

# CREATIVITY:

from inspiration to innovation,  
our secret for **SUSTAINABILITY**

<http://cii.samsung.com>

● **Reporting principles**

To observe, as much as possible, the format of sustainability reports, for which there is greater social demand, we created this 2008 Corporate Report in accordance with the Global Reporting Initiative (GRI) G3 Sustainability Reporting guidelines.

● **Reporting guidelines**

The outline of the index is available in the appendix and the content of this report is located on the Cheil Industries website (<http://cii.samsung.com>).

● **Composition of the report**

This report is comprised of sustainability management principles, social and environmental performances, economic performance and targets, and an appendix. The composition and classification of the report will be revised and improved in each annual publication of the report.

● **Reporting period and cycle**

The reporting period is based on the annual fiscal year; however, significant comprehensive information is included regardless of the reporting period. The report also contains data with explanations on observed trends over the last three to five years to increase the readers' understanding of sustainability related issues.

● **Scope of the report**

The scope of this report is confined to the business activities conducted by Cheil Industries, and sustainability-related content and issues are confined to the domestic arena. As such, overseas subsidiaries and representative offices are not included in this report. This report is not applicable for participation in or evaluation by stakeholders, but the inclusion of stakeholders will be considered in future reports.

● **Verification of the report**

In consideration of the verification schedule, among other factors, this report has not undergone verification by an independent auditor, but has been subjected to a reasonable internal audit, including reviews by executive management. The verification organization and procedures shall be reviewed and reflected in future reporting.

● **Additional information about the report**

If you need additional information about this report or have questions, please contact us at the following:

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# Creativity:

from inspiration to innovation,

our secret for SUSTAINABILITY

Cheil Industries was launched as the parent company of Samsung in 1954. As a leader in creative management, it has secured global competitiveness by quickly responding to the growth cycle of the Korean industrial sector and changes in the external environment.

Cheil Industries has achieved growth together with the development of the Korean textile industry, successfully expanding its business areas into fashion in the 1980s, chemicals in the 1990s, and electronic chemical materials (ECMs) in the 2000s, thereby building a framework for continuous growth. The company has been enhancing shareholder value by implementing creative and innovative management as execution strategies; realizing customer satisfaction by offering high-quality services; and creating a fun place to work based on reasonable talent management. Cheil Industries has also made strenuous efforts to co-exist with its business partners and the local community, based on a philosophy of mutual prosperity and cooperation.

We have continuously moved forward with innovation, while addressing obscured crises and refusing to become complacent with short-term results. Thanks to such efforts, Cheil Industries posted sales of KRW 3.7278 trillion, an operating profit of KRW 240.2 billion, and a net profit of KRW 157.5 billion, achieving a year-on-year growth of 19.8%, 7.2%, and 4.2% respectively, despite the global economic downturn in 2008. What is especially worth noting is that the operating profits of the ECM business unit, which the company is cultivating as a next-generation growth driver, exceeded the operating profit of the chemicals and fashion business areas for the first time, thus further strengthening the company's sustainable business portfolio.

Notwithstanding difficult market conditions in 2009, we will make increased efforts to satisfy the expectations and interests of all of our customers and shareholders. We will go further by developing new growth engines based on more creative and innovative management, and secure world-leading competitiveness in all business areas. In addition, we will ramp up the speed of our technological and process innovation as well as engage in thorough risk control and creative talent management to create an even better future for the company.

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● **Name**

Cheil Industries Inc.

● **Date of establishment**

September 15, 1954

● **Domestic business sites**

Five, including the R&D Center in Uiwang

● **Number of employees**

3,118 persons (male: 2,360, female: 758)

● **Overseas business sites**

17 across the world, including the U.S. and Germany

## History

1954	Founded as Cheil Wool Textiles Co.
1956	Commenced plant operations and manufactured the first combed yarn
1965	Became the first Korean business to secure a license to use the WOOL trademark
1969	Became the first Korean company to receive the Invention Award in the textile sector
1976	Became the first Korean company to be chosen as a wool textile product inspection organization by the International Wool Textile Organization
1977	Advanced into the fashion business
1989	Advanced into the chemicals business
1993	Completed construction of the Yecheon artificial marble plant
1995	Developed and released high-quality flame-resistant ABS
2000	Advanced into the electronic chemical materials business
2002	Completed construction of the Gumi IT materials production complex; The Company's flame-retardant ABS and transparent ABS were selected as two "World's Best" products by the Ministry of Commerce, Industry, and Energy
2003	Opened the Daegu Opera House (donated it to Daegu City)
2007	Ace Digitech became a subsidiary
2008	Completed construction of a polycarbonate (PC) plant and opened the Bean Pole New York Studio

## Creativity and innovation are integral to every step we take



### Through inspired and innovative management lies the promise of sustainability

Providing top quality products and services to customers, unsurpassed results to shareholders, and an enjoyable place to work for employees,

- Cheil Industries half century of constant creativity has allowed them to build a history of enhancing value.

## Achieving sustainable growth, while realizing the vision of becoming a 'Global top-tier company'

Dear stakeholders,

My name is Hwang Baek, and it is my distinct pleasure, as the new CEO of Cheil Industries, to announce the release of the second corporate report of Cheil Industries, which embodies the company's strong determination towards mutually beneficial management.

Even amidst the economic slump resulting from the global financial crisis, Cheil Industries is moving forward, creating better opportunities by delivering new value to customers and markets based on our two core businesses of cutting-edge materials and fashion. The cutting-edge materials business, including chemicals and electronic chemical materials, aims to lead technological trends by strengthening R&D and global marketing competencies, while the fashion business is striving to fully establish a business structure that enhances the "soft" competitiveness of designs and brands.

Now more than ever, a company's understanding of the need for mutually beneficial values and actions raises the possibility of future growth in this difficult to forecast business environment. Only a company that fulfills its social responsibilities, while generating stable profits based on distinctive products and services, will be chosen by customers in the newly structured market that will emerge as the world comes out of the economic slump. Based on the growth potentials accumulated in the process of corporate transformation, Cheil Industries will systematically build a world-leading sustainable management system. This corporate report signifies Cheil Industries' promise to share healthy values with various stakeholders, based on management characterized by integrity and transparency. We will further advance the report's strengths and focus our competencies on addressing shortcomings. Above all, we will create a corporate culture that respects the value of achieving mutual benefits with other members of society, based on open communication that involves paying heed to your suggestions as well as your encouragement. We ask you for your continuous interest and support, and to watch Cheil Industries as we achieve further growth.

Thank you.

May 2009

Cheil Industries CEO and President **Hwang Baek**

HWANG, BAEK

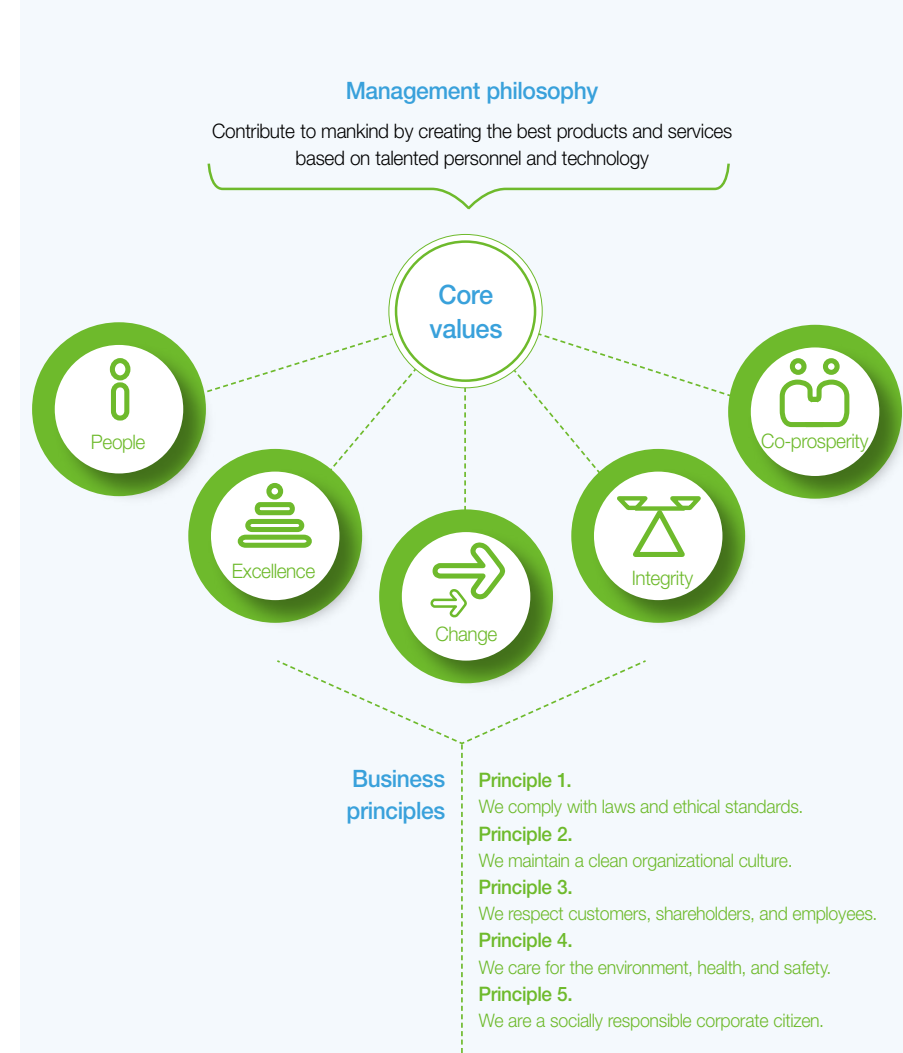


## Advanced philosophies, superior management- Unique fundamentals create unique results

The history of the Samsung Group is decorated with continuous challenges made to develop the industries needed in the respective era, and to enable them to take root. Our bold philosophy of contributing to the nation's economic development as well as the prosperity of all mankind enabled us to offer Korea's best products and establish the finest company in the nation. Cheil Industries, the parent company of the Samsung Group, is preparing to take great leaps forward as a global, top-tier company, based on creative and innovative management.

### Value Structure of Samsung

Samsung's management philosophy provides the very reason for the company's existence as well as the company's ultimate goal. Samsung's core values embody the company's identity, the "DNA" that has led to its continuous growth and are used as standards for making all decisions related to corporate activities. In addition, Samsung's management principles signify the promise made by the company to execute the aforementioned philosophy and values and to fulfill its social responsibilities as a world-leading company.



### The Future Vision of Cheil Industries

Based on the value structure of Samsung, Cheil Industries is advancing as a global, top-tier company by continually implementing product, technology, marketing, and process innovation through an organizational culture that is based on creative innovation.



### Execution Strategy by Business Area

#### Chemicals

**We will establish a business structure that generates high profits**

- Innovate the production structure by expanding high value added products and boost business competitiveness by reducing costs.
- Build a new growth foundation through early stabilization of new businesses, including the expansion of the PC-based resin business.
- Reinforce global business competencies through localization of marketing and the overseas production system.
- Engage in early acquisition of new material-based high value-added technologies by strengthening R&D on next-generation products.

#### Electronic Chemical Materials

**We will lead the market with our technologies**

- Expand the company's market share and advance into new markets by securing cost competitiveness and engaging in advanced quality control.
- Quickly develop distinctive products that satisfy customer needs and stay close to customers to understand and fulfill their every need.
- Continually transform existing products, such as the polarizer film and Epoxy Molding Compound (EMC), into high value added products.
- Build a foundation to create new markets to secure future growth drivers.

#### Fashion

**We will create endless value for global brands**

- Actively develop core products for each brand.
- Strengthen the business by enhancing the design competitiveness and value of key casual brands, including Bean Pole.
- Reorganize the business structure to be profitability-oriented by developing famous brands.
- Achieve early stabilization of new ladies' wear and accessories business.

## Building a foundation for a healthy corporation based on transparent management

Cheil Industries is striving to establish more transparent and ethical corporate governance. The board of directors of Cheil Industries is comprised of highly regarded individuals with profound expertise and extensive experience. As of 2009, the BOD consists of seven members, including four outside directors with experience in management, finance, marketing, technology, and other fields. Since 1999, the company has held a directors and officers liability insurance policy so that the recent increase in demand to protect minority shareholders' rights does not hinder normal business operations. The compensation cap was KRW 20 billion as of December 2008.

### Composition of the BOD

#### Standing Directors

**01 Hwang Baek** CEO  
 2009 Current President and CEO of Cheil Industries Inc.  
 2006 Executive Vice President and Head of the Fashion Business Unit  
 2004 Executive Vice President of the Corporate Planning & Administrative Department at Samsung Techwin  
 1998 Managing Director of the Corporate Planning & Administrative Department at Samsung Corporation

**02 Lee Mun-yong** Executive Vice President  
 2007 Current Executive Vice President and Head of the Electronic Chemical Materials Business Unit  
 2006 Executive Vice President and Chief Patent Officer (CPO) of Samsung Electronics  
 2003 Executive Vice President and Director of the System and Home Appliances Division of Samsung Electronics  
 2000 Managing Director and Head of the Semiconductor R&D Center of Samsung Electronics

**03 Jeon Cheol-hwan** Managing Director  
 2009 Current Managing Director in charge of Corporate Planning and Administration  
 2005 Managing Director and Head of the Corporate Planning & Administrative Department of the Chemicals Business Unit at Cheil Industries  
 2002 Managing Director in charge of Business Management at Cheil Industries

#### Non-Standing Directors

**04 Kim Young-jin** Outside Director  
 Current Professor of Business Administration at Seoul National University  
 2007 Outside Director of Cheil Industries  
 1979-1982 Professor of Business Administration at Bowling Green State University

**05 Yoon Young-dae** Outside Director  
 Current Invited Professor at Seoul National University of Technology  
 2007 Outside Director of Cheil Industries  
 2002-2003 Vice Chairman of the Korean Fair Trade Commission  
 1998-2002 Sixth Chairman of the Korea National Statistical Office

**06 Kang Hye-ryeon** Outside Director  
 Current Professor of the Business Administration Department of the College of Business Administration at Ewha Womans University  
 2007 Director of the Korean Association of Business Education Accreditation and Exchange, and Cooperation Team Manager

**07 Kim Seong-jin** Outside Director  
 Current Lawyer at Bae, Kim & Lee LLC  
 1995 Authorized to practice law in New York, U.S.  
 1983 Passed the 25th Korean legal examination



### Management Committee

- **Management Committee**

This committee consists of three standing directors. It can make resolutions on management and financial agenda commissioned by the BOD.

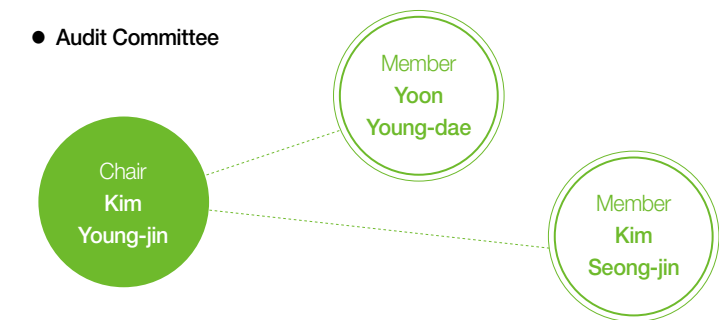
- **Outside Director Candidate Recommendation Committee**

This committee is comprised of two standing directors and two outside directors. It is in charge of recommending candidates for outside directors.

- **Audit Committee**

This committee consists of three outside directors. It has the right to audit the company's accounting and management affairs, request reports on the company's business from directors, and inspect the financial status of the company.

- **Audit Committee**



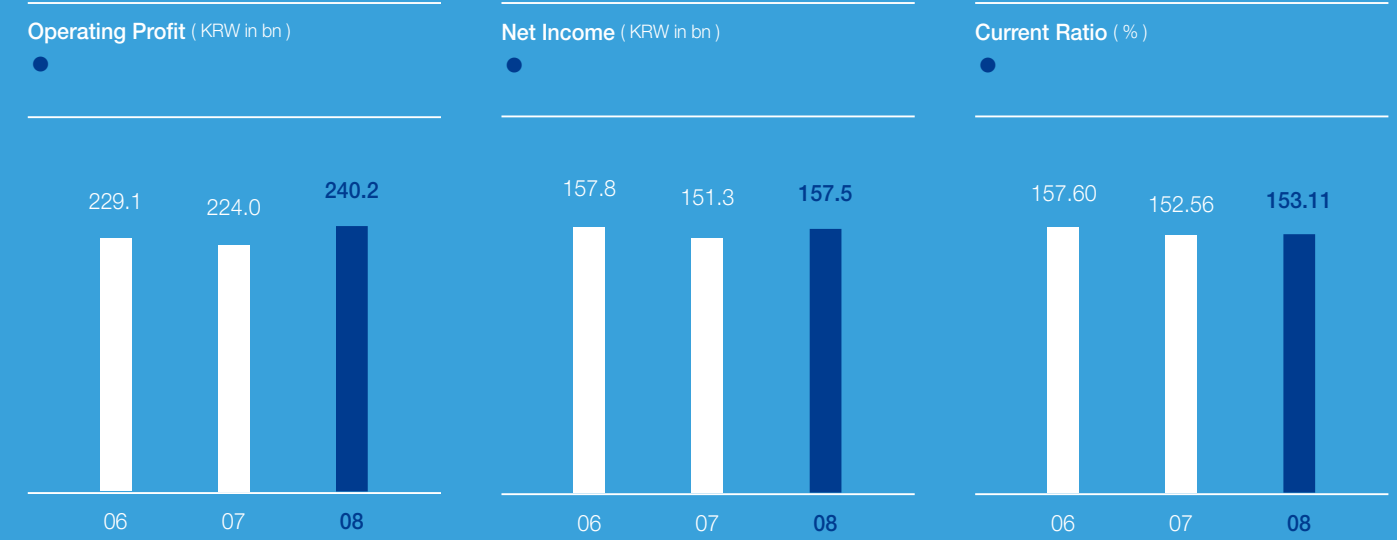
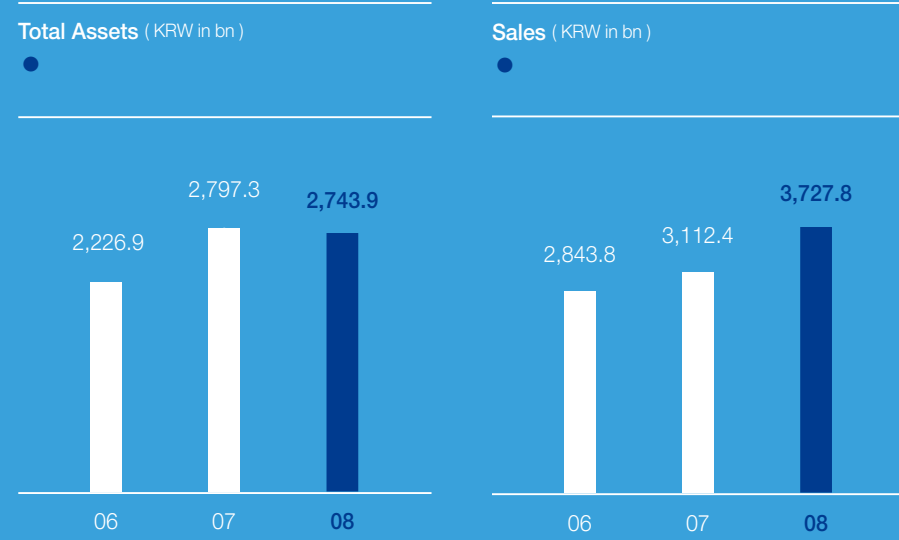
- **Independent Auditors**

Deloitte Anjin LLC (Designation date: February 7, 2007; Contract period: 3 years)

### Audit Committee Status and Independent Auditors

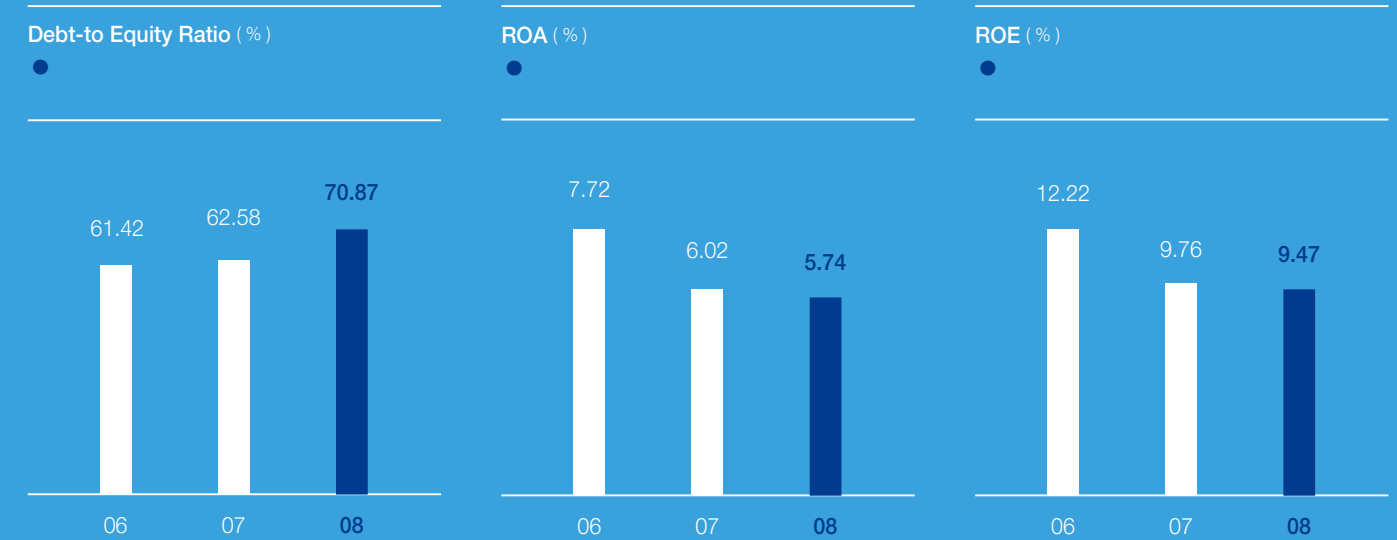
### 2008 BOD Activities

No.	Date of gathering		Agenda	Whether approved
1	Feb 4, 2008	Agenda	1. Approval of the financial statements and business report of 2007 2. Approval of management plans for 2008	Approved
		Report	1. Report on the current status of the internal accounting management system 2. Report on the evaluation of the current status of the internal accounting management system 3. Effects of incentive stock option	-
2	Mar 10, 2008	Agenda	Call for the 54th shareholders' meeting	Approved
3	Mar 28, 2008	Agenda	1. The post of a director and entrusting tasks 2. Payment of compensation for directors 3. Appointment of members for the Outside Director Candidate Recommendation Committee 4. Approval of ceiling on transaction amounts with major shareholders, etc.	Approved
4	Apr 21, 2008	Agenda	Approval of 1Q 08 financial statements	Approved
		Report	Purchasing a directors and officers liability insurance policy	-
5	Jul 21, 2008	Agenda	1. Approval of 1H 08 financial statements 2. Stock repurchase 3. Execution of E-stone business	Approved
		Report	1. Report on the current status of the internal accounting management system 2. Management strategy for the second half of the year by area	-
6	Oct 20, 2008	Agenda	Approval of 3Q 08 financial statements	Approved
7	Dec 22, 2008	Agenda	Payment of deposit for retirement insurance	Approved
		Report	Report on the management status and pending issues	-



## Key financial results for 2008

Despite the difficult business environment at home and abroad in 2008, Cheil Industries made efforts to realize its vision of becoming a 'Global top-tier company' Thanks to such efforts, the company was able to make considerable achievements in various fields throughout the year, even as this year the company began its assigned tasks for sustainable growth. Cheil Industries will advance into a world-leading company by continually evolving its products, technology, marketing, and processes, based on a creative and innovative organizational culture.



APRIL



Acquisition of international official lab accreditation from the Korean Agency for Technology and Standards

Cheil Industries was granted accreditation from the Korea Laboratory Accreditation Scheme (KOLAS), which will expedite the development of environmentally-friendly products.

An evaluation was carried out to comprehensively review labs as to their test quality management system, lab environment, and lab centers' analysis capabilities. The evaluation was supervised by KOLAS under the Korean Agency for Technology and Standards of the Ministry of Knowledge Economy according to the Fundamental Act on International Standards. Cheil Industries was granted accreditation in 8 substances and 24 standards in the mechanical test, and in 8 items and 13 standards in the chemical test. This includes six items that belong to the Restriction of Hazardous Substances (RoHS), which is an environmental regulation adopted by the European Union. The in-house method of Cheil Industries in this area has been acknowledged as an international standard, which translates into a further enhancement of the company's global research and development capabilities.

According to international rules, an internationally authorized accreditation mark will be attached on official test reports issued by Cheil Industries, giving them the same effect at 57 lab accreditation organizations in 45 advanced countries across the globe, such as the U.S., Japan, Germany, and Britain. With this accreditation, Cheil Industries will now be able to quickly address requests by overseas companies concerning analysis of hazardous substances of products based on the official test reports. As such, it is anticipated that product stability and credibility will be substantially enhanced.

JULY



Various volunteer activities

Cheil Industries implemented the philosophy of sharing in conducting various activities, including local community volunteering in connection with a management strategy meeting and an event to commemorate the company's founding.

