

BUILD THE GREAT

SK E&C 2018 ANNUAL REPORT



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Over the past 40 years, SK E&C has continued to grow on the basis of its technological prowess and capabilities in construction and business development.

SK E&C continues to approach challenges and innovation with strength, while ultimately aiming at happiness and a better life for human beings.

Jae-Hyun Ahn
/ CEO**Young-Mun Lim**
/ President

CEO MESSAGE

While maintaining our roots in innovative culture and the experience and knowledge accumulated over the past 40 years, we remain steadfast to our mission and achieving our corporate vision.

Dear valued shareholders, customers, and business partners,
I'd like to begin by expressing my deepest gratitude for your unwavering support in SK E&C.

Over the past four decades, SK E&C has made tireless efforts towards its bold mission of "We Build the Great." In 2018, we moved one step closer to our goal when we attained a pre-tax profit surplus for the fourth straight year. This accomplishment particularly stands out because of all the challenging market environments, a downbeat international economy, and low oil prices. All the while, we aimed to thrive amid fierce competition in global markets. We see this as evidence that we have secured firm competitiveness in this changing business era.

In terms of our business model, we have ensured future growth drivers in both the development field as well as the Engineering, Procurement, and Construction (EPC) business. For example, we explored the Independent Power Plant (IPP) field and then guaranteed our position as the exclusive distributor of Bloom Energy's energy server Solid Oxide Fuel Cell Systems (SOFC) in Korea. SK E&C has also excelled in public-private partnership (PPP) projects by successfully earning the right to build a ring road in Almaty, the capital city of Kazakhstan. Our hard work to secure differentiated competitiveness paid off as our Operational Excellence can now compete with other leading international companies. Our diverse initiatives included improving our control of the environment, safety, and quality controls—the three pillars of our EPC operations—as well as cost competitiveness. As a result of our efforts, this did not go unrecognized: In 2018, SK E&C was the only Korean constructor to maintain the highest rating in the Commission on Shared Growth for Large and Small Companies' Win-Win Index for a second year in a row.

In the near future, the market outlook for 2019 still suggests challenging situations. With the slowing global economy and growing uncertainties surrounding the construction business, the market forecast remains unclear. Still, we are going to embrace this paradigm change in the business environment. The rising market demand for eco-friendly products and alternative energy sources will accompany the expanding digitalization of an open network. Put simply, convergence with other industries through collaboration across different industries will constitute a new competitive edge. Furthermore, new norms, such as social value creation and infrastructure sharing, are expediting a wave of changes in the business community. We believe that these changes will work in our favor when we actualize our full vision through phase-by-phase specific goals and put them into action. The first step will be providing unique value that will sustain growth shared with customers to create new markets and secure a matchless market position.

To that end, we will transform our business model into one which is more service-oriented.

In the global market, we will identify new customer groups through a comprehensive service model and offer optimal technologies as solutions to solve customer pain points. In addition, we will develop a business structure that will offer customers with greater value while also sustaining a stable revenue stream. We will then expand and evolve the service model into various other models that will increase the satisfaction of customers, shareholders, employees, and society, ultimately maximizing both social and economic value.

We will innovate operations to significantly increase productivity.

When it comes to productivity, safety is an absolute prerequisite. Safety will be our first priority as we continue to improve our processes. By reducing our business operations into the smallest units possible, we will establish key productivity factors and make new attempts to find better solutions for the future. These efforts are all aimed at achieving the most competitive market prices.

Lastly, we will complete a field-oriented process of making decisions in a timely manner.

We are committed to completing an immediate and accurate decision-making process so that it can form the basis of a competitive edge for our company. This will allow us to identify issues on-site and brainstorm for solutions about problems, as well as promptly respond to customer needs with the timely input of resources.

Undaunted by economic crises and challenges, we have overcome numerous hurdles to continue growing in spite of all these difficulties. As a responsible corporate citizen, we will make every effort to create social value in line with our business activities.

Regardless of our past successes and accomplishments, everyone at SK E&C will commit their fullest effort to grow the company into a stronger and more sustainable corporation based firmly on its innovative culture and the experience that we have accumulated over the past 40 years.

It is our hope that you will continue to support SK E&C with your complete trust this year and in the years to come.

Thank you.

BOD & CORPORATE GOVERNANCE

At SK E&C, we have always strived to make the best and most transparent decisions in all business management practices. The company is not listed on the stock market, so SK E&C is not obliged to have outside directors as board members. Still, outside directors account for the majority of its board of directors. As a result, corporate governance has improved, ensuring transparency and independence from management in the board's decision-making process.



Jae-Hyun Ahn

- Head of Strategic Business, SK Networks (2000-2001)
- Consulting Leader, Restructuring Initiative Office, SK Group (2001-2004)
- CEO & President, SK D&D (2004-2011)
- Managing Director, Industry Service Division, SK E&C (2011-2015)
- Managing Director, SK Gas (2016)
- President & Executive Director of the Board of Directors, SK E&C (2017)
- CEO, SK E&C (2018-present)



Young-Mun Lim

- General Manager, Restructuring Initiative Office, SK Group (1997-2006)
- Director, President Bureau, SK Chemical (2007)
- Director, Strategy & Planning Office; Corporate Culture Office, SK Chemical (2007)
- Director, Financial Support Office; Corporate Culture Office, SK Chemical (2008)
- Head of Finance, SK E&C (2009-2012)
- Head, Strategy & Finance Division; Financial Support Division; Business Support Division SK E&C (2013-2018)
- President, SK E&C (2019-present)



Keun-Ju Byun
(Outside Director)

- Professor, Civil and Environmental Engineering, Yonsei University (1996-2007)
- Chairman, Korea Concrete Institute (1999-2000)
- Chairman, International Committee on Concrete Model Code for Asia (2002-2004)
- Vice-Chairman, Asian Concrete Federation (2005-2006)
- Chairman, Korean Society of Civil Engineers (2005)
- Executive Advisor, Dongho Engineering (2007-2011)
- Co-chair, Global Infrastructure Forum (2011-2016)
- Professor Emeritus, Yonsei University (2007-present)
- Outside Director, SK E&C (2005-2012, 2014-present)



Seung-Ho Lee
(Outside Director)

- 1st Manager, Investigation Bureau, National Tax Service (2009-2010)
- Director, Investigation Bureau, Jungbu and Busan Regional Offices, National Tax Service (2010-2011)
- 4th Director, Seoul Regional Office, National Tax Service (2011-2013)
- Director, Busan Regional Office, National Tax Service (2013)
- Chairman, Tax Generation (tax accounting firm) (2014-2016)
- Adjunct Professor, School of Business, Konkuk University (2014-present)
- Advisor, Jose Ilbo (Tax Daily) (2014-present)
- Advisor, Yulchon Law Firm (2016-present)
- Outside Director, Daekyo (2019-present)
- Outside Director, SK E&C (2017-present)



Seong-Hyeong Lee

- Team Leader, Financial Office, SK Holdings (2008-2012)
- Head of Financial Management, SK Holdings (2013-2015)
- Head of Financial Management, SK Telecom (2016-2017)
- Head of Finance Division, SK Holdings (2018-present)
- Non-executive director, SK E&C (2018-present)



Jang-Su Kim
(Outside Director)

- Director, Ministry of Finance and Economy (1996-1997)
- Director, Ministry of Finance and Economy's Korea-OECD Multilateral Tax Center (1997-1999)
- Judge, Ministry of Finance and Economy's National Tax Tribunal (1999)
- Vice-Chairman, Investment Banks Association of Korea (1999-2002)
- Auditor, Korea Ratings (2002-2006)
- Vice-Chairman, Korea Federation of Banks (2006-2009)
- Outside Director and Auditing Committee Member, Hyundai Engineering & Construction (2010-2011)
- Outside Director, SK E&C (2014-present)



Yoon-Mo Kim
(Outside Director)

- CHB Bank, Citibank (formerly Hanmi Bank) (1983-1997)
- IB Director, Hana Financial Group (1998-2007)
- CEO of IB Division, Leading Investment & Securities; CEO of Leading Japan (2008-2009)
- CEO & President, IM Investment & Securities (formerly Solomon Investment & Securities) (2009-2011)
- General Vice-Chairman, KTB Private Equity (2012-2013)
- Standing Director, Dongbu Daewoo Electronics (2013)
- CEO, AJ Capital Partners (Aju Group) (2013-present)
- Outside Director, SK E&C (2018-present)

BOD ACTIVITIES

Issues	No. of Agenda items	No. of Report Items	Contents
General shareholders' meeting (GSM), BoD, corporate governance	6	1	Convening of the GSM, revisions to BoD regulations, and appointment of the CEO
Investments, planning & management	2	0	Liquidation, share disposition, and furnishing of security
Accounting, financial management	9	4	Approval of financial statements, capping debt, and payment guarantees
Other management issues	4	21	Key management issues
Workshop		2	Work Innovation at SK E&C
Total (49 items)	21	28	

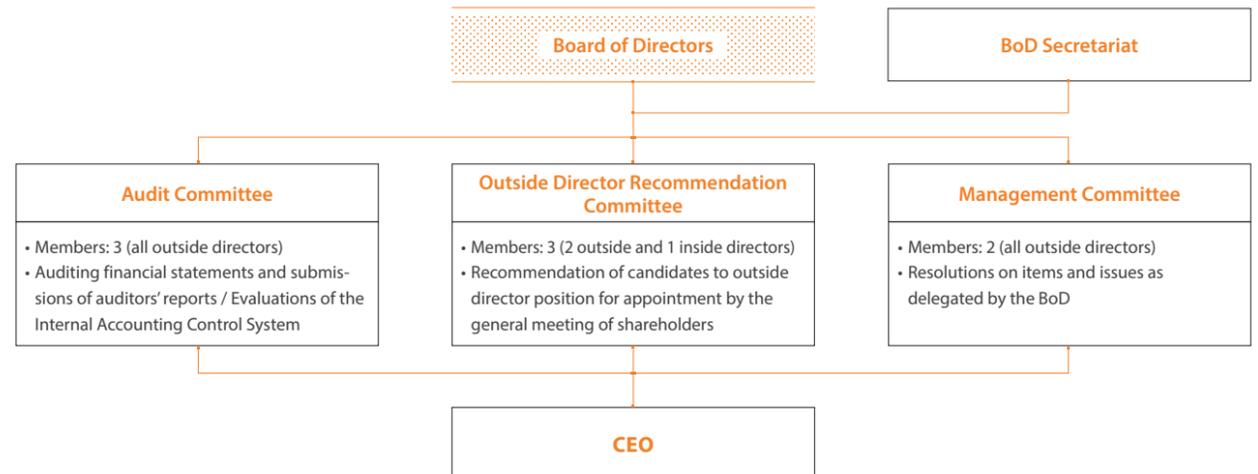
COMMITTEE ACTIVITIES

Committee	No. of Meetings	No. of Items	Agenda Items
Management Committee	6	6	Changes to branch representatives, establishment of branch offices
Audit Committee	1	3	Submission of the Auditors' Report, report on the current status of the Internal Accounting Control System
Outside Director Recommendation Committee	1	1	Recommendation of candidates for outside director positions
Total	8	10	

NOTEWORTHY CHANGES TO COMMITTEE MEMBERS

(As of March 27, 2019)

- Audit Committee: Jang-Su Kim (Chair) / Seung-Ho Lee / Yoon-Mo Kim
- Outside Director Recommendation Committee: Jae-Hyun Ahn (Chair) / Keun-Ju Byun / Yoon-Mo Kim
- Management Committee: Jae-Hyun Ahn (Chair) / Young-Mun Lim

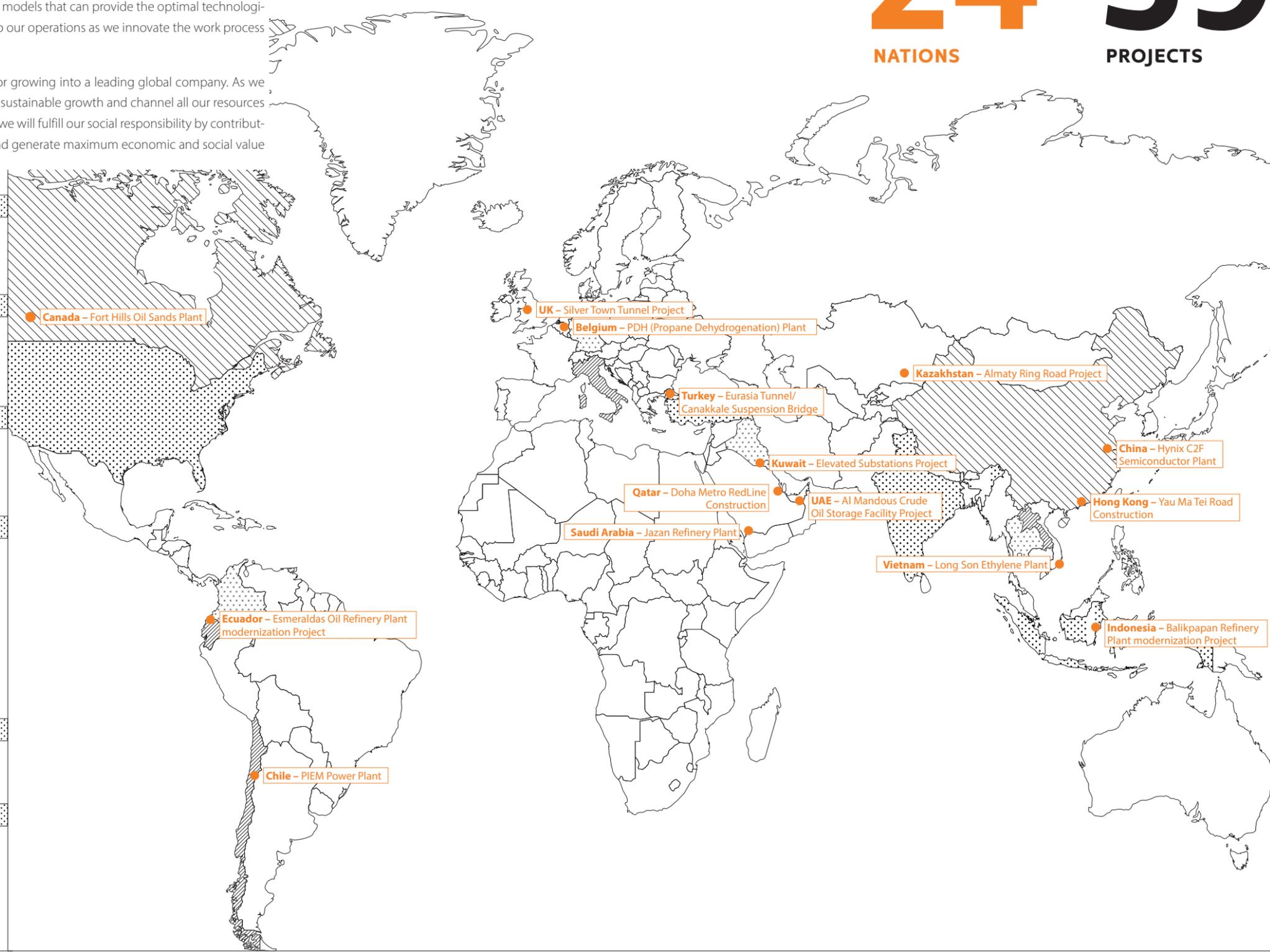


COMPANY OVERVIEW

SK E&C offers high-quality products and services in plant engineering, the building of infrastructure, and architecture & housing. We practice sustainable management by leveraging our expertise in project development, technology, engineering, and construction. We have set key strategic directions for our sustainable business model that can generate stable profits as we explore new markets and secure a matchless position in the Korean market with a unique value for customers. Internationally, we will seek new clients with our service models and expand differentiated business models that can provide the optimal technological solutions. As always, quality and safety control will remain integral parts to our operations as we innovate the work process for higher productivity.

While securing a stable profit structure, we will develop the fundamentals for growing into a leading global company. As we accelerate our business model innovation, we will solidify the foundation for sustainable growth and channel all our resources into realizing the corporate mission of "We Build the Great." At the same time, we will fulfill our social responsibility by contributing to the satisfaction of customers, shareholders, employees, and society, and generate maximum economic and social value synergies.

24 NATIONS
59 PROJECTS



ESTABLISHMENT



1977.08.01

TOTAL NUMBER OF EMPLOYEES



4,854 employees

GLOBAL NETWORK



14 subsidiaries
21 branch offices

KEY FINANCIALS

KEY FINANCIALS (KRW in billions)	CONTRIBUTION TO SALES BY BUSINESS SEGMENT (KRW in billions)	
	Sales	Percentage
Total Assets	4,293	Domestic Plant Engineering 2,826 43.9%
Total Shareholders' Equity	1,126	Overseas Plant Engineering 778 12.1%
Sales	6,436	Infrastructure 960 14.9%
Operating Income	87	Architecture & Housing 1,832 28.5%
Order Backlog	22,532	Others (products, leases) 40 0.6%

CREDIT RATING

KOREA RATINGS, KOREA INVESTORS SERVICE, NICE INVESTORS SERVICE
Credit Rating: A- (stable) (corporate bonds)

A- (Stable)

SUSTAINABILITY MANAGEMENT

WIN-WIN INDEX SURVEY

Top Rating

HAPPY GREEN SCHOOL GRADUATES

602 schools nationwide
2,177 classes
62,681 elementary students

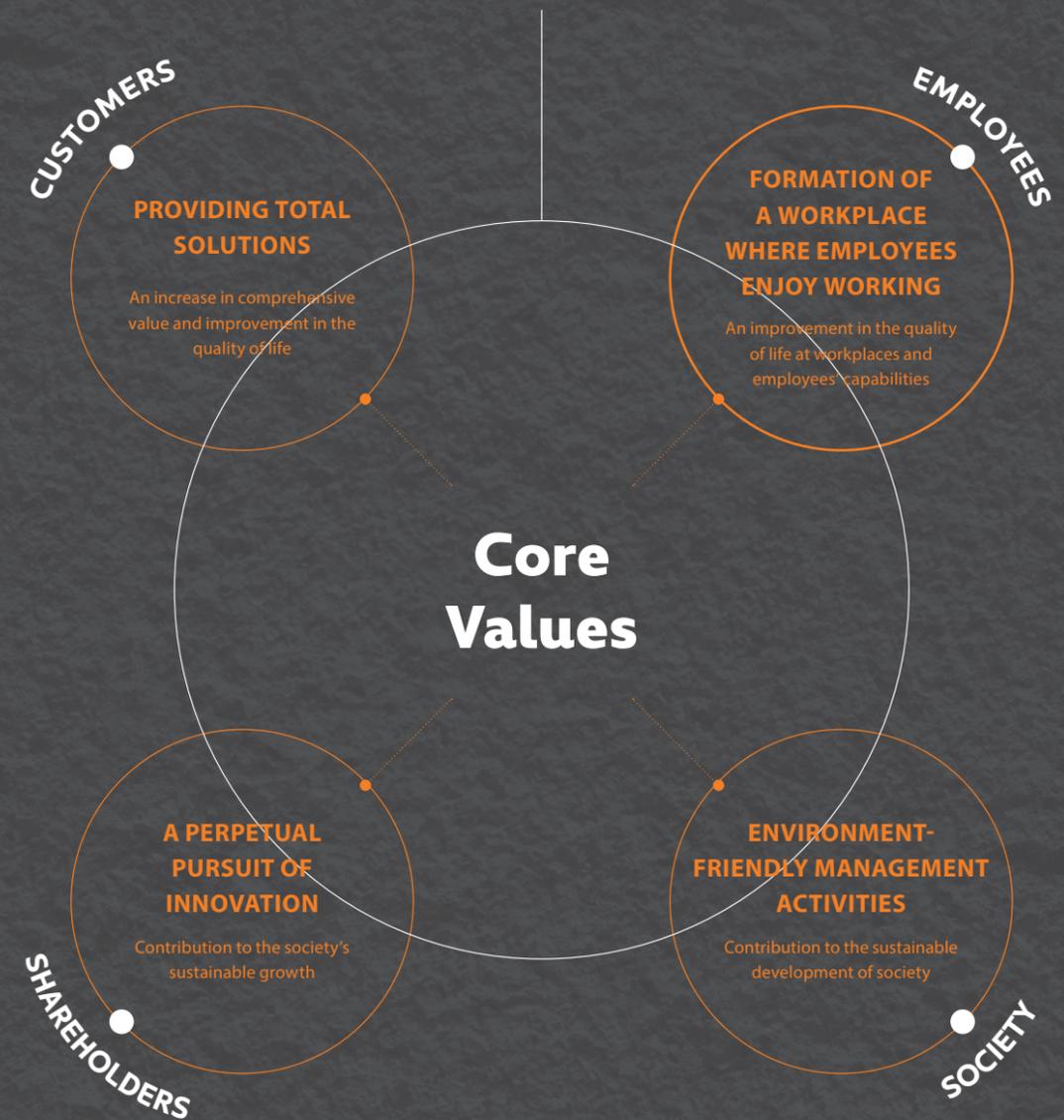
SK Engineering & Construction Mission & Vision

We Build the Great: Great Life, Great World

SK E&C's mission is "We Build the Great: Great Life, Great World." This slogan has driven us forward for decades as we sustain growth and development in various business fields, including plant engineering, infrastructure, and architecture & housing. Our total solutions facilitate customers to enhance total value, while also promising a higher quality of life. We always strive for a great workplace where employees can realize their full potential and balance their life and work. Our tireless commitment to innovation feeds the growth of our corporate value. In addition, SK E&C pursues environmentally friendly management practices to contribute to the sustainable development of society at large.

MISSION

We Build the Great
Great Life, Great World



SK Engineering & Construction Mission & Vision

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CUSTOMER-ORIENTED SATISFACTION

"Realize Customer Satisfaction"



Planning/Marketing

SK E&C carries out thorough and dimensional analysis, from the initial stages of every project, to generate optimal solutions. To this end, our highly trained staff contribute their expertise in marketing, finance, designing, engineering, and procurement to ultimately create the best possible value.

Engineering

By taking advantage of our extensive experience in numerous global projects, SK E&C offers the optimal architectural design solutions for our clients' projects. From the initial design stages, our seasoned experts take a far-sighted approach in consideration of construction and commissioning stages.

Procurement

SK E&C always seeks the best business partners around the world to develop strategic partnerships with them for the highest efficiency in both project costs and project periods.

Construction/Commissioning

SK E&C always strives to provide clients with the very best products. Our ultimate goal is to achieve high-quality engineering in the shortest possible period without compromising our priority on safety. Furthermore, our tested O&M capabilities meet our customer needs in diverse construction projects, such as buildings, transportation infrastructure, and plant engineering.

