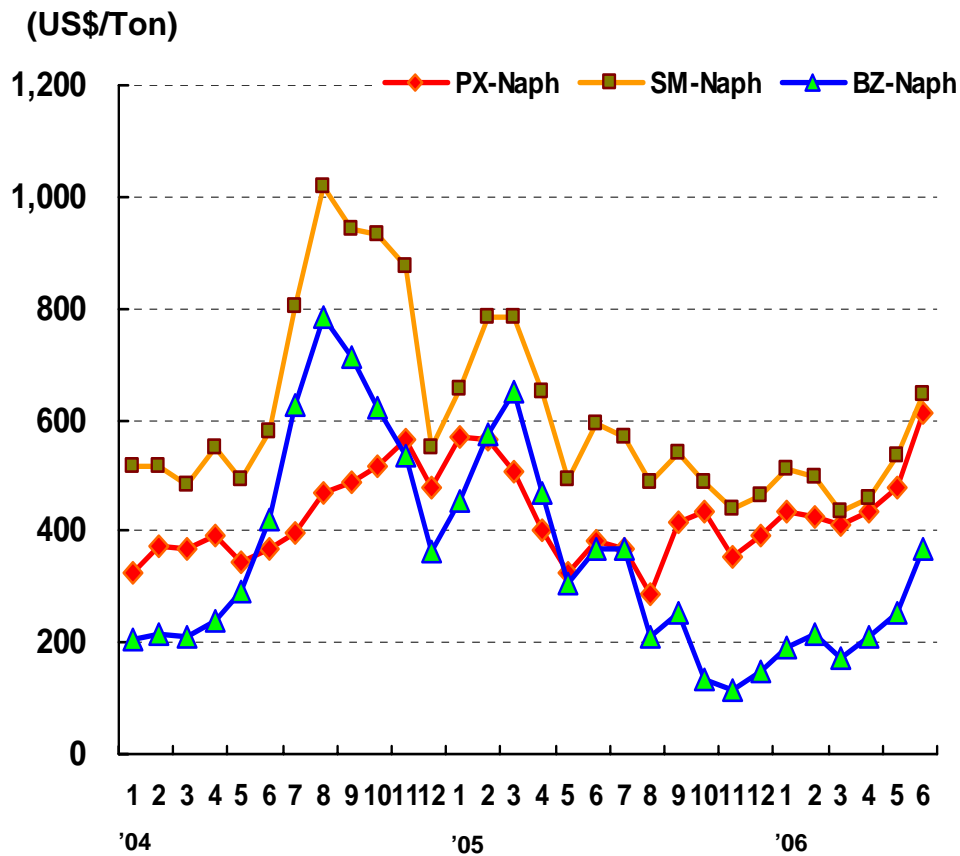
Outlook for 2H06

- Continuous tight supply-demand conditions for Ethylene
- Major Asian Naphtha crackers scheduled for regular maintenance shut-downs (3Q)

Petrochemical Business (cont'd.)

Strong BTX market conditions and rebounding prices of Aromatics enhanced Aromatic spreads

Aromatic product spreads



Source : ICIS

Factors behind change in spreads

Product spreads (vs. Naphtha) (US\$/Ton)

Spread	1Q05	2Q05	1Q06	2Q06
Benzene	559	380	193	277
PX	548	370	423	509
SM	740	578	482	547

- BTX : High crude oil / U.S. gasoline prices widened spreads
- PX : Tight regional supply, rise in Xylene (MX) prices
- SM : Strong Benzene price, higher demand from downstream manufacturers, low inventories owing to the regular maintenance shut-downs

Strong Reformate prices (US\$/B)