Roughly 200 executives and managers attended a strategy meeting for the second half of the year on July 8 at the Uiwang R&D Center. After the meeting, the attendees visited four social welfare facilities in Uiwang, carried out facility repair activities and made donations. They engaged in responsible management, contributing to the local community by carrying out a wide array of activities, such as fixing screen windows and donating a public telephone booth at the Myoung Ryun Nursery, as well as painting the outer walls and replacing floor paper at the Peace Nursery and the Eden House, a home for seniors.

On September 5, the 54th anniversary of the company's founding, the 'Campaign to create a beautiful Uiwang - A world of hope created by sharing' was simultaneously conducted at eight locations around the nation, including Uiwang, Seoul, Yeosu, and Gumi. As a public-interest campaign aimed at promoting the practice of donating, it was held together with the local communities. A total of around 15,500 items were sold through the Beautiful Store, including 7,000 garments donated by the fashion business unit, 6,000 electronic products, books, and children's products donated by employees, and roughly 2,500 items donated by Uiwang City.

This event was held based on the matching grant system in which voluntary donations worth KRW 1,000 to 30,000 were made by around 95% of all Cheil Industries executives and staff members every month. The proceeds from the event were used to pay for the education expenses of children from low-income families in Uiwang and were donated to the Beautiful Store.

SEPTEMBER



Special ceremony held with parents of new employees

Cheil Industries held a special ceremony by inviting the parents of 84 new employees who joined the company in 2008 to the Uiwang R&D Center. The CEO, the leader of each business unit, and staff members congratulated the new family members of Cheil Industries. Breaking away from the format of such ceremonies held in the past, where only the conferment of written appointments was carried out, this year's ceremony featured a video of congratulatory messages made by the parents, a presentation on the training course for new employees, and a tour of an exhibition hall. In particular, foreign employees working at the overseas subsidiaries, in the U.S. and elsewhere, sent videos containing congratulatory messages and an introduction to the company's global business competencies. The new employees gave a presentation on their training course in English, Chinese, Japanese, and Spanish to their parents, thereby sharing the great sense of pride they feel towards the company.

OCTOBER



Establishment of Samsung Chemical (Thailand) Co., Ltd.

Cheil Industries moved its office in Malaysia, which was previously in charge of business in Southeast Asia, to Thailand and raised its status to a corporation. Samsung Chemical (Thailand) will focus on making advancements into the entire Southeast Asian market, which is a key market for the chemicals business. It will perform the role as an advanced base that actively implements one of the key strategies of the chemicals business, which is to 'strengthen global business competencies by localizing overseas marketing.'

OCTOBER



Bringing Bean Pole to the world

Korea's No. 1 casual brand, Bean Pole, is launching efforts for greater globalization of the brand. On October 17, Bean Pole held a press conference at the Chosun Hotel and announced that it will build a Bean Pole Design Studio in New York, the global center of fashion, as part of its Bean Pole globalization strategy and invest 30 million dollars over the next five years. Bean Pole has been gaining attention for its successful global marketing since 2005, when it launched the 'Bean Pole International Campaign.' Through the Bean Pole New York Design Studio, Bean Pole plans to implement the high-class design strategies that a global premium brand needs to realize in the global market. The designs of the New York Studio will be sequentially applied to

OCTOBER



Entry into the Hall of Fame in the marketing category of the '2008 Korea Management Awards' announced by Korea Management Association Consulting

During the '2008 Korea Management Awards' announced by Korea Management Association Consulting (KMAC) on October 20, Cheil Industries was honored with an entry into the Hall of Fame. The Hall of Fame of the Korea Management Awards is a system introduced to praise model companies in Korea that have made outstanding management achievements. The chosen companies are among those that applied for the Korea Management Awards and succeeded in receiving the award for five consecutive years. The award is divided into a total of six categories, including the Management Innovation Award, Talent Management Award, and Customer Satisfaction Management Award. KMAC confers a comprehensive award for management innovation activities as well as area-specific awards that are given for innovation activities in different areas. The award ceremony was held at the Grand Hilton Hotel on October 21. Through the receipt of the award, Cheil Industries has raised its reputation as a leading company of Korea in the marketing sector while further enhancing the company's internal and external value.

DECEMBER

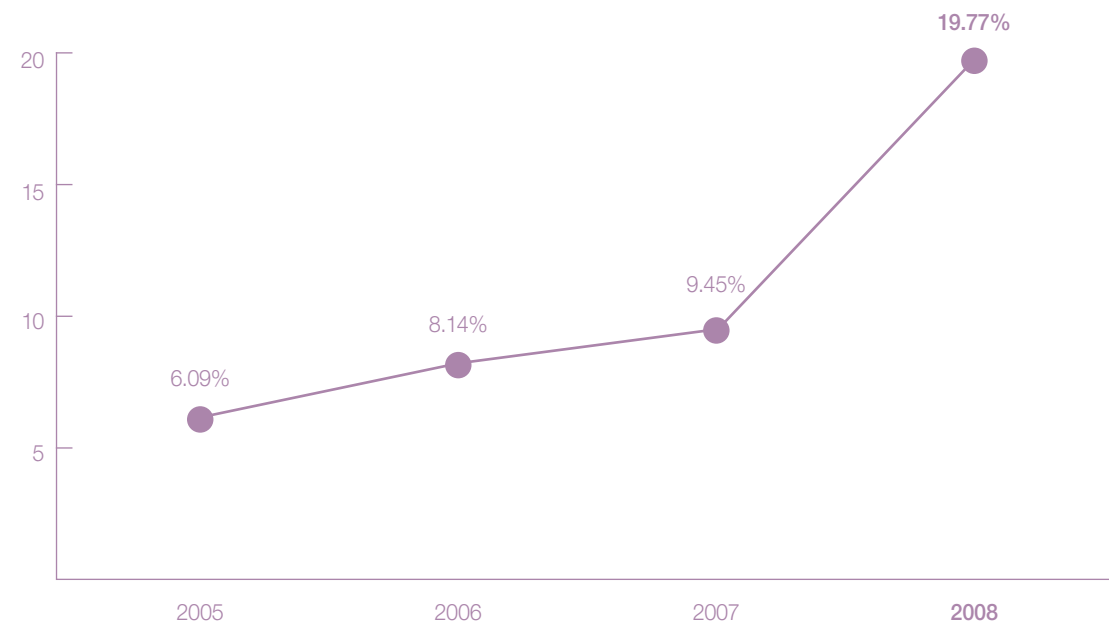


Announcement of the 2008 Samsung Fashion & Design Fund winners

On December 8, Cheil Industries officially announced the winners of the 2008 Samsung Fashion & Design Fund (SFDF). SFDF was established by Cheil Industries in 2005 to enhance the global reputation of Korean fashion by identifying Korean designers (and those of Korean descent) all across the globe. The company is sponsoring a total of 300 thousand dollars a year, 100 thousand dollars each to three prospective designers. The SFDF panel went through an in-depth and diverse screening process that includes a review of the designers' activities and design portfolio, a field assessment of where the designers work, and interviews. After going through this process, the panelists chose winners with creativity, business competencies, and growth potential. The 2008 SFDF winners are Sonia Yoon, who is a designer working in New York, Aimee Cho, and Juun J, who recently started working in Paris. Cheil Industries is implementing SFDF to cultivate experts in consideration of public interest. The first group of SFDF winners was Doo-Ri Chung, Koeun Park, and Richard Chai; and the second and third groups included Steve J & Yoni P, Sang A Im, and Gunhyo Kim, among others. The winners successfully established their own brand based on SFDF sponsorship and gained recognition for their skills and potential from the global fashion industry and media, thereby enhancing the reputation of the Korean fashion industry.



Growth rate of sales



## Enabling new growth and creating future value



**The ability to look into the future has made Cheil Industries what it is today**

Cheil Industries is advancing into new business areas that will shape future life, going beyond its leadership in the Korean textile industry throughout the past half a century. ● These advancements form the very foundation for profit-generation, which enables the company to secure competitiveness even in difficult business conditions, and function as growth engines that design yet another future.

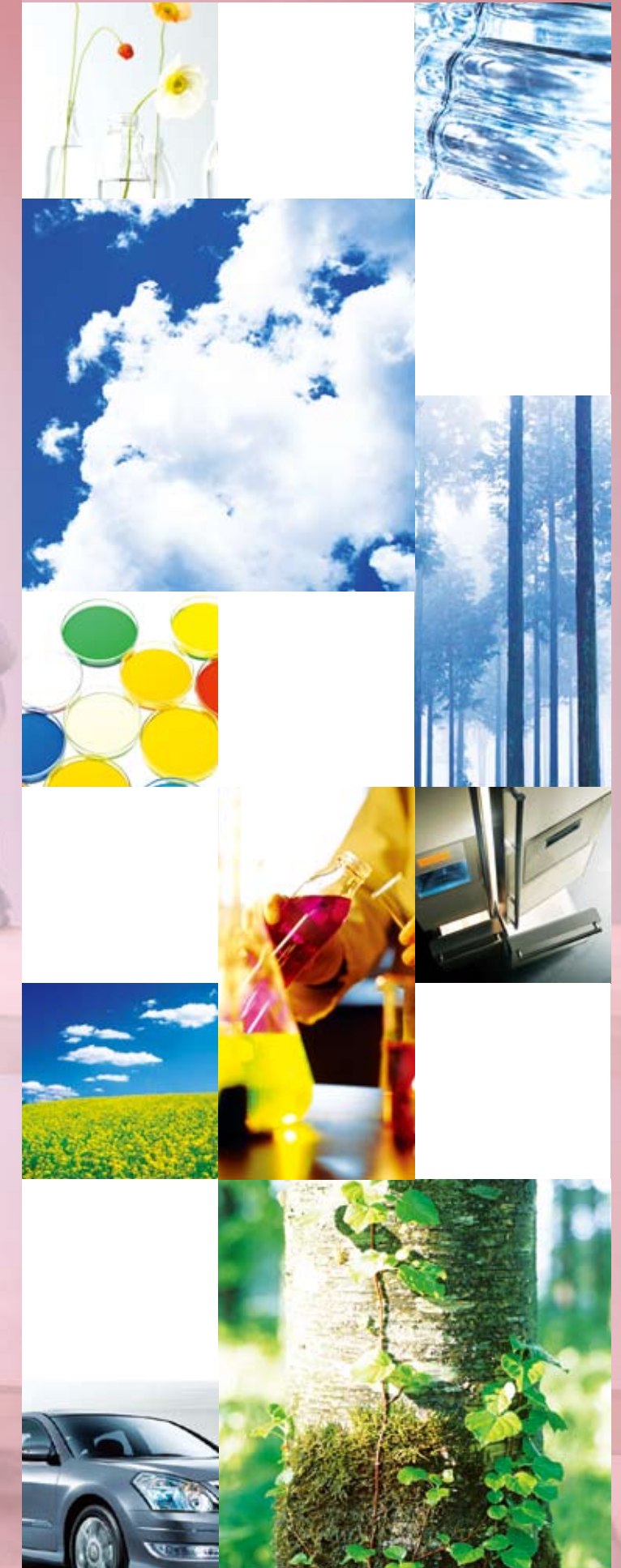
# 02

## Chemicals

Every single spot on this earth is precious. Be it the site of some memory, a spot to savor life's pleasures, a special area to rest, the place you put your passion to work, the space to enjoy a romantic drive, or where you sit to have a warm conversation with a loved one – We are there by your side.

Cheil Industries, which began its chemical business in 1989, is greeting customers in a greater number of places in their daily lives by diversifying its business through the development of cutting-edge new materials.

An idea born, an action begun,  
the momentum builds - a green world is formed





## Providing inspiring technologies that reach to the ends of the Earth

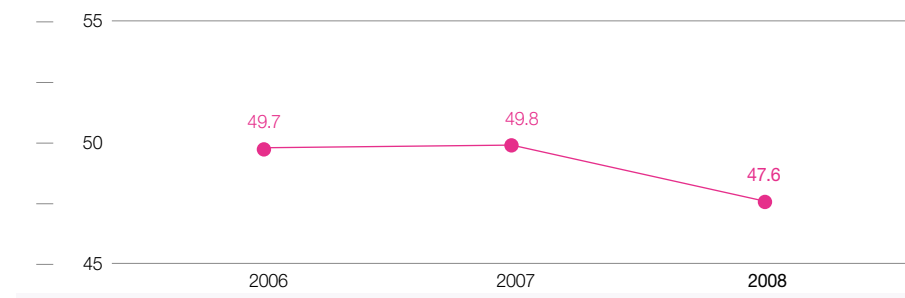
In 1989, Cheil Industries made inroads into the chemical business, which signaled the development of cutting-edge new materials. The company built the Yeosu plant, spanning 220 thousand pyeong, and began the production of synthetic resins, such as ABS and PS, as well as functional resins, such as SAN, EPS, and EP. In 1997, it entered into the artificial marble business and in 2000, the company became the first in the world to develop an environment-friendly flame-resistant ABS. Continuous technology innovation and investments have formed the foundation for Cheil Industries to become a world-leading synthetic resin company. Cheil Industries manufactures the top three resin products for monitors, TVs, and refrigerators in the world, and the company's resin products for mobile phones enjoy the highest market share in Korea and the second highest in the global market. Cheil Industries is also boasting world-leading capabilities in the field of IT-related high functional resin products, such as scratch-resistant resins for LCD-TVs.

The company's performance improved in the chemical sector, thanks to a rise in chemical product prices resulting from a sharp increase in oil prices in the first half of the year; and a rise in sales of IT-related high-functional products for LCD TVs and mobile phones. Market demand substantially deteriorated, attributable to the global economic downturn triggered by the financial crisis that originated from the U.S. in the second half of the year. However, the company was able to post stable sales and profitability due to an improvement in payability, owing to a decrease in raw material prices and the strong dollar.

The chemical business unit is forecast to become highly competitive in 2009 against the backdrop of the ensuing economic depression. Petrochemical companies all around the world have been cutting down production or are suffering from unprecedentedly low utilization in response to this environment. This is a result of decreased demand from the economic slump, as well as excessive supply owing to a steep increase in the number of plants in China and the Middle East since 2006. Several companies in the Middle East are also forecast to go beyond manufacturing relatively simple petrochemical products based on low-priced raw materials, and advance into high added value business. Major companies in the West will probably strengthen their technology-based business and close down businesses involved with manufacturing commodities. As such, it is expected that technological competitiveness in high added value products will become a critical factor. To respond to this trend, Cheil Industries intends to continuously increase the volume of high added value products, such as scratch-resistant resins and resins used for automobiles, instead of low added value products, to boost business competitiveness. The company plans to focus its efforts on innovating its production structure and improving cost competitiveness.

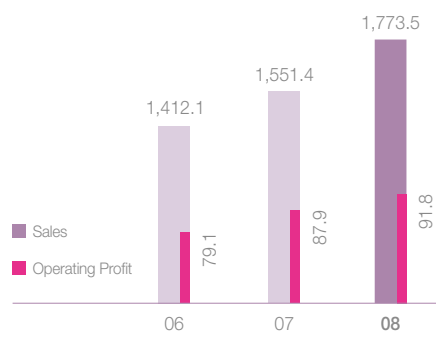
Cheil Industries will go further by reinforcing a new growth foundation through the early stabilization of new businesses, including the expansion of the PC-based specialty resin business. The company also intends to establish a global business structure by localizing its production systems and marketing; and successfully acquire high added value, new material technology earlier than others by strengthening R&D competencies.

Sales Contribution (%)



## 2008 Performance Review & Outlook

Sales · Operating Profit  
(KRW in bn)



## Major Products

### Flame-retardant ABS

Cheil Industries commands the largest share of the global market for flame-retardant ABS, a resin applied to the covers of electronic products such as monitors. It was the first company in the world to develop a halogen-free flame-retardant ABS resin, a fourth-generation retardant system. The company is making substantial contributions in the dissemination of environment-friendly materials.

### Sheet ABS

Sheet ABS is one of the core components that form the interior of refrigerators. Cheil Industries claims the largest share of the global sheet ABS market. The company expects an expansion in sales, thanks to the development of a next-generation thin sheet ABS that is easy to process and is superb in chemical resistance.

### Flame-retardant Hi-Impact PS (HIPS)

Flame retardants are combined with HIPS, which is then applied for housing large TV panels. The flame-retardant HIPS is an environment-friendly "world best" product that contains no hazardous substances.

### Scratch-resistant resin

The company's coat-free, high-quality exterior, scratch-resistant resins are premium resins applied only to high-end products, such as flat TVs and high-end home appliances. As a coating-free product, it is environmentally friendly. It is a high value added "world best" product that can help customers cut down costs and streamline processes since it does not require finishing procedures.

### Shock-absorbing PC (Polycarbonate), PC/ABS

Shock-absorbing PC and PC/ABS are in high demand due to their strength as mobile phones get slimmer. They are applied to the case material of mobile phones, electronics, precision machinery, and medical equipment. Cheil Industries accounts for more than 50% of the domestic market of resins for mobile phone cases.

### Artificial marble (Staron)

Staron, the artificial marble brand of Cheil Industries, is an interior décor material that features an outstanding level of sanitation and processability. It is a high-tech interior décor material that is like natural marble in its strength, high-quality texture, and sophisticated design; and like wood in its outstanding processability.

### Engineered stone

An environmentally-friendly construction material whose main raw material is natural, high purity quartzite, engineered stone is highly resistant to scratches and heat, and has a low moisture absorption level. As such, it is gaining attention as a high-class interior décor finishing material, in addition to its use for the top surfaces of counters or kitchens. The engineered stone, which offers a natural texture, is twice the price of acrylic artificial marble. It is a high added value product that is expanding its market share in the American, European, and Asian markets.



At the beginning and the end of IT, Cheil Industries began building a stable business foundation with the release of EMC, the encapsulant of semiconductors, in 1996, and is contributing to Korea's transformation into a world power in information and telecommunications, together with Samsung SDI and Samsung Electronics. Cheil Industries is continuously advancing as a global leader in electronic chemical materials by localizing new semiconductor and display materials and making inroads into new business areas, including polarizing film. It is putting a bright face on the future.

From information to enlightenment –  
the bright face of the future





## A world of endless possibilities and values – IT materials

Predicting significant growth in the IT industry, Cheil Industries began to focus on new growth drivers, beginning with the development of EMC, the encapsulant of semiconductors, in 1996. Declaring the Electronic Chemical Materials (ECM) business as its next-generation growth engine in 2000, the company has since then focused on nurturing the business. Construction of an IT production complex in Gumi was completed in 2002, after which the complex began manufacturing electrolyte for rechargeable battery, Electromagnetic Shielding (EMS) materials, and CMP slurry. The production complex was expanded, starting from 2003, in Gumi, Uiwang, and Yeosu where display materials including CR (Color Regist), ACF (Anisotropic Conductive Film), and diffuser plate are manufactured. Cheil Industries is exercising influence in all fields of the IT industry, ranging from semiconductor materials to display materials.

Based on active exchanges with IT-related companies, such as Samsung Electronics and Samsung SDI, the ECM business unit is growing at a fast pace. The ECM business will secure competitiveness in new business areas, including non-memory semiconductors, by continually developing new technologies, and further boost the competitiveness of the existing business.

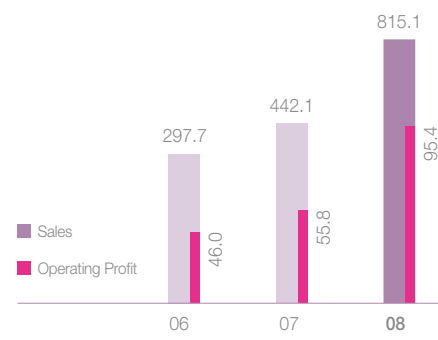
The ECM business unit, which Cheil Industries is hailing as a next-generation growth engine, continuously expanded its market share by supplying customized products that can address the rapid technological changes in advanced business areas, such as the semiconductor and LCD sectors. Thanks to such efforts, the business unit was able to post a sales volume that is twice as much as that recorded the previous year. This spectacular achievement was made possible by the early stabilization of the highly profitable new semiconductor materials business, based on continuous R&D efforts, and the substantial sales growth of the polarizer film business, which was launched in 2007. The ECM business thus reinforced its position as a new core business of Cheil Industries in 2008.

Demand for semiconductors and displays is predicted to drop in 2009, against the backdrop of sluggishness in both advanced and newly emerging markets. The ECM business unit is therefore expected to have its share of difficulties. As a countermeasure, the ECM business unit is prepared to increase its market share by securing cost competitiveness and engaging in advanced quality control, and to actively make inroads into new markets.

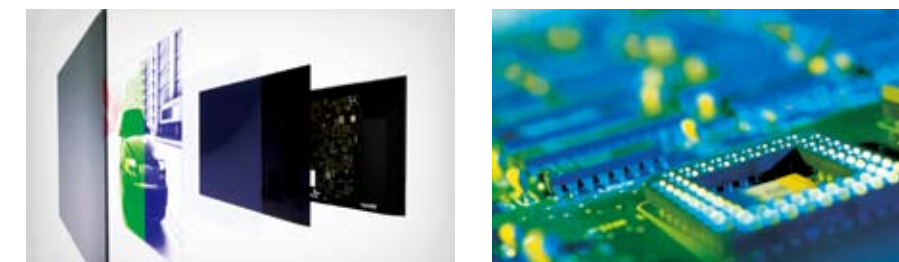
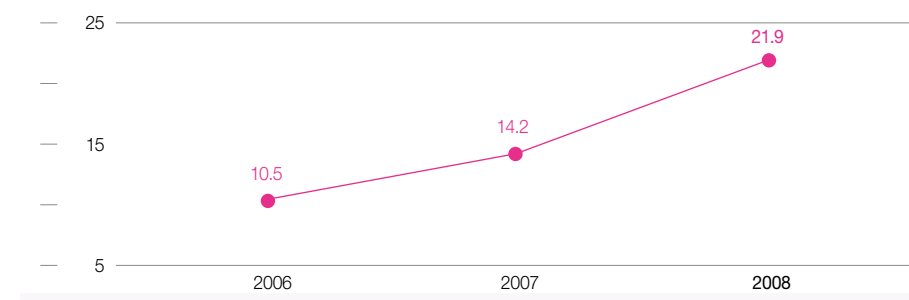
Cheil Industries will take a step further by quickly developing distinctive EMCs and diffuser plates that satisfy the specific needs of customers, and enter new markets to acquire new growth engines. By determining the priority of R&D programs, Cheil Industries will focus its competencies on strategic programs to boost its business competitiveness in the electronic chemical materials market, which is currently dominated by Japanese companies.

### 2008 Performance Review & Outlook

Sales · Operating Profit  
(KRW in bn)



Sales Contribution (%)



### Major Products

#### Epoxy Molding Compound (EMC) · Liquid encapsulant

This effectively protects semiconductor circuits from various external environmental factors.

#### Chemical Mechanical Polishing Slurry (CMP Slurry)

This material is used for grinding wafers to remove the stepped pulley when configuring the minute pattern and laminated circuits of semiconductors.

#### Polarizer film

This is a core component of LCD panels that controls the direction of light originating from the light source of the LCD.

#### Diffuser plate

Assembled in the backlight unit within LCD TV panels, the diffuser plate is a highly transparent material for optical use that delivers the light from the lamp to the screen uniformly.

#### CR (Color Regist)

Comprised of red, green, blue, black, and a transparent body, the CR is a photosensitive color dispersing agent that is used to manufacture the color filter, a core component of LCDs.

#### Anisotropic Conductive Film (ACF)

The ACF is an adhesive film created by dispersing minute electrical conductive particles. It is essential in making a connection to the circuits of Flat Panel Displays (FPDs).

#### Paste

This is a high-viscosity liquid-conductive or insulation substance used to create an insulator material and form electrode of PDPs and MLCCs.

Whether used for a game or to give warmth, every strand of innovation signifies Cheil's commitment to making a warmer, cozier world. Cheil Industries is creating a sustainable company based on world-renowned fashion brands and a design identity that is garnering attention all across the globe. The fashion business, originated from textile business in 1954, is preparing to grow, embodying the dreams of creativity in each strand of thread.

# From a single strand to a warm glow – Moving the hearts of the world





## A fashion brand adored by the world: Its advancements forward have already begun

Cheil Industries is what it is today – a world-leading fashion company – as a result of its textile business, which has been the core of Cheil Industries since the company's founding in 1954. Leveraging its extensive experience and know-how in the textile business, Cheil Industries has expanded its business areas into fashion in 1977. Since then, the company has diversified its business portfolios into casual wear, ladies' wear, and sports wear, and has now become a leading fashion company with 16 brands. Cheil Industries has been continuously innovating its business structure and securing competitiveness by implementing management that places the highest priority on brand value. By adopting the just-in-time (JIT) system for the first time in the Korean fashion industry, the company maximized management efficiency by reducing the lead time in the manufacturing process, ranging from product planning to purchasing and production. Cheil Industries is continuously taking on challenges to establish itself as a world-leading fashion company, including the establishment of a textile factory in Tianjin, China in 1996; establishment of the design center in Italy in 2003; and establishment of the Bean Pole New York Design Studio in 2008.

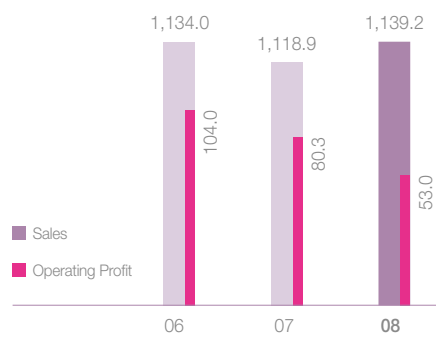
Despite sluggish performance resulting from a difficult business environment at home and abroad, the fashion business unit continuously made efforts to secure next-generation growth drivers by launching brands, mainly women's wear and accessories in 2008. Cheil Industries intends to achieve early stabilization of the new brands in 2009. As the results of such efforts are realized, the reputation of Cheil Industries as a total fashion company will be augmented.