QUALITY

"Minimal Quality Loss for Higher Customer Satisfaction"



Developing Foundations for Higher Quality Control

- Clear comprehension of work specifications and client needs
- Planning optimal quality control processes

Continuous process innovation

- Eliminating the main culprits to non-compliance and preventing recurrence
- Constant improvement towards higher customer satisfaction



Minimal quality failures for optimal outcomes

- Compulsory verification of work standards during duty performance
- Thorough compliance with standards for the quality objectives and satisfaction of customer demands

Constant detection and identification of risk factors

- Constantly checking for quality risk factors
- Checking on the chances of improvements to nonconformities and customer satisfaction

SAFETY / HEALTH

"Global Top Safety Value Creator"



Stakeholder Satisfaction

Ensuring the satisfaction of all stakeholders working in and around project sites

- Protecting the safety of employees, site workers, and their families
- Meeting the needs of diverse customers, including clients and local communities

Social Value

Fulfilling our social responsibility through sustainable business activities

- Direct contribution to social values through our social responsibility performance, such as minimizing safety issues at worksites

Economic Value

Safety & Health management activities as a competitive edge

- Constant upgrading of safety & health management activities, and tangible outcomes that enhance corporate credibility

ECO-FRIENDLY

"Think Green Build Green"



Green Culture

Establishing Green Sites as part of an integrated eco-friendly business model

- Running three major Green Action Campaigns
- Establishing Green Sites at all domestic worksites
- Operating Happy Green Schools for local communities

Green Process

Establishing a low-carbon production process and risk management throughout all business processes

- Controlling greenhouse gas emissions
- Energy conservation campaigns
- Applying prior-assessment programs for environmental pollution
- Disclosure on environmental information through the Carbon Disclosure Project (CDP)

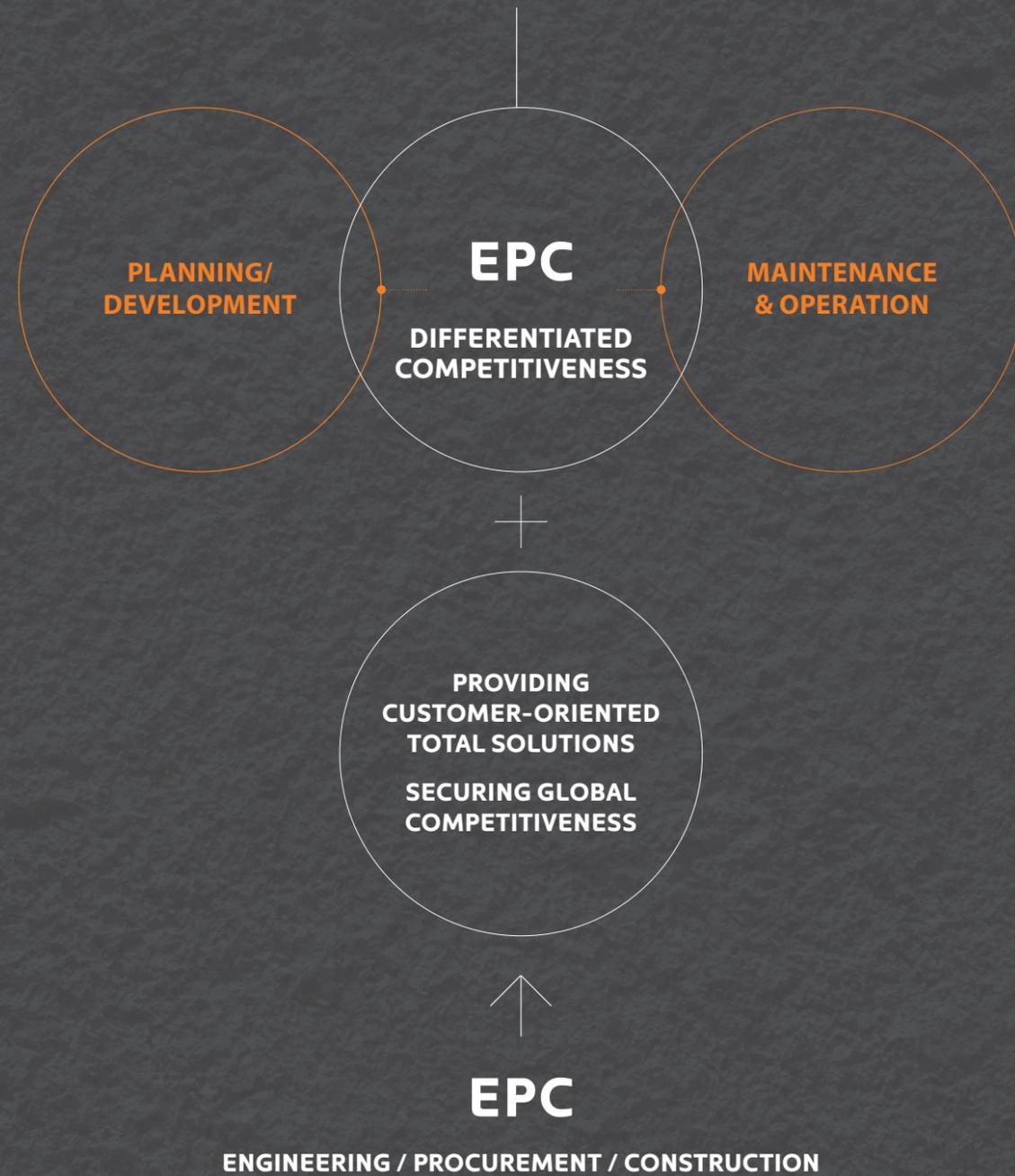
Green Product

Transforming existing products into green products and developing new green products

- Eco-friendly energy projects
- Green railway projects
- Working to obtain green certifications in Korea and abroad (Green Building Certification, LEED, and BREEAM)

VISION

Global Top Tier City Developer & Infrastructure Builder



Global Top Tier City Developer & Infrastructure Builder

SK E&C is blazing a trail toward its vision of "Global Top Tier City Developer & Infrastructure Builder." While we have achieved a great deal to this point, we continue to innovate our company for business expansion into development and for higher competitiveness in EPC operations. By translating the quantitative accomplishments into qualitative growth, we are now moving to the next step to become a global asset player as a leading city developer and infrastructure builder.

BUSINESS OVERVIEW

1

PLANT

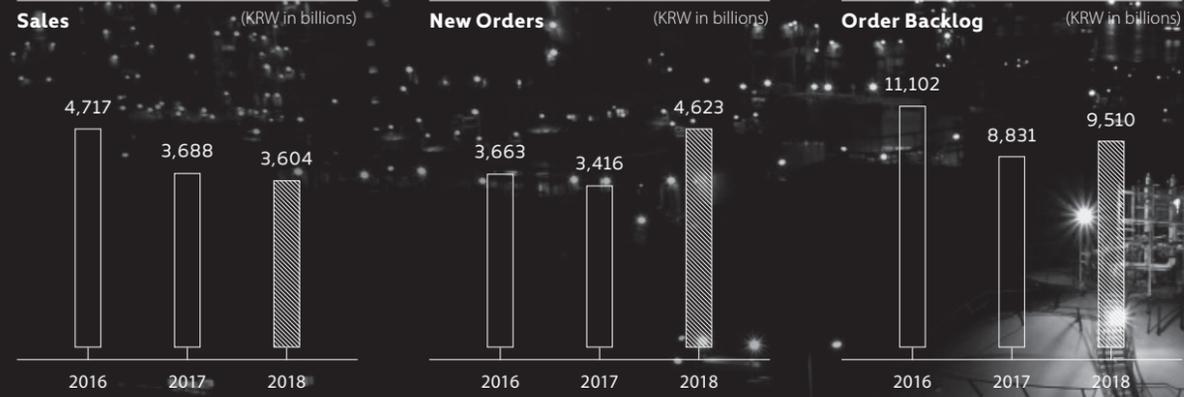
HI-TECH
OIL & GAS
ENERGY-TECH

2

INFRA

**ARCHITECTURE &
HOUSING**

3



* The above figures include ubiquitous business results as well as the high-tech, oil & gas, and energy tech operations.

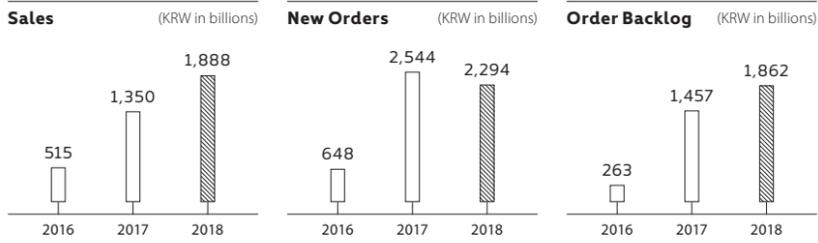
Business Overview

SK E&C's plant business is expanding its global top-tier competencies as a total solutions provider. Today, we provide customers the best possible value in all stages of projects, from feasibility studies to engineering, procurement, and construction/commissioning, as well as operation/maintenance. In addition to traditional plant engineering, such as oil & gas and power plants, we have successfully diversified into the semiconductor plant business, securing future growth drivers. In all business areas, top quality and safety control in constructing low-cost, high-efficiency plants have been our first priority, allowing us to become the first choice of business partners to many clients from around the world for their new projects each year.

PLANT

HI-TECH

SK E&C offers industry-leading services on the entire process of engineering, procurement, and construction of mega-sized semiconductor fabrication facilities. Multi-story structures and micro-vibration controls are the main pillars of our world-class engineering competencies of semiconductor fabrication facilities. On top of that, we make use of our expertise in the high value-added high-tech industrial plant EPC business in an effort to provide clients with unmatched quality of products and services.



1 Semiconductor M14 Plant
Mar. 2014 ~ Apr. 2015
SK Hynix
Icheon, Korea



1



2



1 Icheon MF Plant
Dec. 2017 ~ Feb. 2019
SK Hynix
Icheon, Korea

2 Cheongju M15 Plant
June 2017 ~ Aug. 2018
SK Hynix
Cheongju, Korea

3 Wuxi C2F Plant
Jan. 2018 ~ Mar. 2019
SK Hynix
Wuxi, China



2018 Achievements

Semiconductor fabrication facility projects are the essence of high-tech business operations. Winning a series of semiconductor fabrication facility projects has made a significant contribution to our financial results in the past year. After devising mid- to long-term growth strategies in preemptive response to market developments, we secured the foundation for the sustainable growth of the business.

In 2018, we were either ahead or on schedule for several of our projects. Hynix's M15 Phase 1 project completed their clean rooms a month ahead of schedule, while the Wuxi C2F Project opened the cleanroom on schedule. The M16 Project initiated pre-construction work, while the M15 Phase 2 Project is on track.

We also diversified our client base as we restructured the organization and hired more employees to offer greater customer service.

2019 Plans

In 2019, market demand is forecast to grow for semiconductors amid the fourth industrial revolution, and we are ready for the changes.

We will secure mega-sized projects as planned and reach our financial goals. In order to ensure a healthy business portfolio that is unswayed by market fluctuations, we will grow beyond projects for SK affiliates and explore new markets for high-tech solutions abroad, including China, where we have several projects taking place at the moment. This will allow us to secure the foundation for expanding our business models.

As for ongoing projects, we will successfully complete them with safety and risk management strategies in place. In the meantime, we are striving to improve our competitive edge in productivity and efficient process & systems for higher customer value.

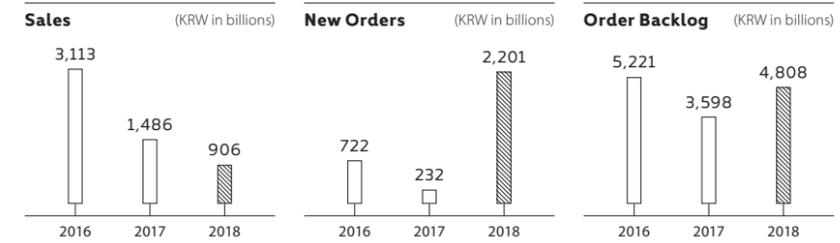
Key Achievements

	Projects	Period
Korea	SK Hynix MF Project in Icheon	2017.12 ~ 2019.02
	SK Hynix M15 Project in Cheongju	2017.06 ~ 2018.08
	SK Hynix C1 Project in Cheongju	2017.03 ~ 2018.03
	SK Hynix M16 Project in Icheon	2018.12 ~ 2020.10
Overseas	SK Hynix C2F Project in Wuxi, China	2018.01 ~ 2019.03
	SK Hynix P&T Phase 2 Project in Chongqing	2018.03 ~ 2019.06



OIL & GAS

SK E&C boasts leading competencies in oil & gas plant engineering. We offer clients with the highest quality products and services that make use of our extensive business experience, and which encompass all fields of oil & gas plant engineering, from project development and marketing to engineering, procurement & construction (EPC), as well as project management. We have projects going on all around the world, from Korea to the Americas, the Middle East, Asia, and Africa, as well as CIS countries. The successful completion of high-quality projects also earned us new projects as well. We strategically take orders with a focus on the products that we have a competitive edge on so as to increase the number of quality projects. At the same time, we are undergoing a business model innovation to build a stable and profitable market base that can sustainably grow.



1 Nghi Son Refinery & Petrochemical Project
Dec. 2012 ~ May 2019
NSRP
Nghi Son Zone, Vietnam

2 Jazan Refinery & Terminal Project
July 2013 ~ Nov. 2018
Saudi Aramco
Jubail, Saudi Arabia

3 Boryeong LNG Receiving Terminal Project
May 2013 ~ Sep. 2019
Boryeong LNG Terminal Co., Ltd.
Boryeong, Korea



2018 Achievements

In pursuit of new business opportunities, we mount marketing campaigns differentiated by each market's needs. In order to enhance our competitiveness in project orders and performance, we are strengthening our partnerships with global EPC players, and have upgraded our mid- to long-term growth strategies.

On the global front, we won the Long Son Petrochemical Complex (LSPC) Project in Vietnam and successfully wrapped up the Nghi Son Refinery & Petrochemical (NSRP) Project, a mega-sized project in Vietnam, in 2018. Additionally, the PIEM Project in Chile is close to an end as the report goes to the printer. In the Middle East, several projects are underway, including the Karbala refinery construction in Iraq, the Clean Fuel Project (CFP) in Kuwait, and the Jazan refinery construction in Saudi Arabia. In Korea, we secured SK Energy's S-Project (transforming a production line in Ulsan to an eco-friendly one) early on and the polypropylene project for SK Advanced's joint venture.

2019 Plans

In 2019, we are assuming a selection & focus strategy in our policy to take orders. We will selectively take orders for products and regions so as to focus on projects where we have a competitive edge. This will allow us to provide differentiated value to our clients, attracting more new clientele to secure a foundation for stable and highly profitable business model innovation.

Based on thorough market analysis, we will differentiate our marketing campaigns by region and clients to attract new projects in diverse regions, including the Middle East, Asia, and America. All the while, we will continue to practice air-tight risk management to attain our goals for completing projects at the highest possible quality on schedule. Internally, we will continue to reduce inefficiency in our work process and promote a more flexible corporate culture to enhance productivity and secure future competitiveness.

Key Achievements

	Projects	Period
Korea	Boryeong LNG Receiving Terminal Project	2013.05 ~ 2019.09
	Lithium-ion Battery Separators (LiBS) #10 and 11	2016.05 ~ 2018.04
	Suji Scrap cars and wastewater treatment plant Project	2017.04 ~ 2018.11
	New ball tanks construction at the Ulsan Base of SK Gas Corp.	2017.02 ~ 2018.03
	Increasing the No.2 SRP (Sulfur Refinery Plant) handling capacity	2017.05 ~ 2018.04
	S-Project	2017.11 ~ 2020.02
	PP Project	2018.07 ~ 2021.02
Overseas	KNCE (Korea Nexlene Competitiveness & Enhancement) Project	2018.02 ~ 2021.06
	Fort Hills Oil Sands Project in Canada	2013.03 ~ 2018.12
	Jazan Refinery & Terminal Project in Saudi Arabia	2012.12 ~ 2019.05
	Karbala Refinery Project in Iraq	2014.05 ~ 2022.04
	KES (Kuwait Elevated Substations) Project in Kuwait	2012.10 ~ 2018.03
	KNPC (Kuwait National Petroleum Company) CFP (Clean Fuels Project) in Kuwait	2014.04 ~ 2019.12
	LSPC (Long Son Petrochemical Complex) Project in Vietnam	2018.09 ~ 2023.02
	MGC (Main Gathering Center) Revamp Project in Kuwait	2013.05 ~ 2021.11
	NSRP (Nghi Son Refinery & Petrochemical Project) in Vietnam	2013.07 ~ 2018.11
	Polyols Project in Thailand	2017.09 ~ 2020.08



1 Ulsan Complex New FCC Project (No. 2 FCC)

Feb. 2006 ~ June 2008
SK Energy
Ulsan, Korea

2 Fort Hills Oil Sands Project

FEED: Mar. 2013 ~ Mar. 2014
EPC: Aug. 2014 ~ Dec. 2018
Suncor Energy
Alberta, Canada

3 S-Project

Nov. 2017 ~ Feb. 2020
SK Energy
Ulsan, Korea

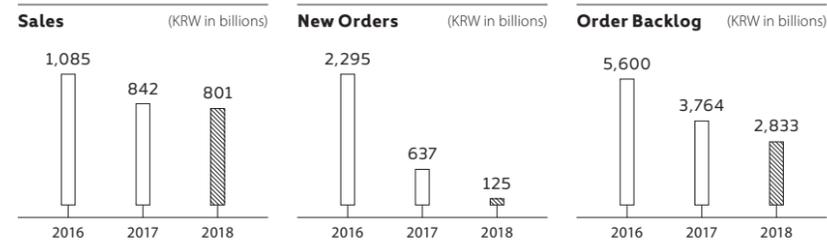


ENERGY-TECH

From the initial project development stage to EPC and O&M, the Energy Tech business sector offers optimal quality and services for projects. In addition to years-old clients like state-owned energy corporations, we are expanding our client list to include the end-users of energy services to offer them with energy solution services that can maximize customer value.

In response to the rising demand in society for addressing environmental and safety issues, we are diversifying business portfolios, from centralized mega-scale power plants fueled by conventional energy sources, such as nuclear, coal and gas, all the way to the renewable energy-fueled distributed generation market, such as fuel cells and solar power, to create social value through clean and safe future energy sources.

- 1 Goseong Hai Thermal Power Plant**
July 2014 ~ July 2021
Goseong Green Power Co., Ltd.
Goseong, Korea
- 2 Paju LNG Power Plant**
Apr. 2014 ~ May 2017
SK E&S
Paju, Korea



1 Tufanbeyli Thermal Power Plant

Jan. 2010 ~ Jan. 2016
Enerjisa
Tufanbeyli, Turkey

2 Bundang Fuel Cell Phase-6 Power Plant Facilities

Apr. 2018 ~ Nov. 2018
Korea South-East Power Co., Ltd.
Seongnam, Korea

3 Shin-Kori Nuclear Power Plants' units 3 & 4

Apr. 2007 ~ Nov. 2017
Korea Hydro & Nuclear Power Co., Ltd.
Ulsan, Korea

4 Yeongheung Thermal Power Plants units 5 & 6

Sep. 2010 ~ Mar. 2015
Korea South-East Power Co., Ltd.
Incheon, Korea

Key Achievements

	Projects	Period
Korea	Goseong Hai Thermal Power Plant	2014.07 ~ 2021.07
	S1 Power Plant	2018.03 ~ 2020.08
	Paju LNG Power Plant	2014.04 ~ 2017.05
	Fuel Cell Power Plant Project for Oseong Cold Storage Warehouse	2018.01 ~ 2019.04
Overseas	Tufanbeyli Thermal Power Plant in Turkey	2010.01 ~ 2016.01
	PACO Coal-fired Power Plant Project in Panama	2011.07 ~ 2018.12
	PIEM Project in Chile	2014.11 ~ 2019.04

2018 Achievements

In 2018, we continued with preemptive risk management related to ongoing projects, allowing us to enhance profitability. We also worked hard to develop future growth drivers, mainly in eco-friendly and distributed generation technologies. Our stable performance at the Goseong Hai Thermal Power Plant project—the largest ultra-supercritical coal-powered thermal power plant in the private sector—solidified our market position as a domestic private power generator. In addition, our successful completion of the S1 Project and other major EPC projects have increased our reputation as Korea's leading company in the energy industry. In anticipation of sharp growth in the renewable energy sector, we are strengthening our competencies in the industry through such projects as the Oseong cold storage warehouse, and fuel cell projects in Bundang and Gangdong. SK E&C also signed an agreement for exclusive distribution of Bloom Energy's energy server Solid Oxide Fuel Cell Systems (SOFC) in Korea. The license enabled us to maintain a stable market power in the domestic fuel cell business, and gave us the opportunity to obtain new domestic projects in Hwaseong and Seoul, as well as a small-scale fuel cell project for KT, Korea's second-largest mobile operator.

2019 Plans

With rising social demands for addressing environmental issues, such as fine dust and global warming, the paradigm is quickly shifting from traditional coal-fueled power generation to eco-friendly energy businesses, including fuel cells. In 2019, diverse new eco-friendly technologies are forecast to emerge in the entire value chain of the energy sector, from power generation and distribution to sales, giving rise to a mixture of expectation and concerns over the potential changes in the business landscape. Departing from the traditional centralized power generation business, we are advancing into the distributed generation business, which has an advantageous location near end-users, thereby saving costs on building and operating the infrastructure for power distribution. Internally, we will concentrate on maximizing customer satisfaction through dramatic productivity innovation in the project performing process. By securing new technologies and platforms in the energy industries, we will realize customized service models.



INFRA

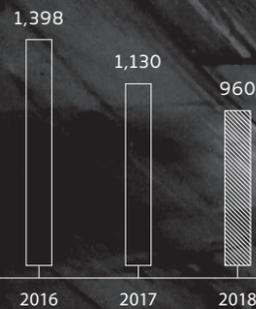
Business Overview

SK E&C contributes to a higher quality of life through diverse infrastructure projects that it carries out at home and abroad with development projects and contracted projects building roads, railways, subways, bridges, tunnels, underground storage, ports, estates, and housing. Our years of project experience at home and abroad have cultivated expertise in the entire process, from project planning to engineering, procurement, and construction, as well as operation & maintenance. Today, SK E&C is expanding its value chain to become a global infrastructure builder.

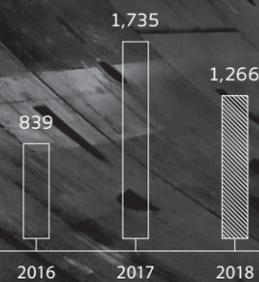
We are expanding our global businesses with a focus on our competitive products, such as underground storage, ports, and transportation infrastructure, for clients in Turkey, Kuwait, the UAE, Qatar, Hong Kong, and Singapore. In particular, we have successfully carried out the Eurasia Tunnel project and the Canakkale Bridge in Turkey, while also winning the Almaty ring road project in Kazakhstan—a clear indication of our competitiveness in overseas development projects.

We will enhance our competitiveness with differentiated technologies to attain operational excellence while continuing with business model innovation to grow into a leading global infrastructure builder that has a stable revenue portfolio.