Reformate Premium (Reformate- Naphtha)	1Q05	2Q05	1Q06	2Q06
	7.5	13.9	15.2	24.6

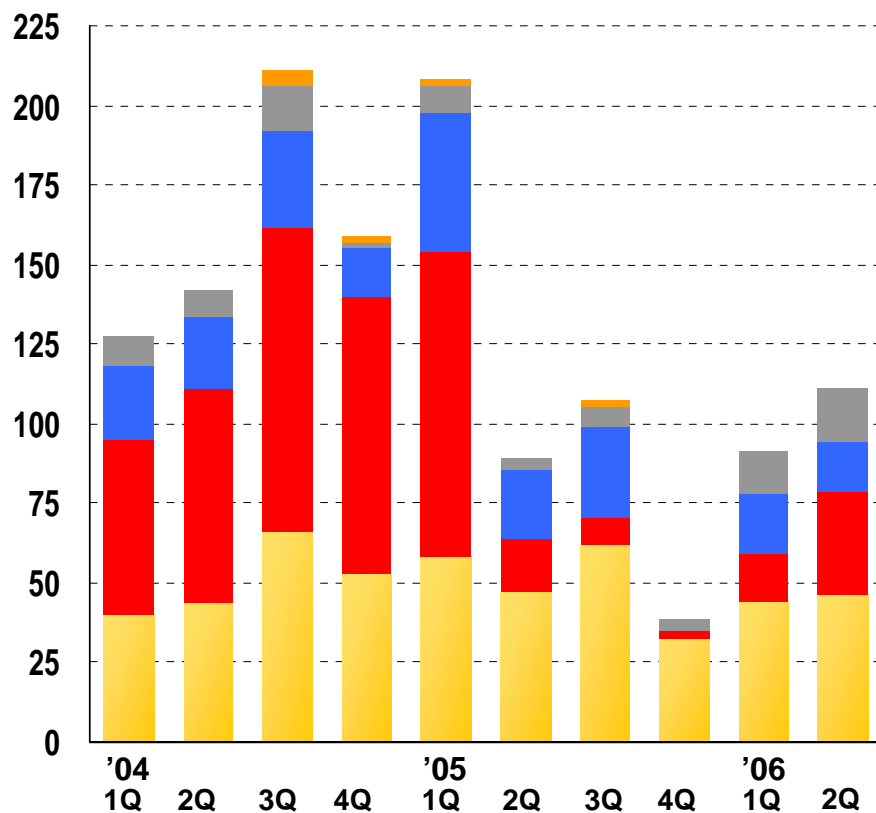
- Rise in oil prices and strong Gasoline prices in the U.S.

Petrochemical Business (cont'd.)



Operating profit by product

■ Olefin
 ■ Aromatic
 ■ Polymer
 ■ Solvent
 ■ Other
 (bn KRW)



Source: Company

Plant Operation

□ Early start-up

- New Reformer (NRC) : May, 2006

(KTON/Yr)

	BTX capacity
Existing capacity	1,080
NRC (new start-up)	657
Total	1,737

- EPDM (re-operation) : May, 2006

→ Capacity : 20,000 ton/yr

□ Maintenance Shut-down schedule

Plants	Period	
Existing Reformer	5/25 ~ 7/3	2Q
#2 Cracker	8/21 ~ 9/24	3Q
PE	8/26 ~ 9/18	
PP	8/30 ~ 9/16	