The fashion industry is experiencing long-term sluggish consumption, a result of the continuously stagnant economy and consumers' concerns over future income. In terms of the men's wear market, which is most sensitive to changes in the economy, difficulties in the men's suit market are expected to continue owing to an increased number of men wearing business casual clothing at work. To respond to such changes in consumption patterns, Cheil Industries plans to continuously cut down costs and foster core products by improving its business casual products and reducing the ratio of suits, based on reorganization of its product portfolio.

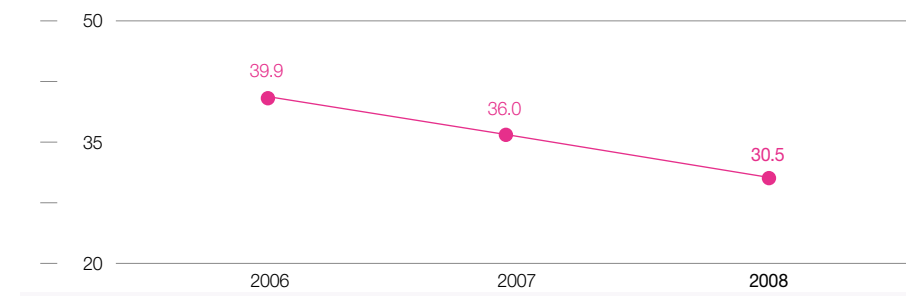
To address the matter of globally-renowned brands making inroads into the Korean casual market, Cheil Industries plans to focus on enhancing the value and strengthening the design competitiveness of its core casual brands, such as Bean Pole and FUBU, thereby implementing countermeasures against the new competition environment. The company will go further by making efforts to reorganize its business structure to become more profitability oriented. Such efforts include achieving early stabilization of new, recently-released brands and developing prospective new brands.

### 2008 Performance Review & Outlook

Sales · Operating Profit  
(KRW in bn)



Sales Contribution (%)



### Major Products



#### Casual Wear Line

##### Bean Pole

Launched in 1989, Bean Pole is a family brand with top brand power that is creating a new lifestyle and running extensive sub-lines of Bean Pole Men's, Bean Pole Ladies, Bean Pole Homme, Bean Pole Golf, Bean Pole Jean, Bean Pole Kids, and Bean Pole Home Collection. In addition to the Bean Pole Gallery, Cheil Industries opened POLE659, a new concept store, in 2006, thereby introducing a new type of distribution channel. Bean Pole is striving to secure competitiveness as a global high-end brand based on its advancement into the Chinese market in 2005.

##### FUBU

FUBU, a global brand launched in New York in 1992, is currently sold in around 60 countries around the world. It is an urban-style casual line of street clothes targeting teenagers and consumers in their twenties. The brand is further expanding, adding a sporty style to the existing hip-hop line and developing various casual items.

#### Men's Wear

##### Galaxy

Galaxy is the flagship brand in Cheil Industries' men's suit line. The brand ranked top in surveys of brand preference in Korea over several years, and successfully entered the Chinese market. It is continually strengthening its reputation as the best men's suit brand.

##### Rogatis

Rogatis is the business suit brand that focuses on an urban, sophisticated, free, and comfortable style. Rogatis is renowned for its extensive line of clothing, ranging from high-end suits to stylish casual lines.

#### Women's Wear

##### KUHO

Managed by Cheil Industries Managing Director Jeong Ku-ho, the founding designer of the brand, Kuho is a high-end brand adored by female customers. It has gained an excellent reputation for modernizing classical lines, and is growing into a high-end brand by combining stylish products for different lifestyles and accessories.

##### Theory

Thanks to its urban and sophisticated 'Real New Yorker' style, Theory is gaining attention in key fashion cities around the world, including New York, Tokyo, Paris, and London.

##### Lebeige

Lebeige is a young and trendy professional women's wear brand that is different from existing boutique brands. It targets female consumers in their 40s and 50s with financial power.

##### Mango

As a leading brand that made Spanish fashion well known throughout the world, Mango is famous for its highly feminine and sensitive design. It mainly targets women living in the city and between the age of 20 and 35 who are interested in fashion trends, as well as women who are financially independent.

#### Textiles

##### Goldentex

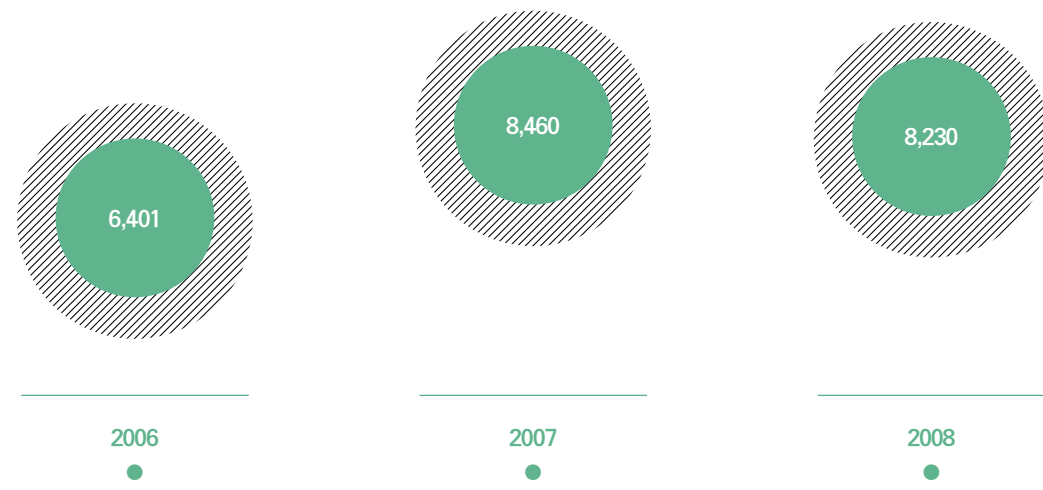
Since its launch in 1956, Goldentex has been the representative name of Korea's men's suit fabrics for the past half a century. Acknowledged for its leading technologies, Cheil Industries is enjoying a substantial share in the men's suit fabrics market in the U.S. and Japan.

##### Lansmere

The Lansmere series is the culmination of more than half a century of technological advances in Cheil Industries' textile business. Following its development of the world's first 170-yarn-count fabric, Lansmere 220, in 2002, Cheil Industries developed a super 230-yarn-count fabric, Lansmere 230, utilizing the highest quality of 12.2 microns, thereby continuously featuring only the best technologies. The company's latest designs, produced at its design center in Biella, Italy, compete shoulder to shoulder against top-quality European and Italian luxury products in the global market.

# 03

**Environmental investment by year** ( Unit: KRW in million, Gumi and Yeosu business sites )



## We will grow together and move forward together



**Sustainable management that promises a bright future**

Cheil Industries' declaration of sustainable management is a promise made by the company to grow together with stakeholders. ● Cheil Industries continues to move forward with innovation to become a company that grows, a company that offers advanced technologies, a transparent company, and a company that takes responsibility for the future of the next generation. ● Continue to watch Cheil Industries as it fulfills its 100-year promise.

- 032 Vision of sustainable management
- 033 Identifying stakeholder-related issues
- 034 Realizing shareholder value
- 037 Business partnership
- 038 Employees satisfaction
- 044 Customers satisfaction
- 046 Society contribution
- 050 Environmental & energy-saving management
- 058 Ethical management
- 060 Risk management
- 062 R&D

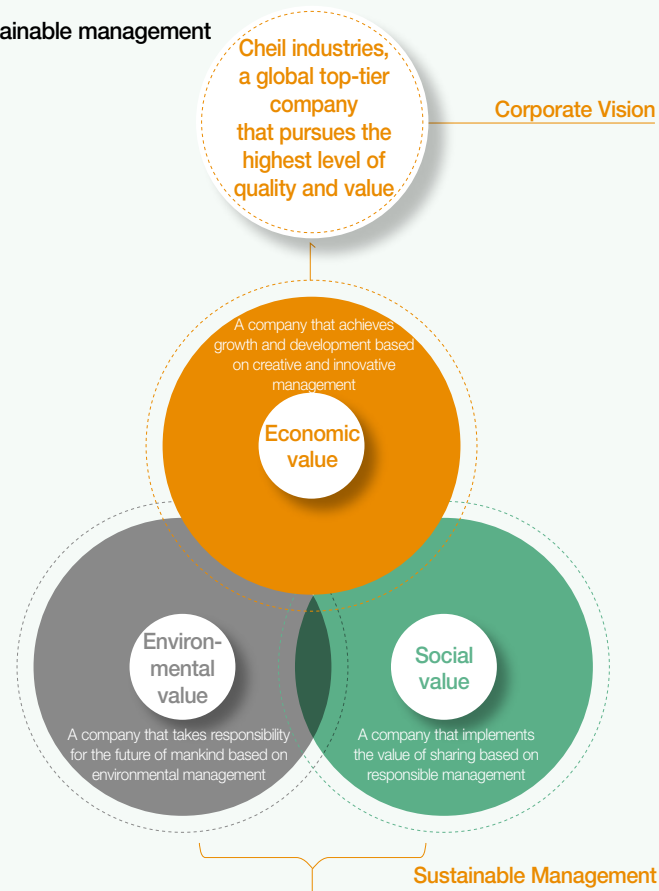


**Sustainable Management Structure**

**Taking action for mutual prosperity - Designing the future**

Cheil Industries knows all too well that sustainable management, which involves looking for ways for co-existence and mutual prosperity with stakeholders, should be the highest priority of a company. This is why Cheil Industries is executing sustainable management to become a company that opens the door to future values, based on a challenging spirit and advanced technologies; a company that realizes the value of sharing through love and happiness; a company that considers the future of the earth we live in; and a company that takes action for mutual prosperity, based on trust and faith. To enhance the social value of the company, everyone at Cheil Industries is set to implement appropriate systems and processes for sustainable management, based on recognition of its importance.

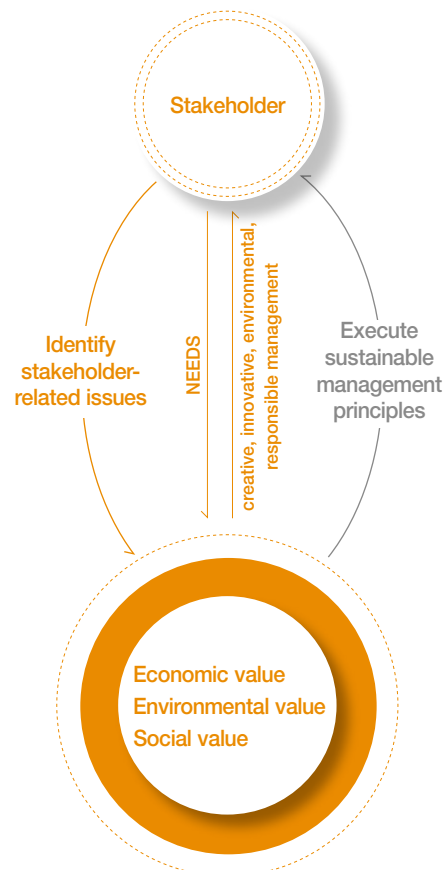
**Vision of sustainable management**



**Four principles of sustainable management**

Creative management	Innovative management	Environmental management	Responsible management
<ul style="list-style-type: none"> <li>Active support for R&amp;D</li> <li>Creative talent management based on effective personnel management schemes and a wide array of training programs</li> </ul>	<ul style="list-style-type: none"> <li>6sigma</li> <li>TPM activities</li> <li>Various proposal activities</li> </ul>	<ul style="list-style-type: none"> <li>Energy management</li> <li>Implementation of the Samsung Group Green Management campaign</li> <li>Establishment of an environmental management system</li> </ul>	<ul style="list-style-type: none"> <li>Support for business partners</li> <li>Contribution to the local community</li> </ul>

**Communication Process**



**Identifying Stakeholder-related Issues**

**We will see more and hear more**

Cheil Industries is looking for a path of mutual prosperity so that the voices of stakeholders can have a positive effect on the company's performance. The company is building a system that allows for a more scientific process, ranging from establishing a strong foundation for sustainable growth by having all employees clearly understand the value of stakeholders and their responsibilities toward stakeholders, to looking into measures to implement changes by gathering the demands and opinions of stakeholders.



**Shareholders**

Briefing sessions, "Analyst Day," visits to business premises, participation in domestic and international conferences, regular shareholders' meetings, regular BOD meetings, strategy and vision-sharing meetings, disclosure of material information regarding business management, operation of the IR website, and issuance of business reports.

**Business Partners**

Regular seminars with the representatives of business partners, regular gatherings with business partners, training support for business partners, provision of an ERP solution to business partners, online communication, operation of a business partner grievance and feedback program, newsletters for business partners, and consulting and various types of support for transactional partners.

**Employees**

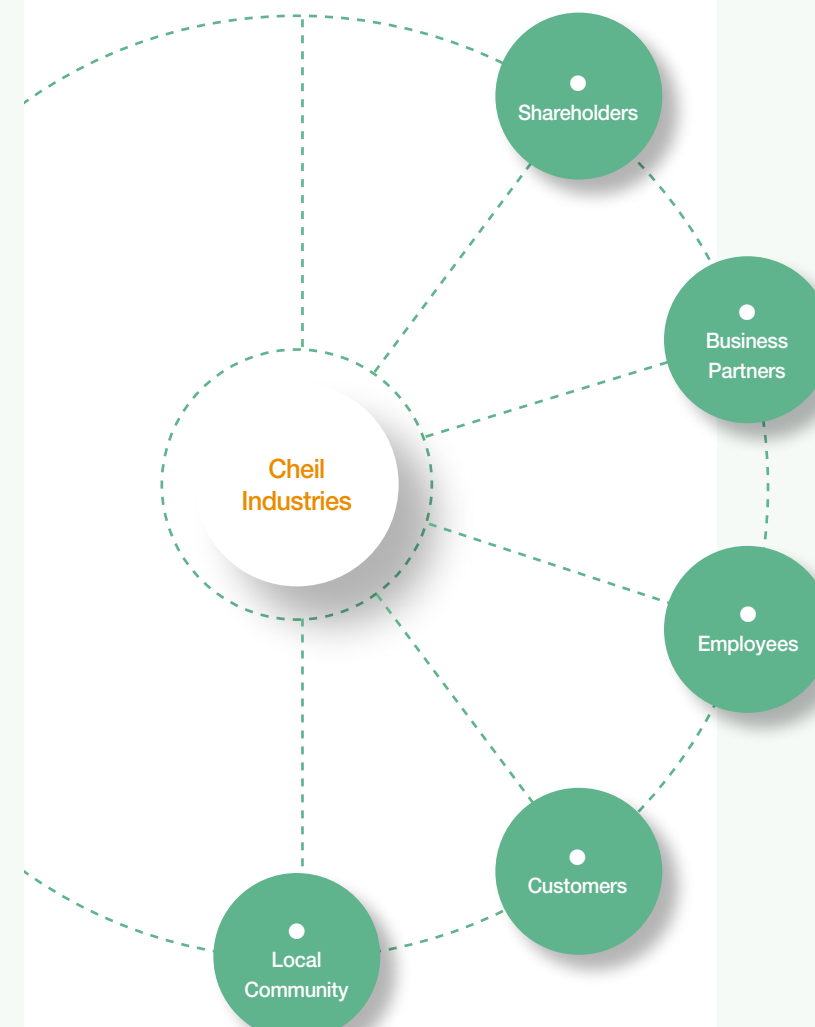
CEO letter and video message, quarterly or regular labor-management gatherings and council meetings, labor-management council workshops, sharing of business reports, operation of an ombudsman office, special sessions for employees' families, employee satisfaction surveys, support for club activities.

**Customers**

Consumer grievance and feedback program, operation of a customer support office, product satisfaction surveys, corporate image surveys, customer participation in the product development process, operation of a company website and exclusive web pages for each product line, sex education programs for youth and women, various seminars and symposiums, online communication.

**Local Community**

Policies and processes to deal with community demands, cooperation with civic groups, social contribution activities, social volunteering by employees' families, establishment of sisterhood ties with the local community, seminars and symposiums, issue monitoring.



Realizing Shareholder Value

## Management that places the highest priority on shareholder value – forms the very foundation of Cheil Industries, which executes transparent management

To compensate for the high level of trust that its shareholders and investors have demonstrated, Cheil Industries is making efforts towards more transparent management and producing substantial results. Cheil Industries is providing corporate information through various communication channels, in addition to actively engaging in IR activities, and promises to become a company that is more sound and reliable.

### 1. Composition of Cheil Industries shareholders

Categorization	2006	2007	2008
Institutions	40.16%	41.23%	49.76%
Foreigners	25.85%	29.78%	23.10%
Individuals and others	22.82%	18.77%	15.23%
Affiliates	7.49%	7.49%	7.49%
Treasury stocks	3.07%	2.73%	4.42%
Employee stocks	0.61%	0.00%	0.00%

### 2. Major IR Activities

#### IR conferences and roadshows at home and abroad

By actively taking part in IR events at home and abroad, Cheil Industries is carrying out IR activities at investor contact points. The company is attending as many IR events in Korea as possible. In principle, it attends overseas IR events, such as those in America, Europe, Southeast Asia, and Japan, at least once every six months by region. In 2008, Cheil Industries attended a total of 17 domestic and overseas conferences and roadshows, where it took advantage of opportunities to communicate with investors. They include the Merrill Lynch Asia Rising Star Conference, JPMorgan Asia Pacific Tech Conference, and the London Conference organized by BNP Paribas Securities.

#### Management strategy presentations and quarterly performance briefing sessions

To announce each division's management goals and plans and to share information on relevant issues with investors, Cheil Industries holds a management strategy presentation at the beginning of each year. The company also regularly holds a quarterly performance briefing session to deliver transparent information on its business performance. The presentations and sessions are regarded by many as contributing to the provision of transparent corporate information to shareholders and investors and to a smoother investment decision-making process.

#### Active communication with investors

The door to Cheil Industries is always open to all domestic and overseas investors who would like to pay a visit. By satisfying the more than 250 annual requests to visit the company, Cheil Industries is providing



quick and accurate information on changes in the company's management environment and business prospects. Such efforts have been widely acknowledged, proven by the company's selection as an outstanding IR company on several occasions. The analyst reports of various securities companies play a pivotal role in the investment decision-making process of investors. The number of such reports reached 128 in 2008, posting a year-on-year increase of 109% compared to the 61 reports in 2007.

Cheil Industries is also providing daily, weekly, and monthly reports on IR activities as well as industry market information to the company's stakeholders inside the company. In so doing, Cheil Industries is promoting efficiency improvements in business activities through communication between investors and the company.

### Disclosure

The company's fiscal year ends in December. In accordance with the regulations set forth in Article 186-2 and 186-3 of the Securities Trading Act, Cheil Industries is submitting a business report based on the current data as of December 31; a half-term report based on the data of June 30; and quarterly reports based on the data of March 31 and September 30. These reports are disclosed in accordance with the Financial Supervisory Service regulations on issuance of securities and public notices on securities, and Korea Exchange regulations on securities market notices. The company has been making voluntary public announcements on important management issues since implementing the fair disclosure system in 2002.

### 3. Trend of stock prices



### 4. Results of the corporate governance evaluation

Cheil Industries promotes active and voluntary corporate governance improvements to establish a transparent management environment. The Korea Corporate Governance Stock Price Index (KOGI) indicates corporate governance based on a stock price index. It is calculated and announced jointly by the Corporate Governance Service (CGS) and Korea Exchange (KRX). In 2007, Cheil Industries' corporate governance rating improved from Moderate to Good. The company received a Good rating in 2008 as well; its ranking moved up from 41st place in 2007 to 30th place in 2008, among a total of 685 listed companies. This was made possible by the company's continuous efforts to establish healthy corporate governance and KOGI's acknowledgement of such efforts in this evaluation, which is based on the categories of 'protection of shareholder rights,' 'BOD,' 'disclosure,' 'audit organization,' and 'distribution of management outcomes.'

Corporate governance ratings over the past five years

Category	Rating	Notes
2004	Moderate	Listed on the KOGI 50 index
2005	Moderate	Listed on the KOGI 50 index
2006	Moderate	Listed on the KOGI 50 index
2007	Good	Listed on the KOGI 50 index
2008	Good	Listed on the KOGI 50 index

5. Dividend status

The dividend policy of Cheil Industries is to maintain payout ratio of at least 20% every year as part of efforts to enhance shareholder value. Despite the unclear business environment resulting from the global economic downturn in 2008, the company made a decision to pay a dividend of KRW 750 per share, the same amount as the previous year's level, thereby executing shareholder-first management.

Dividend for the last five years

FY	Net income (KRW in bn)	Dividend (won)	Dividend yield	Payout ratio
2008	157.5	750	2.0%	22.8%
2007	151.3	750	1.4%	24.1%
2006	157.8	750	2.0%	23.0%
2005	151.4	750	2.7%	23.9%
2004	92.6	750	4.1%	33.6%



Business Partnership

Fair and transparent relationship –  
Allowing for joint growth

Cheil Industries is creating a cooperative relationship of joint growth to further enhance corporate value. The company has adopted and observes a code of conduct for smooth relations with business partners and the building of a transparent transactions culture with the partners. The long-term goal of establishing a fair trade order system is joint growth with our business partners. Taking the path of mutual prosperity ahead of others, Cheil Industries' lead signals the beginning of a society where its members grow together.

1. Business partner status

**Number of employees:** Approximately 5,500  
**Area:** Chemicals, ECM, and textiles businesses \_ Production lines, production support, product shipment, packaging, and other logistics-related business  
 Fashion business \_ Processing, logistics center, and sales-related business  
 Management of business sites \_ Security, facility maintenance, etc.

2. Supporting programs for business partners

Adoption of the Digital Tax Invoice program

Cheil Industries employed a digital tax invoicing program in 2002 to contribute to enhanced work efficiency, informatization of the company, and promotion of electronic signatures. As of the end of 2008, more than 4,000 business partners are utilizing this program. With a system upgrade in February 2008, Cheil Industries is encouraging more stable and active participation.

Support for the suppliers club of business partners and GWP activities

In the fashion business, Cheil Industries provides various support for major events organized by a club of suppliers that have engaged in transactions with the company for more than a year. More than 100 suppliers take part in the representatives' seminars (special management lectures, healthcare lectures, and gatherings, etc.), and computer training courses for working-level employees. Cheil Industries also provides overseas training courses and quality evaluations for outstanding business partners. The company spares no effort in building mutual trust with partners, including exemptions from inspections through partnership evaluations. Cheil Industries also encourages participation by business partner employees in GWP activities, including various sports leagues, bi-monthly events, and club activities.

Guiding and supporting environmental safety activities

Cheil Industries provides full support for the industrial safety and environmental management of business partners. Environmental safety experts at Cheil Industries offer guidance and support for environmental safety activities for business partners that lack the capability to independently conduct environmental safety activities. This is how Cheil Industries is realizing accident-free business sites, together with its business partners.

Details of guidance and support for environmental safety activities

- Accident-free awards program (KRW 30 million/year)
- Monthly training and operation of a council for environmental safety managers of business partners
- Guidance and support for operating internal regulations related to industrial safety
- Support for evaluating facilities safety (KRW 20 million/year)
- Support for special safety training courses according to the job types of the employees of business partners



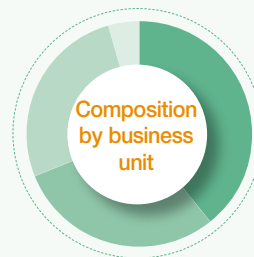
Employees Satisfaction

## A cheerful workplace for creative personnel – Another source of competitiveness for sustainability

A workplace where talented personnel can demonstrate their competencies to the fullest is the driver of growth towards a sustainable company. Cheil Industries embarked upon a Great Work Place (GWP) campaign in 2006 to establish good working conditions. The company also practices Family Friendly Management, demonstrating care for the families of its employees. Cheil Industries is making efforts to foster creative experts by enhancing employee satisfaction through such means as reasonable personnel management schemes, systems to strengthen employee competencies, and appropriate health and welfare systems.

### 1. Employee status

As of the end of December 2008, the total number of employees of Cheil Industries was 3,118. The company's workforce has steadily increased from 2,822 in 2006 and 2,897 in 2007, attributable to recruitment of R&D personnel to strengthen the company's core ECM technologies. Female employees totaled 758 in 2008, accounting for roughly 24% of the total. Cheil Industries is executing fair employment and personnel evaluations purely based on individual capabilities, without gender discrimination.