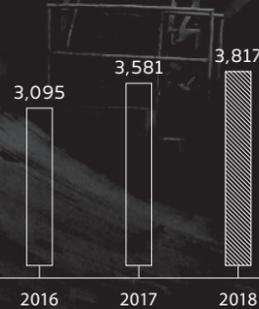
Sales (KRW in billions)



New Orders (KRW in billions)



Order Backlog (KRW in billions)



1



1 Paengseong—Oseong Road

Dec. 2009 ~ Dec. 2016
Seoul Regional Office of
Construction Management
Pyeongtaek, Korea

2 Third Bosphorus Bridge in
Turkey

June 2013 ~ Nov. 2016
Ictas-Astaldi J/V
Istanbul, Turkey

2

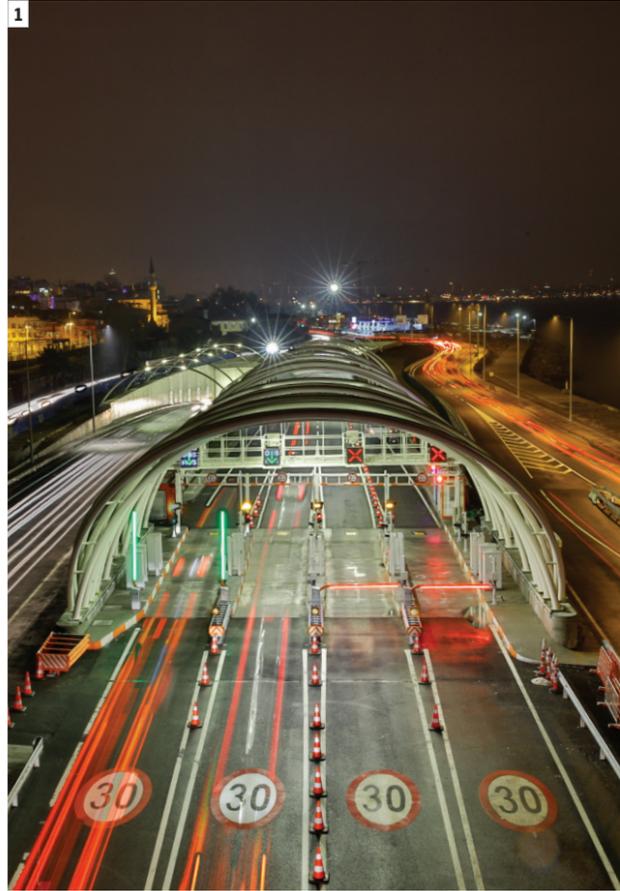


3 Saemangeum Waterwall
Facilities (section 3)

Sep. 2010 ~ Dec. 2015
Saemangeum Project Office, Korea
Rural Community Corporation
Gimje, Korea

3





1 Eurasia Tunnel Project in Turkey
Mar. 2013 ~ Mar. 2017
ATAS Project Company
Istanbul, Turkey

3 Padur Underground Cavern in India
May 2010 ~ Apr. 2015
Indian Strategic Petroleum Reserves Limited
Padur, India

4 The Geum River Restoration Project Section 7 (Gongju Reservoir)
Nov. 2009 ~ May 2012
Daejeon Regional Office of Construction Management
Gongju, Korea

5 Pohang Yeongil Bay South Breakwater (section 1-1)
Mar. 2013 ~ Dec. 2015
Pohang Regional Office of Oceans and Fisheries
Pohang, Korea



2018 Achievements

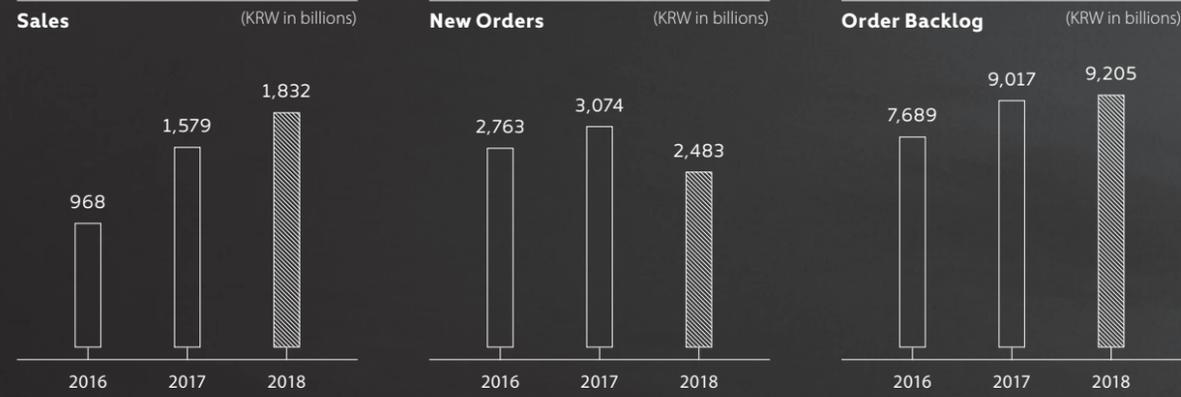
Our engineering-oriented competitive edge has won us back-to-back orders for building roads east and west of Yau Ma Tei, Hong Kong, successfully making our way into the Hong Kong market. In Kazakhstan, we successfully won the Almaty ring road project, reaffirming world recognition of our development business competency. Domestically, we also landed the GTX-A Line project—a Seoul Metropolitan express railway project—and the Hakun 6 Industrial Complex building project in Gimpo. Currently underway overseas is the Red Line Project for Qatar’s Doha Metro, and domestically we are carrying through on the Bujeon-Masan Dual-Track railway private investment project in Korea.

2019 Plans

In 2019, we will secure a differentiated competitive edge in technologies while exploring localization and customer-oriented infrastructure service models in each target market to ensure a stable revenue structure. By constructing digital transformation-based operation systems/processes, we will achieve operational excellence for productivity innovation. Furthermore, we will analyze customer pain points to identify the optimal solutions in pursuit of customer-oriented infrastructure service models to generate social value and enhance corporate value.

Key Achievements

	Projects	Period
Estates/Housing	Hwaseong-Jeongnam General Industrial Complex Development Project	2016.09 ~ 2020.12
	Eumseong Seongbon Industrial Complex Development Project	2018.04 ~ 2020.11
Roads/Bridges	Seokdong-Sosa Road	2009.11 ~ 2019.12
	Geoje-Masan Route 3 Construction	2012.07 ~ 2020.06
	Miryang-Ulsan Highway Construction (section 5)	2014.03 ~ 2021.03
Railways/Subways	Seoul-Busan High-Speed Railway (section 10-3A)	2009.02 ~ 2019.12
	Ulsan-Pohang Double-Track Railway Construction Project (section 1)	2009.04 ~ 2019.12
	Bujeon-Masan Double-Track Railway Construction Project	2014.06 ~ 2020.06
	Icheon-Mungyeong Railway Construction Project (section 8) (T/K)	2017.08 ~ 2019.12
Tunnels/Underground Structures	Submerged Water Intake and Outlet Structures for Shin-Kori Units 5 & 6 Nuclear Power Plants	2015.03 ~ 2019.12
	Ulsan Reserve Base Underground Structure Construction Project	2016.01 ~ 2021.06
Harbors	Donghae Port Phase-3 Breakwater (section 2)	2017.12 ~ 2021.10
Overseas	Eurasia Tunnel in Turkey	2013.03 ~ 2017.03
	Metro Red Line in Doha, Qatar	2013.06 ~ 2018.08
	Canakkale Bridge in Turkey	2017.04 ~ 2021.12
	Central Kowloon Route – Yau Ma Tei East in Hong Kong	2018.01 ~ 2025.11
	Central Kowloon Route – Yau Ma Tei East in Hong Kong	2018.11 ~ 2025.10



Business Overview

SK E&C's Architecture & Housing Business Division is committed to realizing the highest technology in housing and residences with its industry-leading quality controls and technological know-how. Our housing brand SK VIEW has now introduced the concept of architectural esthetics to people's homes. Its focus is not on boasting a fancy façade or high technology, but on realizing comfort and a convenient space—the intrinsic values of a home. We believe this is how we can bring about each customer's happiness in life.

In particular, our cutting-edge construction methodologies and advanced systems have earned us a global reputation as a leader in constructing green buildings and knowledge industry complexes. This is the result of our persistent research and development efforts towards comfortable and flexible spaces. For instance, SK Chemical's Eco Lab is Korea's first certified green building that encapsulates 101 base technologies in eco-friendliness, energy, and information technology. In fact, the Eco Lab building that we constructed for SK Chemical received the highest score ever from the Ministry of Land, Infrastructure, and Transport's Green Building Labeling, and the highest Platinum rating by LEED (Leadership in Energy and Environmental Design), a U.S.-based green building certification system.

ARCHITECTURE & HOUSING

PARADISE CITY, Yeongjong-do, Incheon

- 1 Dongtan SK V1 center**
Dec. 2016 ~ Feb. 2019
Hwaseong, Gyeonggi-do
- 2 LU1 City SK Leaders' VIEW**
Dec. 2018 ~ Jan. 2022
Seo-gu, Incheon
- 3 Incheon SK Sky VIEW**
May 2013 ~ June 2016
Nam-gu, Incheon





2018 Achievements

In terms of the private sector subcontracting business, we have secured a large-scale residential-commercial complex building project, LU 1 City SK Leaders' VIEW, as well as the adjacent apartments. In addition, the orders we obtained for knowledge industrial complexes include the SK V1 Center in Gasan-dong, the SK V1 Center at Geumjeong Station, and the SK V1 Center II in Anyang, all of which balanced out the overall project portfolio. With urban redevelopment projects, we obtained profitable reconstruction & redevelopment works, including those in the Noryangjin Area 2 in Seoul, Yeongtong Area 1 in Suwon, Hyundai Baekjo in Daegu, and Jungchon LH in Daejeon. Making use of these construction capabilities, we completed large-scale housing projects such as Songdo SK VIEW in Incheon, Hwixyeong SK VIEW, and Godeok Gracium in Seoul, solidifying the brand image of SK VIEW as community landmarks. On top of that, we completed the construction of Yeongjongdo Paradise City in 2018, the first Korean-style resort complex in Northeast Asia. In recognition of our quality and brand competitiveness, we have received several accolades from different award programs, including the Grand Prize at the 2018 Korea Residential Services Awards in Construction Design, which was awarded by the Minister of Land, Infrastructure, and Transport for Doryong SK VIEW. We have also won several well-being, smart home, and marketing awards from numerous media agencies.

2019 Plans

Despite the lingering uncertainties in the government's real estate policies and market developments, SK E&C will selectively take profitable orders to enhance soundness in its order backlog while generating a stable revenue stream through swift decision-making and risk management practices. At the same time, we will continue to improve SK VIEW's brand image by offering customers with the highest quality of construction and value. In step with changing lifestyles and industrial trends, we will also develop new business models that can solve customers' pain points to generate future-oriented revenues. As a provider of ideas and solutions that enable sustainable growth in our lifestyles and city development, we will grow into a leading urban lifestyle designer.

Key Achievements

	Projects	Period
Housing	New Dongtan SK VIEW Park #3 in Hwaseong	2016.09 ~ 2019.01
	Suyeong SK VIEW in Busan	2016.05 ~ 2019.05
	Hwixyeong SK VIEW in Seoul	2016.09 ~ 2019.05
	Songdo SK VIEW in Incheon	2016.07 ~ 2019.07
	Nongseong SK VIEW Central in Gwangju	2017.03 ~ 2019.08
	Baengnyeonsan SK VIEW Park #1 in Seoul	2017.03 ~ 2019.08
	Godeok Gracium in Seoul	2016.09 ~ 2019.09
	Duho SK VIEW in Pohang	2017.07 ~ 2020.01
	La primo in Ansan	2017.05 ~ 2020.01
	Boramae SK VIEW in Seoul	2017.06 ~ 2020.01
	Pyeongchon Urvine First in Anyang	2018.05 ~ 2020.12
	Gwacheon Überfield in Gwacheon	2018.03 ~ 2021.01
	Dongnae SK VIEW #3 in Busan	2018.06 ~ 2021.07
	DMC SK VIEW in Seoul	2018.11 ~ 2021.09
	LU1 City SK Leaders' VIEW in Incheon	2018.12 ~ 2022.01
Architecture	Dongtan SK V1 center in Hwaseong	2016.12 ~ 2019.02
	SK Memorial Hall in Yongin	2018.04 ~ 2019.04
	Mullae SK V1 center in Seoul	2017.07 ~ 2019.08
	Seorin-dong New Workplace in Seoul	2018.10 ~ 2019.11
	Changwon Smart-up Tower in Changwon	2017.07 ~ 2019.09
	Gwanggyo SK VIEW Lake in Suwon	2016.07 ~ 2019.10
	Misa Gangbyeon SK V1 center in Hanam	2017.11 ~ 2019.12
	Seongnam SK V1 tower in Seongnam	2017.08 ~ 2019.12
	Suwon SK V1 motors in Suwon	2017.12 ~ 2020.01
	Seongsu SK V1 center in Seoul	2017.11 ~ 2020.05
	Gongdeok SK Leaders' VIEW in Seoul	2017.10 ~ 2020.08
	Geumjeong Station SK V1 center (O4 BL) in Anyang	2018.12 ~ 2020.09
	Songdo SK VIEW Central in Incheon	2017.11 ~ 2020.10
	Anyang SK V1 center #2 (O5 BL) in Anyang	2018.12 ~ 2020.11
	Gwanggyo Central Station SK VIEW in Suwon	2018.12 ~ 2021.03
Giheung ICT Valley SK V1 in Yongin	2018.01 ~ 2021.05	

1 SK C&C IT Complex
June 2012 ~ June 2014
Seongnam, Gyeonggi-do

2 SK Olympic Handball Gymnasium
June 2010 ~ Oct. 2011
Songpa-gu, Seoul

3 SK Memorial Hall
Apr. 2018 ~ Apr. 2019
Yongin, Gyeonggi-do

CSR OVERVIEW

Sustainability Management at SK E&C

At SK E&C, sustainability management practices refer to all the management practices that enable sustainable development for everyone through the company's economic credibility, environmental soundness, and social responsibility. Under a business philosophy held accountable to stakeholder satisfaction, the company has four key CSR strategies: strategic management, project-oriented management, talent management, and social sharing management. Today, we make every effort to build a sustainable future for the shared growth of people, society, and the environment as a whole.

Sustainability Management System

SK E&C practices sustainability management to meet all changes in the business environment and the demands of its six stakeholder groups—shareholders, customers, employees, business partners, local communities, and our future generations. We strive to fulfill our social responsibility through diverse sustainability management efforts in the areas of safety & health, ethical management, the environment, shared growth, and social contribution. We will continue to solidify our management system in the triple bottom line of economic, social, and environmental issues, and to improve stakeholder value.

MISSION	We Build the Great Great Life, Great World					
	↑					
	Society					
STAKEHOLDER GROUP	Shareholders	Customers	Employees	Business Partners	Local Communities	Future Generation
VALUE PROPOSITION	Growth & Distribution	Satisfaction	Safety, Health & Equality	Fair & Shared Growth	Social Contribution	Efficiency
	Continued growth in corporate value	Increase in the overall value and quality of life for customers	Enhanced quality of work and individual competencies	The pursuit of shared growth	Promotion of a society of shared hopes and dreams	Increased creation of environmental value
	1	2	3	4		
	Strategic Management	Project-oriented Management	Talent Management	Social Sharing Management		
	SK E&C's business model innovation is aimed at shifting from the present contract-based profit-oriented model to an EPC total solutions model, one that involves planning, development, and O&M.	SK E&C's project-oriented management practices entail global top-tier quality products and customer services as well as environmental management for the sustainable development of society, with the goal of achieving zero industrial accidents.	SK E&C strives to build great workplaces with a sound corporate culture, diverse human resource development programs, and generous benefit packages to recruit and train the best and brightest.	In line with the corporate mission—"We Build The Great Great Life, Great World"—SK E&C practices shared growth with business partners and continues social contribution activities for the benefit of the environment and society.		
	<ul style="list-style-type: none"> Fostering new business models Strategic risk management Transparent and ethical management Research & Development 	<ul style="list-style-type: none"> Customer-oriented management Quality management Safety & Health management Environmental management 	<ul style="list-style-type: none"> Desirable corporate culture Human resource development Corporate benefit packages 	<ul style="list-style-type: none"> Shared growth Social contribution 		

Sustainability Management Activities

In August 2016, SK E&C subscribed to the UN Global Compact, a global initiative for corporate social responsibility. Since then, we have worked hard to uphold the values of the 10 UN principles regarding human rights, labor, environment, and anti-corruption.



Social Value Promotion at SK E&C

Today, social demands for corporate citizens go beyond generating profits. All businesses are recommended to return their revenues from economic activities to societies in which they thrive.

SK DBL (Double Bottom Line)

The SK DBL (double bottom line) defines SK's management principle, which highly values all business activities that create economic value and promote social value to grow alongside society. SK E&C assesses and manages its social—as well as economic, profit/loss generated from all its business activities—against the SK DBL so as to promote social value in its truest sense, maximizing positive impacts and minimizing negative effects.



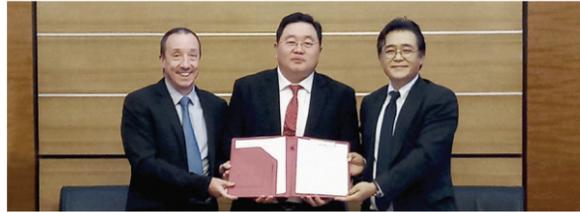
Generating Social Value from the Construction Business

SK E&C works hard to find solutions to address social issues through its business activities. To that effect, we explore and carry out sustainable development to maintain the SK DBL and fulfill our social responsibility.



* UN SDGs (UN Sustainable Development Goals): a blueprint adopted by the United Nations in 2015 to address universal, environmental, economic, and social issues by 2030

AT A GLANCE

<h2>1 JANUARY</h2>	<h2>2 FEBRUARY</h2>
 <p>A Contract Landed to Construct the Yau Ma Tei East Route in Hong Kong SK E&C secured the project to construct the Yau Ma Tei East section of the Central Kowloon Route in Hong Kong. This marks our first project in the special administrative region of Hong Kong. We will be constructing a six-lane underpass tunnel in the east part of the Yau Ma Tei area after relocating the existing expressway section in the area.</p>	 <p>Contract Signed with Long Son Petrochemicals Co., Ltd. in Vietnam SK E&C signed a turnkey-base project deal with Long Son Petrochemicals Co., Ltd. of Vietnam to construct a USD 2 billion ethylene plant in the Long Son Petrochemical Complex that is worth a total of USD 5.4 billion. When completed, the complex will produce 950,000 tons of ethylene and 400,000 tons of propylene annually, significantly boosting the domestic petrochemical production capacity of Vietnam.</p>
<h2>3 MARCH</h2>	
 <p>Launch of an Educational Social Contribution Program In partnership with the non-profit foundation Miral, SK E&C launched an educational social contribution program called "Teach Your Son How to Fish." The program's objective is to assist underprivileged children in self-directed learning. The 30 beneficiary students will be provided with 100-day free access to Internet education portals. Excellent academic attainments are also rewarded with scholarships.</p>	 <p>Project Financing Agreement Concluded for the Canakkale Project in Turkey As a consortium with Daelim Industries, SK E&C held a financial agreement signing ceremony with the syndication comprising of Korean and international banks for the construction and operation of the Canakkale Project in Turkey. The project is a public-private partnership (PPP) project, one in which the consortium constructs and operates the world's largest suspension bridge over the Dardanelles Strait, which is linked to an 85 km-long accessway, before transferring it to the Turkish government.</p>

<h2>4 APRIL</h2>	<h2>5 MAY</h2>
 <p>Employee Families' Regular Volunteerism SK E&C employees and their families volunteered their time to clean in and around the Seoul Forest in April 2018. The 100 participants planted flowers, cleared fallen leaves, and rearranged the flower beds surrounding the Insect Botanical Garden and the Butterfly Garden. SK E&C's employees and families have volunteered their time to clean up various areas in the Seoul Capital Area since they first helped clean Changdeok Palace in June 2005.</p>	 <p>Winning the Noryangjin Area 2 Redevelopment Project SK E&C received an order for the Noryangjin Area 2 Housing Redevelopment Project in May 2018. The project is to erect three 33-story residential-commercial complex buildings that can accommodate 424 households in Noryangjin-dong, Seoul. Located right next to Jangseungbaegi Station (subway line No. 7), the area also boasts accessibility to subway lines no. 1 and 9, as well as the Olympic Road highway. Coupled with the previously secured projects in Noryangjin Areas 6 & 7, the area will be home to a 2,500-household SK VIEW Town.</p>
<h2>6 JUNE</h2>	
 <p>Ground broken for the Big Almaty Ring Road (BAKAD) in Kazakhstan SK E&C held a groundbreaking ceremony at the construction site of the Big Almaty Ring Road project in Kazakhstan on June 1, 2018. It is a BOT* public-private partnership (PPP) project in which we will construct and operate a 66 km-long four-to-six lane ring road and 21 bridges as well as eight interchanges before transferring them over to the local government. The ring road is being built to address traffic problems in the nation's largest city and biggest economy.</p>	<p>* BOT: build, operate, transfer project</p>

7 JULY



Signing of an Agreement for the Joint Development of the Namyangsan Fuel Cell Project

SK E&C signed an agreement with the Korea Expressway Corporation, Korea Midland Power, and Kyungdong City Gas for the joint development of the Namyangsan Fuel Cell project on June 28, 2018. The project entails constructing and operating a 20MW-capacity phosphoric acid fuel cell (PAFC) on the idle land of the Namyangsan Interchange in Yangsan, Gyeongsangnam-do. The four signatories will make capital investments as shareholders.



Shared Growth Seminar Held for Business Partners

SK E&C invited its business partners to "Interface Day," an educational seminar on engineering, procurement, and construction (EPC) technologies, and toured the exhibition together. At the event, participants were able to share their expertise in the plant engineering business and solidify long-term partnerships for shared growth. As a result of our consistent efforts toward shared growth, SK E&C received the highest grade with the National Commission for Corporate Partnership's Win-Win Index for a second year in a row.

10 OCTOBER



Lots in the LU 1 City SK Leaders' VIEW for Presale

Lots in the LU 1 City SK Leaders' VIEW are on the market for presale in the Gajeong-dong, Seo-gu area of Incheon. LU 1 City SK Leaders' VIEW is a large-scale apartment complex comprising of eleven 49-story buildings that will house a total of 2,378 households. Adjacent to Gajeong Station on Incheon's subway line No. 2, the complex is located in an excellent part of the LU 1 City area, featuring innovative architectural designs, high-end finishing materials, and various convenience facilities.

11 NOVEMBER



Agreement Reached to Become Bloom Energy's Exclusive Domestic Energy Distributor

SK E&C signed an agreement with Bloom Energy for exclusive distribution rights in Korea to the California-based company's energy servers. These energy servers boast 50 percent higher energy efficiency compared to conventional fuel cells. They also generate minimal emissions of white lead and fine dust compared to coal-fired thermal power plants. Additionally, We plan to localize the fuel cell parts technology as part of our commitment to social value creation through win-win partnerships with SME partners.

12 DECEMBER



Lots in the DMC SK VIEW for Presale

Lots of DMC SK VIEW are for presale around Susaek-dong, Eunpyeong-gu in Seoul. As we redevelop the Susaek Area 9 Redevelopment Promotion Section, we are building eight 35-story buildings to accommodate 753 households. The area boasts excellent accessibility to the Digital Media City Station that allows people to transfer to three different subway lines: line No. 6, the Airport Railroad, and the Gyeongui-Jungang line. Traffic conditions are ideal, as the area has easy access to the Gangbyeon Expressway and Naebu Expressway. It is also close to major redevelopment project areas, so we expect this to further enhance future value.

FINANCIAL REVIEW

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

- Non-consolidated statements of financial position
- Non-consolidated statements of income
- Non-consolidated statements of changes in equity
- Non-consolidated statements of cash flows
- Notes to the non-consolidated financial statements

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REPORT ON THE OPERATIONS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

The Shareholders and Board of Directors SK Engineering & Construction Co., Ltd.

Opinion

We have audited the accompanying financial statements of SK Engineering & Construction Co., Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as of December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-public Entities in the Republic of Korea.

Basis for opinion

We conducted our audits in accordance with Korean Auditing Standards (KGAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters in the engineer-to-order manufacturing sector (ETO)

In accordance with Accounting and Audit Practice Guidelines 2016-1 (amended in 2018), key audit matters in ETO sector are selected on the basis of auditor's professional judgment and communication with those charged with governance. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We reflected the result of audit procedures with regard to key audit matters as below in forming our audit opinion.

A. General matter

General matter of key audit matters related to ETO sector described in this audit report is as follows.

When the outcome of construction contract can be reliably measured, construction revenue and construction costs are recognized based on the percentage-of-completion of contract activities and recorded as revenue and expense, respectively. The percentage-of-completion of contract activities is calculated based on the ratio of cumulative contract costs incurred for the work performed to the estimated total contract costs, excluding contract costs incurred that do not reflect the progress stage.