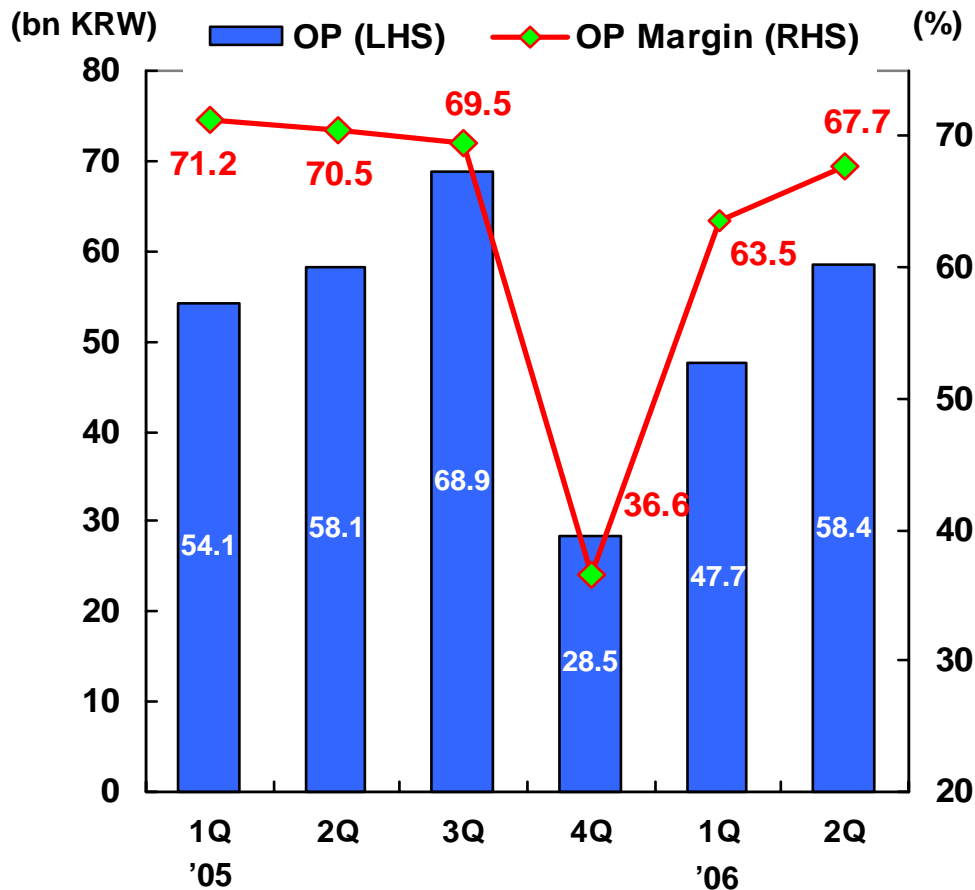
E&P Business



Sales and operating profit remained on par with last year's 2Q level

Operating profit by quarter

Overview of E&P Activities



E&P blocks / status

	Overview
1H06 Avg. Production	20,000 B/D
Reserves (P1)	4.2 mn B
Prod./Develop. blocks	9
Exploration blocks	14
LNG Projects	4

Participation in new blocks during 2Q06

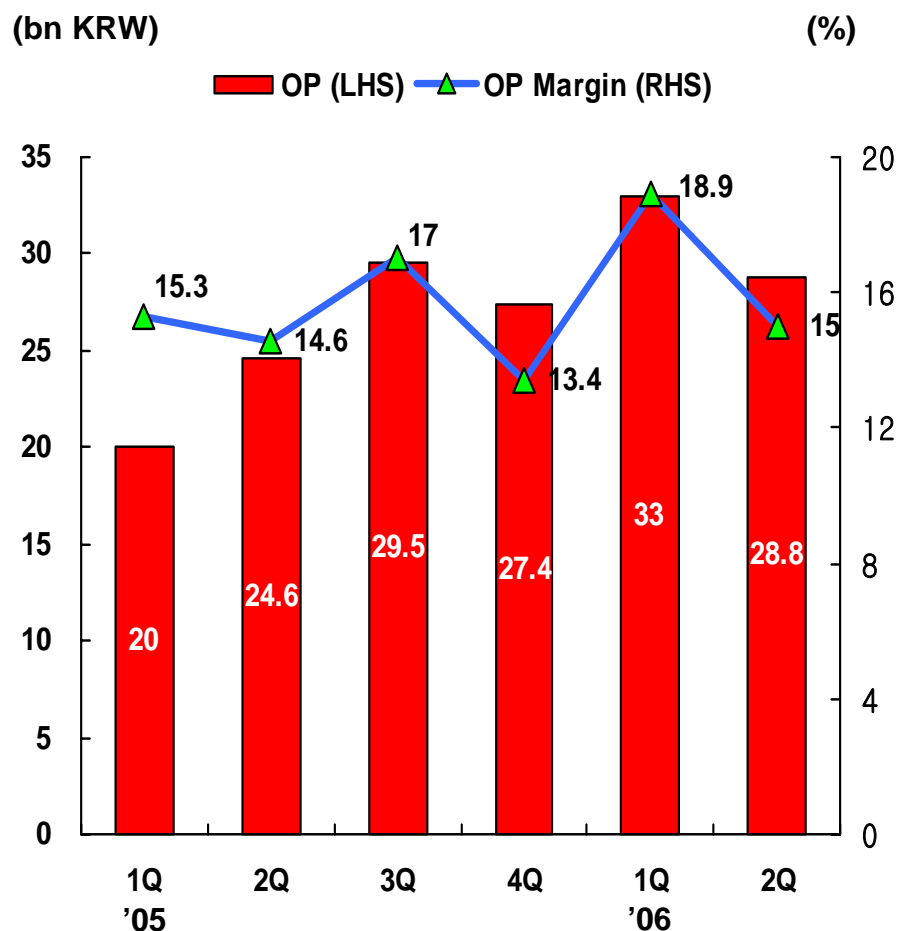
- U.K. North Sea blocks (4) : 30%~40% stake range
- Madagascar Majunga block : 20% stake