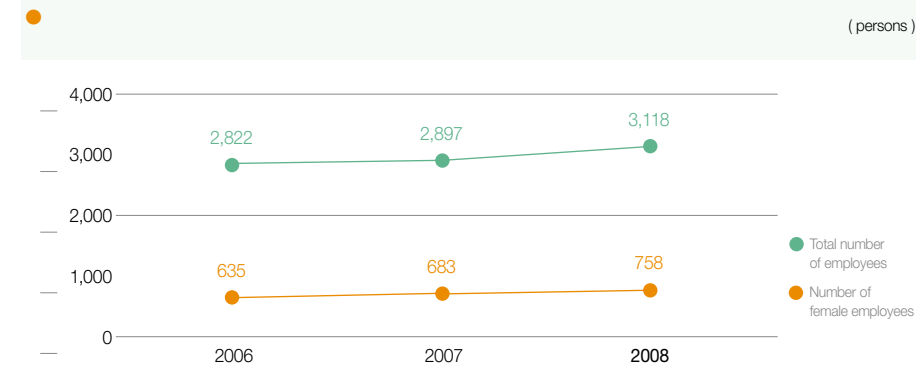


Fashion	1,191
ECM	902
Chemicals	898
Support	127



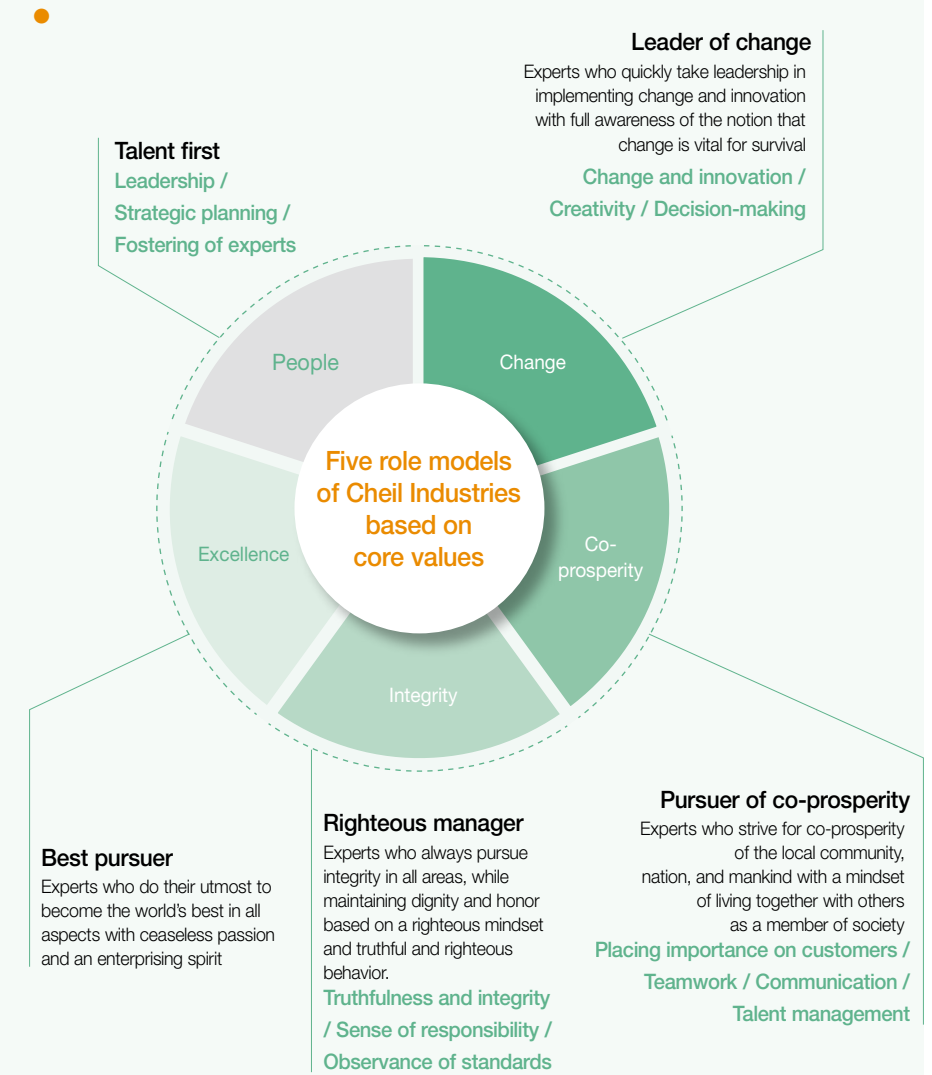
Office workers	1,984
Manufacturing	843
etc.	291

### Female employees by year



### 2. Talent management

#### Cheil Industries' five role models



#### Based on the five core values

Leader of change, pursuer of co-prosperity, righteous manager, best pursuer, and talent first – Cheil Industries are offering training opportunities to strengthen the skills of employees. Training courses of Cheil Industries are conducted according to employees' duties and jobs, and comprises basic skill courses to improve creativity and communication skills, hierarchical training according to the job grade, and job skill training for each business unit. In particular, the company is aiming to foster the next-generation leaders of Korea by offering such programs as MBA, Samsung e-MBA, degree study and training, post-doctoral courses, and overseas training courses for fashion workers.

**Corporate training scheme**

Domestic organizations	Beginner training Promotion training Leadership training	
Fostering of next-generation leaders		
Global competencies	Global experts, Internationalization of Samsung employees, Transformation of local employees (employees hired overseas) into "Samsung people"	
Basic skills	Creativity Communication	
Job skills	EMC / Chemicals	R&D Sales/application development, Production skills
	Fashion	BMD Retail Fashion Specialist
	Textiles	Product planning
	Staff	Strategic leadership
	6 Sigma	

**Outline of key training courses**

Training course	Purpose
Samsung MBA	By sending outstanding personnel with growth potential to study in domestic or overseas MBA programs, Cheil Industries is fostering key strategic leaders.
Samsung E-MBA	To ensure that employees can continually engage in self-development, Cheil Industries is providing opportunities to key managers who cannot be offsite full time to take an MBA course in a way that they can work during the week and study on weekends.
Overseas training of fashion experts	Cheil Industries offers employees the opportunity to conduct research at Secoli, Marangoni, and Japan's Left Bank, to acquire advanced skills and knowledge.
Regional experts	It is expanding training opportunities both within and outside the company to foster experts in preparation for the expansion of the global organization. <b>Group regional experts:</b> Cheil Industries is contributing to developing experts by area and candidate dispatched employees. <b>Internal regional experts:</b> Cheil Industries fosters job experts through R&D programs for chemicals and ECM, programs aimed at developing fashion and textile experts, and global staff courses.

**Investments in training ( For the last five years )**

( KRW in bn, hour )

Categorization	2004	2005	2006	2007	2008
Annual training costs	280.0	410.0	274.7	329.2	327.9
Training time per person	76	74	85	47	80



**3. Wage system & Welfare**

**Wage system**

Cheil Industries offers advanced wage levels so that employees can realize their full potential and improve their competencies.

**Wage system**

Categorization	Wage system
Annual salary	Monthly payment (basic salary + merit pay + meal expenses, etc.) + holiday bonus (travel expense subsidies, Chuseok (the Korean Thanksgiving) bonus) + a separately paid Productivity Incentive (PI)* (first and second half of the year) and Profit Sharing (PS)* (second half of the year)
Basic salary	Same rate applied to positions in the same class
Incentive	Differentiated payment based on individual evaluation
Holiday bonus	Travel expense subsidies and Chuseok bonus (100% of basic salary, respectively)

\* What is the Productivity Incentive & Profit Sharing (PI & PS) scheme?  
 Some business profits are paid out as incentives based on performance and contribution each year. This scheme is providing motivation to attain individual and organizational goals, and is contributing to improving the company's competitiveness and helping employees find more enjoyment in working through compensation for good performance.

**Welfare**

The company cares about the health of its employees and their families, education for their children, as well as their retirement life, and provides support so that employees and their families can pursue a more stable and higher quality life.

Categorization	Wage system
Maintenance of health	Financial support for medical expenses (including spouse), support for comprehensive health checkups (including spouse), support for medical treatment of children's heart disease and leukemia, holding of a group insurance policy, and enabling use of a fitness club.
Daily life support	Personal pension, financial support to pay interest on housing loans, the "Marriage Helper," fire recovery support, school expenses (kindergarten, middle school, high school, university), resorts, nursery, etc.
Support for work life	Vacation and money for congratulatory and consolatory occasions, commuter bus, support for traveling expenses to go on business trips at home and abroad, support for club activities, etc.



**Open information, and management based on harmony**

To build trust between labor, management, and company employees, Cheil Industries establishes various channels for each division and team to increase understanding of the company's vision and management status. The gatherings held for each class of job position and the opening of the "open Q&A board" on the company's Intranet prove that Cheil Industries is striving to have its employees understand the company's various systems and share their opinions. Cheil Industries is conducting enterprise-wide activities to build trust among employees, including the expansion of the award system supervised by division leaders and surprise visits by plant managers.

**A "Great Work Place" based on participation and pride**

The Great Work Place (GWP) is a system that integrates, at the enterprise-wide level, all corporate culture activities that were held at each business site to promote mutual trust among employees, instill a sense of pride, and create an enjoyable work environment. The GWP system leads the way towards making institutional improvements at Cheil Industries, including improvements in HR management, and support. Thanks to the implementation of GWP, which established a framework for voluntary participation by employees, Cheil Industries was awarded the grand prize at the 2007 Korea Great Workplace Awards hosted by the Joong Ang Daily and GWP Korea in December 2007.



**5. Safety and health**

**Efforts to create a more pleasant and safe workplace – the Industrial Safety and Health Committee**

To ensure that all employees work in a more pleasant and safe environment, Cheil Industries established the Industrial Safety and Health Committee, which is the highest decision-making organization concerning safety and health. This committee, which consists of the same number of members from labor and management, holds a quarterly meeting at each business site. In 2008, discussions were held on such matters as improving the noise level at plants, setting up safety signs in parking lots, and establishing a health experience hall and health management office.



**Strict management of employee health and safety based on international standards**

Cheil Industries' safety and health management system is managed based on OHSAS 18001 standards. The Uiwang business site is conducting two internal inspections and one external inspection on an annual basis. There was no single case of violation of the Labor Standards Act as well as laws and ordinances on industrial safety and health. In addition to internal inspections, the Yeosu business site manages OHSAS 18001 certification and KOSHA 18001 certification and carries out two external inspections every year. It is thus making efforts to achieve more rigorous employee health and safety management.

**Healthy employees, healthy company**

Cheil Industries promotes sustainable growth through the health and happiness of employees. This is why it is operating a wide variety of programs to improve the health of employees, with the aim of creating an accident and disease-free work environment. To attain the goal of making every employee a non-smoker to prevent smoking-related diseases, each business site is offering various programs, such as the no smoking fund and an internal broadcasting campaign, and encouraging participation by employees. Cheil Industries is taking a step further by offering a customized health management program for each individual employee.



**Establishment of a safe, disaster-free business site**

Cheil Industries pursues the happiness of employees' families and society by ensuring the safety of employees. Accordingly, the company has set up the "safety system," which is aimed at preventing fire and safety accidents that are caused by exposure to gas, chemical materials, and hazardous substances, and at minimizing damage from such accidents. In addition, the standardization of environmental safety signs is helping to prevent safety accidents from carelessness. Cheil Industries is also overhauling various systems to remove the possibility of mistakes through signs.

Moreover, the Environmental Safety Division of each business site visits and inspects a different business site every quarter to identify and resolve issues. The safety awareness level of employees is frequently checked through improvement programs and events that are customized for each business site, such as the "Observing top ten principles in labs" of the Uiwang business site, "Observing 11 SEQ basics" of the Yeosu business site, and "Visual Management" of the Gumi business site.

In addition to different safety management measures implemented at the business sites, inspection and maintenance of firefighting facilities takes place at all business sites to minimize personnel and material damage caused by fire. Regular emergency training is carried out so that employees can quickly respond to accidents. Each business site has established an integrated disaster prevention center and applied the Notifier system for integrated management of fire monitoring inside all buildings, thereby effectively protecting the business site from fire.

Through such safety control measures, Cheil Industries has not experienced a single case of industrial disaster during the last nine years, which is an unprecedented record among chemical plants in Korea.

**Zero-disaster man-hour table**

	Zero-disaster man-hour*	Commencement date	Zero-disaster period
Uiwang	3,893	Jan. 1988	21 years
Gumi	735	Jan. 2002	9 years
Yeosu	1,052	Jan. 1999	10 years

\*Notifier: Automatic fire detection equipment that features high performance and quality, proven by malfunction tests and field application tests over more than 2 million hours.

\* Zero-disaster man-hour: This indicates the period of zero accidents in consideration of the personnel and time input. For example, "100 man-hour zero-disaster" is when there have been no accidents for 10 hours at a business site with 100 employees.



## Customers Satisfaction

## Designing happiness happens in the details

Cheil Industries, which has been engaging in customer-oriented management since its founding, is sparing no investment in repairing systems and making various institutional improvements to quickly and accurately identify customer needs. The slogan "We design happiness for our customers" is the expression of the company's strong determination to move the hearts of all customers.

## 1. Various training for customer satisfaction

## TOP FAS (Top Fashion Adviser), a professional friendliness training organization

In 1986, Cheil Industries became the first company in the fashion industry to strengthen customer services by establishing TOP FAS, a professional friendly service training organization. In so doing, the company has been able to provide continuous and systematic friendliness training to Cheil Industries' employees as well as managers and sales personnel at stores located all across the country. The company is also providing awards and incentives to friendly stores and FAs through customer satisfaction evaluations. Cheil Industries is thus promoting top-level customer satisfaction through the process of training, evaluation, and compensation.

## Customer satisfaction services enabled by a professional mindset

The "happiness mileage" program (designed to discover excellent FAs and to establish customer satisfaction at workplaces) and fashion expert training courses demonstrate Cheil Industries' determination to implement high-quality communication with customers by fostering fashion experts. The distinctive customer services offered only by Cheil Industries include the image consulting service, Heart Touch Service (HTS) campaign, and forget-me-not service (computerizing customers' purchase records and managing the records).

## 2. Men's Wear Green Price System

Cheil Industries came up with a policy that is designed to enhance satisfaction by enabling customers to purchase products at a reasonable price. The Green Price System is aimed at breaking away from an old practice in the men's suit market involved with setting a high retail price and frequently putting the products on sale. The Green Price System sets the retail price at a realistic level. This system led the way towards rationalizing the price of men's suits.

## 3. Pursuing customer satisfaction in all processes, from purchasing to service and repair

## One-stop service

The "Starex," a leading product of the chemical business unit, offers a one-stop service system that includes receiving product purchase-related questions through 'Customer Support' on the website; receiving opinions on inconveniences experienced in relation to delivery and logistics services; receiving product quality-related complaints; and recommending products according to the technological requirements of customers. In particular, the "CAE Support Service" is used as a tool for resolving more than an annual 100 injection-molded plastic product development and defect issues. It goes beyond providing support for new product design by resolving production defects, providing design guidelines, and offering alternative material guidelines.

## Monitoring and VOC program

Cheil Industries monitors stores around the nation eight times a year, after which the results are analyzed by executive management and other managers every quarter. The company rewards excellent performance and improves weaker performance through training sessions, thereby improving service levels. The company also operates a store-related "Voice of Customers" (VOC) page on its website, through which it provides information to stores on customer suggestions and how customer complaints were handled, and provides relevant training to the stores. By writing or calling customers, Cheil Industries is aggressively taking action in relation to customer opinions. On the repair-related VOC page, a decision is made on repair, exchange of product, or refund, after which appropriate measures are taken to notify customers of the decision and products are sent to the appropriate stores. Complaints that are registered on the Customer Complaint Bulletin Board are disclosed through the company's My-Fast system bulletin board every week. Notifications on various problematic cases and the correct measures that should be taken in such cases are provided to prevent similar incidents from happening.

## 4. The No. 1 company in providing customer satisfaction

- \_ First place in the men's suit category in terms of the National Customer Satisfaction Index (NCSI) organized by the Korea Productivity Center for every year since 1998 (except 2004)
- \_ Chosen as "Korea's Most Respected Company" and one of the 30 All Star Companies (first place in the clothing industry sector) by the Korea Management Association
- \_ Galaxy selected as part of Korea's Brand Power Index (K-BPI) in the men's suit category from 1998 to 2008 (except 2003)
- \_ Bean Pole selected as part of Korea's Brand Power Index (K-BPI) in the casual brand category from 2004 to 2008
- \_ Inducted into the Hall of Fame in the marketing category of the "2008 Korea Management Award" organized by KMAC

## 5. Enhanced security in communication

The personal information of Cheil Industries' customers is being managed in a more secure way. To prevent personal information leakage, which has become a social issue, and to minimize relevant damages, various regulations and policies have been enacted and employees are being trained.

## Guidelines on handling customer information

To ensure that customer information is handled in a secure way throughout the entire process, ranging from collection of information to disposal, Cheil Industries has enacted 'guidelines on handling customer information' and is training its employees on the guidelines.

## Online information security training

Cheil Industries provides cyber security training to all its employees at least once a year. In particular, it has personnel who handle customer information attend group training sessions at least twice a year to prevent leakage of customer information.

## Security system

Various security infrastructures are in place to prevent attacks from hackers and any leakage of information by employees. Cheil Industries also has network and server experts to take preparatory measures to prevent hacking and information leakage through the network. Additionally, a higher level of information protection is assured by real-time hacking monitoring services provided by a professional security company. Cheil Industries also performs a security check on various systems twice a year, including databases and web servers where customer information is stored. Through such security checks, vulnerabilities are discovered and addressed. Cheil Industries is doing its best to ensure secure system management.

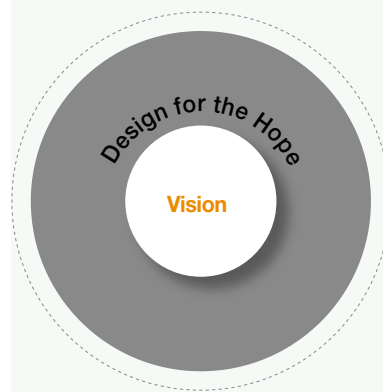


Society Contribution

## Happiness in sharing – The pride of Cheil

The social contribution activities of Cheil Industries are a sincere gesture as a corporate citizen and the pride of its employees. Since 2006, the company has been designating each of its business sites as volunteering centers, and appointing a center head and volunteer leaders for different teams. Through such measures, Cheil Industries has successfully established sharing-oriented management as a more systematic corporate culture. By continuously providing training on the company's social contribution activities and developing a wide array of volunteer programs, Cheil Industries is enabling employees to gain a clear understanding of the company's social responsibilities and encouraging voluntary participation.

### 1. Vision and mission of Cheil Industries' social contribution activities



Under a management philosophy that values sharing and co-prosperity, we design a happy harmonious society and hope for tomorrow through sincere and passionate social contribution activities by our employees



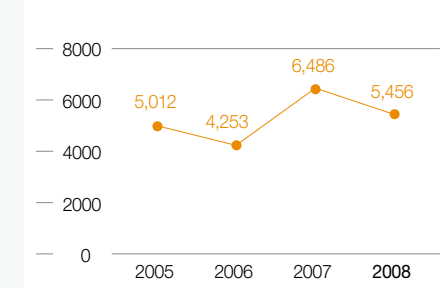
Through volunteer activities conducted by our employees and strategic implementation of social contributions, we:

- Spread happiness, while enhancing the quality of life of our employees and instilling a sense of pride.
- Enhance our corporate image by creating a story of sharing.
- Establish a mutually beneficial relationship with the local community while supporting community development and improving the overall quality of life.

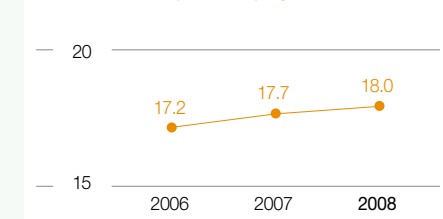
### 2. Social volunteer team organization



Social contribution amount (KRW in million)



Volunteer hours per 1 employee (hour)



### 3. 'Creating a world of hope through sharing' with the Beautiful Store

To fulfill its social responsibilities in relation to the environment and sharing with others, and by reflecting the company's characteristics, Cheil Industries is carrying out a public interest campaign called 'Creating a world of hope through sharing,' together with the Beautiful Store. This campaign involves labeling 550,000 Bean Pole products with campaign phrases and Beautiful Store donation information, thereby encouraging customers to make donations. The campaign set a new model for social contribution projects as it does not stop at one-time donations or sponsorships for civic groups, but offers customers ongoing opportunities to participate in social contribution efforts. Additionally, on every anniversary of the foundation of Cheil Industries, a campaign is carried out in Seoul, Uiwang, Gumi, and Yeosu – where the company's business sites are situated. The company donates clothing products and its employees donate items to sell. All the profits are given to neighbors in need. In 2008, roughly 7,000 clothing products were donated by Cheil Industries, and around 5,000 items by its employees. In addition, the 'create a beautiful Uiwang' campaign was held together with Uiwang City, which led to public officials of Uiwang City and local citizens donating 2,850 items. A bazaar was held simultaneously at seven Beautiful Stores around the nation, and profits amounting to KRW 97.6 million were donated to help marginalized neighbors and to cover learning expenses for children from low-income families in Uiwang.

### 4. Flower of sharing grown by Cheil Industries - Volunteering by business site

Since 2006, Cheil Industries has been designating each business site as a volunteer center and, engaging in various volunteer activities together with the local citizenry.

#### Secretariat

The Secretariat, mentors and provides scholarships every month to foster children in the area; provides food to 45 elderly citizens living alone; and conducts volunteer activities based on ties established with 30 or so local facilities. The money raised by employees taking part in the Nanuri Marathon, which is held every year, is used to help children and teenagers in the local community. The fourth marathon in October enabled the company to deliver college admission fees to ten university freshmen from low-income families in Uiwang. The Secretariat also held a rice-cake soup-sharing event and winter kimchi sharing festival to help marginalized neighbors and welfare facilities in the local community spend a warm winter. In 2008, it joined hands with Uiwang City and social welfare groups in the area to make kimchi using 10 thousand cabbages and provided the kimchi to 1,000 or so low-income families and welfare facilities. Cheil Industries is also the annual host of the National Table Tennis Competition for the Blind in partnership with the Korea Blind Union since 1996. A total of 114 disabled persons participated in the 13th competition held in July. This event is regarded by many as having played a significant role in the adoption of table tennis as an official sport of the 28th National Sports Games for the Disabled in 2008. In the month of May, the 'month of the family,' employees and their families increased their understanding of seniors' lives at the Senior Life Experience Center and visited seniors at a home for the aged. They made paper picture frames and went for a walk with the seniors, which gave them a chance to rediscover the meaning of filial piety.

#### Fashion Volunteer Center

Since 2006, the Fashion Volunteer Center has been conducting the KUHO 'Heart for Eye' donation project for eyesight recovery operations for blind children. This project, which incorporates the unique characteristics of the fashion business, helps marginalized neighbors to realize their dreams, together with the 'Teenager Fashion Design Festival,' which is aimed at fostering professional designers, and the After-School Fashion Design Academy, which is for teenagers from low-income families. Other activities by the Center include carrying out the 'Sharing Rice of Love, and Putting Beautiful Smiles on Faces,' which involves providing rice to seniors living alone in the Jongno area every month; giving line dance lessons and holding magic performances for the alienated; and making 'talent donations,' where employees use their talent to help others, through the Store Opening Committee of the Beautiful Store. Creative director Jeong Gu-ho, photographer Kwon Yeong-ho, jazz pianist Jin Bo-ra, and model Song Gyeong-a all participated in the 2008 'Heart for Eye' campaign. Through this event, 39 children received eyesight recovery operations at the Samsung Medical Center. A total of 64 blind children have received eyesight recovery operations so far through the KUHO donation project.





### Gumi Volunteer Center

The Gumi Volunteer Center is helping the disabled, including disabled children, improve their basic physical strength and get adjusted in society through various means, including helping the visually impaired vote; operating a boccia class for cerebral paralysis patients and a soccer class for the disabled; and operating a swimming class for children through the professional aquacade volunteer team. It also helps out with farming activities in Seonsan-eup, which the Center chose as a sister village, and assists farmers selling local specialty products. In 2008, the Center held a marathon to help local teenagers in need, with around 500 employees in participation. The employees gathered their warm-hearted spirits for the alienated by running the mini marathon course. The Center donated KRW 15.24 million to the Gumi City Scholarship Foundation through donations by employees and the matching grant system.

### Yeosu Volunteer Center

The Yeosu Volunteer Center has been taking part in a large-scale social welfare program, which volunteer-related organizations in Yeosu have been participating in since 2004. As part of the program, the Center visits agricultural villages in poor state twice a year to improve residential conditions, engage in health-related volunteer work, perform ocean and foreshore clean-up activities, and spend time with the village residents to achieve harmony. Thanks to such efforts, the Yeosu Volunteer Center was presented with the 15th Nationwide Volunteer Festival gold medal in July 2008. Starting in April 2008, the Center is providing the 'Multi-cultural Family Korean Culture Adjustment Program' every month to offer multi-cultural families in Yeosu an opportunity to get adjusted to Korean culture. Various events are held every month as part of the program, including, making kimchi, inviting the multi-cultural families to the business site, holding the Harvest Moon festival, and holding a Christmas party, through which participants may overcome national and ethnical boundaries.

### 5. A way to meet more neighbors – Professional volunteering

Cheil Industries is developing a variety of programs that effectively make use of the company's characteristics and allow employees to continuously take part in social contribution activities by leveraging their individual strengths and talents.

#### Fashion

##### Store Opening Committee of the Beautiful Store – SI Team, VMD Team

The Store Identity (SI) Team and Visual Merchandising (VMD) Team of the Fashion Volunteer Center create and donate an SI manual, based on their know-how in the professional fashion industry, and regularly offer VMD training. They are professional volunteer teams that give support for the opening and operation of shops of the Beautiful Store.

#### Culture and the arts

##### Creating precious memories – 'Party & Joy'

The 'Party & Joy,' a professional volunteer team launched in the first half of 2008, holds surprise birthday parties for housebound, seriously disabled people and the disabled living alone, based on recommendations made by disabled protection facilities in Uiwang City. Team members prepare musical instruments, cake, and gifts for the party. The parties are providing enjoyment and precious memories to the disabled who previously had to spend birthdays alone.

##### The happiness of sharing is not far away – 'Manjirak, Kkum jirak'

The Headquarters Secretariat formed the 'Manjirak, Kkum jirak,' a culture and arts club that combines volunteering with leisure activities. Employees get together to learn balloon art, paper-folding, face painting, and clay art, and use what they've learned for the marginalized.