B. Revenue recognition based on the input method

As the Company recognizes its revenue based on the input method, we identified key audit matter in relation to the revenue recognition under such method. We performed following audit procedures for the revenue recognition under the input method.

- Review of accounting policies on revenue recognition and any changes to the policies.
- Inquire and conduct analytical procedures on current progress and significant changes in key projects
- Analytical review on financial indicators including contract amounts, estimated costs, cost ratios, and ratios of unbilled construction receivables.
- Review of terms and conditions for newly entered construction contracts.
- Review if the criteria is met for reliably estimating the outcome of construction contracts.

C. Uncertainty in estimating the total estimated costs of a construction contract and calculation of percentage of completion

Construction revenue is affected by the percentage-of-completion calculated by the ratio of cumulative construction cost to date by the total estimated costs of the contract, and the total estimated costs of the contract are estimated based on the future estimates of material costs, labor costs, and outsourcing costs during the construction period. Most of the Company's construction contracts are long-term contracts, and the estimations are affected by changes in macroeconomic and microeconomic variables, changes in the conditions of places in which the construction is performed, and as a result, there exist uncertainties in regard to estimating the total estimated costs of the contract. As explained in Note 16 to the accompanying financial statements, estimated changes in the total construction revenue and the total construction cost are ₩1,351,315 mil-

lion and ₩1,451,030 million, respectively, and as a result, the profit or loss for the current period will decrease by ₩109,180 million and future profit or loss will increase by ₩9,465 million. Such uncertainties might have negative impact on current and future profit or loss and consequently, we identified key audit matter in relation to the estimation of the total estimated costs of the contract and calculation of percentage-of-completion.

We performed following audit procedures in relation to the impact of uncertainties of estimating the total estimated costs of the contract on the financial statements and computation of the percentage-of-completion using the total estimated costs of the contract and the cumulative construction costs to date.

- Analytical review on construction projects with significant changes in the total estimated costs.
- Review of relevant documents related to the approval of the total estimated costs by authorized personnel after he/she reviews the relevant construction budget.
- Review of significant differences between the percentage-of-completion of major constructions and physical progress of the constructions.
- Identification of the cause of the contract with significant changes in the percentage-of-completion.
- Review of propriety of input costs and the occurrence and period attributable thereto and cost attributable to construction contracts.
- Internal control testing related to overhead cost allocation after understanding the related accounting policies thereof.

D. Recoverability of unbilled construction receivables

As explained in Note 16 to the accompanying financial statements, unbilled construction receivables amounted to ₩559,898 million as of the end of the current reporting period, which accounted for 45.5% of the total construction receivables.

Recession in related industries and a long-term global oil price decline have caused deterioration in the customer's ability to pay, which subsequently increased industry risk. As a result, we identified key audit matter related to recoverability of unbilled contract receivables.

We performed following audit procedures for construction where unbilled construction receivables increased significantly.

- Test the operating effectiveness of internal controls and identify impairment indicators for unbilled construction receivables.
- Review of billing period and recoverability in relation to long-term unbilled construction receivables and unbilled construction receivables with significant changes.
- Review of payment terms described in the contract, compensation for delay, construction period and other obligations.

E. Accounting treatment for variations in construction

The Company measures the total construction revenue based on the initially agreed amount in the contract. However, the total revenue for long-term construction may increase or decrease due to construction changes or delays in completion of construction. As a result, measurement of construction revenue is affected by uncertainties related to future events and outcomes. The Company accounts for contract revenue if the customer is likely to approve the change in the amount of the revenues due to the change in the construction and the Company can measure the amount reliably.

As explained in Note 16 to the financial statements, the changes in the total estimated construction revenue amounted to ₩1,351,315 million. We concluded that the changes in the total construction revenue and costs, caused by changes in the construction, were significant and as a result, we identified key audit matter in relation to the accounting for variations in construction.

We performed following audit procedures for disclosures and accounting treatment in relation the variations in the Company's construction.

- Inquiry into accounting policies with regard to penalties related to changes in the contract work and breach of contract.
- Review of relevant documents related to approval of construction contracts with modified terms by authorized personnel.
- Check whether variations in construction contracts are properly disclosed in the notes, according to the modified contract.
- Review for the possibility of construction completion with regards to the constructions that are not expected to be complete on time.
- Review whether the additional estimated construction costs are reflected on the calculation of total estimated contract costs and percentage-of-completion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Auditing Standards (KGAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Auditing Standards (KGAAS) we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

March 11, 2019

Ernst & Young Han Young

This audit report is effective as of March 11, 2019, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

FINANCIAL STATEMENTS

SK Engineering & Construction Co., Ltd. Non-consolidated statements of financial position as of December 31, 2018 and 2017

(Korean won in thousands)

	Notes	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	4	₩ 613,730,979	₩ 545,139,279
Short-term investment assets	4,5,13	63,948,346	68,151,663
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩534,277,204 thousand in 2018 and ₩475,374,137 thousand in 2017	13,14	1,202,879,514	1,343,303,558
Other accounts receivable, less allowance for doubtful accounts of ₩56,302,903 thousand in 2018 and ₩66,849,226 thousand in 2017		200,129,425	170,453,080
Current income tax assets		27,448,437	14,177,668
Advance payments		151,105,893	142,297,295
Inventories	6,8	107,762,380	46,650,398
Current deferred income tax assets	19	233,072,506	142,647,708
Other current assets	12	244,158,330	186,059,615
Total current assets		2,844,235,810	2,658,880,264
Non-current assets:			
Long-term financial instruments	4, 11	1,669,368	193,791,085
Investment properties		7,430,488	7,430,488
Available-for-sale securities	7	221,854,340	160,325,582
Equity method investments	7	561,404,733	506,257,652
Long-term loans, less allowance for doubtful accounts of ₩138,181,277 thousand in 2018 and ₩345,241,064 thousand in 2017	13	142,627,426	145,066,456
Deposits		266,600,831	258,006,692
Property, plant and equipment, net	8	154,960,534	154,826,761
Intangible assets	9	15,093,935	13,009,979
Deferred income tax assets	20	65,061,779	179,606,873
Other non-current assets	12	11,695,358	10,335,833
Total non-current asset		1,448,398,792	1,628,657,401
Total assets		₩ 4,292,634,602	₩ 4,287,537,665

(Continued)

(Korean won in thousands)

	Notes	2018	2017
Liabilities			
Current liabilities:			
Trade accounts and notes payable	13	₩ 742,192,799	₩ 867,956,862
Advance receipts in relation to uncompleted construction		1,035,766,420	649,471,982
Current portion of long-term debt	10	164,766,443	388,148,519
Provision for construction losses and warranty		96,458,393	93,547,234
Income taxes payable		-	10,152,537
Other current liabilities	12	359,044,703	383,020,846
Total current liabilities		2,398,228,758	2,392,297,980
Non-current liabilities:			
Long-term debt	7, 10	629,742,001	560,099,010
Deposits received		90,568,701	84,738,483
Leasehold deposits received		2,347,736	2,426,327
Retirement benefit liabilities	11	-	90,877
Other non-current liabilities	12	45,418,750	-
Total non-current liabilities		768,077,188	647,354,697
Total liabilities		3,166,305,946	3,039,652,677
Equity			
Capital stock:	17		
Common stock, ₩5,000 par value		176,486,465	176,486,465
Redeemable preferred stock, ₩5,000 par value		76,367,500	76,367,500
		252,853,965	252,853,965
Capital surplus	17	681,652,091	692,509,149
Capital adjustments:	17		
Corporate income taxes on treasury stock received		(13,650,712)	(13,650,712)
Loss on early redemption of convertible bonds		(12,322,432)	(12,322,432)
		(25,973,144)	(25,973,144)
Accumulated other comprehensive income:			
Gain on valuation of available-for-sale securities	7	67,087,462	26,805,851
Equity adjustment in equity method, net	7	(24,301,030)	(13,113,423)
Loss on valuation of derivative instruments	14	(5,608,805)	(7,403,592)
Foreign currency translation adjustments	19	3,371,271	(11,985,818)
Revaluation surplus	8	27,279,226	27,279,196
		67,828,124	21,582,214
Retained earnings:	17, 18		
Appropriated		62,724,240	117,231,866
Unappropriated		87,243,380	189,680,938
		149,967,620	306,912,804
Total equity		1,126,328,656	1,247,884,988
Total liabilities and equity		₩ 4,292,634,602	₩ 4,287,537,665

The accompanying notes are an integral part of the financial statements.

SK Engineering & Construction Co., Ltd.
Non-consolidated statements of income
for the years ended December 31, 2018 and 2017

(Korean won in thousands, except per share amounts)

	Notes	2018	2017
Revenues	13, 16, 23	₩ 6,435,760,704	₩ 6,439,814,638
Cost of sales	13	6,023,626,945	5,971,822,684
Gross profit		412,133,759	467,991,954
Selling and administrative expenses:	13		
Salaries		120,655,497	112,982,656
Provision for severance and retirement benefits		15,938,785	22,778,773
Employee welfare benefits		12,637,371	13,692,939
Tax and dues		8,900,590	8,998,796
Commissions		37,698,188	36,466,789
Depreciation		2,216,837	1,915,624
Advertising expenses		15,501,863	16,955,545
(Reversal of) allowance for doubtful accounts-trade, net		62,714,385	(9,489,701)
Amortization		1,175,251	1,448,768
Rent		23,758,378	26,781,132
Others		24,212,069	33,151,176
		325,409,214	265,682,497
Operating income		86,724,545	202,309,457
Other income (expenses):			
Interest income		20,940,769	21,082,103
Interest expense		(48,327,167)	(61,945,123)
Dividend income		1,782,649	742,891
Loss on foreign currency transactions, net		(724,345)	(6,646,180)
Gain (loss) on foreign currency translation, net		10,093,136	(1,943,954)
Gain (loss) on settlement of derivative instruments, net	14	(2,136,099)	5,375,991
Gain (loss) on valuation of derivative instruments, net	14	(24,564,417)	81,491,591
Gain (loss) on valuation of firm commitments, net	14	4,619,970	(39,329,105)
Gain on disposal of investment in properties		-	86,417
Loss on disposal of trade accounts and notes receivable		(9,746,717)	(7,131,951)
Reversal of doubtful accounts-other, net		3,059,900	1,689,183
Gain on disposal of available-for-sale securities, net	7	17,007,256	28,251
Impairment loss on available-for-sale securities, net	7	(11,413,635)	(15,092,323)
Gain on disposal of equity method investments	7	16,585,679	-
Equity in earnings of equity method investments, net	7	74,847,066	3,792,281
Gain on disposal of property, plant and equipment, net		1,834,357	16,856,815
Warranty for repairs		(4,537,869)	(6,168,494)
Gain (loss) on guarantees provided, net		40,856,364	(22,135,593)
Others, net	14	(56,291,698)	(7,289,074)
		33,885,199	(36,536,274)
Income before income taxes		120,609,744	165,773,183
Income tax expenses	20	51,153,632	110,267,830
Net income		₩ 69,456,112	₩ 55,505,353
Per share amounts			
Basic earnings per share	21	₩ 1,595	₩ 856

The accompanying notes are an integral part of the financial statements.

SK Engineering & Construction Co., Ltd.
Non-consolidated statements of changes in equity
for the years ended December 31, 2018 and 2017

(Korean won in thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
As of January 1, 2017	₩ 252,853,965	₩ 712,090,543	₩ (25,973,144)	₩ 73,656,155	₩ 359,107,083	₩ 1,371,734,602
Dividends attributable to redeemable preferred stock	-	-	-	-	(32,194,384)	(32,194,384)
Net income for the year	-	-	-	-	55,505,353	55,505,353
Redemption of redeemable preferred stock	-	-	-	-	(75,000,000)	(75,000,000)
Changes in capital surplus adjustment arising from equity method investments	-	(19,581,394)	-	-	-	(19,581,394)
Gain on valuation of available-for-sale securities	-	-	-	25,302,474	-	25,302,474
Changes in equity adjustment in equity method	-	-	-	(12,919,889)	-	(12,919,889)
Gain on valuation of derivative instruments	-	-	-	8,974,298	-	8,974,298
Foreign currency translation adjustments	-	-	-	(49,041,979)	-	(49,041,979)
Changes in revaluation surplus	-	-	-	(24,388,845)	-	(24,388,845)
Changes in retained earnings adjustment arising from equity method investments	-	-	-	-	(505,248)	(505,248)
As of December 31, 2017	₩ 252,853,965	₩ 692,509,149	₩ (25,973,144)	₩ 21,582,214	₩ 306,912,804	₩ 1,247,884,988
As of January 1, 2018	₩ 252,853,965	₩ 692,509,149	₩ (25,973,144)	₩ 21,582,214	₩ 306,912,804	₩ 1,247,884,988
Dividends attributable to redeemable preferred stock	-	-	-	-	(28,561,493)	(28,561,493)
Net income for the year	-	-	-	-	69,456,112	69,456,112
Redemption of redeemable preferred stock	-	-	-	-	(200,000,000)	(200,000,000)
Changes in capital surplus adjustment arising from equity method investments	-	(10,857,058)	-	-	-	(10,857,058)
Gain on valuation of available-for-sale securities	-	-	-	40,281,612	-	40,281,612
Changes in equity adjustment in equity method	-	-	-	(11,187,607)	-	(11,187,607)
Gain on valuation of derivative instruments	-	-	-	1,794,787	-	1,794,787
Foreign currency translation adjustments	-	-	-	15,357,089	-	15,357,089
Changes in revaluation surplus	-	-	-	29	-	29
Changes in retained earnings adjustment arising from equity method investments	-	-	-	-	2,160,197	2,160,197
As of December 31, 2018	₩ 252,853,965	₩ 681,652,091	₩ (25,973,144)	₩ 67,828,124	₩ 149,967,620	₩ 1,126,328,656

The accompanying notes are an integral part of the financial statements.

SK Engineering & Construction Co., Ltd.
Non-consolidated statements of cash flows
for the years ended December 31, 2018 and 2017

(Korean won in thousands)

	2018	2017
Cash flow from operating activities:		
Net income	₩ 69,456,112	₩ 55,505,353
Adjustments to reconcile net income to net cash used in operating activities:		
(Reversal of) allowance for doubtful accounts-trade	62,714,385	(9,489,701)
Depreciation of property, plant and equipment	26,135,713	29,395,652
Amortization of intangible assets	4,676,148	5,041,346
Amortization of discount on bonds	1,449,036	4,268,120
Provision for retirement benefits	44,590,567	52,664,921
Loss (gain) on foreign currency translation, net	(10,093,136)	1,943,954
Loss (gain) on valuation of derivative instruments, net	24,564,418	(81,491,591)
Loss (gain) on valuation of firm commitments, net	(4,619,970)	39,329,105
Allowance for doubtful accounts-other, net	(3,059,900)	(1,689,183)
Gain on disposal of investment in properties	-	(86,417)
Loss (gain) on disposal of available-for-sale securities, net	(17,007,256)	(28,251)
Impairment loss on available-for-sale securities, net	11,413,635	15,092,323
Gain on disposal of equity method investments	(16,585,679)	-
Impairment loss on equity method investments	-	16,539,146
Equity in earnings of equity method investments, net	(74,847,066)	(20,331,427)
Gain on disposal of property, plant and equipment, net	(1,834,357)	(16,856,815)
Loss (gain) on guarantees provided	(40,856,364)	22,135,593
Other provision	56,026,677	-
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	18,844,024	86,584,661
Other accounts receivable	(21,945,611)	165,758,049
Advance payments	(26,034,598)	81,365,514
Inventories	(61,111,982)	14,677,828
Current income tax assets	(13,270,769)	17,175,538
Current portion of deferred income tax assets	(90,424,798)	58,373,345
Other current assets	(8,139,726)	45,958,361
Non-current portion of deferred income tax assets	101,576,793	30,548,964
Trade accounts and notes payable	(125,764,063)	46,554,677
Advance receipts in relation to uncompleted construction	386,294,439	(98,972,795)
Provision for construction losses and warranty	2,911,160	(28,294,252)
Income taxes payable	(10,152,537)	(16,802,839)
Other current liabilities	(18,931,164)	(167,804,340)
Deposits received for performance guarantee	(12,878,254)	(12,101,580)
Deposits provided for performance guarantee	(1,604,510)	10,973,907
Cumulative foreign currency translation adjustments	15,357,089	(49,041,979)
Payments of severance and retirement benefits	(35,099,267)	(35,105,504)
Defined benefit plan assets	(10,039,446)	(17,679,415)
Prepayments of severance and retirement benefits to the National Pension Service	457,269	60,558
Total adjustments	152,710,900	188,665,473
Net cash provided by operating activities	222,167,012	244,170,826

(Continued)

(Korean won in thousands)

	2018	2017
Cash flow from investing activities:		
Decrease in short-term investment assets	₩ 4,203,317	₩ 261,335,273
Increase in long-term financial instruments	-	(82,173,585)
Decrease in long-term financial instruments	192,121,717	-
Proceeds from disposal of available-for-sale securities	43,409,873	743,466
Acquisition of available-for-sale securities	(2,662,000)	(628,633)
Proceeds from disposal of equity method investments	26,996,019	2,929,947
Dividends from equity method investments	31,503,528	17,515,608
Proceeds from disposal of investment properties	-	2,461,366
Acquisition of investment properties	-	(220,394)
Acquisition of equity method investments	(86,941,707)	(94,372,282)
Increase in long-term loans	-	(18,677,706)
Decrease in long-term loans	88,753,582	-
Increase in deposits for performance guarantee	(34,576,677)	(6,045,070)
Proceeds from disposal of property, plant and equipment	5,421,699	50,632,616
Proceeds from disposal of intangible assets	201	652,727
Acquisition of property, plant and equipment	(29,856,827)	(20,562,417)
Addition to intangible assets	(6,760,306)	(7,222,607)
Decrease in other non-current assets	536,000	73,403
Increase in other non-current assets	(1,895,526)	-
Net cash provided by investing activities	230,252,893	106,441,712
Cash flow from financial activities:		
Repayment of short-term borrowings	-	(75,000,000)
Increase of long-term borrowings	59,564,000	79,413,000
Repayment of long-term borrowings	(55,450,000)	(188,470,032)
Proceeds from issuance of bonds	229,328,680	478,182,562
Redemption of bonds and repayment of long-term borrowings	(388,579,392)	(512,018,510)
Payment of dividends to redeemable preferred stockholders	(28,561,493)	(32,194,384)
Redemption of redeemable preferred stock	(200,000,000)	(75,000,000)
Decrease in leasehold deposits received	(130,000)	-
Net cash used in financing activities	(383,828,205)	(325,087,364)
Net increase in cash and cash equivalents	68,591,700	25,525,174
Cash and cash equivalents at the beginning of the year	545,139,279	519,614,105
Cash and cash equivalents at the end of the year	₩ 613,730,979	₩ 545,139,279

The accompanying notes are an integral part of the financial statements

SK Engineering & Construction Co., Ltd.

Notes to the non-consolidated financial statements

December 31, 2018 and 2017

1. Corporate information

SK Engineering & Construction Co., Ltd. (the "Company"), a member of the SK group of companies, was incorporated on February 21, 1962 in accordance with the laws of the Republic of Korea to engage in various engineering and construction activities in the Republic of Korea as well as in foreign countries. On September 14, 2006, the Company merged with Jeongjiwon Co., Ltd., and consequently, the Company expanded its business operations to include the leisure business.

2. Summary of significant accounting policies

2.1 Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea ("Korean Accounting Standards"). The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The financial statements of the Company have been prepared in accordance with Korean Accounting Standards, and the summary of significant accounting policies used for the preparation of the financial statements are as follows:

2.2 Change of accounting policy

The Company has applied the annual improvements (2017) to Korean Accounting Standards.

2.3 Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

2.4 Financial assets

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.

2.5 Investment in securities

Investments in securities are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the gross weighted average method. Acquisition costs for trading securities are measured at fair value of those securities at the time of acquisition. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income.

Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the reporting date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or are certain to be disposed of within one year from the reporting date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income. Valuation gain (loss) on available-for-sale securities, if any, is offset against impairment loss (gain) on corresponding available-for-sale securities. When the circumstances that previously caused the available-for-sale securities to be written down cease to exist or there is an increase in net realizable value, the amount of the written-down is reversed in the statements of income to the extent of the original write-down amount so that new carrying amount is the lower of cost and revised net realizable value.

2.6 Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it discontinues recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life using the straight-line method. Conversely, negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized gains and losses resulting from transactions between the Company and its investee are eliminated to the extent of the interest in the investee. In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the reporting date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

2.7 Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

2.8 Inventories

Inventories are valued at the lower of cost or market with cost being determined using the gross weighted average method for completed apartment for sale and apartment under construction and land held for future construction of apartments, the moving weighted average method for raw materials and supplies, and the specific identification method for in-transit raw materials. Reusable durable materials for construction are charged to operations based on usage. A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

2.9 Pre-contract costs (or commonly known as prepaid construction costs)

The Company capitalizes costs incurred in connection with securing a construction order as pre-contract costs when such costs can be identified and measured reliably, and that the Company is reasonably certain that the contract will be awarded. The pre-contract costs are expensed as part of construction costs upon commencement of the related construction project.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for certain assets that were revalued in accordance with the previous Assets Revaluation Act and land that was revalued in accordance with the Korean Accounting Standards are stated at revalued amount less accumulated depreciation.

Acquisition costs include purchase cost, production cost and other expenditures that the Company incurs to prepare the assets in a status consistent with the intention of the management(note 8).

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which satisfy the criteria for recognition of the tangible assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Useful life
Buildings and structures (*)	5 – 40 years
Machinery and equipment	5 years
Others	5 years

(*) The useful life of assets acquired before January 1, 1994 is 50 years.

Land that is revalued in accordance with the revaluation model is measured at fair value less impairment losses recognized after the date of the revaluation. Valuation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income within equity. However, the increase shall be recognized in the statements of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the statements of income. However, the decrease shall be debited directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The assessment value of the land as determined by the Korean government for tax administration purposes amounted to ₩81,007,425 thousand and ₩77,177,994 thousand as of December 31, 2018 and 2017, respectively.

2.11 Intangible assets

Intangible assets are stated at cost, less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the following estimated useful life:

	Useful life
Software	4 years

Intangible assets acquired individually are recorded at cost whereas those acquired through business combinations are stated at fair value after deducting accumulated amortization and impairment amount. Moreover, internally generated intangible assets are expensed as incurred and reflected in profit and loss.

2.12 Valuation of receivables or payables at present value

Receivables or payables arising from long-term installment transactions are stated at present value. The difference between the carrying amount and present value of the receivables or payables is amortized using the effective-interest-rate method and credited or charged to the statement of income over the installment period.

When credit terms (e.g., principal, interest rate, payment period) of receivables between debtors or creditors experiencing financial difficulties (e.g., court receivership, debt restructuring, financial workout) are unfavorably changed from the perspective of the Company, such receivables are stated at present value calculated by discounting the future cash flows in accordance with the modified terms of the restructured receivables by using the effective interest method from the origination date and the difference between the carrying amount and present value of such receivables is charged to the statement of income.

2.13 Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Meanwhile, even though it is remote that there will be an outflow of resources embodying economic benefits as a result of a past event, payment guarantees or similar warranties, and pending lawsuits are disclosed in notes.

2.14 Provision for construction losses and warranty

From the commencement of the construction contract, the Company records the estimated construction losses that are expected to be incurred as a provision for construction losses and reflects such estimated losses in current construction costs immediately.

The Company records a provision for the estimated warranty costs relating to construction defects during the warranty period. Estimated warranty costs are charged to current operations at the time of completion of projects and are included in the statement of financial position as provision for construction warranty. The provision for construction warranty made will be offset against the actual amount of rectification expense incurred on the defects in subsequent period. The actual rectification expense incurred in excess of the provision made is accounted for as an expense in the current period.