Lubricant Division



Continued efforts to improve profitability pushed up operating profit

Operating profit by quarter



Analysis of operating profit

Reasons behind improved profits

- The rise in the base oil product price as a result of tight base oil supply-demand balances
- Improvements in operational efficiency
- Reinforced overseas marketing activities

Lower sales volume due to the regular maintenance shut-downs

- Shut-down period : April 10~May 5, 2006 (26 days)

(M B)

Sales Vol.	2Q05	1Q06	2Q06
Base Oil	1,378	1,023	1,150
Lubricants	318	275	258



Q & A

3. Appendix

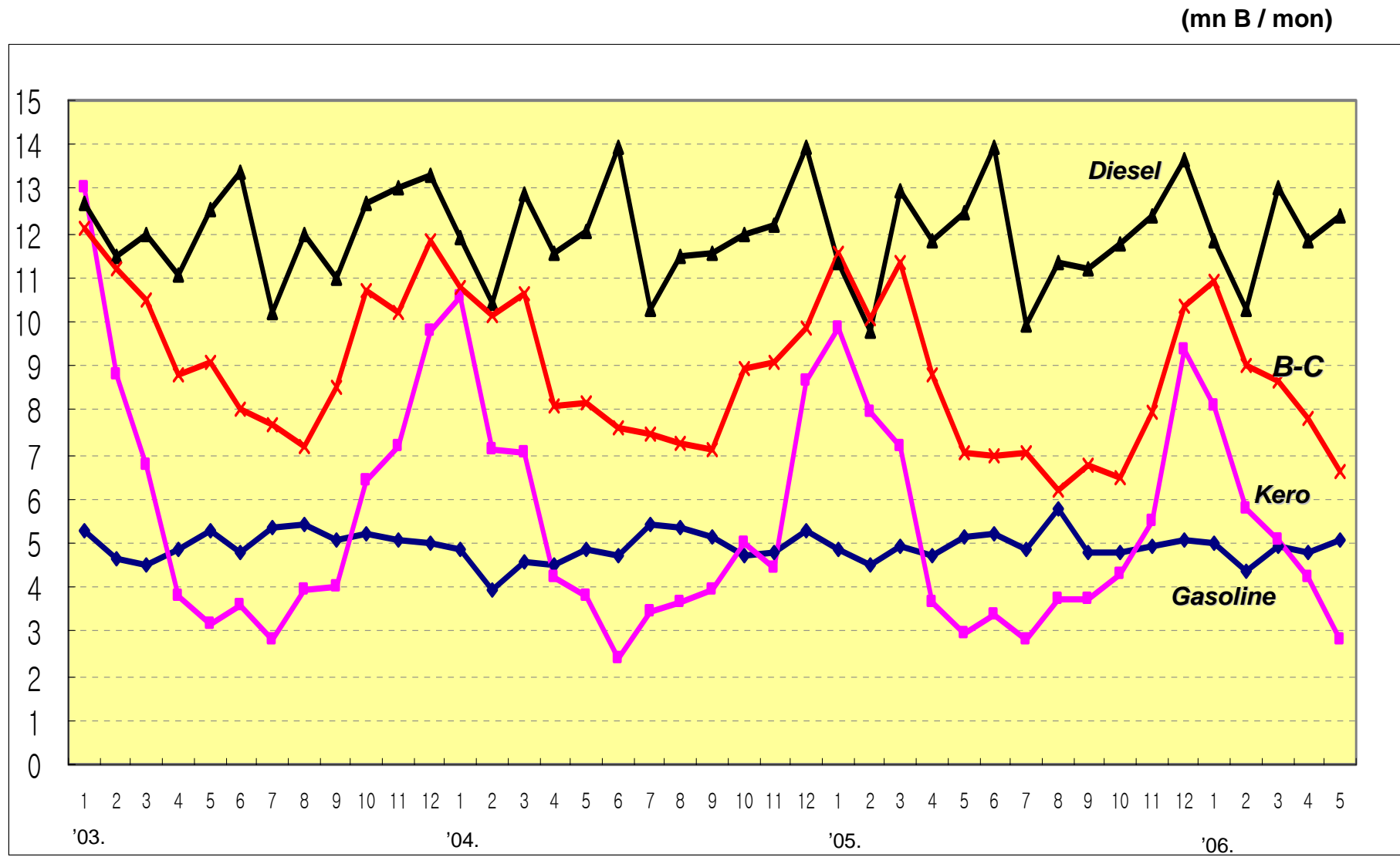
1. Demand for Petroleum Products

2. Utilization Ratio of Petroleum/Petrochemical Plants

3. Sales Volume and Spreads

4. Income Statement by Quarter & Business

1. Demand for Petroleum Products (Domestic Market)



Source: KNO

2. Utilization ratio – Petroleum / Petrochemical Plants



□ Petroleum Plant

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
CDU	94%	95%	89%	98%	91%	86%
HOU	100%	100%	100%	100%	100%	76%