By effectively leveraging what the members have learned at bazaars, seminars, cultural festivals, and marathons, the club is regularly engaging in volunteer activities at local children's centers and senior welfare centers, thereby helping seniors and children to have a fun time.

### Love grows – 'Talent Support Company'

The Chemical Research Institute established a 'Talent Support Company (a friend who helps improve one's talent)' partnership with the 'Heart and Heart Foundation' to sponsor talented disabled children and teenagers from poor families. The institute provided scholarships to ten children who are talented in playing musical instruments, such as the trumpet, flute, and violin, as well as those talented with taking photographs, despite their growth or visual impairment. Employees at the Chemical Research Institute went to see a regular performance at the end of the year to encourage the children and teenagers. Funds for scholarships are raised through donations voluntarily made by Chemical Research Institute employees from their salary. A disabled teenager named Song Ha-seung, who received support from this initiative, held a photograph exhibition at Cheil Industries from October 30 to November 7. A total of 20 works by Song and 15 works by employees belonging to a photography club were exhibited. The exhibition presented an opportunity to appreciate the works of Song, who has been receiving systematic and organized lessons based on donations made by employees, and to improve employees' mindsets about the disabled. Profits made by selling the exhibits to employees were donated to Song so that he could purchase a new camera.

#### Learning

##### Granting more hope through after-school activities – 'Science Class'

The five science class volunteering teams under the Headquarters Secretariat carried out science class volunteer activities on 33 occasions throughout the year for 413 children at 10 children centers in Uiwang City. The professional science class volunteer teams mostly comprise researchers at headquarters. Each team visits a designated local children's center once a month to give a 'Cheil Industries science class,' providing local children with opportunities to carry out experiments that are not available in schools. Other volunteer groups assist students with their studies on a weekly basis to address the needs of children who cannot receive private education.

##### Providing a way for young people to challenge themselves – 'Teenager FDF'

The Fashion Volunteer Center held a teenager Fashion Design Festival (FDF) and provided a fashion leader course for middle and high school students, leveraging the unique characteristics of the fashion business unit. The teenager FDF, which was held for high school students, entailed choosing 15 students, among students recommended by teachers at art and design high schools located in Seoul and Gyeonggi Province. For the chosen teenagers, the Center operated educational programs, such as those on fashion shows and creating a portfolio. With regard to the fashion leader course for middle school students, the Center operated an afterschool class at the SungDong Youth Center so that young people can easily learn about design, while having fun, through practical learning experiences.

#### Environment

##### All employees care about the environment – 'Environmental cleanup activities'

Since 2004, Cheil Industries has been carrying out activities to clean up the streams and environment surrounding all business sites, instead of holding a ceremony to mark the end of the year's business. In 2007 as well as in May and June, 2008, the company took part in activities to clean up the Gureumpo Beach from the oil leakage in Taean. The skin scuba diving club of the Yeosu Volunteer Center is regularly conducting activities to clean up the ocean. To celebrate the World Water Day in March, the Headquarters Secretariat provided training on preventing water pollution, offered a natural soap-making program, and held an event to create antifungal acrylic sponges. The natural soaps and sponges made by employees were delivered to 45 seniors living alone in Uiwang City. Employees further contributed to preserving the environment by cleaning up Anyang Stream, located nearby the company's business site.

Environmental Management

# The earth's dreams, lasting in the co-prosperity of Mankind

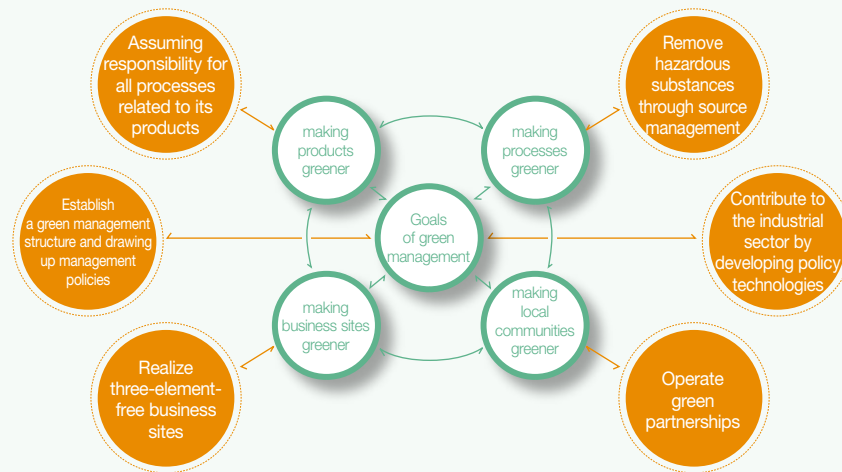
Cheil Industries is fulfilling its responsibilities in preserving the environment so that every inhabitant of the Earth can live a healthy and affluent life. Cheil Industries actively takes part in Samsung Group's Green Management campaign, which proactively reflects the environment, safety, and health in all business activities as key elements of corporate management. The company has adopted environmental management systems at all business sites and also provides environmental training to business partners. Even in 2008, when domestic and overseas business conditions deteriorated, Cheil Industries did not spare investments in environmental management. In fact, it placed the highest priority on making investments into environmental safety. The company also adopted environmental accounting for investment efficiency and results, and is disclosing relevant information to stakeholders with full transparency.

## 1. Green Management

Cheil Industries observes the Green Management declaration made by the Samsung Group.

### Green Management declaration by Samsung

Based on the ethics of reverence for life, Samsung conducts corporate activities that respect nature and mankind, thereby contributing to the affluent life of mankind and environmental preservation. It regards the environment, safety, and health as key elements of corporate management and intends to actively incorporate the elements in all domestic and overseas business activities to become a green company leading the 21st century. To this end, Samsung operates a Green Management Committee and carries out the Green Management campaign at the group level.



## 2. Environmental Management

### Environmental Management System

Cheil Industries is proactively engaging in environmental management activities at each business site. Beginning with the Yeosu business site in 2002, the Uiwang and Gumi business sites received ISO 14001 certification in 2004 and 2005, respectively. The company is setting detailed goals to achieve environmental targets, drawing up detailed improvement plans, and training employees. Regular internal and external inspections are conducted on the environmental management system. The results of inspections are reported to the CEO of the business site and are analyzed to make continuous improvements and address shortcomings. In 2002, the Yeosu business site became the first in Korea to receive SEQMS31001 certification, an integrated environment, safety, and quality management system certification. In addition, the Yeosu and Gumi business sites were designated as environment-friendly organizations by the Ministry of Environment.

### Environmental safety certifications and designations

Category	Specifications	Date of certification and designation
Uiwang	ISO14001	2004.05
	OHSAS18001	2008.07
	Voluntary inspection business site	2006.11
Gumi	ISO14001	2005.12
	Environment-friendly organization	1996.12
Yeosu	ISO14001	2002.02
	OHSAS18001	2002.02
	SEQMS31001	2002.02
	Environment-friendly organization	2003.10



### Development of an environmental management scheme & investments

Cheil Industries has adopted a diverse environmental accounting system to enhance efficiency in environmental investments and environmental performance. Environmental accounting information is being disclosed to external stakeholders. In tandem with raised social awareness towards environmental pollution, Cheil Industries is more systematically engaging in environmental management and actively performing environmental improvement activities, such as increasing environment-related investments. Environmental investments are made based on a categorization into air and foul odor, water quality, wastes, and hazardous chemicals.

In relation to air quality, most of the investments were made in installing and improving air pollution prevention facilities, including the scrubber, SCR, RTO, and foul odor prevention facilities. With regard to water quality, the company installed a wastewater collection system that collects wastewater and recycles it for use at processes, and made improvements to wastewater prevention facilities.

### Environmental investment by year (Gumi and Yeosu business sites) (KRW in bn.)

2006	2007	2008
640.1	846.0	823.0

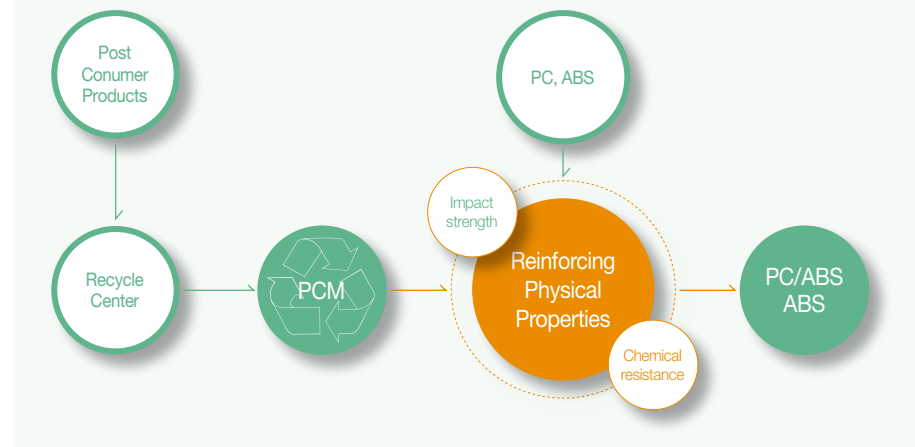
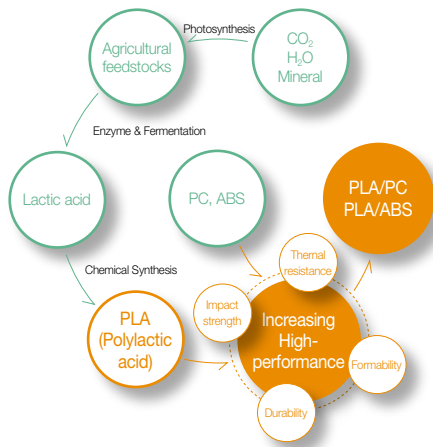
**Development of environmentally friendly products**

Cheil Industries always considers environmental friendliness throughout the production process, starting from the design phase. Based on the Research and Development Management System (RDMS), the company pre-reviews raw materials to filter six restricted substances in the R&D phase. At the same time, Cheil Industries was able to minimize legal risk factors in all business areas by establishing a pre-emptive management system for new chemical substances that are being used for the first time in Korea.

**PCM Base / Bio Base**

Cheil Industries succeeded in the production of environmentally friendly products by developing and recycling plastics containing waste PET bottles. One ton of PCM base (30%) resin contains 13,400 waste PET bottles. This material was applied to a monitor product of a computer manufacturer and played a critical role in enabling the product to acquire a gold rating of the Electronic Product Environment Assessment Tool (EPEAT), an evaluation system in the U.S. regarding the environmental friendliness of electronic products. Recycling has become a way for Cheil Industries to show that it cares for the environment as well as to demonstrate company's technological competitiveness.

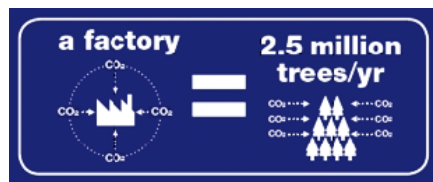
Cheil Industries' bio base plastic uses plants as its raw material. It is a leading material that enhances Cheil Industries' image as an environmentally friendly company and improves customer satisfaction. The company addressed the shortcomings of PLA – low level of durability – and improved heat and shock resistance of the bio plastic through its advanced technologies. This product has been applied to one of Cheil Industries' customers, a mobile phone company, and is garnering a high level of attention.



**EF Process**

To respond to international environmental regulations, Cheil Industries is applying a wide array of production and management processes. The company is actively reducing CO<sub>2</sub> emissions, which is a key element in low carbon, green growth, by implementing the non-phosgene method, which involves manufacturing PCs using CO<sub>2</sub> as raw material.

As a leading company in producing coating-free, high glossy resins, Cheil Industries ranks No. 1 in terms of the relevant global market share, thanks to its technological prowess. Unlike other resins, coating-free resins can be recycled because they do not have a spray process. In response to the restriction of hazardous substance directive (RoHS), the company uses none the six major restricted substances in any products being developed. Cheil Industries is actively responding to various international environmental regulations by developing environmentally-friendly flame-resistant resins (non-halogen) that do not generate hazardous substances like dioxin; an antibacterial artificial marble made of antibacterial materials that have won USFDA approval; and antibacterial resins made of nano silver inorganic antibacterial additives that kill germs.



Category	Products	Regulations			Environmentally friendly effects		
		RoHS	WEEE	IEEE	CO <sub>2</sub>	Hazardous substances	Energy
Bio Base	Bio compound material	●	●	●	Reduction	-	-
PCM Base	Use of PCM	●	●	●	Reduction	-	-
EP Process	PC	●	●	-	Reduction	-	-
	Scratch-resistant	●	●	-	Reduction	Reduction	Decrease
	Special colo	●	●	-	Reduction	Reduction	Decrease
	Non Halogen	●	●	-	-	Reduction	-

● Excellent ● Good

**Compliance with international environmental laws and regulations**

Increased worldwide interest towards low carbon, green growth is bringing about various environmental regulations. Cheil industries is fulfilling its roles as an environmental management leader by taking long-term measures for various environmental regulations, including RoHS, WEEE, EuP, and REACH. REACH, which became effective in June 2007, is a regulation that makes it mandatory for all chemical substances that are manufactured or imported into the EU in quantities exceeding one ton to be registered, evaluated, and approved before usage. In response to REACH, Cheil Industries formed a taskforce team, which has been looking for systematic, corporate-wide measures. The credibility and accuracy of prior registrations has been enhanced based on advice from a professional REACH consulting organization.

Cheil Industries completed prior registration for all products that are exported to the EU, and built a data management system for prior registration for each business sector. Furthermore, the company is making strenuous efforts to prevent the usage of hazardous substances from the source, together with its suppliers, through a "REACH presentation" and "one-on-one consulting." Moving forward, Cheil Industries will draw a big picture for green growth by establishing a management system that allows for the company to join hands with business partners to seamlessly execute measures in response to international environmental regulations.

**Acquisition of certifications from global corporations**

Cheil Industries acquired various environmentally friendly certifications from several world-leading business partners.

- Sony Green Partner Certificate
- Samsung Electronics Eco-Partner Certificate
- USNSF Certificate (FDA Approved)



**3. Low carbon, green management**

The world is witnessing an increased level of interest towards climate change, and more detailed and strengthened global regulatory policies on climate change. This year will see the launch of various regulations and global efforts in relation to low carbon, green growth. To take pre-emptive measures, Cheil Industries concluded a voluntary agreement with the government for each business site, and is making investments and carrying out various campaigns, including those related to reducing energy use, improving facility efficiency, and operating commuter buses at each business site.

**Energy management (Samsung's energy management)**

**Purpose**

Based on the spirit of green management, Samsung recognizes the importance of energy resources, which are the generative power of industrial activities and necessary for human civilization, and contributes to sustainable development through an emphasis on preservation and proper utilization. Samsung plays a leading role in advancing national competitiveness through more efficient energy usage as the prime mover for corporate competitiveness, and actively reflects this principle in all its management activities. To this end, Samsung runs the SEE21 (Samsung Energy Efficiency 21) campaign on a group-wide level to heighten resource productivity in the 21st century.

**Basic structure of the SEE 21 campaign**



**Detailed action plans**

1. Continuously manage energy intensity and CO<sub>2</sub> intensity as key management indexes.
2. Reduce energy use by 5% every year.
3. Invest at least 10% of annual energy costs to improve energy efficiency.
4. Optimize energy efficiency by building an energy management system.
5. Supply products that consume a low level of energy.

**Energy reduction activities**

Cheil Industries is carrying out a wide array of campaigns for innovative energy reduction. It is building a foundation for low carbon, green growth by cutting down energy use through the 'CCC campaign,' adoption of clean energy at each business site, and replacement of old facilities with highly efficient facilities.

**3C campaign for energy reduction:**

- Clear:** Remove everything unnecessary
- Change:** Make changes through innovative ideas
- deCrease:** Thoroughly decrease by discerning size and volume



**Energy management performance indexes**

**Direct · indirect energy consumption for each primary energy source** (TOE/KRW hundred million)

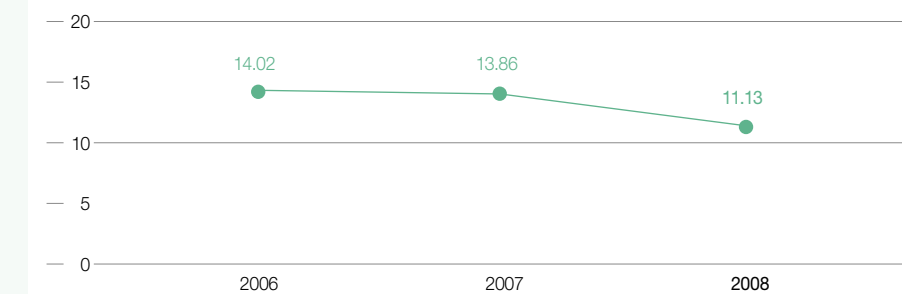
TOE against sales	2005	2006	2007	2008
Direct	1.17	1.03	1.49	1.65
Indirect	5.27	4.49	4.01	3.08
Total	6.45	5.53	5.50	4.74

\* Energy use (Uiwang, Gumi, Yeosu); Sales volume excludes the fashion business unit  
 \* Key energy – Direct energy (LNG), indirect energy (electricity, steam), etc.  
 \* The main reason for the increase in direct energy use in 2008 is the expansion of the PC plant at the Yeosu business site.

**Reducing greenhouse gas emissions**

To implement phased measures in response to the United Nations Framework Convention on Climate Change, Cheil Industries is making efforts on building a greenhouse gas inventory, validating the greenhouse gas inventory, and building a greenhouse gas management system. Direct greenhouse gas emissions are managed for each business site, including fixed combustion facility and process emissions and fugitive emissions. Indirect greenhouse gas emissions are also systematically managed, including emissions from electric power and steam. The company has drawn up plans to launch the validation of the greenhouse gas inventory in 2009.

**CO<sub>2</sub> emissions against sales** (ton)



\* For the Uiwang, Gumi, and Yeosu business sites – The sales volume does not include the fashion business unit

**CO<sub>2</sub> Discharge Coefficient**

	2006	2007	2008
Electricity	0.42	0.42	0.42
LNG	2.46	2.46	2.46
Steam	0.24	0.24	0.24

**Key energy and greenhouse gas reduction performance**

Business	Level of energy reduction (TOE/year)	CO <sub>2</sub> reduction level (ton/year)
Reduction from making RTO have zero flames	392	1,313
Pure temperature increase	2,563	5,501
G-ABS LATEX temperature increase	161	552
Reduction of waste heat collection of C-SAN STRAND CWR	249	757
Reduction from raised BL concentration of the ABS1 A-2 process	277	950
Collection of condensed water from the PC process	593	1,802
Enhanced energy efficiency of the PC process	2,093	6,365
Electricity costs reduced through the installment of a turbo blower at the wastewater treatment site	339	669

**Environmental management performance**

Cheil Industries remains strong, ahead of changes in global environmental regulations, including the post Kyoto regime and strengthening of REACH regulations. The company maintains standards that are stricter than legal requirements for the discharge of pollutants and waste, and has been engaging in environmental management according to global standards. In terms of water and air quality, Cheil Industries built the Tele-Monitoring System (TMS) to send real-time data on the density of pollutants and emissions to relevant authorities, such as the Environmental Office, and Samsung's Global Environment Research Center. Cheil Industries is proud of the fact that it has never been subject to any administrative penalties for violating legal requirements. In fact, the Yeosu and Gumi business sites were chosen as environmentally friendly business sites, and the Uiwang business site is registered and managed as a voluntary inspection business site.

**Air pollution control**

① Cheil Industries operates state-of-the-art facilities to reduce odor and Volatile Organic Compounds (VOCs). Efforts were made to improve air quality by installing Regenerative Thermal Oxidizers (RTOs), which are optimal for removing odor. The company is also continuously increasing prevention facilities when additional pollutants or the aging of existing prevention facilities is expected. Thanks to these efforts, air pollutant emissions by Cheil Industries remain at around 30% of the legally allowed level. The company is exempted from emissions fees that need to be paid to the government when pollutants are emitted.

② Annual air pollutant emission

**NOx (Yeosu business site)**

kg/year	2006	2007	2008
NOx	181,230	152,010	139,300
Emissions against sales (Ton/KRW 100 million)	12.83	9.80	7.85

**Dust**

PM(dust) kg/year	2006	2007	2008
Emissions against sales (kg/KRW 100 million)	1.55	1.24	1.01

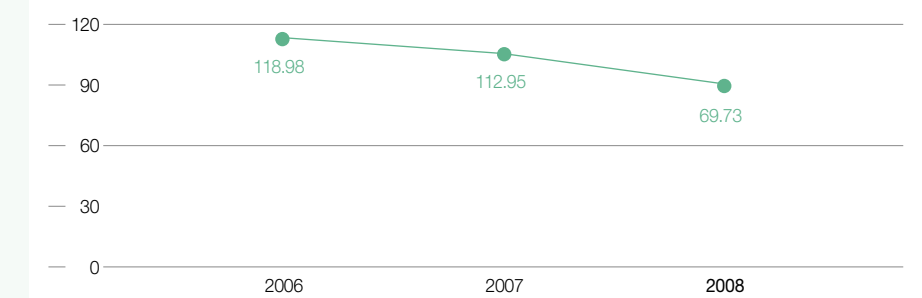
**Water quality control**

Cheil Industries operates optimal systems to preserve aquatic ecosystems and the marine environment. Strenuous efforts are being made to realize wastewater-free business sites. The wastewater discharged from the Gumi and Yeosu business sites is first processed at the company's wastewater treatment plant and then reprocessed at the relevant local autonomous body's wastewater treatment facility. The Uiwang business site delegates a professional wastewater treatment company to process all wastewater discharged from the research institute. Wastewater and sewage are thoroughly separated and managed by using separate pipes to move sewage to sewage treatment plants. The Gumi and Yeosu business sites are preventing environmental accidents, such as chemical leaks, by setting up blockage and collection facilities as well as monitoring systems, such as CCTVs, at the final discharge point of general waterways.



**Yearly discharge against sales**

(m<sup>2</sup> / year)



\* For the Uiwang, Gumi, and Yeosu business sites- The sales volume does not include the fashion business unit.

To effectively process water pollutants and prevent pollution sources, Cheil Industries has been strengthening systematic water quality management activities and managing pollutants based on the company's internal standards, which are more stringent than legal standards. The company is effectively processing and discharging pollutants based on environmentally-friendly management and relevant systematic activities as an environmentally-friendly company, thereby completely blocking the external leakage of harmful substances and leading the way in preserving the ecosystem in drainage areas.

**Waste control**

Under the motto of 'waste is another resource,' Cheil Industries continues to strive to reduce and recycle waste. As a result, the Yeosu business site was designated by the Korean Ministry of Environment as an excellent performer in reducing waste.

By continuously improving the recycling treatment of waste, the recycling ratio against total waste generation is increasing every year, reaching 88% in 2008. For legal processing of waste, Cheil Industries is engaging in real-time, online monitoring of the entire process involved with wastes generated at business sites, from discharge to final treatment, through the 'allbaro' system of the Korea Environment & Resources Corporation.

**Waste recycling**

	2006	2007	2008
Waste recycling ratio (%)	84	83	88
Waste generation against sales (Ton/KRW 100 million)	2.0	1.5	1.3

**Toxic chemical substances control**

The toxic chemical substances that are handled by Cheil Industries are thoroughly managed from when they are received to when they are used and disposed of. To prevent leaks, the company conducts regular inspections on the detectors and isolation devices set up at storage facilities as well as on the storage status of personal protective equipment that can be used in the event of an emergency.

Cheil Industries also established a toxic chemical substances management scheme, such as regular emergency drills. The emissions level is continuously being brought down through scientific management based on the Toxic Release Inventory(TRI). Moreover, efforts are being made to cut down use of toxic chemicals and poisonous substances. The Yeosu business site has drawn up plans to employ the LDAR21™ program in 2009 to ensure transparency and accuracy in chemical substance emission levels.



Ethical Management

## Sustainable creativity and innovation is enabled by ethical management

Cheil Industries knows, better than anyone else, that only ethical companies with integrity can become sustainable global companies. This is why it continually innovates transparent and ethical management to build a framework for a sound organizational culture that moves the hearts of customers. Cheil industries enacted and is observing the code of ethics to achieve its ultimate goal of 'contributing to mankind,' and recognizes and fulfills its responsibilities towards stakeholders and the nation. Cheil Industries is taking a step towards becoming a global, top-tier company each and every day.

### 1. Objective of ethical management

Cheil Industries is actively implementing ethical management, which involves aligning all management activity standards with the ethical value structure of society. For-profit activities should be conducted within the scope of observing, as much as possible, national and social laws as well as global level ethical standards. Fulfilling economic, ethical, and legal responsibilities to this end is the purpose of ethical management of Cheil Industries.

### 2. Organization

To actively implement ethical management, Cheil Industries is operating the Audit Team, a dedicated organization for ethical management. In so doing, the company has been assuming leadership by increasing employees' understanding of ethical management and forming a consensus among the employees; fully establishing a clean and transparent corporate culture; and minimizing damage caused to employees from biased or unfair practices. The Audit Team, an independent organization under direct supervision of the CEO, has been conducting management auditing and injustice auditing work. The team was promoted to 'Management Assessment Supervisor' with substantially strengthened functions and authority. This demonstrates Cheil Industries' unwavering determination to maintain and develop ethical management and transparent management, whose importance is gaining more focus in today's business environment.