2.15 Discount on bonds

Discount on bonds is presented as a direct deduction from the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

2.16 Severance and retirement benefits

The Company operates a defined benefit plan, and in accordance with the Company employees benefit policy, it establishes the provision for severance and retirement benefits for employees terminating their employment with at least one year of service based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's defined benefit obligations are partly funded through plan assets with 15 financial institutions including KEB Hana Bank. The liability for retirement benefits under the defined benefit plan is presented as the provision for severance and retirement benefits less the plan's assets at the end of the reporting period. If the plan assets amount exceeds the provision for severance and retirement benefits, the excess amount is recorded as pension assets.

Up to March 1999, the Company had prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The plan assets and prepayments are presented as a deduction from the provision for severance and retirement benefits.

The Company also operates a defined contribution pension plan under which the amount contributed by the Company is expensed except for those included as part of acquisition cost. The contribution made by the Company in excess of the required funding amount is recorded as pension asset whereas the contribution amount that falls short of the required funding amount is recorded as pension liabilities. Meanwhile, the Company recognized pension costs of ₩1,846,848 thousand in 2018 and ₩2,253,772 thousand in 2017.

2.17 Derivative financial instruments

The Company records its rights or obligations arising from derivative instruments as assets or liabilities, respectively, which are stated at fair value. Gains or losses resulting from changes in the fair value of derivative instruments are reported in current operations. However, for derivative instruments designated as hedging the exposure of variable cash flows, the effective portion of the gains or losses on the hedging instruments is recorded in equity and the ineffective portion of the gains or losses is credited or charged to operations immediately.

2.18 Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the reporting date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

2.19 Translation of overseas financial statements

Financial statements of overseas business are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these foreign business branches or offices into Korean won, assets and liabilities are translated at the current exchange rate on the reporting date and income and expenses are translated at the average exchange rate during the year. All resulting exchange rate differences are recognized as foreign currency translation adjustments in other comprehensive income within equity. These amounts will be charged to operations in the year when the overseas units and branches are closed upon completion of related projects.

2.20 Revenue recognition

Revenue for construction contracts is recognized using the percentage-of-completion method, under which revenue is recognized as work progresses in the ratio of actual costs incurred to estimated total costs. Revenue, for which the Company constructs and sells residential or commercial properties, is recognized using the percentage-of-completion method when the sales contracts are entered into. The estimation of total construction costs is made by a systematic, reasonable and consistent method and the Company reflects information newly obtained during the course of its construction activities.

2.21 Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

2.22 Per share amounts

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year.

2.23 Significant judgments and accounting estimates

The preparation of financial statements in accordance with Korean Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. But, the uncertainty of estimation and assumption could cause adjustment to the amounts of assets and liabilities that may be affected.

3. Preparation plan for transition to Korean International Financial Reporting Standards (KIFRS) and implementation status

The Company is currently preparing for the implementation of KIFRS. A task force team has been established by the Company to oversee and manage the implementation process and to identify and assess the impact of key accounting differences between KIFRS and Korean Accounting Standards for Non-Public Entities.

4. Restricted bank deposits

Restricted deposits as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

Account	2018	2017	Description
Cash and cash equivalents	₩ 52,053	₩ 52,182	Restricted reserve for legal settlements
	-	2,912,357	Pledged as collateral for contract
Short-term financial instruments	1,710,000	640,000	Pledged as collateral for leasehold deposits received
	-	3,347,297	Pledged as collateral for contract
Long-term financial instruments	32,500	36,000	Deposits for maintaining checking
	-	1,150,000	Pledged as collateral for leasehold deposits received
	1,000,570	-	Pledged as collateral for contract
	₩ 2,795,123	₩ 8,137,836	

5. Short-term investment assets

Short-term investment assets as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
Short-term financial instruments	₩ 1,710,000	₩ 3,987,297
Short-term loans	62,238,346	64,164,366
	₩ 63,948,346	₩ 68,151,663

6. Inventories

Inventories as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

	2018		2017	
	Acquisition cost	Carrying value	Acquisition cost	Carrying value
Building materials held for sale	₩ 21,307,419	₩ 21,307,419	₩ 5,035,985	₩ 5,035,985
Construction in process for sale	3,123,315	3,123,315	1,075,392	1,075,392
Land held for future construction of apartments	17,420,619	17,420,619	37,415,531	37,415,531
Supplies	65,470,061	65,470,061	2,758,479	2,758,479
Construction materials	440,966	440,966	365,011	365,011
	₩ 107,762,380	₩ 107,762,380	₩ 46,650,398	₩ 46,650,398

7. Investments in securities and equity method investments

Available-for-sale securities as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

Equity securities	2018				2017
	Equity interest (%)	Acquisition cost	Proportionate share in net asset or fair value	Carrying value	Carrying value
Listed:					
Taeyoung E&C Co., Ltd. (*2)	-	₩ -	₩ -	₩ -	₩ 39,140,000
KRTNET Corp.	1.14	345,000	1,512,000	1,512,000	900,000
Hanil Holdings Co., Ltd. (previously, Hanil Cement Co., Ltd.)	1.49	8,607,743	4,664,982	4,664,982	28,412,384
Hanil Cement Co., Ltd.	2.63	10,492,835	12,824,890	12,824,890	-
Namkwang E&C Co., Ltd.	0.03	62,698	34,462	34,462	17,462
Sambu Construction Co., Ltd.	0.01	24,949	10,051	10,051	16,175
Dongbu Construction Co., Ltd.	0.22	587,163	332,955	332,955	465,125
		20,120,388	19,379,340	19,379,340	68,951,146
Non-listed:					
Construction Guarantee	0.48	20,175,879	28,203,398	28,203,398	27,763,119
Yongma Tunnel Co., Ltd. (*1)	12.40	3,472,000	2,806,765	2,806,765	3,472,000
Masan I-Port Co., Ltd. (*1)	16.00	9,412,160	2,119,618	2,119,618	2,119,618
Electric Contractors' Financial Cooperative	0.01	50,123	50,123	50,123	50,123
Korea Electric Engineers Association	0.12	21,600	39,582	21,600	21,600
Engineering Financial Cooperative	3.24	20,068,947	24,551,200	24,551,200	23,247,280
Il Shin Leisure Co., Ltd.	0.67	5,000	5,000	5,000	5,000
Pentaport Co., Ltd. (*1)	20.10	60,300	-	-	-
Nong Shim Development Co., Ltd. (*1)	0.37	4,305,701	139,902	113,114	113,114
Morning Bridge Co., Ltd. (*1) (*2)	-	-	-	-	-
Inport Co., Ltd. (*1) (*2)	-	-	-	-	-
Shaanxi SK Guolin Hi-tech Road Material Co., Ltd. (*2)	-	-	-	-	502,362
Korea Housing & Urban Guarantee Co., Ltd. (*1)	0.13	12,964,985	6,606,112	6,606,112	6,606,112
Midan City Development Co., Ltd. (*1)	3.62	3,232,000	-	-	-
Gimhae Co., Ltd. (*1)	12.60	1,019,340	-	-	-
Ulsan-Chongchun Co., Ltd. (*1)	3.00	342,740	-	-	-
Alpha Dome City Co., Ltd. (*1) (*2)	-	-	-	-	-
Alpha Dome City Co., Ltd. (deferred stock) (*1) (*2)	-	-	-	-	-
Alpha Dome City Asset Management Company (*2)	-	-	-	-	20,000
Dream Hub PFV Co., Ltd. (*1)	1.20	12,000,000	-	-	-
Wave City Development Co., Ltd. (*1)	0.70	70,000	-	-	-
Wave City Co., Ltd. (*1)	0.70	2,100	-	-	-
BichaeNuri Development Co., Ltd. (*1)	16.80	4,804,800	-	-	-
BichaeNuri Co., Ltd. (*1)	16.80	84,000	-	-	-
Pohang Clean Water Co., Ltd. (*1)	26.88	2,138,440	-	-	-
Samsung Bromex Development Co., Ltd. (*1)	12.00	1,200,000	-	-	-
Samsung Bromex Co., Ltd. (*1)	12.00	60,000	-	-	-
Pyeongtak Korea-China Tech-Valley Co., Ltd. (*1)	11.46	573,000	-	-	-
SK E&C Saudi Company LLC (*1)	70.00	3,287,163	-	-	-
Ulju Chongchun Co., Ltd. (*1)	10.90	608,360	-	-	-
Gimhae Clean Water Road Co., Ltd. (*1)	19.06	500,210	-	-	-
Humphreys SLQ ONE Co., Ltd.	18.10	252,155	-	252,155	252,155
Gwangju Clean Water Co., Ltd. (*1)	16.80	1,228,775	-	-	-
Daejeon Clean Water Co., Ltd. (*1) (*2)	2.59	177,360	-	-	1,385,960

(Continued)

Equity securities	2018				2017
	Equity interest (%)	Acquisition cost	Proportionate share in net asset or fair value	Carrying value	Carrying value
Non-listed:					
SK Technology Innovation Company (*1)	3.66	₩ 6,412,380	₩ 3,172,199	₩ 3,425,790	₩ 3,425,790
Pohang Clean Water Road Co., Ltd. (*1)	24.00	970,080	-	-	-
Smart Rail Co., Ltd. (*1)	6.57	10,748,400	-	-	10,748,400
Heekyung E&C Co., Ltd. (*1)	2.62	1,799,995	-	-	-
Fire Guarantee	0.02	20,000	20,000	20,000	20,000
Il Shin Leisure (membership) (*1)	0.67	1,994,004	1,150,000	1,150,000	1,150,000
Korea Auto Valley Operation Co., Ltd.	0.00	14,800,000	-	-	-
Ulsan Clean Environment Co., Ltd. (*1)	6.30	1,648,290	1,180,857	883,813	883,813
Woolim Co., Ltd. (*1)	2.80	428,185	-	-	-
SE Green Energy Co., Ltd.	29.85	2,388,000	2,103,750	2,388,000	2,388,000
West-Seoul Highway Co., Ltd.	15.31	3,801,000	2,658,558	2,949,146	2,949,146
Gapyung Yangju Ganggun Co., Ltd.	1.69	100,685	100,685	100,685	100,685
Goseong Green Power Co., Ltd.	1.00	1,000,000	2,397,081	1,000,000	1,000,000
Seong Bon Industrial Complex Development Co., Ltd. (common stock)	29.95	521,200	-	521,200	521,200
Seong Bon Industrial Complex Development Co., Ltd. (preferred stock)	100.00	260,000	-	260,000	260,000
Gimhae Daedong Hightech Industrial Complex Co., Ltd.	12.63	631,250	513,726	631,250	631,250
Hwa Seong Jung Nam Industrial Complex Development Co., Ltd.	16.00	160,000	160,000	160,000	160,000
Youngnam Industrial Complex Development Co., Ltd. (common stock)	30.00	299,995	300,315	299,995	299,995
Youngnam Industrial Complex Development Co., Ltd. (preferred stock)	100.00	5	5	5	5
Busan-newport hinterland Power Co., Ltd.	19.00	9,500	-	9,500	9,500
Geoje Offshore National Industrial Complex Co., Ltd.	21.60	648,000	647,131	648,000	648,000
Dongyang Engineering & Construct Corp. (*1)	0.06	943,333	-	-	-
Byucksan Engineering & Construction Co., Ltd. (*1)	0.30	1,154,343	-	-	-
STX Construction Co., Ltd. (*2)	-	-	-	-	-
Wonju Buron Industrial Complex Co., Ltd. (common stock)	29.35	26,710	26,710	26,710	26,710
Wonju Buron Industrial Complex Co., Ltd. (preferred stock)	100.00	9,000	9,000	9,000	9,000
KSJV LLC	30.00	33	33	33	33
Paju Green Hub Co., Ltd.	1.05	45,025	41,707	45,025	45,025
Miryang Tourist Complex Co., Ltd.	28.00	280,000	279,908	280,000	280,000
Hyodong Development Co., Ltd.	12.45	181,190	-	-	-
Keangnam Enterprises, Ltd.	0.00	329,408	-	-	-
Daeyoung EMC Co., Ltd.	1.02	142,869	-	-	-
Sejong venture valley Ltd.	29.00	290,000	290,000	290,000	-
Saebit Development. Ltd.	10.42	400,000	369,691	400,000	-
Yongin Industrial Complex Development Co., Ltd.	20.00	2,000	2,000	2,000	-
SK E&C India Pvt. Ltd. (*3)	99.94	1,881,338	1,289	276,513	-
TSK Water Co., Ltd. (*4)	19.99	41,657,263	119,999,250	119,999,250	-
Oseong Fuel Cell Co., Ltd. (common Stock)	15.00	600,000	423,384	600,000	-
Oseong Fuel Cell Co., Ltd. (preferred stock)	14.94	1,370,000	966,728	1,370,000	-
Sub-total		200,070,619	201,335,707	202,475,000	91,114,995
Equity securities sub-total		220,191,007	220,715,047	221,854,340	160,066,141
Debt securities					
Government and municipal bonds (*2)		-	-	-	259,441
Total		₩ 220,191,007	₩ 220,715,047	₩ 221,854,340	₩ 160,325,582

(*1) The Company recognized ₩11,413,635 thousand as impairment losses on its investments in Smart Rail Co., Ltd., Yongma Tunnel Co., Ltd. during the year ended December 31, 2018 (₩ 86,914,362 thousand as impairment losses on its investments in Masan I-Port Co., Ltd., Pentaport Co., Ltd., Nong Shim Development Co., Ltd., Morning Bridge Co., Ltd., Inport Co., Ltd., Korea Housing & Urban Guarantee Co., Ltd., Midan City Development Co., Ltd., Gimhae Co., Ltd., Ulsan-Chongchun Co., Ltd., Alpha Dome City Co., Ltd., Alpha Dome Co., Ltd. (deferred stock), Dream Hub PFV CO., Ltd., Wave City Development Co., Ltd., Wave City Co., Ltd., BichaeNuri Development Co., Ltd., BichaeNuri Co., Ltd., Pohang Clean Water Co., Ltd., Samsung Bromex Development Co., Ltd., Samsung Bromex Co., Ltd., Pyeongtak Korea-China Tech-Valley Co., Ltd., SK E&C Saudi Company LLC, Ulju Chongchun Co., Ltd., Gimhae Clean Water Road Co., Ltd., Gwangju Clean Water Co., Ltd., Daejeon Clean Water Co., Ltd., Pohang Clean Water Road Co., Ltd., Ulsan Clean Environment Co., Ltd., SK Technology Innovation Company, Heekyung E&C Co., Ltd., Il Shin Leisure (membership), Woolim Co., Ltd., Dongyang Engineering & Construction Corp., Byucksan Engineering & Construction Co., Ltd. as of December 31, 2017). However, due to the recovery of fair value of previously impaired securities, the Company reversed the impairment loss on its investment in Korea Housing Guarantee Co., Ltd. amounting to ₩6,606,117 thousand. As such, the accumulated balance for the above reversal as of December 31, 2017 was recognized out of the initially recognized loss in 2001 amounting to ₩12,964,985 thousand.

(*2) The Company disposed of all or part of share in in Taeyoung E&C Co., Ltd., Morning Bridge Co., Ltd., Inport Co., Ltd., Shaanxi SK Guolin Hi-tech Road Material Co., Ltd., Alpha Dome City Co., Ltd., Alpha Dome Co., Ltd. (deferred stock), Alpha Dome City Asset Management Company, Daejeon Clean Water Co., Ltd., STX Construction Co., Ltd. and government and municipal bonds during the year, and recorded ₩18,026,031 thousand and ₩1,018,775 thousand as gain on disposal of available-for-sale securities and loss on disposal of available-for-sale securities, respectively.

(*3) The Company has lost control and significant influence due to the liquidation of SK E&C India PVT Ltd. during the year, reclassified from equity method investments to available-for-sale securities. As a result, the Company reclassified changes in equity adjustment in equity method to loss on valuation of available-for-sale securities during the year.

(*4) The Company has sold a portion of TSK Co., Ltd.'s shares in the current period and lost significant control therein. Accordingly, the Company reclassified the remaining equity interest from equity-method investments to available-for-sale securities.

As of December 31, 2018, the Company recognized valuation gains of marketable securities and certain non-marketable available-for-sale securities amounting to ₩ 67,087,462 thousand, net of deferred income tax effect amounting to ₩21,418,425 thousand, as other comprehensive income.

The equity method was not applied for the investments in Pentaport Co., Ltd., Pohang Clean Water Co., Ltd., Pohang Clean Water Road Co., Ltd., SE Green Energy Co., Ltd., SK E&C Saudi Company LLC, Seong Bon Industrial Complex Development Co., Ltd., Youngnam Industrial Complex Development Co., Ltd., Geoje Offshore National Industrial Complex Co., Ltd., Wonju Buron Industrial Complex Co., Ltd., KSJV LLC, Miryang Tourist Complex Co., Ltd., Sejong venture valley Ltd., Yongin Industrial Complex Development Co., Ltd. as total assets were less than ₩12,000,000 thousand as of the prior year-end and the changes in the carrying values of these investments arising from the application of the equity method were not material.

Equity method investments as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

Equity securities	2018			
	Equity interest (%)	Acquisition cost	Proportionate share in net asset or fair value	Carrying value
SK E&C BETEK Corp.	100.00	₩ 62,125,321	₩ 37,737,022	₩ 37,737,022
Pentaport Development Co., Ltd.	20.10	12,060,000	(71,023,257)	-
SKEC (Nanjing) Co., Ltd.	100.00	11,318,815	40,043,927	40,043,927
SKEC (Thai) Ltd.	100.00	85,249	(35,843,451)	-
SK E&C India Pvt. Ltd. (*1)	-	-	-	-
Interinvest New Growth Fund	30.00	8,199,000	2,902,300	2,902,300
Shaw SKE&C Middle East Ltd.	41.00	9,219,260	13,714,883	13,714,883
TSK Water Co., Ltd. (*2)	-	-	-	-
SKEC Consultores Ecuador, S.A.	4.42	132,890	(264,899)	-
SK Holdco Pte. Ltd.	56.49	92,622,857	132,412,289	124,005,161
SKEC Jurong Investment Pte. Ltd.	29.88	27,264,412	(17,820,609)	-
Thai Woo Ree Engineering Co., Ltd. (referred to as the "Thai Woo Ree")	47.79	23,720,417	(5,433,589)	-
Seosuwon Development Co., Ltd.	19.90	995,000	(9,415,296)	-
SKEC Anadolu LLC.	100.00	86,639,046	(60,155,910)	-
Xe Pian Xe-Namnoy Power Company (*3)	26.00	86,026,954	81,334,660	88,235,148
Chungju Megapolis Co., Ltd.	47.00	2,350,000	8,521,403	8,211,021
Sunlake Co., Ltd.	100.00	737,893	4,383,773	4,383,773
SK TNS Co., Ltd. (*4)	64.88	165,720,261	13,476,532	141,692,563
Daehan New Stay REIT4	38.69	16,714,000	14,008,158	14,008,158
SBC General Trading and Contracting Co., W.L.L.(referred to as the "SBC")	49.00	433,707	6,088,394	6,088,394
Canakkale Highway and Bridge (*5)	25.00	96,520,349	80,270,320	80,270,320
Harmony Country Club Co., Ltd. (*6)	-	-	-	-
Jeonnam Shinan Photovoltaic Power Plant Inc.	47.00	47,000	20,914	20,914
		₩ 703,162,017	₩ 235,048,713	₩ 561,404,733

Equity securities	2017			
	Equity interest (%)	Acquisition cost	Proportionate share in net asset or fair value	Carrying value
SK E&C BETEK Corp.	100.00	₩ 62,125,321	₩ 36,631,350	₩ 36,631,350
Pentaport Development Co., Ltd.	20.10	12,060,000	(56,760,682)	-
SKEC (Nanjing) Co., Ltd.	100.00	11,318,815	17,827,169	17,827,169
SKEC (Thai) Ltd.	100.00	85,249	(26,465,973)	-
SK E&C India Pvt. Ltd. (*1)	99.94	1,613,904	309,050	309,050
Interinvest New Growth Fund	30.00	8,199,000	2,056,551	2,056,551
Shaw SKE&C Middle East Ltd.	41.00	9,219,260	11,297,047	11,297,047
TSK Water Co., Ltd. (*2)	25.00	37,349,813	44,622,133	44,622,133
SKEC Consultores Ecuador, S.A.	4.42	132,890	(251,902)	-
SK Holdco Pte. Ltd.	56.49	92,622,857	116,865,586	108,458,458
SKEC Jurong Investment Pte. Ltd.	29.88	27,264,412	(16,661,088)	-
Thai Woo Ree Engineering Co., Ltd. (referred to as the "Thai Woo Ree")	47.79	23,720,417	(4,820,717)	-
Seosuwon Development Co., Ltd.	19.90	995,000	(20,184,115)	-
SKEC Anadolu LLC.	100.00	86,639,046	(101,012,273)	-
Xe Pian Xe-Namnoy Power Company (*3)	26.00	86,026,954	65,345,001	53,160,292
Chungju Megapolis Co., Ltd.	47.00	2,350,000	7,058,606	6,142,624
Sunlake Co., Ltd.	100.00	737,893	35,594,520	35,594,520
SK TNS Co., Ltd. (*4)	59.48	165,720,261	12,900,740	148,340,209
Daehan New Stay REIT4	38.69	16,714,000	14,531,441	14,445,094
SBC General Trading and Contracting Co., W.L.L.(referred to as the "SBC")	49.00	433,707	4,377,924	5,171,477
Canakkale Highway and Bridge (*5)	25.00	23,012,959	22,160,472	22,160,472
Harmony Country Club Co., Ltd. (*6)	49.99	1,999,995	1,723,361	-
Jeonnam Shinan Photovoltaic Power Plant Inc.	47.00	47,000	41,206	41,206
		₩ 657,184,022	₩ 167,185,407	₩ 506,257,652

- (*1) The Company reclassified from equity method investments to available-for-sale securities due to the liquidation.
- (*2) As a result of the disposal of a portion of the equity of the investee during the year, the Company's ownership decreased from 25.00% to 19.99% and the shares were reclassified as available-for-sale securities due to the loss of significant influence.
- (*3) The Company acquired additional ordinary shares of the investee amounting to ₩13,204,731 thousand by participating in the capital increase.
- (*4) During the current year, the Company's equity interest was increased from 59.48% to 64.88% due to the redemption of redeemable convertible preferred shares.
- (*5) The Company acquired additional ordinary shares of the investee amounting to ₩73,507,390 thousand by participating in the capital increase.
- (*6) The Company disposed of the shares in full on October 12, 2018.
- (*7) The Company acquired shares of BAKAD Investment & Operation LLP on August 27, 2018.