RFCC	100%	84%	69%	100%	100%	100%

* CDU: Based on 810,000 b/d, HOU 45,000 b/d, RFCC 57,000 b/d

□ Petrochemical Plant

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
NCC	100%	100%	100%	100%	100%	100%
PX	95%	* 64%	98%	98%	99%	99%
PE	91%	94%	91%	95%	92%	93%
PP	100%	100%	100%	100%	100%	100%

* Maintenance Schedule (Early May ~ Early June)

3- A. Petroleum Products



1. Sales Volume

(Unit : MB)

Product	2005. 2Q			2006.2Q			Changes		
	Domestic	Export	Sub-total	Domestic	Export	Sub-total	Domestic	Export	Sub-total
Gasoline	5,458	401	5,859	5,247	73	5,320	(211)	(328)	(539)
Kerosene	1,387	3	1,390	1,017	29	1,046	(370)	26	(344)
Diesel	13,191	9,617	22,808	12,187	7,259	19,446	(1,004)	(2,358)	(3,362)
B-C	6,806	8,632	15,438	5,161	9,271	14,432	(1,645)	639	(1,006)
Jet	738	6,602	7,340	809	5,434	6,243	71	(1,168)	(1,097)
LPG	4,083	0	4,083	4,054	0	4,054	(29)	0	(29)
Asphalt	1,067	2,376	3,443	784	2,354	3,138	(283)	(22)	(305)
Naphtha	550	2,856	3,406	240	686	926	(310)	(2,170)	(2,480)
Total	33,280	30,487	63,767	29,499	25,106	54,605	(3,781)	(5,381)	(9,162)