#### Mission of the Management Assessment Supervisor

- Assess systems and organizations to ensure top-level management efficiency
  - Analyze issues concerning management indexes, organizational operations, and business processes
  - Come up with alternatives to ensure top-level efficiency
- Maintain and develop Cheil industries as a company with a clean organizational culture and no unfair practices
  - Provide training and operate systems to prevent injustice
  - Punish injustice to set an example

### 3. Enactment of the code of ethics

The code of ethics of Cheil Industries refers to a code of conduct for all employees that regards customer satisfaction as a value with the highest priority, and that is aimed at creating a sound organizational culture. It includes the company's basic responsibilities towards customers, shareholders, investors, the market, nation, and society; respect for the basic rights of the company and employees; customer satisfaction management; and high-quality management, as well as other factors needed to protect customer interests.



#### Outline of the code of ethics

Target	Basic responsibilities
Customers	Customer satisfaction management, high-quality management, protection of customer interests
Shareholders and investors	Responsibilities toward shareholders and investors, fair treatment of shareholders, provision of credible information, transparent accounting, proper evaluation of corporate value, prohibition of unfair acts using internal information
Market	Respect for market order, fair collection and use of information, fair trade with business partners
Nation and society	Sound corporate activities, contribution to social development, environmental protection
Company and employees	Respect for employees, fair treatment, fostering of experts and promotion of creativity

### 4. Ethical training of employees

To have all employees reach a consensus on the need and effectiveness of ethical management and to have them take relevant action, Cheil Industries frequently conducts ethical training. The training focuses on examples of appropriate judgment criteria for taking action in order to prevent unfair acts that substantially undermine customer satisfaction and employees' happiness.

### 5. Compliance Program

To prevent unfair trade or illegal collusions within the organization, Cheil Industries adopted and is implementing the Compliance Program (CP). This system provides a foundation for employees to voluntarily engage in integrity management, and enables the company to become a more ethical company.

#### What is the Compliance Program (CP)?

CP is a law-observance system that is operated so that companies can voluntarily comply with fair trade-related laws and regulations. It provides guidelines for employees in order to prevent unintentional violations of competition laws. This program helps Cheil Industries enhance its reputation as a company that practices transparent and ethical management, preemptively detect and prevent competition law violations, and devise timely countermeasures in the event of a violation.

#### Companies that adopted CP by year

( companies./data source, Korea Fair Trade Commission)

2001	2002	2003	2004	2005	2006	2007	Total
12	44	45	92	64	40	47	344

#### Seven factors of the execution process

Step	Procedures	Details
Step 1 Practice	Expression of will towards voluntary compliance by senior management	Announcement made by the CEO on engagement and will to practice
	Appointment and operation of CP officer	Appointment of CP officer (by BOD)
Step 2 Promotion	Production and distribution of manuals	Guideline handbook with case studies
	Operation of training programs	Minimum 2 hours every 6 months
	Establishment of a monitoring system	Establishment of an internal supervisory system; At least once every six months
	Sanctions on employees who violate governing regulations	Establishment and employment of sanctions
Step 3 Efficiency	Establishment of a document management system	Provision of latest, most accurate information; Establishment of a systematic management system

Risk Management

## Taking a lead in preparing for the future – Healthier management

Cheil Industries strives to prevent all factors that can pose a threat to value creation for stakeholders. The company takes measures against all possible risks based on quick and effective communication and the operation of a thorough internal control system. A healthier organization is created through analyses of risk factors and prevention of intrinsic risks.

### 1. Definition of a risk

Management activities not only include risks that can be predicted, but also many elements that cannot be predicted. Cheil Industries regards all factors that can pose as a threat to normal management activities as a 'risk.' Based on this understanding, Cheil Industries recognizes risk management as a management task, and has thus established a risk management scheme that prevents and prepares against risks.

### 2. Risk management structure



#### ■ Management Assessment Dept.

This organization compares and analyzes current management indexes with past management indexes and continuously carries out monitoring of business processes. When there are abnormal signs, it immediately makes a report to the CEO and executive management, and quickly issues a risk alert to all employees.

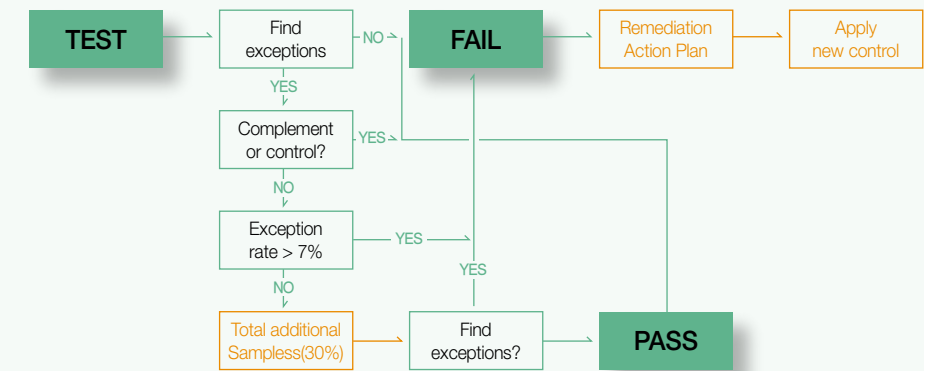
#### ■ Management Support Dept.

Based on an internal control evaluation system, Cheil Industries manages all risks that can occur from errors in financial information, including those related to the appropriate approval and recording of financial transactions, enhancement of the credibility of financial information, and compliance to legal obligations

### 3. Internal Control Evaluation System

Internal control refers to various processes executed by all members of a company for the purpose of ensuring work effectiveness and efficiency, enhancing credibility of financial reports, and observing various laws and regulations. In particular, financial report-related internal control includes recording of appropriate approvals and permissions for transactions, handling of work based on regulations, protection of corporate assets, and prevention of injustice; as well as matters related to transparent corporate governance, including the activities of management organizations, such as the BOD, and the ethical mindsets of employees.

In a bid to lay a foundation to boost credibility of financial information and realize transparent management, Cheil Industries has been operating the Internal Control Evaluation System since 2005. Corporate-level business processes related to financial reports are broken down, various control activities are documented, the effectiveness of operations is evaluated on a quarterly basis, the results are audited by an outside auditor, and submitted to domestic and overseas supervisory organizations.



### 4. Legal Portal System

Cheil Industries developed the Legal Portal System, an Intranet system, and has been operating it since 2006 for the purpose of strengthening management of legal risks related to domestic and overseas companies and preventing legal violations.

In addition, domestic lawyers are employed to review the company's contracts and provide legal advice, thereby engaging in field management. Based on the Legal Portal System, employees make requests to the Legal Team for advice and counseling on comprehensive legal matters. Not only matters related to the Fair Trade Act, but all contract-related matters are reviewed in a timely fashion. All employees can easily receive consulting. In case of critical matters, even ensuing business activities are managed. Around 1,800 legal advice and contract reviews have been completed since 2006 through the Legal Portal System. The number of requests by field employees is on the rise every year.



## Research &amp; Development

## A company that leads based on advanced knowledge and technologies

Cheil Industries implements creative management for stakeholders through advanced research and development. Cheil Industries' R&D centers develop technologies that allow each business unit to further increase the competitiveness of existing business and enter new markets. The R&D centers conduct diversified and in-depth R&D activities to realize the vision of becoming a 'technology leader that performs a pioneering role in enabling Cheil Industries to transform into a global materials company.'

### 1. A technology leader leading the way towards becoming a global chemical company - Chemicals R&D Center

Established in June 1988, the Chemicals R&D Center played a pivotal role in the transformation of Cheil Industry's business structure to a chemical materials-oriented structure. It is determined to make only the world's foremost products. Despite its short history of 16 years, the center has developed and commercialized the world's best products with the highest global market share, such as the flame-retardant ABS, the world's first environmentally friendly non-halogen flame-retardant ABS, and the globally competitive ultra slim film ABS for sheets used inside refrigerators. In so doing, the center has been leading the development of the domestic high-technology chemicals sector. Refusing to become complacent with the company's laurels, all researchers are focusing on research and development to develop new next-generation products that overcome technological limitations.

#### ■ Research areas

The center has been developing products with global competitiveness in all aspects of quality, performance, and technology, based on emulsion, suspension polymerization, polymer compounding, and polymer processing technologies. Examples of such products are the flame-retardant ABS, flame-retardant HIPS, sheet ABS, transparent ABS, and PC/ABS alloy. Based on such technological prowess, the center is focusing its competencies on developing EP and super EP products that employ polymer alloy technology, materials for next-generation displays, and environmentally friendly flame-retardant resins; as well as on engaging in continuous process research. The center is also striving to develop speed technology for the development of new highly functional, high added value materials.

### 2. Go-Together 1036 – Semiconductor Materials R&D Center

The semiconductor materials R&D Center was separated from the business division and established as an independent organization in 2004, with the aim of achieving early stabilization of the ECM business, which is the company's next-generation profit-generator, and securing and fostering core basic technologies. The center is developing core technologies to make the company's ECM business 'the world's best and world's first', moving towards the goal of having the 'ECM business record sales of KRW 3 trillion by 2010.' By providing next-generation growth engines for semiconductor materials, the center is advancing the ECM business of Cheil Industries into a profit-generator of the future. It performs the role of an incubator and think tank for next-generation technologies and develops materials for new business opportunities. The center is focusing on core competencies, such as semiconductor patterning materials, packaging materials, and process materials. The center is playing an important role in other sectors as well in Cheil Industries' drive to become a leader in the ECM business.

#### ■ Research areas

Semiconductor materials developed by the center are the Epoxy Molding Compound(EMC), Chemical Mechanical Planarization (CMP) slurry, a key material for polishing semiconductor wafers, and next-generation semiconductor process materials. In terms of EMC, the center has been continuously developing products with outstanding quality since the launch of mass production in 1994, enabling Cheil Industries to maintain the highest market share in Korea. To respond to changes in the semiconductor



packaging market, which is steadily becoming diversified and complicated, the center is developing and producing products for lead frames and substrates.

The center has been continuously focusing on research and development since commencing development of the CMP slurry in 1998, in tandem with increased demand for miniaturized and multi-layered semiconductor devices. Thanks to such efforts, the 'CMP slurry technology for polishing semiconductor wafers' was selected as one of 'Korea's 100 best technologies of the 20th century' at an awards ceremony held by the Seoul Business Daily and Ministry of Science and Technology, and sponsored by the Ministry of Commerce, Industry and Energy. The center is currently developing slurries for new next-generation processes. It is also ramping up speed in the development of a material that allows semiconductor companies to reduce the width of the electrical circuits of devices.

### 3. Creative technological innovation – Display Materials R&D Center

The Display Materials R&D Center is laying a foundation to make Cheil Industries the best display materials company in Korea. It is making inroads into new markets by developing new product groups, strengthening research and development, and innovating products and technologies. The center is poised to create new growth drivers of Cheil Industries by achieving innovation in six areas – products, technologies, marketing processes, global operations, organizational culture, etc. – based on diverse strategies, such as customer-oriented research and development (customized development through JDP with core customers), strengthening of development techniques (continuously securing core personnel; using domestic and overseas technological networks), and effective use of a pool of development personnel (promotion of division/research center CFT).

#### ■ Research areas

Color Resist (CR) is a material used for color filters, which are a core part of TFT LCDs. The center is developing and producing a range of color PRs (red, green, blue) and black PRs (organic BM). It is also continuously engaging in research and development of overcoats that prevent damage to color filters. Cheil Industries completed the construction of a mass production plant in 2002 for the Anisotropic Conductive Film (ACF), which is a conductive film that electrically connects the circuit board of LCDs by combining conductive particles and insulating particles.

The Polyimide (PI) for the alignment layer, which is a key material for TFT LCD devices, is a core material that adjusts the movement and orientation of displays. The center is about to complete the development of PIs for not only TN products but also wide viewing angle products (VAs) as well. The diffuser plate for LCD TVs is made from a material that equally distributes light from the backlight to the front panel. The center successfully developed this diffuser plate for LCD TVs, which is being mass produced, by utilizing multi-layered pressing technology and exclusive photonic design technologies.

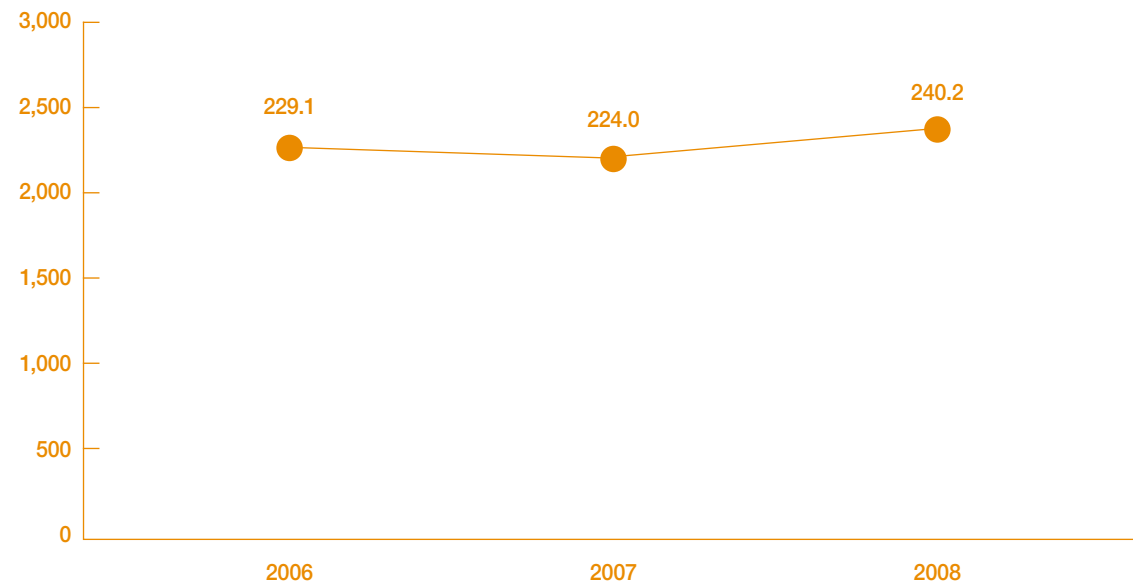
The polarizer film business, which became a next-generation growth engine business of Cheil Industries in 2007, is attempting diversification so that the polarizer film can be applied to small, mid-sized, and large LCDs through the development of TAC-replacing film and polarization devices. Pastes for PDPs ensure uniform prints and patterns. They are outstanding products that have improved Ag migration and edge curl after electrode firing based on a unique firing mechanism.

### 4. The foundation of a total fashion company – Samsung Fashion Research Institute

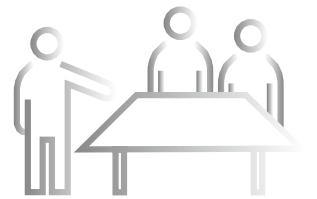
Founded in 1993, the Samsung Fashion Research Institute (SFI) is in charge of collecting and analyzing unique and advanced fashion information, which is gaining more importance in the fashion industry. SFI addressed a key issue of the domestic fashion industry, which could not set trends because of its dependence on overseas information. The institute built a database of various fashion information and has been regularly announcing fashion trends by collecting and analyzing information from books, regular publications, and independent volumes on trends that are issued at home and abroad. It recruits external member companies, analyzes trends in the domestic and overseas fashion markets, and provides forecast materials, thereby performing a substantial role in improving the quality level of the domestic fashion industry. The name of the Samsung Fashion Research Institute was changed to the 'Fashion Research Team' to more attentively listen to customer requirements, quickly reflect the requirements, and maximize synergy effects with marketing activities.



Operating profit (Unit: KRW in bn)



## A sustainable company created through substantive management



### Substantive management that creates greater value

Cheil Industries remains strong, irrespective of the business environment, providing more corporate value to shareholders, investors, and customers. • Meaningful achievements were made in 2008 through substantive management, based on innovation and creativity.

## Management Discussion and Analysis

### I. Summary business performance

2008 was full of various challenges that threatened the company's very existence. In particular, the financial crisis originating from the U.S. in the second half of the year spread throughout the world, resulting in a global economic downturn. Companies went down one after another and economies went stagnant at a rapid pace. Even exports, which Korea is heavily dependent on, suffered significantly, leading to greater uncertainties in the business environment. And against the backdrop of difficult conditions at home and abroad, Cheil Industries continuously strived to offer distinctive products and services to customers. These efforts are what enabled the company to record sales of KRW 3.7278 trillion, a year-on-year increase of 19.8%; an operating profit of KRW 240.2 billion, an increase of 7.2%; and a net profit of KRW 157.5 billion, an increase of 4.1%.

#### Summary of 'States of income'

Category	2008	2007	Chg (Amt)	Chg (%)
Sales	3,727.8	3,112.4	615.4	19.8%
Cost of Sales	2,610.0	2,093.5	516.5	24.7%
Gross Profit	1,117.8	1,018.9	98.9	9.7%
Selling and Administrative Expenses	877.6	794.8	82.8	10.4%
Operating Income	240.1	224.1	16.0	7.2%
Non-operating Income	217.5	56.3	161.2	286.2%
Non-operating Expenses	266.5	80.0	186.5	232.9%
Income before Income Tax	191.2	200.3	-9.1	-4.6%
Income Tax Expenses	33.7	49.1	-15.4	-31.3%
Net Income	157.5	151.2	6.3	4.1%
Earning per Share (KRW)	3,255	3,115	140	4.5%
Operating Profit Margin	6.44%	7.20%		(0.76%p)
Net Profit Margin	4.22%	4.86%		(0.64%p)

(KRW in bn)

### Business performance by business unit

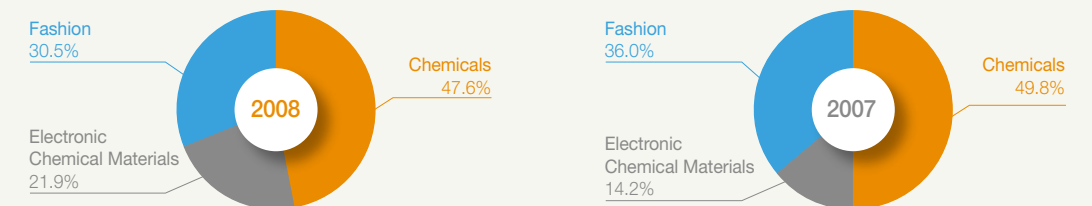
The chemicals business continued to achieve performance improvements, resulting from an increase in sales of highly functional products for IT use, owing to the development of advanced industries, such as LCD TVs and mobile phones; and the rise in the price of chemical products, attributable to soaring oil prices in the first half of the year. Despite weak demand from the sluggish economy in the second half of the year, Cheil Industries posted stable sales and profitability, owing to improvements in payability from the strong dollar and decreased raw material prices. As a result, sales in chemicals jumped 14.3% year-on-year to KRW 1.7735 trillion, while operating profit rose 4.4% to KRW 91.8 billion.

The ECM business, a next-generation money maker for the company, witnessed a whopping 84.4% increase in sales to reach KRW 815.1 billion, while operating profit surged by 71.0% to post KRW 95.4 billion. It was the first for the operating profit of the ECM business to exceed that of the chemicals and fashion business, thereby reinforcing the ECM business' reputation as a core business unit of Cheil Industries. Main drivers of the remarkable growth (more than three times growth from the previous year) were the external growth of polarizer films, a business that was launched through the acquisition of ACE Digtch in March 2007; stable landing of new, high-profit semiconductor materials; and growth of existing products.

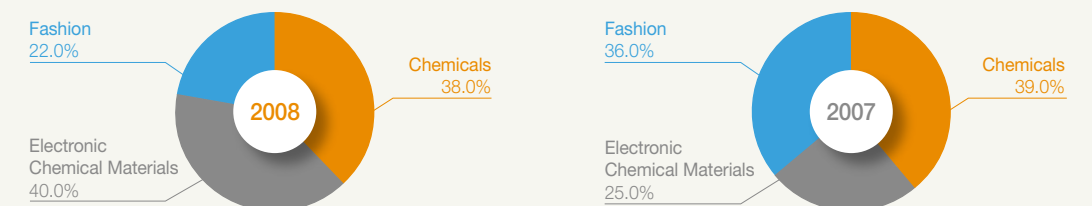
The fashion business recorded a low performance, due to the global economic downturn that rapidly progressed since the second half of 2008. Sales rose only 1.8% year-on-year to post KRW 1.1392 trillion, and the operating profit went down 34% to record KRW 53 billion. The business unit's profitability worsened, but continuous efforts were made to develop new growth engines by launching new brands, especially women's wear and miscellaneous goods. If efforts for early stabilization of the newly launched brands pay off in the women's wear and miscellaneous goods sectors, which are considered as the most vulnerable among business groups, the fashion business will be able to achieve the goal of becoming a "total fashion company."

Difficult business conditions are anticipated for 2009 as well, such as risks of yet another financial crisis and deterioration of the real economy. However, efforts will be made to achieve a business performance that meets the expectations of shareholders by overcoming this crisis with great wisdom, based on transformation and a challenging spirit.

#### Sales by business unit



#### Operating profit by business unit



## Management Discussion and Analysis

### Non-operating income

Cheil Industries' non-operating income increased by KRW 161.2 billion year-on-year to record KRW 217.5 billion in 2008, while the company's non-operating expenses also increased by KRW 186.4 billion to post KRW 266.5 billion. This substantial increase stemmed from the soaring exchange rate, rising from 938.2 won/\$ at the end of the former term to 1,257.5 won/\$ at the end of 2008 and resulting in the recording of substantial foreign currency translation gains and losses in relation to foreign currency credits and debts.

In 2008, the net non-operating loss increased year-on-year KRW 25.3 billion to reach KRW 49 billion, mostly attributable to a rise in net interest expenses from an increase in borrowings; and a net loss on valuation using the equity method of accounting, from the loss recorded by the equity method of accounting-applied company. Cheil Industries recorded a net derivatives-related profit of KRW 31.3 billion through systematic risk management, such as a swap deal that hedges risks related to the rapidly changing exchange and interest rates. This contributed to realizing a strong business performance despite the crisis situation.

### Summary of 'Non-operating Section'

( KRW in bn )				
Categorization	2008	2007	Chg (Amt)	Chg (%)
Non-operating Income	217.5	56.3	161.2	286.2%
Non-operating Expenses	266.5	80.0	186.5	232.9%
Non-operating Gain and Loss	-49.0	-23.7	-25.3	106.5%
Net interest expense	32.2	18.6	13.6	73.5%
Gain on foreign currency transaction, net	-15.8	1.9	-17.7	-936.3%
Gain on valuation of derivative assets	31.3	-	31.3	
Loss on valuation of investment securities accounted for using the equity method	22.0	10.2	11.8	114.6%
Others	-10.3	3.2	-13.5	-421.0%

## II. Financial conditions

In 2008, Cheil Industries' total assets stood at KRW 2.7439 trillion, a year-on-year decrease of KRW 53.4 billion. This is mainly attributable to a decrease in investment assets, owing to a 54% drop, compared to the end of the previous year, in the book value of Samsung Engineering shares, of which Cheil Industries owns 13.1%. The drop in the value of shares resulted from a sluggish stock market, triggered by the global financial crisis in the fourth quarter.

The company's total liabilities increased year-on-year KRW 61.3 billion to reach KRW 1.138 trillion in 2008. This result was mainly derived from a year-on-year rise in current liabilities of KRW 84 billion. Business conditions greatly deteriorated due to the global economic downturn after the fourth quarter, resulting in a KRW 128.4 billion increase in inventory assets and a rise in net borrowings of KRW 225.3 billion to secure liquidity. In terms of non-current liabilities, debentures went up KRW 70.6 billion, but the company recorded a decrease of KRW 95.4 billion in deferred tax liabilities from a loss on valuation of available-for-sale securities. This led to non-current liabilities decreasing KRW 22.7 billion from the previous year.

Total shareholders' equity stood at KRW 1.6058 trillion, a decrease of KRW 114.7 billion from the previous year. This is mainly due to a decrease in the other cumulative comprehensive income, owing to a loss on valuation of available-for-sale securities, including Samsung Engineering shares, and the reduction of capital adjustments from the acquisition of treasury stock. As a result, Cheil Industries' current ratio posted 153.1% to increase 0.5%p from the previous year, but the debt ratio also rose by 8.3%p to reach 70.9%. The main cause for the decrease in shareholders' equity and the rise in the debt ratio is the decrease in value of subsidiary stocks, stemming from the global financial crisis, rather than internal elements of Cheil Industries.

### Summary of 'Balance Sheet'

( KRW in bn )				
Categorization	2008	2007	Chg (Amt)	Chg (%)
Current Assets	1,058.5	926.6	131.9	14.2%
Quick assets	524.6	521.1	3.5	0.7%
Inventories	533.9	405.5	128.4	31.7%
Non-current Assets	1,685.4	1,870.7	-185.3	-9.9%
Investment assets	443.4	733.6	-290.2	-39.6%
Property, plant and equipments	989.6	934.1	55.5	5.9%
Intangible assets	138.1	132.3	5.8	4.4%
Others	114.2	70.7	43.5	61.5%
Total Assets	2,743.9	2,797.3	-53.4	-1.9%
Current Liabilities	691.3	607.3	84.0	13.8%
Non-current Liabilities	446.7	469.4	-22.7	-4.8%
Total Liabilities	1,138.0	1,076.7	61.3	5.7%
Capital Stock	250.0	250.0	0.0	0.0%
Capital Surplus	431.6	431.9	-0.3	-0.1%
Capital Adjustments	-56.9	-8.8	-48.1	543.8%
Other Comprehensive Income	146.0	333.3	-187.3	-56.2%
Retained Earnings	835.2	714.1	121.1	16.9%
Total Shareholders' Equity	1,605.8	1,720.5	-114.7	-6.7%
Total Liabilities and Shareholders' Equity	2,743.9	2,797.3	-53.4	-1.9%
Current Ratio	153.10%	152.60%		0.5%p
Debt-to-equity Ratio	70.90%	62.60%		8.3%p

## III. Cash flow

In 2008, Cheil Industries' net cash inflow from operating activities went down KRW 125.4 billion to post KRW 108.9 billion. This was mainly due to an increase in inventory assets, attributable to a decrease in the inventory turnover ratio from the economic downturn in the second half of the year, and a decrease in trade payables resulting from decreased purchasing of raw materials, despite a year-on-year increase of KRW 6.2 billion in the company's net profit.