Equity securities	2018				
	Jan. 1	Acquisition (dividend/disposal)	Changes in equity adjustment	Equity earnings in (loss)	Dec. 31
SK E&C BETEK Corp.	₩ 36,631,350	₩ -	₩ 1,588,864	₩ (483,192)	₩ 37,737,022
Pentaport Development Co., Ltd.	-	-	-	-	-
SKEC (Nanjing) Co., Ltd.	17,827,169	-	(595,981)	22,812,739	40,043,927
SKEC (Thai) Ltd. (*2)	-	-	-	-	-
SK E&C India Pvt. Ltd.	309,050	(276,513)	(7,797)	(24,740)	-
InterVest New Growth Fund	2,056,551	-	654,031	191,718	2,902,300
Shaw SKE&C Middle East Ltd.	11,297,047	-	523,066	1,894,770	13,714,883
TSK Water Co., Ltd.	44,622,133	(52,051,701)	112,154	7,317,414	-
SKEC Consultores Ecuador, S.A	-	-	-	-	-
SK Holdco Pte. Ltd. (*1)	108,458,458	-	5,260,323	10,286,380	124,005,161
SKEC Jurong Investment Pte. Ltd. (*3)	-	-	-	-	-
Thai Woo Ree Engineering Co., Ltd. (*4)	-	-	-	-	-
Seosuwon Development Co., Ltd.	-	-	-	-	-
SKEC Anadolu LLC (*5)	-	-	-	-	-
Xe-Pian Xe-Namnoy Power Company	53,160,292	13,204,731	3,108,315	18,761,810	88,235,148
Chungju Megapolis Co., Ltd.	6,142,624	-	-	2,068,397	8,211,021
Sunlake Co., Ltd.	35,594,520	(31,503,528)	(301,471)	594,252	4,383,773
SK TNS Co., Ltd. (*1)	148,340,209	-	(12,609,522)	5,961,876	141,692,563
Daehan New Stay REIT4	14,445,094	-	-	(436,936)	14,008,158
SBC	5,171,477	(839,828)	171,603	1,585,142	6,088,394
Canakkale Highway and Bridge	22,160,472	73,507,390	(19,869,451)	4,471,909	80,270,320
Harmony Country Club Co., Ltd.	-	-	-	-	-
Jeonnam Shinan Photovoltaic Power Plant Inc.	41,206	-	(19)	(20,273)	20,914
BAKAD Investment & Operation LLP	-	229,586	(4,237)	(134,200)	91,149
	₩ 506,257,652	₩ 2,270,137	₩ (21,970,122)	₩ 74,847,066	₩ 561,404,733

- (*1) Included in changes in equity adjustment of those investees as of December 31, 2018 is capital surplus arising from the equity method totaling ₩(-)32,356,988 thousand.
- (*2) The Company recognized its share of losses amounting to ₩21,966,730 thousand exceeding its carrying amount of the equity method investments, which were reduced to zero, by providing an allowance for doubtful accounts of long-term loans to the investee.
- (*3) The Company recognized its share of losses amounting to ₩19,357,434 thousand exceeding its carrying amount of equity method investments, which were reduced to zero, by providing an allowance for doubtful accounts of short-term loans to the investee.
- (*4) The Company recognized its share of losses amounting to ₩5,433,589 thousand exceeding its carrying amount of equity method investments, which were reduced to zero, by providing an allowance for doubtful accounts of short-term loans to the investee.
- (*5) The Company recognized its share of losses amounting to ₩60,155,910 thousand exceeding its carrying amount of equity method investments, which were reduced to zero, by providing other current liabilities.

The summary of the financial position of the investees as of December 31, 2018, and the results of their financial performance for the year then ended, is presented as follows (Korean won in thousands):

	Closing date	Total assets	Total liabilities	Sales	Net income (loss)
SK E&C BETEK Corp.	2018.12.31	₩ 45,774,494	₩ 8,037,472	₩ -	₩ (483,192)
Pentaport Development Co., Ltd.	2018.12.31	68,888,019	422,237,556	3,108,727	(70,958,081)
SKEC (Nanjing) Co., Ltd.	2018.12.31	103,743,104	63,699,176	359,606,251	22,812,739
SKEC (Thai) Ltd.	2018.12.31	243,936	36,087,387	-	(2,556,229)
InterVest New Growth Fund	2018.12.31	9,725,323	50,991	2,492,440	639,061
Shaw SKE&C Middle East Ltd.	2018.12.31	33,941,887	490,954	-	4,621,389
SKEC Consultores Ecuador, S.A.	2018.12.31	33,815,706	39,802,476	-	(44,847)
SK Holdco Pte. Ltd.	2018.12.31	234,657,328	257,845	-	18,209,201
SKEC Jurong Investment Pte. Ltd.	2018.12.31	491,979	60,133,802	-	(1,428,259)
Thai Woo Ree Engineering Co., Ltd.	2018.12.31	6,710,050	18,080,506	-	(788,705)
Seosuwon Development Co., Ltd.	2018.12.31	150,176,578	197,489,624	20,695,722	54,114,668
SKEC Anadolu LLC	2018.12.31	74,058,655	134,214,565	90,457,391	16,621,094
Xe-Pian Xe-Namnoy Power Company	2018.12.31	1,015,012,700	702,187,086	-	(1,243,795)
Chungju Megapolis Co., Ltd.	2018.12.31	39,712,319	21,581,673	33,447,201	3,112,335
Sunlake Co., Ltd.	2018.12.31	17,656,408	13,272,635	23,473,354	594,252
SK TNS Co., Ltd.	2018.12.31	130,037,806	107,539,846	630,261,375	29,001,526
Daehan New Stay REIT4	2018.12.31	249,024,262	210,859,079	-	(224,608)
SBC	2018.12.31	33,180,926	20,755,632	53,674,594	3,234,983
Canakkale Highway and Bridge	2018.12.31	1,308,374,143	987,292,862	561,942,193	17,887,635
Jeonnam Shinan Photovoltaic Power Plant Inc.	2018.12.31	44,676	179	-	(43,134)
BAKAD Investment & Operation LLP	2018.12.31	414,583	140,862	-	(403,002)

In applying the equity method accounting, the Company used the latest audited or unaudited financial statements approved by the CEO and management of investees.

Changes in the carrying amount of goodwill arising from equity method investments for the year ended December 31, 2018 are as follows (Korean won in thousands):

	Year of occurrence	Amount of occurrence	Amortization	Amount of change	Dec. 31
SK TNS Co., Ltd.	2016	₩ 147,285,593	₩ (11,846,124)	₩ (7,223,438)	₩ 128,216,031

Changes in unrealized gains on equity method investments for the year ended December 31, 2018 are as follows (Korean won in thousands):

	Type	Jan. 1	Increase	Decrease	Dec. 31
Pentaport Development Co., Ltd.	Inventory	₩ (281,420)	₩ -	₩ (12,361)	₩ (269,059)
SKEC Jurong Investment Pte. Ltd.	Fixed asset	(7,837,847)	-	-	(7,837,847)
Xe-Pian Xe-Namnoy Power Company	Fixed asset	(12,184,709)	6,900,488	(12,184,709)	6,900,488
Chungju Megapolis Co., Ltd.	Inventory	(915,982)	-	(605,600)	(310,382)
SK Holdco Pte. Ltd.	Investment	(8,407,128)	-	-	(8,407,128)
Harmony Country Club Co., Ltd.	Fixed asset	(6,497,285)	-	(6,497,285)	-

As of December 31, 2018 and 2017, the accumulated unrecognized losses of the respective equity method investees for which the application of the equity method of accounting was suspended as the Company's share in the accumulated losses of the investees exceeded the Company's interest in the investees are as follows (Korean won in thousands):

	2018	2017
Pentaport Development Co., Ltd.	₩ 71,292,316	₩ 57,042,102
SKEC (Thai) Ltd.	13,876,721	4,499,243
SKEC Consultores Ecuador, S.A	264,899	251,902
SKEC Jurong Investment Pte. Ltd.	6,301,023	5,356,669
Seosuwon Development Co., Ltd.	9,415,296	20,184,115
Harmony Country Club Co., Ltd.	-	4,773,924

As of December 31, 2018, the Company provided the entire amount of its investment in Yongma Tunnel Co., Ltd., Masan I-port Co., Ltd., Gimhae Clean Water Co., Ltd., Ulsan-Chongchun Co., Ltd., Pohang Clean Water Co., Ltd., Ulju Chongchun Co., Ltd., Gimhae Clean Water Road Co., Ltd., Humphreys SLQ ONE Co., Ltd., Gwangju Clean Water Co., Ltd., Daejeon Clean Water Co., Ltd., Pohang Clean Water Road Co., Ltd., Smart Rail Co., Ltd., Ulsan Clean Environment Co., Ltd., Gapyung Yangju Ganggun Co., Ltd., Chungju Megapolis Co., Ltd., Korea Auto Valley Operation Co., Ltd., Goseong Green Power Co., Ltd. Seong Bon Industrial Complex Development Co., Ltd. Paju Green Hub Co., Ltd., Engineering Financial Cooperative, Construction Guarantee, Xe-Pian Xe-Namnoy Power Company, Canakkale Highway and Bridge and a portion (673,818 shares) of its shares in Korea Housing & Urban Guarantee Co., Ltd. as collateral to the financial institutions for the Company's and investees' borrowings.

8. Property, plant and equipment

Changes in net book value of property, plant and equipment for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018					
	Jan. 1	Additions	Disposals	Depreciation	Transfer	Dec. 31
Land	₩ 87,230,237	₩ 1,779	₩ (458,944)	₩ -	₩ -	₩ 86,773,072
Building and structures	24,955,325	19,777	(1,757,350)	(970,455)	-	22,247,297
Machinery and equipment	6,488,383	13,416,767	(489,794)	(3,050,998)	-	16,364,358
Construction equipment	15,497,269	189,397	(77,193)	(18,144,772)	11,383,091	8,847,792
Other fixed assets	20,655,547	16,229,107	(804,060)	(3,969,488)	(11,383,091)	20,728,015
	₩ 154,826,761	₩ 29,856,827	₩ (3,587,341)	₩ (26,135,713)	₩ -	₩ 154,960,534

	2017					
	Jan. 1	Additions	Disposals	Depreciation	Transfer	Dec. 31
Land	₩ 135,925,245	₩ 1,708,084	₩ (52,972,511)	₩ -	₩ 2,569,419	₩ 87,230,237
Building and structures	25,647,087	31,794	(405,662)	(998,783)	680,889	24,955,325
Machinery and equipment	13,078,386	113,200	(1,717,243)	(4,985,960)	-	6,488,383
Construction equipment	26,305,820	1,979,879	(7,502,598)	(17,342,369)	12,056,537	15,497,269
Other fixed assets	25,455,973	16,729,460	(3,404,809)	(6,068,540)	(12,056,537)	20,655,547
	₩ 226,412,511	₩ 20,562,417	₩ (66,002,823)	₩ (29,395,652)	₩ 3,250,308	₩ 154,826,761

The Company engaged Pacific Appraisal Co., Ltd., an accredited independent valuer, to determine the fair value of its land. Fair value is determined by reference to market-based evidence. This means that the valuation performed by the valuer is based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the last valuation was August 1, 2015.

As of December 31, 2018, the revaluation surplus amounts to ₩27,279,226 thousand (₩27,279,196 thousand as of December 31, 2017), net of deferred income tax effect amounting to ₩8,709,040 thousand, and is recorded as part of revaluation surplus within accumulated other comprehensive income within equity.

Inventories and certain property, plant and equipment are insured against fire and other casualty losses for up to ₩52,792,551 thousand, USD 380,478,591, SAR 22,410,004 and SGD 1,176,896 as of December 31, 2018.

As of December 31, 2018, the Company's land to the extent of ₩142,000,000 thousand has been provided as collateral to the financial institution in connection with certain short-term borrowings.

9. Intangible assets

Changes in the net book value of intangible assets and amortization expense for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018				
	Jan. 1	Additions	Disposals	Amortization	Dec. 31
Software	₩ 13,009,979	₩ 6,760,306	₩ (202)	₩ (4,676,148)	₩ 15,093,935

	2017				
	Jan. 1	Additions	Disposals	Amortization	Dec. 31
Software	₩ 11,481,445	₩ 7,222,607	₩ (652,727)	₩ (5,041,346)	₩ 13,009,979

10. Borrowings and bonds

Long-term debt as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

Long-term borrowings	Annual interest rate in 2018(%)	2018	2017
General loans	1.00 ~ 4.38	₩ 16,025,600	₩ 16,886,400
Pre-shipment loans	3.56	54,814,000	-
Loans on future receivables, net of discount (*1)	-	-	69,272,431
Foreign currency loans, net of discount	-	-	28,377,026
Project financing loans	4.50~5.48	15,000,000	40,500,000
Bonds, net of discounts		708,668,844	793,211,672
		794,508,444	948,247,529
Less current portion		(164,766,443)	(388,148,519)
Long-term debt		₩ 629,742,001	₩ 560,099,010

(*1) The Company provided future cash flows from the business as collateral for the borrowings.

Details of bonds issued as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

Series (*1)	Issuance date	Maturity	Annual interest rate in 2018(%)	2018	2017
145 th	Apr. 2015	Apr. 2018	4.97	₩ -	₩ 150,000,000
146 th -2 nd	Jul. 2015	Jul. 2018	4.93	-	80,000,000
149 th	Nov. 2016	Nov. 2018	4.84	-	85,000,000
151 st -1 st	Apr. 2017	Apr. 2019	4.79	134,000,000	134,000,000
151 st -2 nd	Apr. 2017	Apr. 2020	5.41	56,000,000	56,000,000
152 nd	Apr. 2017	Apr. 2019	4.79	20,000,000	20,000,000
153 rd	Aug. 2017	Aug. 2020	5.27	70,000,000	70,000,000
154 th	Sep. 2017	Sep. 2020	4.41	150,000,000	150,000,000
155 th	Sep. 2017	Mar. 2020	4.30	50,000,000	50,000,000
156 th	Jan. 2018	Jan. 2023	5.00	80,000,000	-
157 th	Apr. 2018	Apr. 2021	3.90	150,000,000	-
Bonds				710,000,000	795,000,000
(Discount on bonds)				(1,331,156)	(1,788,328)
				708,668,844	793,211,672
Less current portion				154,000,000	315,000,000
(Discount on bonds)				(94,357)	(278,161)
				₩ 554,763,201	₩ 478,489,833

Repayment schedules of the long-term debt as of December 31, 2018 are summarized as follows (Korean won in thousands):

Year	Bonds	Long-term debt	Total
2019	₩ 154,000,000	₩ 10,860,800	₩ 164,860,800
2020	326,000,000	70,674,800	396,674,800
2021	150,000,000	860,800	150,860,800
2022 and thereafter	80,000,000	3,443,200	83,443,200
	₩ 710,000,000	₩ 85,839,600	₩ 795,839,600

11. Retirement benefits liability

Changes in carrying amount of severance and retirement benefit liability for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
Beginning balance	₩ 287,317,344	₩ 269,757,927
Provision	44,590,567	52,664,921
Payment of retirement benefit	(35,099,268)	(35,105,504)
Ending balance	296,808,643	287,317,344
(less) Prepayments to NPS	-	(457,269)
(less) Defined plan assets	(296,808,643)	(286,769,198)
	₩ -	₩ 90,877

The Company reclassified ₩636,298 thousand in defined plan asset as long-term financial assets in excess of the retirement benefit provision.

Changes in carrying amount of defined benefit plan assets for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
As of January 1	₩ 286,769,198	₩ 269,089,783
Funding	44,000,000	50,000,000
Interest income	3,754,918	3,178,101
Payment of severance and retirement benefits	(37,715,473)	(35,498,686)
As of December 31	₩ 296,808,643	₩ 286,769,198

The major components of defined benefit plan assets as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
	Book value	Fair value	Book value	Fair value
Time deposit	₩ 296,808,643	₩ 296,808,643	₩ 286,769,198	₩ 286,769,198

12. Other assets and liabilities

Details of other assets as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

Other assets	2018		2017	
	Current	Non-current	Current	Non-current
Prepaid construction costs	₩ 103,568,520	₩ -	₩ 95,117,402	₩ -
Deposits provided	59,817,837	-	14,524,486	-
Prepaid expenses	48,770,340	-	46,447,489	-
Others	32,001,633	11,695,358	29,970,238	10,335,833
	₩ 244,158,330	₩ 11,695,358	₩ 186,059,615	₩ 10,335,833

Details of other liabilities as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

Other liabilities	2018		2017
	Current	Non-current	Current
Other payables	₩ 48,425,900	₩ -	₩ 36,303,601
Withholdings	113,543,885	-	122,859,367
Deposits received	20,886,464	-	39,594,937
Accrued Expenses	29,918,404	-	33,572,628
Provisions for others	143,389,122	28,418,750	145,718,570
Others	2,880,928	17,000,000	4,971,743
	₩ 359,044,703	₩ 45,418,750	₩ 383,020,846

13. Related party disclosures

Related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the Company
SK Holdings Co., Ltd.	-	Parent
SK E&C BETEK Corp.	The Company	Subsidiary
SKEC (Thai) Ltd.	The Company	Subsidiary
SKEC (Nanjing) Co., Ltd.	The Company	Subsidiary
SKEC Consultores Ecuador, S.A.	The Company	Subsidiary
Thai Woo Ree Engineering Co., Ltd.	The Company	Subsidiary
Seosuwon Development Co., Ltd.	The Company	Subsidiary
SKEC Anadolu LLC	The Company	Subsidiary
Sunlake Co., Ltd.	The Company	Subsidiary
SK Holdco Pte. Ltd.	The Company	Subsidiary
SK TNS Co., Ltd.	The Company	Subsidiary

Significant transactions with related parties for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	Relationship with related parties	Sales and other income		Purchases and other expenses	
		2018	2017	2018	2017
SK Holdings Co., Ltd.	Parent	₩ 565,259	₩ 91,836	₩ 28,866,438	₩ 29,776,362
SK E&C BETEK Corp.	Subsidiary	147,074	292,528	1,502	-
SKEC (Nanjing) Co., Ltd.	Subsidiary	11,128,629	872,791	2,328,356	-
Thai Woo Ree Engineering Co., Ltd.	Subsidiary	166,469	179,934	-	-
Seosuwon Development Co., Ltd.	Subsidiary	39,867,962	1,091,636	179,280	-
Sunlake Co., Ltd.	Subsidiary	7,431,553	5,127,139	-	-
SK TNS Co., Ltd.	Subsidiary	3,215,311	3,234,079	26,130,717	15,737,149
Eurasia Tunnel	Associates	6,332,008	71,205,858	-	-
Xe-Pian Xe-Namnoy Power Company	Associates	15,350,257	123,958,714	-	-
Chungju Megapolis Co., Ltd.	Associates	-	185,359	-	-
TSK Water Co., Ltd.	Associates	-	-	6,092,178	3,903,320
SBC	Associates	88,316	134,709	1,542,747	235,867
SK Discovery Co., Ltd. (previously, SK Chemical Co., Ltd.)	Other related parties	-	11,425,524	-	-
SK Chemical Co., Ltd.	Other related parties	22,266,719	2,138,019	-	-
SK Networks Co., Ltd.	Other related parties	40,890	14,830	2,129,839	2,333,290
SK Telecom Co., Ltd.	Other related parties	6,459,540	302,479	2,499,741	4,598,054
SK E&S Co., Ltd.	Other related parties	943,008	149,841	-	-
SK Energy Co., Ltd.	Other related parties	150,477,265	43,510,563	12,242	391
Happynarae Co., Ltd.	Other related parties	-	-	41,109,747	236,088,031
Wave City Development Co., Ltd.	Other related parties	23,129,365	-	-	-
SK Broadband Co., Ltd.	Other related parties	-	-	660,646	662,923
SK Gas Co., Ltd.	Other related parties	7,758,287	17,377,079	-	-
SK Innovation Co., Ltd.	Other related parties	7,447,871	40,652,163	2,063,323	4,203,213
SK Lubricants Co., Ltd.	Other related parties	524,664	4,513,200	-	-
SK Global Chemical Co., Ltd.	Other related parties	4,948,662	3,409,784	-	-
SK Forest Co., Ltd.	Other related parties	-	-	32,939,284	15,933,881
Jurong Aromatics Complex	Other related parties	-	4,467,252	-	-
SK M&SERVICE Co., Ltd.	Other related parties	-	-	504,938	4,506,012
Daejeon Clean Water Co., Ltd.	Other related parties	2,437,253	2,418,327	-	-

(Continued)

	Relationship with related parties	Sales and other income		Purchases and other expenses	
		2018	2017	2018	2017
Paju Energy Service Co., Ltd.	Other related parties	23,630,310	121,538,805	-	-
Smart Rail Co., Ltd.	Other related parties	99,791,033	98,400,088	-	-
Boryeong LNG Terminal Co., Ltd.	Other related parties	32,448,631	42,676,395	217,549	-
Narae Energy Service Co., Ltd.	Other related parties	-	3,590,047	9,417	310,000
SK Planet Co., Ltd.	Other related parties	-	-	-	904,418
SK Hynix Inc.	Other related parties	2,002,751,802	1,609,634,477	304,155	257,486
SK Incheon Petrochem Co., Ltd.	Other related parties	10,820,651	8,870,335	-	-
SK D&D Co., Ltd.	Other related parties	4,620,089	6,653,787	12,924,393	6,464,861
Wirye Energy Service Co., Ltd.	Other related parties	4,645,044	49,391,302	-	-
SK Pinx Co., Ltd.	Other related parties	-	-	540,706	433,098
SK Advanced Co., Ltd.	Other related parties	1,904,439	6,409,560	-	-
SK Infosec Co., Ltd.	Other related parties	-	-	3,396,429	3,283,740
Sk Hystec Inc.	Other related parties	-	-	1,149,259	827,710
PS&Marketing Co., Ltd.	Other related parties	897,791	873,622	-	-
SK Hyeng Inc.	Other related parties	-	-	4,871,000	26,348,000
SKC LTD	Other related parties	159,705	2,639,283	-	400,266
SM Core Inc.	Other related parties	-	-	6,230,704	5,400,121
SK Magic Co., Ltd.	Other related parties	-	-	791,055	1,431,419
SM Contents & Communications Co., Ltd.	Other related parties	-	-	-	536,466
Happy-More Inc.	Other related parties	1,360,859	-	-	-
SK Airgas Co., Ltd.	Other related parties	5,825,291	-	-	-
	Other related parties	₩ 2,499,582,007	₩ 2,287,431,345	₩ 177,495,645	₩ 364,576,078

Outstanding balances with related parties as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

	Relationship with related parties	Receivables		Payables	
		2018	2017	2018	2017
SK Holdings Co., Ltd.	Parent	₩ 147,514	₩ -	₩ 1,695,837	₩ 3,536,245
SK E&C BETEK Corp.	Subsidiary	8,173,167	2,635,932	-	-
SKEC (THAI) Ltd.	Subsidiary	22,364,074	22,364,074	-	-
SKEC (Nanjing) Co., Ltd.	Subsidiary	38,265	-	1,365,424	-
SKEC Consultores Ecuador, S.A.	Subsidiary	34,609,802	33,171,726	-	-
Thai Woo Ree Engineering Co., Ltd.	Subsidiary	15,019,853	14,854,455	-	18,579
Seosuwon Development Co., Ltd.	Subsidiary	42,273,000	-	-	-
Sunlake Co., Ltd.	Subsidiary	7,461,811	428,613	-	-
SKEC Anadolu LLC	Subsidiary	-	83,784,230	-	-
SK Holdco Pte. Ltd.	Subsidiary	136,715	136,715	-	-
SK TNS Co., Ltd.	Subsidiary	350,216	758,559	1,699,945	3,370,808
Pentaport Development Co., Ltd.	Associates	99,188,748	117,462,101	-	-
Eurasia Tunnel	Associates	32,000,634	15,146,854	-	-
SKEC Jurong Investment	Associates	74,375,361	74,375,361	-	-
Xe-Pian Xe-Namnoy Power Company	Associates	49,629,475	29,924,758	28,009,031	30,558,064
SBC	Associates	2,010,759	3,050,623	241,691	541,261
TSK Water Co., Ltd.	Other related parties	-	-	-	872,300
SK Chemical Co., Ltd.	Other related parties	185,955	995,170	-	-
SK Networks Co., Ltd.	Other related parties	-	-	223,528	744,220
SK Telecom Co., Ltd.	Other related parties	759,847	69,390	441,421	1,363,761
SK Energy Co., Ltd.	Other related parties	911,100	4,028,852	992	-
Happynarae Co., Ltd.	Other related parties	15	-	4,337,374	35,269,923
Wave City Development Co., Ltd.	Other related parties	48,581,666	50,384,000	-	-
SK Global Chemical Co., Ltd.	Other related parties	700,920	-	-	-
SK Forest Co., Ltd.	Other related parties	9,472	344,981	3,325,885	2,294,071
Jurong Aromatics Complex	Other related parties	-	64,553,276	-	-
Daejeon Clean Water Co., Ltd.	Other related parties	1,288,742	1,153,770	-	-
Paju Energy Service Co., Ltd.	Other related parties	-	48,970,460	-	920,000
Smart Rail Co., Ltd.	Other related parties	6,272,600	27,482,500	-	-
Boryeong LNG Terminal Co., Ltd.	Other related parties	-	-	1,455,300	-
SK Hynix Inc.	Other related parties	422,114,932	259,408,081	27,881	21,195
SK Incheon Petrochem Co., Ltd.	Other related parties	1,716,033	3,244,008	1,014,800	-
SK D&D Co., Ltd.	Other related parties	100	-	2,530,616	654,269
Wirye Energy Service Co., Ltd.	Other related parties	-	7,779,200	-	-
SK Infosec Co., Ltd.	Other related parties	-	-	341,852	516,393
SM Core Inc.	Other related parties	-	-	-	2,450,383
SK Hyeng Inc.	Other related parties	-	-	1,045,000	7,218,200
PS&Marketing Co., Ltd.	Other related parties	-	-	580,000	-
		₩ 870,320,776	₩ 866,507,689	₩ 48,336,577	₩ 90,349,672

The Company recognized bad debt expense amounting to ₩44,284,154 thousand for the year ended December 31, 2018 (₩25,749,891 thousand for the year ended December 31, 2017) with respect to the above receivables from related parties and the balance of the allowance for doubtful accounts amounted to ₩285,429,331 thousand as of December 31, 2018 (₩348,586,201 thousand as of December 31, 2017).