(Source : Company)

3- B. Petrochemical Products



1. Sales Volume

(Unit : k Ton)

Product	2005. 2Q			2006.2Q			Change		
	Domestic	Export	Sub-total	Domestic	Export	Sub-total	Domestic	Export	Sub-total
Ethylene	38	59	97	62	20	82	24	(39)	(15)
PX	56	93	149	60	100	160	4	7	11
SM	17	83	100	53	84	137	36	1	37
PE/PP	87	101	188	86	114	200	(1)	13	12
Total	198	336	534	261	318	579	63	(18)	45

(Source : Company, Based on Major Products)

2. Spread (a - b)

(Unit : US\$/Ton)

a \ b	2005. 2Q			2006.2Q			Change		
	Ethylene	PX	PE	Ethylene	PX	PE	Ethylene	PX	PE
Naphtha	292			460			168		
MX		181			173			(8)	
Ethylene			277			106			(171)

(Source : ICIS)

4-A. Statement of Income by Quarter

(Unit: bn KRW)

	'05 1Q	'05 2Q	'05 1H	'06 1Q	'06 2Q	'06 1H
Sales	4,763.9	5,181.7	9,945.6	5,277.7	5,748.6	11,026.3
Cost of Sales	4,160.8	4,670.2	8,831.0	4,699.9	5,183.3	9,883.2
Gross Profit	603.1	511.5	1,114.6	577.8	565.3	1,143.1
SG&A	219.7	274.1	493.8	247.8	258.2	506.0
Operating Profit	383.4	237.4	620.8	330.0	307.1	637.1
Non-operating Profit	384.4	550.2	892.4	658.6	385.6	1,034.3
Non-operating Cost	190.8	259.4	408.0	231.8	279.8	501.7
Income Before Tax	577.0	528.2	1,105.2	756.8	412.9	1,169.7

4-B. Statement of Income – Petroleum

(Unit : bn KRW)

	'05 1Q	'05 2Q	'05 1H	'06 1Q	'06 2Q	'06 1H
Sales	3,319.9	3,753.4	7,073.3	3,813.5	4,086.6	7,900.1
Cost of Sales	3,093.4	3,515.9	6,609.3	3,505.6	3,813.4	7,319.0
Gross Profit	226.5	237.5	464.0	307.9	273.2	581.1
SG&A	130.4	176.4	306.8	151.3	160.4	311.7
Operating Profit	96.1	61.1	157.2	156.6	112.8	269.4



4-C. Statement of Income – Petrochemical

(Unit : bn KRW)

	'05 1Q	'05 2Q	'05 1H	'06 1Q	'06 2Q	'06 1H
Sales	1,161.6	1,093.7	2,255.3	1,133.0	1,323.2	2,456.2
Cost of Sales	918.8	973.0	1,891.8	1,000.1	1,169.3	2,169.4
Gross Profit	242.8	120.7	363.5	132.9	153.9	286.8
SG&A	35.0	37.7	72.7	43.5	43.9	87.4
Operating Profit	207.8	83.0	290.8	89.4	110.0	199.4

4-D. Statement of Income – Lubricant / E&P / Others

(Unit : bn KRW)

	Lubricants			E & P			Other		
	'05 1H	'06 2Q	'06 1H	'05 1H	'06 2Q	'06 1H	'05 1H	'06 2Q	'06 1H
Sales	298.8	191.5	366.1	158.4	86.3	161.4	159.8	61.0	142.5
Cost of Sales	224.8	145.3	273.0	41.4	25.3	49.8	63.7	30.0	72.0
Gross Profit	74.0	46.2	93.1	117.0	61.0	111.6	96.1	31.0	70.5
SG&A	29.4	17.4	31.3	4.8	2.6	5.5	80.1	33.9	70.1
Operating Profit	44.6	28.8	61.8	112.2	58.4	106.1	16.0	-2.9	0.4



Thank You