Cash outflow from investing activities went down KRW 122.5 billion to post KRW 222 billion. Cash outflow increased due to the acquisition of ACE Digttech shares and facility investments in the PC polymerization business of the chemicals sector in 2007. In 2008, however, facility investments went down, resulting in a decrease in cash outflow from investing activities.

## Management Discussion and Analysis

### Summary of 'Statement of Cash Flows'

Categorization	2008	2007	Chg (Amt)	Chg (%)
Cash Flows from Operating Activities ①	108.8	234.3	-125.5	-53.5%
Cash Flows from Investing Activities	-222.0	-344.5	122.5	-35.6%
Cash Flows from Financing Activities	120.2	102.7	17.5	17.0%
① / Total Assets	4.00%	8.40%		(4.4%p)

( KRW in bn )

### IV. Dividend policy

Cheil Industries is making every effort to return retained earnings to its shareholders, on the understanding that such actions should not curtail the growth potential of its core businesses. In keeping with this policy, the company made a decision to pay a dividend of KRW 750 per share in 2008, the same amount as the previous year's level, despite the economic downturn stemming from the global financial crisis. The dividend rate to par value stood at 15% and the total amount of dividends paid amounted to KRW 35.8 billion. The dividend yield stood at 2.0%, recording a 0.6%p rise from the previous term, and the dividend payout ratio was 24.7%, a decrease of 1.4%p from the previous term. The company set aside KRW 3.6 billion as earned surplus reserves and KRW 118 billion as reserves for facility improvements. These reserves are intended to secure investment funds needed for successful business operations. They will be used as a means to return more profits to shareholders.

### Dividend Status

FY	Net Income ( KRW in bn )	Dividend ( won )	Dividend Yield ( % )	Payout Ratio ( % )
2008	157.5	750	2.0	22.8
2007	151.3	750	1.4	24.1
2006	157.8	750	2.0	23.0
2005	151.4	750	2.7	23.9

### V. Outlook for 2009

The worldwide spread of the financial crisis that originated from the U.S. last year dealt a blow to the real economy in Korea and abroad. Export markets are shrinking so much, so that advanced nations are preparing for minus growth, and domestic consumption remains sluggish. We are positioned in a business environment where the existence of even the strongest global companies cannot be guaranteed.

Against this backdrop, Cheil Industries will focus on a high added value business structure and continuously monitor the competitiveness level of each business area to concentrate on securing liquidity. Cheil Industries will increase efficiency by making cost reductions an intrinsic part of the company, and will minimize risk factors through scenario-based management plans, thereby seizing precious opportunities.

## Non-consolidated Balance Sheets

AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
( KRW in thousand )		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	₩ 15,723,859	₩ 8,731,344
Short-term investments	4,688,463	3,135,912
Trade receivable, net of allowance for doubtful accounts of ₩5,886,405 thousand in 2008 and ₩5,110,100 thousand in 2007	358,265,752	378,799,837
Non-trade receivable, net of allowance for doubtful accounts of ₩416,225 thousand in 2008 and ₩512,669 thousand in 2007	55,747,063	64,715,050
Inventories, net of valuation losses of ₩30,115,705 thousand in 2008 and ₩31,872,087 thousand in 2007	533,883,567	405,471,065
Advanced payments	19,187,439	5,267,100
Prepaid expenses	14,490,203	11,436,010
Current deferred income tax assets	46,787,033	48,950,149
Derivative assets	9,510,732	-
Others	199,744	74,947
Total current assets	1,058,483,855	926,581,414
<b>Non-current assets:</b>		
Property, plant and equipment, net of accumulated depreciation of ₩577,614,086 thousand in 2008 and ₩489,670,298 thousand in 2007	989,584,144	934,118,110
Intangibles, net	138,125,631	132,310,776
Long-term available-for-sale securities	302,881,068	589,030,152
Investment securities accounted for using the equity method	137,324,156	141,447,016
Guarantee deposits	3,225,862	3,088,658
Derivative assets	21,272,496	-
Other assets	92,960,408	70,713,843
Total non-current assets	1,685,373,765	1,870,708,555
Total assets	₩ 2,743,857,620	₩ 2,797,289,969

## Non-consolidated Balance Sheets, Continued

AS OF DECEMBER 31, 2008 AND 2007

( KRW in thousand )

	2008	2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Trade payables	₩ 166,504,593	₩ 210,276,307
Accounts payable-other	82,943,416	103,240,105
Short-term borrowings	211,022,535	148,000,000
Deposits received and withholdings	40,422,990	31,858,164
Current maturities of long-term debts	129,720,111	29,930,685
Accrued expenses	15,219,621	24,181,241
Income tax payable	19,448,434	34,609,781
Point reserves	11,344,344	12,375,563
Warranty reserves	8,126,953	6,723,062
Derivative liabilities	1,285,241	-
Others	5,283,846	6,151,387
Total current liabilities	691,322,084	607,346,295
<b>Long-term liabilities:</b>		
Long-term debts, net of current maturities of ₩1,973,261 thousand in 2008 and ₩866,692 thousand in 2007	248,626,739	179,133,308
Long-term borrowings	100,000,000	100,000,000
Accrued severance benefits, net of National Pension payments for employees of ₩1,194,296 thousand in 2008 and ₩1,304,503 thousand in 2007, and severance insurance deposits of ₩65,140,653 thousand in 2008 and ₩58,343,483 thousand in 2007	36,106,050	32,118,146
Long-term deferred income tax liabilities	59,359,999	154,804,900
Long-term accrued expenses	2,631,560	3,331,650
Total non-current liabilities	446,724,348	469,388,004
Total liabilities	₩ 1,138,046,432	₩ 1,076,734,299

( KRW in thousand )

	2008	2007
<b>Shareholders' equity:</b>		
Capital stock	₩ 250,000,000	₩ 250,000,000
Capital surplus	431,587,846	431,916,227
Retained earnings	835,156,532	714,162,539
<b>Capital adjustments:</b>		
Treasury stock	(58,039,665)	(10,392,660)
Stock options	1,124,421	1,552,681
<b>Accumulated other comprehensive income (loss):</b>		
Gain on valuation of available-for-sale securities	132,100,462	326,986,925
Loss on valuation of available-for-sale securities	(8,998,782)	(5,078,989)
Gain on valuation of investment securities accounted for using the equity method	24,627,409	11,425,194
Loss on valuation of investment securities accounted for using the equity method	(325,482)	(16,247)
Loss on valuation of derivatives	(1,421,553)	-
Total shareholders' equity	1,605,811,188	1,720,555,670
Total liabilities and shareholders' equity	₩ 2,743,857,620	₩ 2,797,289,969

## Non-consolidated Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

( KRW in thousand, except per share amounts )

	2008	2007
SALES	₩ 3,727,783,384	₩ 3,112,402,825
COST OF SALES	2,609,989,688	2,093,510,376
GROSS PROFIT	1,117,793,696	1,018,892,449
SELLING AND ADMINISTRATIVE EXPENSES	877,619,445	794,830,617
OPERATING INCOME	240,174,251	224,061,832
OTHER INCOME (EXPENSES):		
Interest expense, net	(32,215,794)	(18,572,835)
Dividend income	7,542,197	5,274,652
Commission income	10,531,365	14,885,099
Gain on foreign currency transaction, net	14,824,154	1,322,720
Gain (loss) on foreign currency translation, net	(30,624,513)	566,681
Gain on disposal of investments	-	1,696,478
Loss on disposal of property, plant and equipment	(893,659)	(1,390,498)
Loss on valuation of investment securities accounted for using the equity method	(21,969,227)	(10,237,185)
Loss on disposal of investment securities accounted for using the equity method	(125,127)	(575,392)
Loss on impairment of intangibles	(18,149,294)	(11,614,609)
Gain on valuation of derivative assets	31,320,491	-
Donations	(5,528,390)	(5,886,006)
Others	(3,675,181)	818,624
	(48,962,978)	(23,712,271)
INCOME BEFORE INCOME TAX	191,211,273	200,349,561
INCOME TAX EXPENSE	33,741,027	49,087,098
NET INCOME	₩ 157,470,246	₩ 151,262,463
EARNINGS PER SHARE :		
Basic earnings per share	₩ 3,255	₩ 3,115
Diluted earnings per share	₩ 3,232	₩ 3,087

## Non-consolidated Statements of Appropriations of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

( KRW in thousands )

	2008	2007
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior years	₩ 437,628	₩ 351,417
Net income	157,470,246	151,262,463
	157,907,874	151,613,880
APPROPRIATIONS:		
Legal reserve	3,600,000	3,700,000
Reserve for facilities	118,000,000	111,000,000
Cash dividends	35,841,402	36,476,252
	157,441,402	151,176,252
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 466,472	₩ 437,628

## Non-consolidated Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

( KRW in thousand )

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
January 1, 2007	₩ 250,000,000	₩ 431,606,536	₩ (9,729,747)	₩ 108,444,552	₩ 599,250,553	₩ 1,379,571,894
Dividends	-	-	-	-	(36,350,477)	(36,350,477)
Balance after appropriations	250,000,000	431,606,536	(9,729,747)	108,444,552	562,900,076	1,343,221,417
Net income	-	-	-	-	151,262,463	151,262,463
Disposal on treasury stock	-	309,691	1,276,868	-	-	1,586,559
Exercise of stock options	-	-	(387,099)	-	-	(387,099)
Gain on valuation of available-for-sale securities	-	-	-	204,722,874	-	204,722,874
Loss on valuation of available-for-sale securities	-	-	-	12,253,143	-	12,253,143
Gain on valuation of investment securities accounted for using the equity method	-	-	-	7,433,644	-	7,434,644
Loss on valuation of investment securities accounted for using the equity method	-	-	-	462,669	-	462,669
December 31, 2007	₩ 250,000,000	₩ 431,916,227	₩ (8,839,978)	₩ 333,316,882	₩ 714,162,539	₩ 1,720,555,670

( KRW in thousands )

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
January 1, 2008	₩ 250,000,000	₩ 431,916,228	₩ (8,839,978)	₩ 333,316,882	₩ 714,162,539	₩ 1,720,555,670
Dividends	-	-	-	-	(36,476,252)	(36,476,252)
Balance after appropriations	250,000,000	431,916,228	(8,839,978)	333,316,882	677,686,287	1,684,079,418
Net income	-	-	-	-	157,470,246	157,470,246
Disposal on treasury stock	-	(328,382)	(47,647,005)	-	-	(47,975,387)
Exercise of stock options	-	-	(428,261)	-	-	(428,261)
Gain on valuation of available-for-sale securities	-	-	-	(194,886,463)	-	(194,886,463)
Loss on valuation of available-for-sale securities	-	-	-	(3,919,793)	-	(3,919,793)
Gain on valuation of investment securities accounted for using the equity method	-	-	-	13,202,216	-	13,202,216
Loss on valuation of investment securities accounted for using the equity method	-	-	-	(309,235)	-	(309,235)
Gain on valuation of foreign currency swap	-	-	-	(1,421,553)	-	(1,421,553)
December 31, 2008	₩ 250,000,000	₩ 431,587,846	₩ (56,915,244)	₩ 145,982,054	₩ 835,156,532	₩ 1,605,81,188

## Non-consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

( KRW in thousands )

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	₩ 157,470,246	₩ 151,262,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	19,781,118	20,265,322
Depreciation and amortization	113,078,287	89,732,379
Provision for doubtful accounts	666,481	401,061
Loss on impairment of intangibles	18,149,294	11,614,609
Loss on valuation of inventories	-	10,676,901
Gain on disposal of investments	-	(1,696,478)
Loss on disposal of property, plant and equipment, net	893,659	1,390,498
Loss on valuation of investment securities accounted for using the equity method, net	21,969,227	11,821,131
Loss on disposal of investment securities accounted for using the equity method	125,127	575,392
Loss (gain) on foreign currency translation, net	26,973,014	(298,915)
Sales promotion for point reserve	11,488,567	15,285,514
Gain on valuation of derivative assets, net	(31,320,491)	-
Others, net	8,045,779	15,683,110
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	18,961,505	(28,881,420)
Decrease in non-trade receivables	9,064,431	1,690,370
Increase in inventories	(131,496,468)	(24,146,677)
Decrease (increase) in guarantee deposits	(86,925)	173,009
Increase (decrease) in trade payables	(43,605,748)	12,275,029
Decrease in other accounts and notes payable	(20,296,690)	(26,213,298)
Decrease in accrued expenses	(11,669,171)	(1,452,564)
Increase (decrease) in income tax payable	(15,025,628)	9,281,666
Payment of severance benefits, net	(9,106,251)	(15,101,301)
Decrease (increase) in current deferred income tax assets	2,163,116	(6,609,104)
Increase (decrease) in non-current deferred income tax liabilities	(9,588,629)	1,211,979
Increase in severance insurance plan deposits	(6,797,171)	(7,975,616)
Others	(20,978,539)	(6,667,046)
	108,858,140	234,298,014
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash inflows from investing activities:		
Proceeds from disposal of short-term financial instruments	15,370	3,738,872
Collection of short-term loans	1,524,733	3,373,057

	2008	2007
Collection of long-term loans	₩ 256,523	₩ 1,230,731
Proceeds from disposal of short-term available-for-sale securities	7,827,493	123,283
Decrease in guarantee deposits	-	18,104,377
Proceeds from disposal of property, plant and equipment	647,661	2,372,857
Proceeds from disposal of intangible assets	-	99
Increase in government subsidies	1,325,506	-
	11,597,286	28,943,276
<b>Cash outflows in investing activities:</b>		
Acquisition of short-term financial instruments	(938,611)	(327,465)
Extension of short-term loans	(1,054,687)	(4,777,071)
Extension of long-term loans	(1,090,000)	-
Acquisition of short-term available-for-sale securities	(40,694)	(842,450)
Acquisition of investment securities accounted for using the equity method	(3,151,810)	(77,045,095)
Increase in guarantee deposits	(30,426,013)	(17,647,818)
Acquisition of property, plant and equipment	(152,407,123)	(218,839,965)
Acquisition of intangibles	(44,535,491)	(53,999,358)
	(233,644,429)	(373,479,222)
	(222,047,143)	(344,535,946)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	1,262,780,052	984,600,000
Proceeds from long-term debts	177,736,484	99,764,300
Proceeds from long-term borrowings	-	100,000,000
Exercise of stock options	1,416,924	1,316,930
	1,441,933,460	1,185,681,230
<b>Cash outflows in financing activities:</b>		
Repayment of short-term borrowings	(1,205,319,400)	(916,600,000)
Payment of dividends	(36,476,252)	(36,350,477)
Repayment of current maturities of long-term debts	(30,000,000)	(80,000,000)
Repayment of maturities of long-term debts	-	(50,000,000)
Acquisition of treasury stock	(49,956,291)	-
	(1,321,751,943)	(1,082,950,477)
	120,181,517	102,730,753
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,992,515	(7,507,179)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,731,344	16,238,523
CASH AND CASH EQUIVALENTS, END OF YEAR	₩ 15,723,859	₩ 8,731,344



## Independent Auditors' Report

To the Shareholders and Board of Directors of  
Cheil Industries Inc. :

We have audited the accompanying non-consolidated balance sheets of Cheil Industries Inc. ("the Company") as of December 31, 2008 and 2007, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of its operations, changes in its retained earnings and its stockholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

February 23, 2009



## Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of  
Cheil Industries Inc. :

I, as the Internal Accounting Control Officer ("IACO") of Cheil Industries Inc. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2008.

The Company's management including the IACO is responsible for designing and operating the IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause misstatements to the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard to assess the design and operations of the IACS.

Based on the assessment on the operations of the IACS, in all material respects, the design and operations of the Company's IACS were effective as of December 31, 2008, in accordance with the IACS standards.

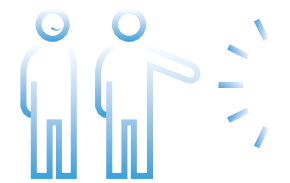
February 23, 2009

**Chun, Churl-Hwan**  
Internal Accounting Control System Officer

Clean Management



## Laying a foundation for sustainable growth through honesty and trust



**Building trust: a foundation for growth based on management characterized by transparency and integrity**

We are enhancing transparency in transactions through the Compliance Program and maintaining a healthy and upright corporate culture through the Internal Accounting Management System and our code of ethics. ● These self-validation measures are enabling Cheil Industries to gain further trust from stakeholders.

## Compliance Program Operation Rules

Enactment October 19, 2006

### Chapter 1 General Rules

#### Article 1 (objective)

This rules aim to prescribe basic procedures and standards to comply with so that executives and staff members of Cheil Industries (hereafter refer to as “the company”) comply with competition-related laws including the Monopoly Regulation and Fair Trade Act of Korea (hereafter referred to as “Fair Trade Law”).

#### Article 2 (range of application)

All executives and staff members shall comply with what this rule prescribes.

#### Article 3 (definition of terminology)

The definition of terminology that is used in this rule corresponds to the following clause.

1. “Compliance” means that executives and staff members voluntarily meet requirements which are prescribed in competition related laws and rules which are applied to company.
2. “Competition law” refers to all regulations which are legislated to promote competition and to establish fair trade practice such as the Fair Trade Law, the Regulation of Standardized Contracts Act, the Fair Labeling And Advertising Act, the Fair Transactions in Subcontracting Act, the Act for Consumer Protection In Electronic Commerce, etc.
3. “Competition authorities” refer to the fair trade commission, a governmental agency in charge of enforcing competition laws.
4. “Compliance program” provides guidelines on behavioral factors and practical policies to realize compliance.
5. “Compliance Officer” refers to the staff member who supervises the operation of the compliance program.

### Chapter 2 Structure of Organization and Division of Work

#### Paragraph 1 Compliance Officer

##### Article 4 (election)

The Compliance Officer is elected by a resolution of the board of directors.

##### Article 5 (authority)

The authority of the Compliance Officer corresponds to the following clause.

1. The right to check and investigate the actual practice of compliance.
2. The right to request improvements in and corrections to violations of competition law.
3. The right to request the submission of materials and information required to perform duties.
4. Authority for other matters that board of directors deems to be necessary.

#### Article 6 (duties)

The duties of the Compliance Officer correspond to the following clause.

1. Fiduciary duty.
2. The duty to ensure the effective operation of fair trade compliance.

#### Article 7 (job)

The Compliance Officer performs the following duties related to the operation of fair trade compliance.

1. Operation of a compliance program.
2. Establishment of a plan in relation to compliance.
3. Implementation of audits to measure the actual practice of compliance more than once every six months.
4. Request for the submission of audit results before the HRM Committee.
5. Request for improvements and corrections of any matters that violate additional competition laws.
6. Compliance education for executives and staff.
7. Enactment and operation of compliance handbook.
8. Record keeping regarding the results of compliance activities.
9. Report actual result of compliance to president and the board of directors more than once every six months.
10. Cooperation and support with competition authorities.
11. Other matters that are deemed to be necessary.

#### Article 8 (prohibition on disadvantages)

The Company shall not disadvantage the Compliance Officer or act against his/her will in any matters related to personnel management with regard to the implementation of his/her duties as a Compliance Officer for the sake of independence and objectiveness in his/her execution of Compliance Officer duties.

#### Article 9 (support of company)

1. The Company shall actively provide human and material resources that are required for the effective job performance of the Compliance Officer.
2. The Compliance Officer can seek expert assistance at the Company's expense.

#### Article 10 (division in charge of compliance program)

The Compliance Officer can select or organize the division that assists the operation of the compliance program.

#### Paragraph 2 Executives and staff members

##### Article 11 (duties)

1. All executives and staff members shall observe all rules prescribed by the Compliance Officer for the operation of competition law and the compliance program.
2. If executives and staff members deem that there is a possibility of violation, they shall receive advice or consultation from the Compliance Officer.
3. If executives and staff members find violation of competition law in the course of performing applicable work, they shall immediately report it to the Compliance Officer.

### Chapter 3 Operation of Compliance Program

#### Article 12 (compliance handbook)

1. The Compliance Officer shall compile and distribute a compliance handbook that provides a detailed guideline for compliance with competition law.
2. If there are any changes in related legislations and rules, related contents in the compliance handbook shall be immediately amended to reflect such changes.

#### Article 13 (monitoring system)

The Compliance Officer shall report on compliance with the compliance program to the board of directors by the method that corresponds to the following clause more than once every six months. The Compliance Officer can enact regulations required for the compliance program.

1. Check and investigate the actual practice of employee compliance.
2. Review and confirm each type of checklist prepared by each division at the request of the Compliance Officer .
3. Review and confirm all reports and materials submitted at the request of the Compliance Officer.

#### Article 14 (implementation of education program)

1. The Compliance Officer shall provide training to executives and staff members whose job duties are associated with competition laws more than once a year, and, if necessary, the Compliance Officer can give supplementary education.
2. The executives and staff members who work in fields with a high possibility of violation shall receive more than 2 hours education every six months.
3. The contents of education programs are comprised of matters that are considered to be necessary such as major changes in compliance rules and matters that executives and staff members should follow in accordance with revised competition laws.
4. The Compliance Officer provides training and evaluation and then reflects the results in performance appraisals.
5. Details related to compliance education can be determined by the Compliance Officer.

#### Article 15 (sanction against executives and staff members who violate competition law)

1. The Compliance Officer can impose sanction against executives and staff members who violate competition law based on the result of an investigation into the actual practice of compliance according to procedures and standards that are prescribed in company bylaws. Details on sanctions can be determined by the Compliance Officer.
2. In the event of violations of competition laws, the Compliance Officer can give warning to and demand corrections from executives and staff members who have committed violations.

#### Article 16 (document management)

1. Basic documents on compliance shall be kept classified and held under the supervision of the Compliance Officer.

2. Documents that are deemed legally importance shall be thoroughly prepared and kept so that such documents can be used as material of proof at a later date.
3. All documents related to compliance shall be accurately recorded and updated.

#### Article 17 (evaluation of the result of operation)

1. Performance evaluations shall be conducted periodically to check if the Compliance Program is being efficiently operated and the results shall be reflected in the operation of the Compliance Program.
2. Performance evaluations are conducted by the Compliance Officer and, if necessary, the Officer can consult external experts.

#### Article 18 (public announcement)

The Compliance Officer can officially announce the operational situation of the compliance program to the securities market if necessary.

#### Article 19 (relation with competitive authorities)

The Compliance Officer shall maintain a close relationship with competition authorities, such as the fair trade commission, by facilitating the exchange of information and communication.

#### Article 20 (mandate)

The Compliance Officer can enact additional measures for the efficient operation of this rule.

#### Supplementary Provision

This rule comes into effect as of Oct. 19, 2006.

## Status of operation of the Internal Accounting Management System

Period: July 1 – December 31, 2008

### Subject of evaluation

- **Operational evaluation:** This involves evaluating whether individual control activities of each process are appropriate. A total of 2,145 evaluation criteria were set.
- **Design evaluation:** This involves evaluating whether internal control for each business process is effectively designed so that various objectives are achieved, such as those related to financial reports, observance with laws and regulations, and prevention of injustice. A total of 128 items were set.

### Evaluation results

- There were no exceptions or failures with regards to design evaluation items.
- There was one case of an exception to the operational evaluation across the company, and improvement measures were taken.

Catalogy	Operational evaluation	Design evaluation	Result of evaluation		
			PASS	Exception	FAIL
Chemical	473	20	493	-	-
Electronic Chemical Material	213	9	222	-	-
Fashion	636	70	706	-	-
Fabric	401	16	417	-	-
Support Dep.	422	13	435	1	-
Total	2,145	128	2,273	1	-

### Exception discovered from examination of the Internal Accounting Management System

- The recording of target surtax transactions should be accurate and complete.
- Data between the control risk trial balance sheet and the surtax database was incoherent.  
There is a risk of incorrect recording and reporting of the surtax due to an error with data in the surtax database, etc.
- **Evaluation process**
  1. Error specifications that are written during surtax database migration
  2. Evaluation of whether there are errors on the error specifications that remain unresolved
  3. Determination of the cause in the case of discovery of an exception
- **Evaluation results**
  1. Confirmed 8 cases of migration failures, resulting from an interface error during surtax database migration
  2. Confirmed as a computer error that occurred during the process of recognizing master data of a business partner
- **Improvement measure**
  1. Addressed the error and analyzed the correct information when making a surtax report
  2. Notified the Information Team of error details and fixed the system accordingly

### Results of inspection

I, the manager in charge of internal accounting, inspected the actual state of operation of approximately 2,273 control matrices according to the internal accounting management rules in the second half of 2008, completed improvements for exceptions where solutions were possible and found nothing that requires attention among the remaining items.

- 1) Accounting information has been handled legally in compliance with related regulations, including corporate accounting standards.
- 2) Recording, preserving, reporting, and managing accounting information has been handled properly according to related regulations and internal rules.
- 3) Accounting information has been officially announced and legally reported in compliance with related regulations, including the Securities and Exchange Act.
- 4) There were no accounting activities that violated accounting standards and no revisions in violation of regulations were made to accounting slips after an audit by an outside auditor.