As of December 31, 2018, the Company has provided guarantees to related parties for the performance of construction contracts and the repayment of borrowings to the extent of USD 1,300,577, KWD 5,843,945, CAD 33,000,000, EUR 138,562,801, TRY 25,077,008 and ₩217,843,172 thousand.

14. Commitments and contingencies

As of December 31, 2018, as guarantees for the completion of certain construction projects, the Company provided financial institutions with 13 blank promissory notes and one blank check.

As of December 31, 2018, the Company has notes receivable of ₩250,142,894 thousand that are not yet matured but factored to financial institutions without recourse (₩685,585,966 thousand as of December 31, 2017).

As of December 31, 2018, the Company is contingently liable for performance guarantees of local construction projects provided on behalf of unrelated construction companies totaling ₩730,011,704 thousand (₩2,210,310,525 thousand as of December 31, 2017).

As of December 31, 2018 and 2017, the Company has guaranteed the repayment of borrowings of related parties and unrelated construction companies totaling ₩1,218,060,635 thousand and ₩1,214,812,362 thousand, respectively. The Company has also provided obligatory commitments for completion of housing projects totaling ₩1,611,260,000 thousand including the Lu1 City SK Leader's View. In addition, the Company has guaranteed the repayments of loans and moving expenses totaling ₩688,243,977 thousand on behalf of customers with rights to purchase the Company's apartments. The Company has also provided payment guarantees to the extent of ₩5,404,374 thousand in relation to the borrowings for members of the employee stockholders association.

As of December 31, 2018, the Company has a total of 74 pending litigations as a defendant, which the total legal proceedings amount to approximately ₩206,684,224 thousand. As of December 31, 2018, the Company has recognized a provision for pending litigations which have high probability of losing and the expected losses can be reasonably measured. The reversal of provision for litigations during the current reporting period amounted to ₩38,236,670 thousand. The Company has not reflected in the financial statements the effects of legal proceedings of which the outcomes are indeterminable. Details of the Company's major pending litigations as a plaintiff are as follows.

In July 2018, Saddle D was lost in the Laos Xe-Pian Xe-Namnoy hydropower plant under construction by the Company, and the downstream area was flooded. The Company has reflected the expenses incurred due to the restructuring related expenses and disaster relief and disaster recovery activities in the financial statements. As of the end of the current period, the cause of the accident is under investigation, however, the Company has reasonably estimated an additional expense of ₩56,027,677 thousand as other provision for the restoration.

During 2018, the Company entered into currency forward contracts with Standard Chartered Bank and other financial institutions to sell US dollars, Singapore dollars and Kuwait Dinar in exchange for Korean won at a pre-agreed exchange rate, of which the outstanding notional contract value amounted to USD 194,621,897, SGD 49,814 and KWD 309,028 as of December 31, 2018, respectively, to hedge the foreign currency risk of long-term construction contracts which qualified as firm commitments. As these instruments are designated as a fair value hedge, the Company applied hedge accounting to those instruments, and recorded firm commitment assets amounting to ₩24,210,904 thousand and firm commitment liabilities amounting to ₩2,820,389 thousand as other current assets and other current liabilities, respectively, until the firm commitments are realized.

During 2018, the Company entered into currency forward contracts with KEB Hana Bank and other financial institutions to sell US dollars and Kuwait dinar in exchange for Korean won at a pre-agreed exchange rate, of which the notional contract value amounted to USD 28,609,542 and KWD 6,696,510, and to buy US dollars, Euro, Japanese yen and Singapore dollars in exchange for Korean won at a pre-agreed exchange rate, of which the notional contract value amounted to USD 66,533,111, EUR 14,794,076, JPY 264,605,652, and SGD 12,191,900 as of December 31, 2018, respectively, to hedge the foreign currency risk of sub-contracts. As these instruments are designated as a cash flow hedge, the fair value changes of the hedging instruments of ₩5,608,805 thousand, net of deferred income tax effect, have been recognized as a valuation loss in other comprehensive income within equity.

During 2018, the Company entered into currency forward contracts with KEB Hana Bank and other financial institutions to sell US dollars, Kuwait dinar and Hongkong Dollars in exchange for Korean won at a pre-agreed exchange rate, of which the notional contract value amounted to USD 240,542,598, KWD 173,402 and HKD 233,049,832 and to buy US dollars and Euro in exchange for Korean won at a pre-agreed exchange rate, of which the notional contract value amounted to USD 565,396 and EUR 6,301,234 as of December 31, 2018, respectively, to minimize the foreign currency risk of sub-contracts denominated in foreign currencies. These currency forward contracts are held for trading purpose and the Company has valued these instruments at fair value. Net losses incurred from the instruments held for trading purpose amounting to ₩11,579,918 thousand were credited to current operations.

15. Payment guarantees received from other companies

24 financial institutions including the Export-Import Bank of Korea have provided performance guarantees on the Company's domestic and overseas construction projects on behalf of the Company to the extent of USD 1,288,526,109, EUR 283,363,878, THB 398,398,258, KWD 101,711,690, SAR 374,494,593, SGD 52,039,610, AED 10,625,000, QAR 549,110,912, TRY 44,094,041, CAD 50,000,000, VND 761,502,488,526, KZT 123,344,000, IQD 2,860,000,000 and HKD 20,060,800 as of December 31, 2018. In connection with the above performance guarantees, Korea Export Insurance Corporation and 10 domestic or overseas financial institutions have provided guarantees to these 24 financial institutions to the extent of USD 713,095,923, EUR 222,613,878, THB 296,014,714, KWD 17,833,039, SAR 147,510,464, TRY 44,094,041, QAR 82,500,000, VND 761,502,488,526, KZT 123,344,000, IQD 2,600,000,000 and HKD 20,060,800 as of December 31, 2018.

The Company has been provided with performance guarantees by four construction unions namely, Construction Guarantee, Seoul Guarantee Insurance Company, Korea Housing & Urban Guarantee Co., Ltd. and Engineering Financial Cooperative and other construction companies for the Company's completion of outstanding construction contracts totaling ₩7,967,067,999 thousand and ₩6,779,382,756 thousand as of December 31, 2018 and 2017, respectively.

16. Construction contracts

Changes in the balances of domestic and overseas construction contracts backlog for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018			
	Jan. 1	Changes in contracts (*)	Realized revenue	Dec. 31
Domestic construction	₩ 16,012,178,966	₩ 6,010,414,119	₩ (5,220,235,158)	₩ 16,802,357,927
Overseas construction	₩ 5,415,712,515	₩ 1,489,167,147	₩ (1,175,385,944)	₩ 5,729,493,718
	₩ 21,427,891,481	₩ 7,499,581,266	₩ (6,395,621,102)	₩ 22,531,851,645

	2017			
	Jan. 1	Changes in contracts (*)	Realized revenue	Dec. 31
Domestic construction	₩ 15,306,254,649	₩ 4,908,443,390	₩ (4,202,519,073)	₩ 16,012,178,966
Overseas construction	₩ 6,579,946,168	₩ 1,030,045,853	₩ (2,194,279,506)	₩ 5,415,712,515
	₩ 21,886,200,817	₩ 5,938,489,243	₩ (6,396,798,579)	₩ 21,427,891,481

(*) Changes in contracts include new contracts, canceled contracts and foreign exchange difference of contract amounts and others.

The Company has major construction contracts in-progress amounting to ₩11,791,288,207 thousand as of December 31, 2018.

Accumulated profit related to construction contracts in progress as of December 31, 2018 and 2017 are as follows (Korean won in thousand):

	2018			
	Accumulated revenue	Accumulated cost	Accumulated profit	Provision for construction losses
Infrastructure	₩ 7,632,803,082	₩ 7,234,030,617	₩ 398,772,465	₩ 7,943,583
Architectural construction	₩ 4,792,156,197	₩ 4,661,232,838	₩ 130,923,359	₩ 33,947
Plant	₩ 25,310,326,920	₩ 24,465,688,355	₩ 844,638,565	₩ 39,909,185
	₩ 37,735,286,199	₩ 36,360,951,810	₩ 1,374,334,389	₩ 47,886,715

	2017			
	Accumulated revenue	Accumulated cost	Accumulated profit	Provision for construction losses
Infrastructure	₩ 7,598,843,035	₩ 7,151,667,290	₩ 447,175,745	₩ 20,761,800
Architectural construction	₩ 4,195,556,503	₩ 4,154,642,810	₩ 40,913,693	₩ 1,441,704
Plant	₩ 26,938,717,563	₩ 25,743,849,552	₩ 1,194,868,011	₩ 15,509,902
	₩ 38,733,117,101	₩ 37,050,159,652	₩ 1,682,957,449	₩ 37,713,406

Details of construction receivables related to construction contracts in progress as of December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018			
	Advance receipts	Construction receivables		Retention
		Billed	Unbilled	
Infrastructure	₩ 139,868,866	₩ 46,442,801	₩ 135,104,739	₩ 39,748,866
Architectural construction	₩ 127,885,426	₩ 306,922,588	₩ 257,676,620	₩ 32,366
Plant	₩ 749,221,800	₩ 318,419,105	₩ 168,823,191	₩ 131,090,509
	₩ 1,016,976,092	₩ 671,784,494	₩ 561,604,550	₩ 170,871,741

	2017			
	Advance receipts	Construction receivables		Retention
		Billed	Unbilled	
Infrastructure	₩ 81,613,673	₩ 86,296,011	₩ 194,682,165	₩ 38,516,230
Architectural construction	₩ 157,736,486	₩ 268,833,761	₩ 146,540,641	₩ -
Plant	₩ 410,121,823	₩ 369,513,317	₩ 206,427,838	₩ 136,202,484
	₩ 649,471,982	₩ 724,643,089	₩ 547,650,644	₩ 174,718,714

Major impact from changes in total estimated construction revenue and total estimated construction costs, related to construction contracts in progress as of December 31, 2018 are as follows (Korean won in thousands):

	Change in total estimated construction revenue	Change in total estimated construction costs	Impact on current net income	Impact on future net income	Provision for construction losses
Infrastructure	₩ 90,560,058	₩ 158,550,926	₩ (70,264,388)	₩ 2,273,521	₩ 7,943,583
Architectural construction	₩ 241,647,258	₩ 164,429,015	₩ 54,918,942	₩ 22,299,301	₩ 33,947
Plant	₩ 1,019,107,327	₩ 1,128,049,736	₩ (93,834,110)	₩ (15,108,299)	₩ 39,909,185
	₩ 1,351,314,643	₩ 1,451,029,677	₩ (109,179,556)	₩ 9,464,523	₩ 47,886,715

Impact on net income was measured based on the estimations of total construction revenue and total construction costs in consideration of events occurred up until December 31, 2018. The estimation of total construction revenue and total construction costs may change in the future.

Under the percentage-of-completion method, the construction contracts of which the total contract revenues exceed 5% of the preceding year's revenues are as follows (Korean won in thousands):

Contract	Contract date	Contractual completion deadline	Progress rate (%)	Construction receivable			
				Unbilled		Billed	
				Total	Impairment losses	Total	Impairment losses
Al-Zour Refinery Project(ZOR#5)	Oct. 2015	Jul. 2019	72.63	₩ 1,399,232	₩ -	₩ -	₩ -
Esmeraldas Refinery Project	Dec. 2008	Mar. 2016	98.31	28,702,103	-	-	-
FORT HILLS SE PROJECT(EPC)	Aug. 2014	Jun. 2017	99.39	-	-	-	-
JZR & TP	Dec. 2012	Dec. 2017	95.25	-	-	7,085,000	-
Karbala Refinery Project	May. 2014	Jul. 2020	57.48	-	-	-	-
KNPC CFP	Apr. 2014	Dec. 2017	84.90	-	-	76,620,086	-
Magnolia LNG PJT	Nov. 2015	Jun. 2020	0.02	243,448	-	-	-
NSRP Project	Jun. 2013	Nov. 2016	98.24	3,537,902	-	11,358,933	-
PACO Coal Fired Power Plant	May. 2012	Jan. 2016	96.41	-	-	-	-
PIEM Project	Jan. 2015	Jun. 2018	95.80	24,548,119	-	4,507,867	-
P-Project (PDH)	May. 2013	Apr. 2017	100.00	-	-	-	-
RRE Project	Dec. 2009	May. 2016	99.89	-	-	14,369,744	-
UHV Project	Oct. 2012	Aug. 2015	98.74	14,441,258	-	-	-
Vietnam NSRP Marine Works PJT	Jul. 2013	Jul. 2016	99.56	-	-	-	-
Wasit PJT(Package No.1)	Feb. 2011	May. 2015	99.76	-	-	-	-
Wasit PJT(Package No.3)	Feb. 2011	May. 2015	99.95	-	-	-	-
Goseong Green Power Project	Jul. 2014	Jul. 2021	32.09	-	-	-	-
Laos Xe-Pian Xe Namnoy Waterpower Generation Project	Aug. 2012	Feb. 2019	88.28	-	-	-	-
Bujeon-Masan electronic railroad project	Dec. 2010	Jun. 2020	69.84	21,862,519	-	6,272,600	-
Jangmoon natural gas power plant	Jun. 2014	Jun. 2019	99.71	-	-	-	-
Qatar Doha metro red line	Jun. 2013	Aug. 2019	99.58	-	-	-	-
Pyeongtaek US Army base site & common facility	Dec. 2008	May. 2019	96.78	-	-	-	-
Turkey-Istanbul road project (Turnkey EPC)	Dec. 2012	Mar. 2017	98.95	-	-	-	-
Shin Hanul Nuclear Power Plant Units 1,2 Project	Mar. 2010	Sep. 2020	98.00	26,839,166	-	-	-
KES Project	Oct. 2012	Dec. 2017	95.07	-	-	34,427,724	-
Wirye Combined Heat &Power Plant	Feb. 2015	Mar. 2019	98.97	-	-	-	-
Songdo SK VIEW	Jun. 2016	Jul. 2019	78.17	19,645,136	-	38,772,100	-
Boryeong LNG Terminal Project	May. 2013	Dec. 2021	70.27	-	-	-	-
SK Hynix M14 PH-2 Project	Dec. 2015	Dec. 2017	99.93	-	-	-	-
SK Hynix M15 FAB/CUB Project	Jan. 2017	Mar. 2019	97.29	-	-	55,635,160	-
SK Hynix M14 ph-2B Project(Icheon)	Mar. 2017	Aug. 2018	95.46	-	-	-	-
SK Hynix MF Project(Icheon)	Oct. 2017	Mar. 2019	55.06	-	-	11,561,314	-
Godeok Jugong 2 Danji House rebuilding maintenance business	Aug. 2016	Sep. 2019	72.51	-	-	-	-
Wastewater Treatment Plant PJT	May. 2016	Dec. 2018	99.80	-	-	-	-
Esmeraldas Refinery Project (Phase-II)	Mar. 2010	Mar. 2017	94.16	-	-	-	-
LSPC Project	Sep. 2018	Feb. 2023	2.77	-	-	-	-
S-Project (VRDS)	Aug. 2018	Jun. 2020	11.54	-	-	-	-
M16 PH-1 Project	Aug. 2018	Aug. 2020	1.38	18,242,654	-	1,985,500	-
Ulsan PP Project	Jul. 2018	Feb. 2021	0.95	3,077,827	-	-	-
UAE, M Project	Nov. 2017	Jul. 2022	7.8	-	-	-	-
				₩ 162,539,364	₩ -	₩ 262,596,028	₩ -

Relating to certain local and overseas construction projects including Gyeongbu High Speed Railway Section 10-3A, the Company has purchased insurance policies for up to ₩4,896,189,453 thousand, USD 1,207,710,808 and QAR 138,065,384 against certain casualty losses. Also, the Company carries various insurance policies for its employees and construction projects, such as travelers insurance, theft insurance and indemnity insurances.

17. Equity

As of December 31, 2018, two members of the SK Group together with the Employee Stock Ownership Association hold 72.73% of the total outstanding common stock of the Group. The largest stockholder is SK Holdings Co., Ltd., which owns 44.48% of the Company's outstanding common shares.

The details of common stock and redeemable preferred stock ("RPS") are as follows (Korean won in thousands, except for par value):

	2018	2017
Authorized shares:		
Common stock	120,000,000	120,000,000
Redeemable preferred stock	40,000,000	40,000,000
Issued shares:		
Common stock	35,297,293	35,297,293
Redeemable preferred stock	5,000	9,000
Par value:		
Common stock	₩ 5,000	₩ 5,000
Redeemable preferred stock	5,000	5,000
Paid in capital:		
Common stock	176,486,465	176,486,465
Redeemable preferred stock	76,367,500	76,367,500
	₩ 252,853,965	₩ 252,853,965

The holders of RPS are entitled to receive preferential and cumulative dividends of certain percentage of par value per year. As of December 31, 2018, details of outstanding RPS are as follows (Korean won in thousands, except par value and issuance price per share):

	RPS (2015)	RPS(2018) (*1)
Issuance date or extension date	Mar. 23. 2015	Dec. 24. 2018
Redemption date	Mar. 23. 2019	Nov. 19. 2019
Number of shares issued	3,000	2,000
Capital stock	₩ 15,000	₩ 10,000
Paid-in capital in excess of par value	₩ 148,350,000	₩ 97,873,151
Par value per share	₩ 5,000	₩ 5,000
Issuance price per share	₩ 50,000,000	₩ 50,000,000
Dividend ratio to issuance price per share price per share	6.40%	4.25%

(*1) The original issue date was June 26, 2014, and the redemption date was extended.

As of December 31, 2018, the Company has entered into a cash deficiency support agreement amounting to ₩351,000,000 thousand with the investors of the redeemable preferred stock in relation with the issuance of RPS.

The Company has redeemed the RPS through appropriation of the retained earnings reserved for redemption of preferred stock. As a result of the redemption, the number of shares of RPS decreased whereas the carrying amount of RPS was not changed. Details of redemption of RPSs are as follows (Korean won in thousands, except issuance price per share):

Issuance date	Redemption date	Number of shares issued	Issuance price per share	Redemption amount
Jun. 4, 2004	Feb. 4, 2006	3,000,000	6,500 ₩	19,500,000
Sep. 24, 2004	Sep. 24, 2006	2,350,000	6,500	15,275,000
Dec. 2, 2005	Jun. 2, 2008	1,400,000	20,000	28,000,000
Sep. 28, 2006	Sep. 28, 2007	1,000,000	20,000	20,000,000
Sep. 28, 2006	Mar. 28, 2009	1,500,000	20,000	30,000,000
Dec. 26, 2008	Dec. 26, 2009	2,000,000	20,000	40,000,000
Oct. 30, 2007	Oct. 30, 2010	1,500,000	20,000	30,000,000
Dec. 4, 2009	Jul. 4, 2010	2,500,000	20,000	50,000,000
Sep. 17, 2010	Sep. 16, 2015	10,000	8,000,000	80,000,000
Mar. 18, 2013	Sep. 16, 2015	2,000	50,000,000	100,000,000
Jun. 26, 2014	Dec. 26, 2016	1,000	50,000,000	50,000,000
Jul. 25, 2014	Jun. 26, 2017	500	50,000,000	25,000,000
Jun. 27, 2016	Jun. 26, 2017	1,000	50,000,000	50,000,000
Dec. 23, 2014	Jan. 23, 2018	2,000	50,000,000	100,000,000
Jan. 23, 2015	Jan. 23, 2018	1,000	50,000,000	50,000,000
Mar. 23, 2015	Jun. 25, 2018	1,000	50,000,000	50,000,000
		15,268,500		₩ 737,775,000

Capital surplus as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

	2018	2017
Capital surplus arising from equity	₩ 5,046,143	₩ 15,903,201

The Company received 1,325,000 shares of treasury stock (common stock) without consideration from a major shareholder during the year ended December 31, 2013 and recognized the effect of corporate income taxes amounting to ₩13,650,712 thousand on contribution as capital adjustments.

In addition, the Company made an early redemption of the 1st CB in 2014 and recognized a loss on acquisition of conversion right amounting to ₩12,322,432 thousand as capital adjustments.

Appropriated retained earnings as of December 31, 2018 and 2017 consist of the following (Korean won in thousands):

	2018	2017
Legal reserve (*1)	₩ 12,206,432	₩ 10,223,323
Reserve for redemption of preferred stock (*2)	50,517,808	107,008,543
	₩ 62,724,240	₩ 117,231,866

(*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

(*2) For the redemption of the RPS which will mature on March 23, 2019 and November 19, 2019 payment of upcoming dividends for RPS, the required amounts were appropriated as a reserve for redemption of preferred stock.

18. Statements of appropriation of retained earnings

Details of the appropriation of retained earnings for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018	2017
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 67,866,748	₩ 134,680,833
Unappropriated reserve for redemption of preferred stock carried forward from the prior year	(52,239,677)	-
Retained earnings adjustment arising from equity method investments	2,160,197	(505,248)
Net income for the year	69,456,112	55,505,353
	87,243,380	189,680,938
Conversion of capital surplus reserve	297,325,000	-
Paid-in capital in excess of par value	297,325,000	-
Appropriations (2018 proposed):		
Legal reserve	3,734,886	1,983,108
Dividends to common stockholders	20,383,376	-
Dividends to redeemable preferred stockholders	16,965,479	19,831,082
Reserve for redemption of preferred stock	66,447,671	100,000,000
	(107,531,412)	(121,814,190)
Unappropriated retained earnings to be carried forward to the next year	₩ 277,036,968	₩ 67,866,748

The proposed date of appropriation of retained earnings for 2018 is March 27, 2019 and the approved date of appropriation of retained earnings for 2017 was March 23, 2018.

19. Cumulative translation adjustments

The summarized financial statements of overseas projects as of December 31, 2018 and 2017, and the resulting cumulative translation gains are as follows (Korean won in thousands):

Statements of financial position

	2018	2017
Assets	₩ 1,167,667,852	₩ 984,381,077
Liabilities and equity	1,164,296,581	996,366,895
Cumulative translation gains (losses)	3,371,271	(11,985,818)

Statements of operations

	2018	2017
Revenue	₩ 1,092,881,668	₩ 1,993,965,640
Expense	1,583,372,158	2,152,491,426
Net loss	(490,490,490)	(158,525,786)

20. Income taxes

For the financial year ended December 31, 2018, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 11% on taxable income of up to ₩200,000 thousand and 22% on taxable income between ₩200,000 thousand and ₩20,000,000 thousand and 24.2% on taxable income between ₩20,000,000 thousand and ₩300,000,000 thousand and 27.5% on taxable income in excess of ₩300,000,000 thousand.

Provision for income taxes for the years ended December 31, 2018 and 2017 consisted of the following (Korean won in thousands):

	2018		2017	
Current income taxes	₩	38,356,645	₩	22,994,594
Deferred income tax assets arising from temporary differences		16,692,606		24,647,910
Deferred income taxes arising from tax loss carry forwards		8,300,398		17,441,050
Deferred income taxes assets arising from tax credit carry forwards		(872,708)		46,108,439
Deferred income taxes charged or credited directly to equity		(11,323,309)		(924,163)
Provision for income taxes	₩	51,153,632	₩	110,267,830

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company for the years ended December 31, 2018 and 2017 are summarized as follows (Korean won in thousands):

	2018		2017	
Earnings before income taxes	₩	120,609,744	₩	165,773,183
Tax at the statutory income tax rate of 24.2% in 2018 and 2017		29,187,558		40,117,110
Adjustments:		21,966,074		70,150,720
Expenses not deductible for tax purposes and others (₩(-)28,079,318 thousand in 2018, ₩15,560,731 thousand in 2017)		(6,795,195)		3,765,697
Deferred income tax assets not recognized		(9,148,820)		(4,320,154)
Additional tax refund, net		38,356,645		22,994,594
Tax credit		(872,708)		46,108,438
Others		426,152		1,602,145
Provision for income taxes	₩	51,153,632	₩	110,267,830
Effective income tax rate		42.41%		66.52%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. The changes in cumulative temporary differences for the year ended December 31, 2018 are as follows (Korean won in thousands):

Temporary differences	2018			
	Jan. 1	Changes in tax filing	Net changes	Dec. 31
Deductible temporary differences:				
Allowance for doubtful accounts	₩ 930,797,545	₩ (8,021,678)	₩ (206,814,813)	₩ 715,961,054
Provision for construction warranty	55,833,827	-	(7,262,149)	48,571,678
Provision for construction losses	37,713,407	-	10,173,308	47,886,715
Severance and retirement benefits	261,483,358	-	7,109,177	268,592,535
Equity adjustments arising from valuation of derivatives	9,767,271	-	(2,367,793)	7,399,478
Loss carried forward	72,070,455	(19,480,180)	53,779,344	106,369,619
Other	265,499,942	25,339,846	99,966,036	390,805,824
	1,633,165,805	(2,162,012)	(45,416,890)	1,585,586,903
Taxable temporary differences:				
Gain on valuation of derivative instruments	(3,650)	1,474,016	(2,874,303)	(1,403,937)
Accrued income	(18,296,164)	15,926,975	(915,897)	(3,285,086)
Deposit for severance and retirement benefits	(261,483,359)	-	(7,109,176)	(268,592,535)
Revaluation surplus	(35,988,386)	-	120	(35,988,266)
Other	(45,418,507)	44,131,937	(106,331,644)	(107,618,214)
	(361,190,066)	61,532,928	(117,230,900)	(416,888,038)
Net balance	1,271,975,739	59,370,916	(162,647,790)	1,168,698,865
Temporary difference not subject to deferred income tax (*)	125,211,313	-	63,764,014	188,975,327
	₩ 1,397,187,052	₩ 59,370,916	₩ (98,883,776)	₩ 1,357,674,192

(*) The Company did not recognize deferred income tax assets for the temporary differences of ₩188,975,327 thousand, for which the possibility of realization is not certain in the near future.

Details of deferred income tax assets and liabilities as of December 31, 2018 are as follows (Korean won in thousands):

	Temporary differences as of Dec. 31, 2018	Temporary differences			
		Beginning balance		Ending balance	
		Current	Non-current	Current	Non-current
Deductible temporary differences:					
Allowance for doubtful accounts	₩ 715,961,054	₩ 459,379,778	₩ 471,417,767	₩ 551,323,514	₩ 164,637,540
Provision for construction warranty	48,571,678	55,833,827	-	48,571,678	-
Provision for construction losses	47,886,715	37,713,407	-	47,886,715	-
Severance and retirement benefits	268,592,535	-	261,483,358	-	268,592,535
Equity adjustments arising from valuation of derivatives	7,399,478	9,767,271	-	7,399,478	-
Loss carried forward	106,369,619	-	72,070,455	106,369,619	-
Other	390,805,824	54,475,530	211,024,412	215,554,717	175,251,107
	1,585,586,903	617,169,813	1,015,995,992	977,105,721	608,481,182
Taxable temporary differences:					
Gain on valuation of derivative instruments	(1,403,937)	(3,650)	-	(1,403,937)	-
Accrued income	(3,285,086)	(18,296,164)	-	(3,285,086)	-
Deposit for severance and retirement benefits	(268,592,535)	-	(261,483,359)	-	(268,592,535)
Revaluation surplus	(35,988,266)	-	(35,988,386)	-	(35,988,266)
Other	(107,618,214)	(9,416,658)	(36,001,849)	(9,307,169)	(98,311,045)
	(416,888,038)	(27,716,472)	(333,473,594)	(13,996,192)	(402,891,846)
Net balance	₩ 1,168,698,865	₩ 589,453,341	₩ 682,522,398	₩ 963,109,529	₩ 205,589,336
Tax rate		24.20%	24.20%	24.20%	24.20%
Deferred income tax assets arising from temporary difference		₩ 142,647,709	₩ 165,170,420	₩ 233,072,506	₩ 49,752,619
Deferred income tax assets arising from tax credit carry forwards		-	14,436,453	-	15,309,160
Total deferred income tax assets		₩ 142,647,709	₩ 179,606,873	₩ 233,072,506	₩ 65,061,779

The Company recognized fully deferred income tax assets for all the deductible temporary differences above because the aggregate amount of the total amount of taxable temporary differences and the expected taxable income before reflecting tax adjustment items exceed the total amount of deductible temporary differences.

21. Per share amounts

The Company's per share amounts for the years ended December 31, 2018 and 2017 are computed as follows (Korean won in thousands, except per share amounts):

	2018		2017	
Net income	₩	69,456,112	₩	55,505,353
Dividends attributable to preferred shares		(15,284,699)		(26,428,548)
Net income attributable to common stock		54,171,413		29,076,805
Weighted-average number of shares of common stock outstanding		33,972,293		33,972,293
Profit per share	₩	1,595	₩	856

The number of issued shares of common stock and weighted-average number of shares common stock are equal as of December 31, 2018 and 2017.

22. Comprehensive income

Details of comprehensive income for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Net income	₩	69,456,112	₩	55,505,353
Other comprehensive:				
Gain on valuation of available-for-sale securities		40,281,612		25,302,474
Equity adjustment in equity method		(11,187,608)		(12,919,889)
Gain on valuation of derivative instruments		1,794,787		8,974,298
Foreign currency translation adjustments		15,357,089		(49,041,979)
Changes in revaluation surplus		29		(24,388,845)
		46,245,909		(52,073,941)
Total comprehensive income	₩	115,702,021	₩	3,431,412

23. Segment information

Revenue by business segments for the years ended December 31, 2018 and 2017 are as follow (Korean won in thousands):

	2018		2017	
Infrastructure	₩	959,499,197	₩	1,129,481,556
Construction		1,846,796,109		1,601,552,007
Petrochemical plant		2,805,855,545		2,875,509,179
Industrial plant		797,978,861		812,486,880
Others		25,630,992		20,785,016
	₩	6,435,760,704	₩	6,439,814,638

All revenues derive from external customers and there have been no intercompany sales transactions.

24. Supplementary cash flow information

Significant transactions not involving cash flow for the years ended December 31, 2018 and 2017 are as follows (Korean won in thousands):

	2018		2017	
Changes in gain on valuation of available-for-sale securities	₩	54,762,590	₩	33,380,573
Changes in equity adjustment in equity method		15,219,963		12,919,889
Write-off of trade accounts and notes receivable		74,877,527		968,018
Acquisition of land as a substitute for receivables		-		2,569,419
Acquisition of buildings as a substitute for receivables		-		680,889
Transfer of current portion of long-term debt		164,860,800		388,426,680
Acquisition of investment properties		-		4,720,000
Decrease in revaluation surplus due to disposal of land		-		(32,227,025)
Transfer of construction in progress to construction equipment	₩	11,383,091	₩	12,056,537

25. Fourth quarter financial information (unaudited)

A summary of the Company's operating results (unaudited) for the three-month periods ended December 31, 2018 and 2017 are summarized as follows (Korean won in thousands, except for per share amounts):

	2018 Unaudited		2017 Unaudited	
Revenue	₩	1,682,335,943	₩	1,868,273,368
Gross profit		6,654,042		165,843,615
Operating income (loss)		(73,132,559)		62,620,616
Net loss		(47,670,551)		(21,403,253)
Loss per share	₩	(1,497)	₩	(821)

26. Approval of financial statements

The accompanying 2018 financial statements are scheduled to be approved by the Company's stockholders at their annual ordinary meeting to be held on March 27, 2019.

REVIEW REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

SK Engineering & Construction Co., Ltd.

The internal control over financial reporting of SK Engineering & Construction Co., Ltd. as of December 31, 2018 has been reviewed by the independent auditors and accompanies the independent auditor's report pursuant to Article 8 of the *Act on External Audit of Stock Companies*.

1. Independent auditor's review report on internal control over financial reporting**2. Report on the operations of the internal control over financial reporting**

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Representative Director SK Engineering & Construction Co., Ltd.

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of SK Engineering & Construction Co., Ltd. (the "Company") as of December 31, 2018. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment of the operations of the CEO and ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2018, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary. However, as the Company is a non-public company, the design, operations and assessment of the ICFR are limited compared with those of public companies, in accordance with Chapter 5, 'Application for small and medium sized companies' of the Best Practice Guideline for ICFR. As such, we performed our review in accordance with Chapter 14, 'Review standard for small-and-medium sized companies' of the ICFR review standards.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in existence as of December 31, 2018, and we did not review the ICFR subsequent to December 31, 2018. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

March 11, 2019

Ernst & Young Hwan Young

This report is annexed in relation to the audit of the financial statements as of December 31, 2018 and the review of internal accounting control system pursuant to Article 8 of the Act on External Audit for Stock Companies of the Republic of Korea.

REPORT ON THE OPERATIONS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

The shareholders, The Board of Directors and internal auditor (Audit Committee) of SK Engineering & Construction Co., Ltd.

I, as the CEO and internal control over financial reporting ("ICFR") officer of SK Engineering & Construction Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's internal control over financial reporting ("ICFR") for the year ended December 31, 2018.

The Company's management including the CEO and ICFR Officer is responsible for the design and operations of its ICFR. I, as the CEO and ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the CEO and ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

As of December 31, 2018, no significant vulnerabilities have been found in terms of importance based on the ICFR standards.

The CEO and ICFR Officer confirmed that the contents of the report are not falsified or displayed, and there is no missing information to be written or displayed. And the CEO and ICFR Officer confirmed that the contents of the report have not been disclosed or are not showing any misleading information.



Ahn, Jae-Hyun
Chief Executive Officer



Kim, Jin-Gon
Internal Control over Financial Reporting Officer

March 06, 2019

COMPANY MILESTONE

1977- 1989

- 1977** - Founded as Sunkyung Construction Co., Ltd.
- Commenced for the Walker Hill Apartment complexes
- 1980** - Secured the construction project for Banwol New Town Residential Area
- 1984** - Entered the Malaysian market
- Advanced into engineering & construction services
- 1985** - Carried out the modernization project for the Korea Oil Corporation
- 1987** - Entered the Indonesian market (with then) Sunkyung Synthetic Fiber DMT/PTA)
- 1988** - Completed construction of the Korea Oil Corporation's LPG underground storage base in Ulsan
- 1989** - Established the Sunkyung Construction Research Institute

1990- 1999

- 1991** - Received an order for the Polymer Plant from Eastman Chemical Company, USA
- Received an order for the Sriracha Petroleum Expansion Project in Thailand
- 1992** - Entered the Mexican and Ghana markets
- Received an order for construction of Ansan New Town Phase 2
- Obtained certification from the American Society of Mechanical Engineers (ASME)
- 1993** - Received an order for the Seoul-Busan High-Speed Railway (Section 5-3)
- 1994** - Acquired the ISO 9001 certificate
- Received a turnkey order for Thailand's ATC aromatic production facility complex
- 1996** - Completed expansion of the Honam Expressway
- Completed construction of the Yeosu oil reservoir base
- Received an order for the ABS plant project in Tianjin, China
- 1997** - Entered the Brazilian market
- Patented the SUPEX-CUT blasting mechanism
- Completed construction of Government Complex Building No. 3 in Daejeon
- Received an order for Mexico's Cadereyta oil refinery for PEMEX
- 1998** - Received an order for Mexico's Madero oil refinery
- Renamed SK Engineering & Construction
- Acquired KEPIC certification
- 1999** - Completed construction on sections 1-4 and 1-5 of the Incheon subway system

2000- 2009

- 2000** - Launched the apartment brand SK VIEW
- Received an order to construct an additional storage base in Yeosu
- 2001** - Completed construction of the SK Bukhansan City apartment complex
- Completed construction of the Donghae Thermal Power Plant
- 2002** - Completed construction of section 2 of the Jungbu-Naeryuk Expressway
- Developed LNG underground storage technology
- Launched the SK HUB brand name
- Received an order to construct section 5 of Siwha Techno Valley
- 2003** - Participated in the construction of Shin-Kori Nuclear Power Plant units 1 & 2
- Received orders for the RPMAA and KOCR projects in Kuwait
- 2004** - Received orders for the VGO Hydrotreating Unit and Sulphuric Acid Alkylation Unit in Romania
- Received orders for the 14-3 section of the Express Railway and Gwangju River cleanup project
- 2005** - Received orders to improve facilities at the Crude Oil Gathering Center and Booster Station in Kuwait
- 2006** - Received a turnkey order for an aromatics complex for KPC in Kuwait
- Received an order for the project financing for the Dowha District Urban Development Complex Project in Incheon
- 2007** - Received an order to construct the Jurong Aromatics Complex in Singapore
- Received an order for mixed-use development project financing in Paju
- 2008** - Completion of the L-Project in Indonesia ahead of schedule
- Received an order for the relocation construction project of the U.S. Military Base to Pyeongtaek
- Received an order of the Eurasia Tunnel project in Turkey
- 2009** - Received an order to expand the Ruwais Refinery in the UAE
- Won the order for constructing the C-13 block of the Al Reem Island Development Project in Abu Dhabi, UAE
- Received an order to construct a crude oil storage base in India

2010- 2018

- 2010** - Received an order for the Manabi Front-End Engineering Design (FEED) project in Ecuador
- Received an order for the construction of the main facilities for the Shin-Uljin nuclear power plants units 1 & 2
- Received an order for the Tufanbeyli Thermal Power Plant in Turkey
- 2011** - Received an order for the Wasit Gas Plant in Saudi Arabia
- Received an order for the Sentosa Gateway Tunnel, DTL3 C930, in Singapore
- Received an order for the PACO Thermal Plant in Panama
- 2012** - Received an order for the Jazan Refinery Project in Saudi Arabia
- Received an order for the North-South and East-West Transmission Cable Tunnel Project in Singapore
- Received an order for a hydropower plant in Laos
- 2013** - Received an order for the Karbala Refinery Project in Iraq
- Received an order for the NSRP Project in Vietnam
- 2014** - Received an order for the Goseong Green Power Project
- Received an order for the Clean Fuel Project in Kuwait
- 2015** - Received an order for the New Refinery Project in Kuwait
- Received an order for the Magnolia LNG Project in the U.S.
- 2016** - Received an order for the SK Hynix M14 ph-2 project
- Received an order to construct an underground storage base in Ulsan
- 2017** - Received an order for the Canakkale Project in Turkey
- Received an order for the PTTGC Polyols Project in Thailand
- Received an order for the Noryangjin Area 7 Housing Redevelopment Project in Seoul
- 2018** - Received an order for the Long Son Petrochemical Complex Project in Vietnam
- Received an order for the west/east section of the Yau Ma Tei Highway in Hong Kong
- Received an order for the LU1 City Residential-Commercial Complex Project

GLOBAL NETWORK



Countries	Overseas Subsidiaries	Addresses	Office (Tel.)	Office (Fax.)
China	SK Engineering & Construction(Nanjing) Co., Ltd.	P.O 210000 Room No. 1202, ACT building, No.218, Longpanzhonglu Road, Qinhuai District, Nanjing City	86-25-8470-1223	86-25-8470-1809
Kazakhstan	BAKAD Investment and Operation LLP	Office 403, 55/1, Zhangozin Str., Kaskelen City, Almaty Region, 040900, Republic of Kazakhstan	7-727-335-83-40	
Laos	Xe-Pian Xe-Namnoy Power Company Limited.	6th Floor Capital Tower, 23 Singha Road, Nongbone Village, Saysettha District, Vientiane Capital, Lao PDR	856-021-455-025	856-021-455-025
Thailand	Thai Woo Ree Engineering Co., Ltd.	No. 7 Pakornsongkrohraj Road, Huaypong , Muang , Rayong 21150, Thailand	66-38-606-234	66-38-606-164~5
	SKEC(Thai), Ltd.	Unit 2702, 27th Floor, Two Pacific Place, 142 Sukhumvit Road, Klongtoey, Bangkok 10110, Thailand	66-2-254-7211~4	
Kuwait	SBC	Office No. C5, 3rd floor, Ajial Mall, Fahaheel, Kuwait		
Saudi Arabia	SKEC Saudi Arabia	5th Fl, Sadat Tower, Al Khobar-Dammam Highway, Golden Belt Area, P.O. Box 2017, Al Khobar 31952, KSA	966-(0)3-887-2333	966-(0)3-882-8029
United Arab Emirates	CB&I Emirates Pipes Manufacturing LLC.	Industrial City of Abu Dhabi III, 29WR7, ICAD III, Abu Dhabi, UAE	971-50-44-33-515	
	SK E&C Anadolu LLC.	Istanbul Sariyer Maslak Ayazağa Mah. Dereboyu cad. Beybi Giz Plaza Kat:31 No:119	90-0-212-290-2660	90-0-212-2661
Turkey	ATAS (Avrasya Tüneli A.Ş)	Avrasya Tüneli İşletme İnşaat ve Yatırım A.Ş Kısıklı Cad. Tekin-Ak İş Merkezi No:3 / 5 34662 Altunizade, Istanbul, Turkey	90-0-216-474-0520	
	CANAKKALE HIGHWAY AND BRIDGE CONSTRUCTION INVESTMENT AND OPERATION JOINT STOCK COMPANY	Yapı Kredi Plaza B Blok, Kat: 12, Daire 30, Büyükdere Caddesi Levent, 34330 Istanbul, Turkey	90-212-270-4766	
United States	SK E&C BETEK Corp.	3 Park Plaza, Suite 430, Irvine CA 92614	1-949-336-5100	1-949-336-5107
Canada	Sunlake	Suite 204, 5 Richard Way SW, Calgary, AB T3E7M8, Canada	1-587-779-2688	
Ecuador	SK E&C Consultores Ecuador	Av de los Shyris N34-152 y Holanda Edificio Shyris Center Piso 13, Quito, Ecuador	593-2-226-0500	593-2-245-7066

Countries	Overseas Branch Offices	Addresses	Office (Tel.)	Office (Fax.)
Vietnam	Hanoi Branch	Unit 801, 8th Floor, Schmidt Tower, 239 Xuan Thuy Road, Cau Giay District, Hanoi, Vietnam	84-4-3768-9305~7	84-4-3768-9308
Singapore	Singapore Branch	20 Maxwell road, Maxwell house 12-01A, 069113	65-6294-7177	65-6294-7178
Indonesia	Jakarta Branch	S. Widjojo 7th FL. Jl. Jenderal Sudirman 71 Jakarta 12910	62-21-521-1883, 1884	62-21-521-1867
Hong Kong	Hong Kong Branch	Rm 1403, 14 F/L, Jubilee Center, 18 Fenwick Street/46, Gloucester Road, Wanchai, Hong Kong SAR	852-3583-0650, 0542	852-3583-1347
Saudi Arabia	Al Khobar Branch	Office No.12, 3rd Floor, Taba Center, Prince Sultan Road, Al Khobar, KSA, PO Box No. 3721	966-13-849-3415	966-13-887-0300
United Arab Emirates	Abu Dhabi Branch	5 Floor, Unit 501-502, Dhafir Building, Najda Street , Abu Dhabi, U.A.E.	971-2-674-7227	971-2-674-7228
	Dubai Branch	1206, Damac Executive Heights, Tecom, Barsha Heghts, Dubai, UAE	971-50800-5845	
Qatar	Doha Branch	Suite G-8, Al-Emadi Business Center, C-Ring Road, P.O. Box 24162, Doha, Qatar	972-4477-2664	974-465-7200
Kuwait	Kuwait Branch	Bldg. #13, Street #12, Block #7, Abu Fatira, Mubarak Al Kabeer, Kuwait	965-2543-4709	965-2543-4710
Turkey	Istanbul Branch	Dereboyu Cad. Meydan Sok. No. 1, Beybi Giz Plaza Kat 21, D. 79 34398 Maslak, Istanbul, Turkey	90-212-290-26-60	90-212-290-26-61
United States	Houston Branch	1430 Enclave Parkway Suite 150, Houston, TX 77077	1-281-258-2600	1-281-258-2860
Mexico	Mexico City Branch	Paseo de la Reforma 404, Piso 3, Col. Juarez 06600 Mexico, D.F.	52-55-5241-1120	52-55-5525-7536
Thailand	Bangkok Branch	Unit 2702, 27F, Two Pacific Place, 142, Skhumvit Road, Klongtoey, Bangkok 10110, Thailand	66-2-254-7211~4	

Countries	Overseas Representative Offices	Addresses	Office(Tel.)	Office(Fax.)
India	New Delhi Office	6TH Floor, Tower A, Building No.6, DLF Cyber City Phase-III, Gurgaon, Haryana - 122002.	91-124-423-9000	
China	Shanghai Office	No. 2312, 23th floor, International trade center, 2201 Yan An Road(W), Shanghai, China	86-21-6278-1772	86-21-6278-1774
Iraq	Karbala Office	35Km Southern Strategic Road, Karbala City, Republic of Iraq	964 78 2782 0186	
Germany	Frankfurt Office	T.O.P.A.S 1, Mergenthaler Allee 77, 65760, Eschborn, Germany	49-(0)6196-470741, 42	49-(0)6196-470740
Italy	Milano Office	Via milanofiori strada1, Palazzo F1 20090 Assago (MI) Italy	39-02-6666-8370	39-02-6666-8377
Ecuador	Quito Office	Av. Amazonas #E13-131 y Pasage Guayas, Barrio Batan, Edificio Ruminahui Piso 11, Quito, Pichincha	593-2-245-7053	
Colombia	Colombia Office	CRA. 7 #74-21 PISO 6 Santafe de Bogota, Colombia	571-7444-441	
Chile	Santiago Office	Av. Apoquindo 3721, Piso 15 Las Condes, Santiago, Chile	562-2768-7144	

We Build the Great Great Life, Great World

Publisher

SK E&C

Publisher

Jae-Hyun Ahn, Young-Mun Lim

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IM creative



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