Accordingly, I hereby report that the company's Internal Accounting Management System in the second half of 2008 has been prepared, designed, and operated effectively and there have been public announcements of reliable accounting information.

February 23, 2009

Internal accounting manager of Cheil Industries, **Jeon Cheol-hwan**

## Code of Ethics

The corporate mission of Cheil Industries is to create better lives for people through satisfying the need for beauty and aesthetics by providing the designs, fashion products and services demanded by customers, and contributing to the convenience of the society through the development of environmentally friendly highly functional plastic resin and new electronics materials, while becoming a respected enterprise through transparent and open management.

In order to achieve our goals, we respect the order of the free market economy and fair competition as well as laws, corporate ethics and its responsibilities to the society to become an enterprise which its customers appreciate and in which shareholders maximize their value and employees find satisfaction and trust.

Based on the Management Principles of Samsung and Ideals of Samsung, we, the management and the employees, voluntarily adopt and proclaim the Code of Ethics, in order to share the goals of the company and declare our values to the public to lay a foundation for a company respected by the global marketplace as well as its customers, shareholders and partner companies.

### Chapter 1 Responsibilities to Customers

#### 1. Management for customer satisfaction

- The company and its management and employees shall keep in mind that the source of all profit and growth of the company comes from customers and shall endeavor to meet the demands of customers.
- The management and employees shall always be attentive to the voice of the customers, and "customer satisfaction" shall be the basis of all management decisions and actions.
- The company and its management and employees shall endeavor continuously to win trust and respect from customers with integrity and transparency.

#### 2. Quality management

- The company and its management and employees shall rise to the expectations of the customers and provide "customer satisfaction" as the resulting product.
- The company and its management and employees shall endeavor to provide the highest quality products and services at reasonable prices.  
Quality is our highest value in which there is no compromise or concession.

#### 3. Protection of customer interests

- The company and its management and employees shall value customers' assets, intellectual properties and proprietary information as precious as those of Samsung's own. (Customers' information and property must be protected the same as ours.)

- The company and its management and employees shall not reveal or use customer information for purposes other than intended without consent of the customer.
- The company and its management and employees shall not infringe upon the interests of customers through unethical or illegal activities.

### Chapter 2 Responsibilities to Shareholders and Investors

#### 4. Responsibilities to Shareholders and Investors

- The company shall endeavor to protect the interests of its shareholders through profit generation and rational investment.

#### 5. Equal treatment of Shareholders

- The company shall treat all shareholders equally.

#### 6. Distribution of reliable information

- The company shall be proactive in providing reliable and useful information to shareholders about the company's current status and forecast to aid their investment decision and provide opportunities to participate in decisionmaking.

#### 7. Transparent accounting

- The company shall keep and maintain its financial accounts in a transparent manner in accordance with generally accepted accounting principles.  
(Shareholders' right to know, their demands, suggestions and official decisions shall be respected, while transparent management and financial accounts shall be kept and maintained in accordance with generally accepted accounting principles in order to form mutual trust.)

#### 8. Reasonable corporate valuation

- The company shall strive to receive fair valuation on its enterprise through active public relations activities and investor relations.

#### 9. Ban on misappropriation of inside information

- The management and the employees shall protect the properties of the company and shall not engage in unfair securities transactions, infringe upon proprietary information or engage in any other unlawful activities.

## Chapter 3 Responsibilities to the Market

### 10. Respect for market order

- The company shall respect the market order in both domestic and international markets in accordance with the principles of free competition and provide optimum product and services to the customers.
- The company shall base its business with other companies on mutual respect and fair competition and shall not take unfair advantage of the weakness of competitors.

### 11. Acquisition of information

- The management and employees shall use ethical, as well as legal, means to acquire information and shall not acquire confidential information from competitors illegally or unethically.
- The management and employees shall not use acquired information in slanderous advertisements or groundless comparison.

### 12. Fair trade with partner companies

- The company shall establish fair trade practices through clear and transparent trading with its partner companies.
- The company shall make considerations for partner companies to realize long-term growth and seek mutual benefit.
- The management and employees shall not transfer costs or treat partner companies in an unfair manner.

## Chapter 4 Responsibilities to Society and Country

### 13. Healthy corporate activities

- The company shall respect the values, abide by rules and regulations of the regions where it holds offices, whether they are at home or abroad, and make effort to establish a healthy corporate environment.
- The company shall not engage in any activities including real estate speculation that may adversely affect national sentiment.
- The company shall denounce all forms of improper activities that may hinder healthy business activities.

### 14. Contribution to society

- The company shall create new values to contribute to the advancement of the country and the society through continuing innovation and research.
- The company shall provide equal opportunity for employment regardless of their education, sex, religion or place of birth, and the company shall honor its duties, including those as a taxpayer.
- The company shall always keep in mind that its service to the community is part of its social duties and actively participate in social services, emergency rescue and social education. It shall also encourage and support its management and employees to actively participate in social services.

- The company shall accept all reasonable demands made by the members of society and the community and shall endeavor to resolve them.

### 15. Protection of environment

- The company shall make every effort to protect and improve the environment by preventing environmental pollution and observing all environmental laws and regulations.
- The company shall endeavor to prevent the waste of resources.
- The company shall not engage in business activities that contradict environmental protection and shall make every effort to prevent pollution.

## Chapter 5 The relationship among the company, its management and employees

( Company's responsibilities to the management and employees )

### 16. Respect for the management and employees

- The company shall treat the management and employees as independent individuals and shall respect their basic rights.
- The company shall establish a work and training system, which enables the management and employees to feel a sense of ownership and to work with pride and a sense of accomplishment.
- The management and employees shall treat one another with courtesy and refrain from treating one another in a malicious manner.
- The management and employees shall not make inappropriate requests to one another.

### 17. Fair treatment

- The company shall provide fair opportunities to the management and employees based on their abilities and shall make fair evaluations and compensation for their work.
- The company shall not discriminate in employment, job assignment or promotion based on gender, religion, age, physical characteristics or place of origin.

### 18. Human resources development and support for creativity

- The company shall support independent free thought and actions, and shall actively provide opportunities and training to develop the potential of employees and shall develop human resources to create long-term benefits.
- The company shall create a system and an environment for the management and employees to freely make suggestions and grievances.
- Supervisors shall advise and train their subordinates according to their abilities to nurture them into strong and able people.

## Glossary

### Acrylonitrile-Butadiene-Styrene terpolymer (ABS)

- ABS is a shock- and chemical- resistant material which possesses mechanical properties. It is easy to process and color and, therefore, has a wide range of features and applications ranging from electric and electronic components, automobile interior and exterior parts to toys and pipes.

### Kyoto Protocol

- This is the protocol to the international Framework Convention on Climate Change with the objective of reducing greenhouse gases that cause climate change. The protocol was adopted at the third Conference of Parties to the treaty that was held in Kyoto, Japan on December, 11, 1997 and took effect on February 16, 2005. This set up the goal of an obligatory reduction in green gas emission for 36 developed nations and these nations are prescribed to their overall reduce emissions of such gases by at least 5.2 % below 1990 levels during the commitment period running from 2008 until 2012.

### Internal Control

- To ensure accurate and reliable financial reporting in compliance with related regulations and efficient business practices, all working processes are subject to risk factor calculations. Based on the results, all related processes are systemized in order to facilitate the consistent control and management of these risk factors.

### Emission Trading

- This refers to a system to control pollution that provides economic incentives for nations that reduce their level of emissions.

### Environmentally friendly company

- This refers to a business that is designated as “environmentally friendly” by Korea’s Ministry of the Environment in recognition of its commitment to improving the environment through significantly reducing the amount of pollutants they discharge, saving resources and energy, and producing environmentally-friendly products in addition to other environmental protection activities.

### ERP (Enterprise Resource Planning)

- This refers to a consolidated information system that can play a role in reinforcing corporate competitiveness by efficiently managing all human and material resources within the company.

### FED (Field Emission Display)

- FED is a flat-panel display employing a similar operational method to that of CRT. Electron emitters, arranged in a grid, are individually controlled by “cold” cathodes to generate colored light.

### GRI (Global Reporting Initiative)

- GRI is a global organization that produces and establishes the global standard for sustainability reporting guidelines. This organization was founded in 1997 by the US based non-profit Coalition for Environmentally Responsible Economies (CERES) and Tellus Institute and was separated into an independent organization in 2002.

### IR (Investor Relations)

- This is a terminology that was created by General Electric (GE) of the U.S. in 1953. It involves providing comprehensive information on a company's management and future forecasts to investors. Compared to official corporate announcements that provide quantified information, IR includes non-quantified information as well.

### ISO (International Organization for Standardization)

- This refers to an international organization founded in 1946 to unify industrial standards and improve cooperation in the fields of science, knowledge and business.

### ISO 14001

- This refers to the system that certifies international standards by evaluating EMS : Environmental Management System.

### KOGI (Korea Corporate Governance Stock Price Index)

- The Korea Corporate Governance Stock Price Index is a price index based on 50 selected companies whose market capitalization ranks within the top 40% of the KOSPI after scrutiny of their corporate governance practices. Updated on the first trading day of July each year, the KOGI is calculated and announced jointly by the Korea Exchange (KRX) and the Corporate Governance Service. The KOGI was introduced to encourage companies to voluntarily enhance their corporate governance methods and encourage investment in companies with low corporate governance risks.

### KOSHA18001

- The Korea Occupational Safety & Health Agency (KOSHA) confers this certification after reviewing the safety and management systems of domestic companies through such means as field assessments of business sites and interviews with executive management. This is a voluntary safety and health scheme designed to promote the systematic execution of activities that prevent disasters and reduces corporate losses. It encourages the business owner to reflect safety and health policies in voluntary management policies; stipulate detailed execution guidelines and standards; regularly conduct internal evaluations on the results of implementing safety and health plans; and address shortcomings.

### Matching Grant

- This refers to a system employed by a company to provide additional financial contributions when executives and staff members raise donations to help local communities.

**NOx**

- Nitrogen oxides, or NOx, are the generic terms for a group of highly reactive gases, all of which contain nitrogen and oxygen in varying amounts. Among them, nitrogen dioxide (NO<sub>2</sub>) is an odorous, reddish brown gas has the most influence on air pollution and it is generated when NO emitted during the combustion process is oxidized in steam.

**Net Promoter Score (NPS)**

- This concept was introduced by the consulting firm, Bain & Company, and it refers to a customer satisfaction survey which measures a company's propensity for growth by using an equation whereby the percentage of Detractors (negative customers) is subtracted from the percentage of Promoters (positive customers). A company with a high score is able to sustain profitable growth.

**National Customer Satisfaction Index (NCSI)**

- This refers to an economic indicator that measures the level of customer satisfaction regarding the quality of Korean and overseas products and services sold in the domestic Korean market.

**OHSAS18001**

**(Occupational Health & Safety Management System 18001)**

- This is a certification standard for OHSMS (Occupational Health & Safety Management System) enacted in April 1999. It defines minimum requirements that are needed for an organization to voluntarily identify and continuously manage risk factors to prevent industrial disasters.

**PC (Polycarbonate)**

- This refers to a particular group of thermoplastic polymers. Polycarbonates have excellent properties as they are easily molded, heat resistant, non-toxic and transparent.

**REACH (Registration, Evaluation, Authorization and restriction of Chemicals)**

- This is a new European Union regulation on the safe use of chemicals which came into effect on June 1st 2007 and replaces a number of separate chemical safety regulations with a single system. Under this regulation, during the next 11 years around 30,000 kinds of chemicals produced in the EU or imported into the EU must be registered with the EU Chemicals Agency.

**RoHS (Restriction of Hazardous Substances Directive)**

- This refers to a directive came into effect in July 2006 which restricts the use of 6 harmful substances in the EU market; lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE).

**Regenerative Thermal Oxidizer (RTO)**

- This refers to equipment that incinerates VOC and gas by heat. This method can reduce more than 95% of the waste heat produced by exhaust gas by using ceramic heat storage materials.

**SEQMS31001 (Safety, Environment, Quality Management System)**

- This is a management program aimed at minimizing SHEQ (Safety,

Health, Environment, Quality) losses by comprehensively considering quality, environment, safety, and health management systems. Each element of an individual management system is analyzed, improved, and then integrated into a single system.

**Six Sigma**

- This refers to a business management strategy used to identify and remove the causes of defects and errors in manufacturing and business processes. It uses a set of quality management methods, including statistical methods, and creates a special infrastructure of people within the organization who are experts in these methods. The strategy aims to create a high quality, efficient corporate culture through methods such as implementing problem solving processes, training experts and achieving quality innovation and customer satisfaction.

**Tele-Monitoring System (TMS)**

- This refers to a tele-monitoring system that is installed on an exhaust chimney to check whether a company is complying with prescribed emission standards prescribed by air pollution laws.

**TOE**

- This is a unit that standardized various energy sources, which are indicated in different units, such as kl, t, m<sup>3</sup>, and kW, based on calories of heat generated by one ton of petroleum. 1 TOE equals 10 million kcal of heat generated by one ton of petroleum (7.41 barrels), 1.55 tons of coal or 1,150m<sup>3</sup> of natural gas. It has recently been widely used as a unit to express excessive energy consumption.

**TPM (Total Productive Maintenance)**

- This refers to a comprehensive productivity management innovation activity.

**United Nations Framework Convention on Climate Change**

- This is a convention to stabilize the concentration of greenhouse gas in the air by reducing emission of greenhouse gas to a level that would prevent dangerous interference with the climate system. The convention was adopted and opened for signature in New York on May 9th 1992. On June 12, 1992, 154 nations and the European Union signed the convention and it came into force in 1994.

**VOC (Volatile Organic Compounds)**

- This refers to organic carbonized compounds that can easily be evaporated in the air such as paint, adhesives, and oil products. These substances are harmful to the human body because they form photochemical ozone and contain cancer-causing toxins.

**GRI Index ( G3 )**

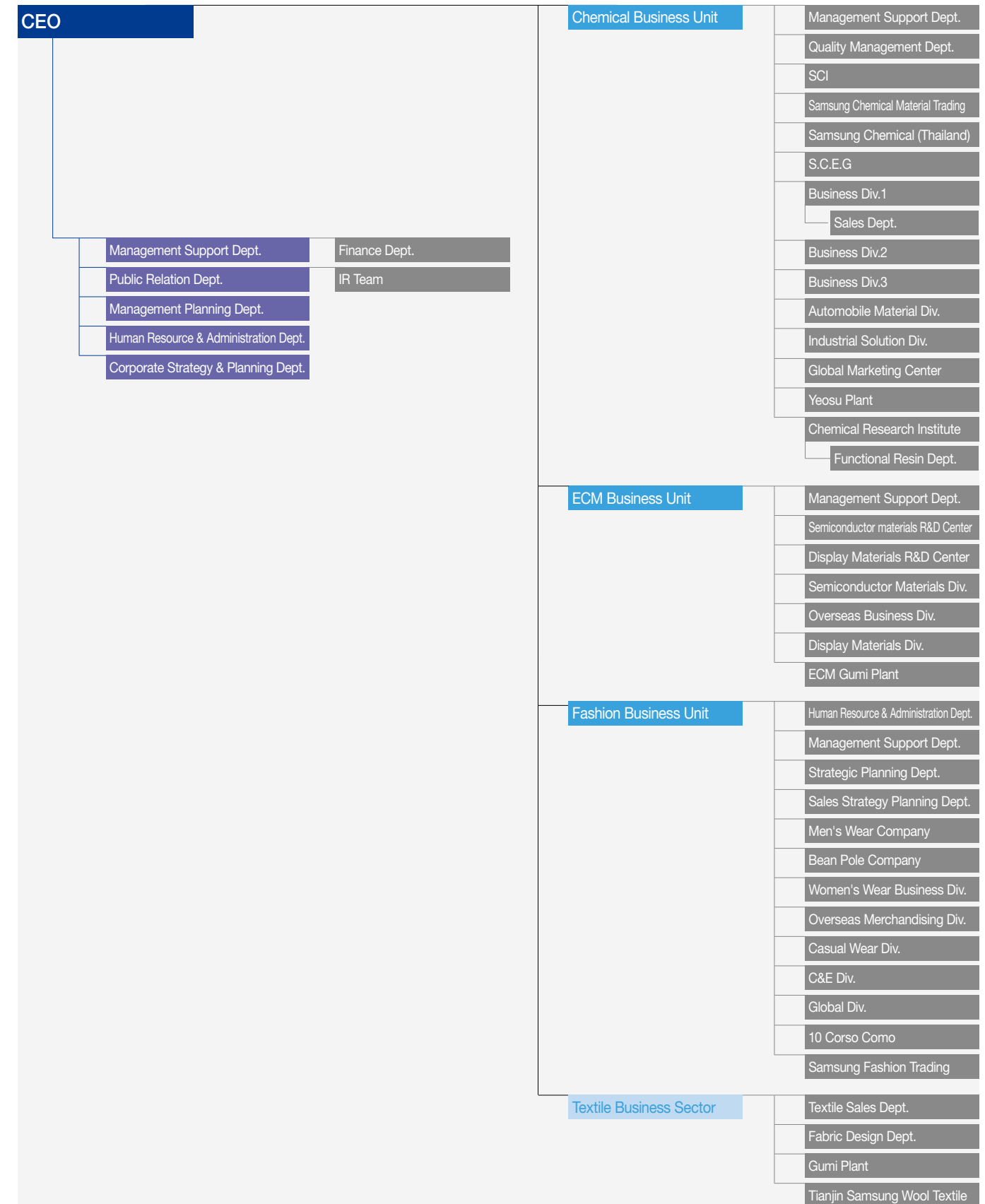
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GRI Index		GRI Indicator	Check	Page	
Strategy and Analysis	1.1	Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	○	4-5	
	1.2	Description of key impacts, risks, and opportunities.	○	1	
Organizational Profile	2.1	Name of the organization.	○	1	
	2.2	Primary brands, products, and/or services.	○	18-29	
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	○	7, 95-97	
	2.4	Location of organization's headquarters.	○	1	
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	○	96-97	
	2.6	Nature of ownership and legal form.	○	8-9	
	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	○	18-29	
	2.8	Scale of the reporting organization, including: Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided.	○	10-12, 38	
	2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	○	8-9	
	2.10	Awards received in the reporting period.	▲	15	
Report Parameters	3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	○	C2	
	3.2	Date of most recent previous report (if any).	○	C2	
	3.3	Reporting cycle (annual, biennial, etc.)	○	C2	
	3.4	Contact point for questions regarding the report or its contents.	○	C2	
	3.5	Process for defining report content, including:	○	32	
	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	○	C2	
	3.7	State any specific limitations on the scope or boundary of the report.	○	C2	
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	○	C2	
	3.12	Table identifying the location of the Standard Disclosures in the report.	○	93-94	
	3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	○	C2	
	Governance, Commitments and Engagement	4.1	Governance structure of the organization.	○	8
		4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	○	8
		4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	○	8
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.	○	8-9	
4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	○	8-9	
4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	○	6-7, 32-33	
4.10		Processes for evaluating the highest governance body's own performance.	○	9, 35-36	
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	○	53-59	
4.14	List of stakeholder groups engaged by the organization.	○	33		
4.15	Basis for identification and selection of stakeholders with whom to engage.	○	33		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	○	33		

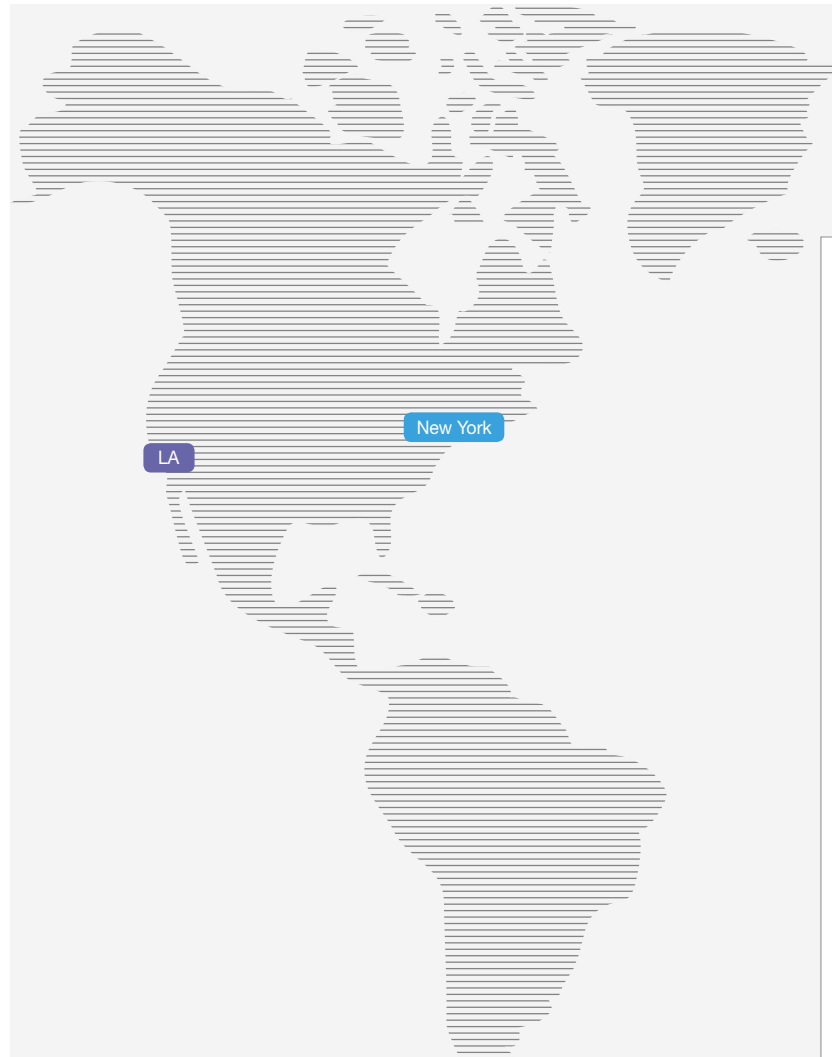
○ : Reported ▲ : Partially Reported

GRI Index	GRI Indicator	Check	Page
<b>Governance, Commitments, and Engagement</b>	4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization to those key topics and concerns, including through its reporting.	○	33
<b>Economic Performance</b>	EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	○	41, 47, 51 66-81
	EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.	○	50-51, 54-55
	EC.8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	○	2, 48
<b>Environment Performance</b>	EN2. Percentage of materials used that are recycled input materials.	▲	52, 57
	EN3. Direct energy consumption by primary energy source.	○	55
	EN4. Indirect energy consumption by primary source.	○	55
	EN5. Energy saved due to conservation and efficiency improvements.	○	55
	EN6. Initiatives to provide energy-efficient or renewable energy-based products and services and reductions in energy requirements as a result of these initiatives.	○	52-53
	EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	○	55
	EN16. Total direct and indirect greenhouse gas emissions by weight.	▲	55
	EN17. Other relevant indirect greenhouse gas emissions by weight.	▲	55
	EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	○	55-56
	EN19. Emissions of ozone-depleting substances by weight.	▲	55-56
	EN20. NOx, SOx, and other significant air emissions by type and weight.	○	56
	EN22. Total weight of waste by type and disposal method.	▲	57
	EN23. Total number and volume of significant spills.	○	56
	EN26. Initiatives mitigate environmental impacts of products and services, and extent of impact mitigation	○	52-53
	EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	○	51
	EN30. Total environmental protection expenditures and investments by type.	○	51, 56
<b>Labor Practice &amp; Decent Work</b>	LA1. Total workforce by employment type, employment contract, and region.	○	38
	LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	▲	42-43
	LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	○	41
	LA10. Average hours of training per year per employee by employee category.	○	40
	LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	○	40
	LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	○	8, 38
<b>Society</b>	SO2. Percentage and total number of business units analyzed for risks related to corruption.	○	58-59
	SO4. Actions taken in response to incidents of corruption.	○	58-59
<b>Product Responsibility</b>	PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	○	44-45

## Organization



## Global Network



## Overseas business sites \_ Chemicals and ECM

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## Textile Business Sector

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## Samsung Fashion srl

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# We value your opinions

## Feedback on the 2008 Cheil Industries Corporate Report

Please share your thoughts, opinions or suggestions with us.  
Just fill out the format on the back of this page and send it to us via regular mail, fax, or email.  
We will carefully consider, actively investigate and reflect on your opinions as we engage in creative innovative management and improve future reports.

- IR Team, Cheil Industries, 332-2, Gocheon-dong, Uiwang City, Gyeonggi Province, Korea
- Fax. +82-31-596-3088
- E-mail [ircii@samsung.com](mailto:ircii@samsung.com)



# We value your opinions

## 1. Which group do you belong to?

- Customer     Employee     Shareholder     Investor     Business partner  
 Government ministry or office     Civic or social group, including NGOs  
 Sustainable management expert     Media     Local citizen or local autonomous body  
 Academic sector     Other

## 2. Did this report help you to understand Cheil Industries' sustainable management?

1      2      3      4      5  
←—————→  
Did not help at all    Did not help much    Indifferent    Helped a little    Helped a lot  
                       

## 3. What part of the report are you most satisfied with?

- Corporate introduction     Introduction to key business areas  
 Sustainable management     Financial performance

## 4. How do you evaluate the following?

Very    1    2    3    4    5    Very  
unsatisfactory    ←—————→    satisfactory

The terms used are clear and easy to understand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sufficient and useful information is provided for important issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The content of the report is reliable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The design is of high quality and helps to make the content understandable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 5. Pleaseshare your opinions on the 2008 Cheil Industries Corporate Report and suggestions for improvement of future reports.

