

SK E&S Co., Ltd. and Subsidiaries

**Interim Consolidated Financial Statements
September 30, 2015 and 2014**

SK E&S Co., Ltd. and Subsidiaries
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September 30, 2015 and 2014

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Report on Review of Interim Financial Statements
(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
SK E&S Co., Ltd.

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of SK E&S Co., Ltd. and its subsidiaries (collectively the "Group"). These financial statements consist of the interim consolidated statement of financial position of the Group as of September 30, 2015, and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2015 and 2014, and interim consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2015 and 2014, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS") 1034, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these interim consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements do not present fairly, in all material respects, in accordance with the Korean IFRS 1034, *Interim Financial Reporting*.

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Korean Standards on Auditing. We expressed an unqualified opinion on those consolidated financial statements in our audit report dated March 11, 2015. These consolidated financial statements are not included in this review report. The consolidated statement of financial position as of December 31, 2014, presented herein for comparative purposes, is consistent, in all material respects, with the above audited consolidated statement of financial position as of December 31, 2014.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

Samil Price waterhouseCoopers

Seoul, Korea

November 13, 2015

This report is effective as of November 13, 2015, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying interim consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SK E&S Co., Ltd. and Subsidiaries
Interim Consolidated Statements of Financial Position
September 30, 2015 and December 31, 2014

(in thousands of Korean won)

	Notes	September 30, 2015 (Unaudited)	December 31, 2014
Assets			
Non-current assets			
Property, plant and equipment	7	₩ 3,801,995,624	₩ 2,863,719,220
Investment property		96,552,124	96,612,496
Intangible assets	7	551,603,127	437,468,009
Investments in joint ventures and associates	8	732,267,570	669,816,096
Deferred tax assets		8,618,218	16,840,056
Available-for-sale financial assets	4	105,484,211	67,895,960
Derivative financial instruments	4	2,303,179	-
Other financial assets		28,742,966	42,417,121
Other assets		9,666,570	10,435,314
		<u>5,337,233,589</u>	<u>4,205,204,272</u>
Assets held-for-sale		<u>-</u>	<u>1,145,198,563</u>
Current assets			
Inventories		8,302,259	14,781,425
Trade receivables		315,076,976	913,968,854
Other financial assets		46,319,894	27,913,449
Other assets		24,153,371	53,775,943
Cash and cash equivalents		588,035,250	621,113,039
		<u>981,887,750</u>	<u>1,631,552,710</u>
Total assets		<u>₩ 6,319,121,339</u>	<u>₩ 6,981,955,545</u>
Liabilities			
Non-current liabilities			
Borrowings	4,9	₩ 2,200,391,091	₩ 1,587,324,928
Derivative financial instruments	4	10,597,151	-
Other financial liabilities		4,534,508	4,609,025
Deferred tax liabilities		95,958,590	72,926,015
Net defined benefit liabilities	10	20,962,809	9,161,054
Unearned revenue		235,750,248	200,388,576
Other liabilities		2,392,160	1,413,834
		<u>2,570,586,557</u>	<u>1,875,823,432</u>
Liabilities Held-for-sale		<u>-</u>	<u>785,745,442</u>
Current liabilities			
Trade payables		328,237,907	1,081,605,525
Other financial liabilities		203,228,422	212,511,519
Other liabilities		21,774,775	30,150,637
Current income tax liabilities		62,557,492	62,724,817
Borrowings	4,9	318,666,452	561,597,281
		<u>934,465,048</u>	<u>1,948,589,779</u>
Total liabilities		<u>3,505,051,605</u>	<u>4,610,158,653</u>
Equity attributable to owners of the Parent Company			
Capital stock		221,058,960	221,058,960
Paid-in capital in excess of par value		420,107,124	420,107,124
Retained earnings		937,522,731	935,270,213
Other components of equity		1,060,578,944	615,549,052
		<u>2,639,267,759</u>	<u>2,191,985,349</u>
Non-controlling interests		<u>174,801,975</u>	<u>179,811,543</u>
Total equity		<u>2,814,069,734</u>	<u>2,371,796,892</u>
Total liabilities and equity		<u>₩ 6,319,121,339</u>	<u>₩ 6,981,955,545</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

SK E&S Co., Ltd. and Subsidiaries
Interim Consolidated Statements of Income
Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014

(in thousands of Korean won, except per share amounts)	Notes	2015 (Unaudited)		2014 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Continuing operations					
Revenue	5,6,15	₩ 681,910,116	₩ 3,420,625,194	₩ 903,883,722	₩ 4,014,435,028
Cost of sales		549,885,408	2,828,403,853	710,902,442	3,322,279,442
Gross profit		132,024,708	592,221,341	192,981,280	692,155,586
Selling and administrative expenses		108,541,866	319,800,111	108,782,514	315,903,717
Operating profit		23,482,842	272,421,230	84,198,766	376,251,869
Other income		12,693,845	68,050,002	16,522,667	57,274,818
Other expenses		5,610,280	18,290,928	4,403,656	22,761,301
Share of profit of associates	8	744,221	38,390,034	144,740	25,839,744
Finance income		5,153,854	14,659,356	1,866,805	12,282,160
Finance expenses		8,786,356	23,698,995	14,244,148	39,793,330
Profit before income tax		27,678,126	351,530,699	84,085,174	409,093,960
Income tax expense	11	8,016,119	79,722,986	20,676,720	100,643,509
Profit for the period from continuing operations		19,662,007	271,807,713	63,408,454	308,450,451
Discontinued operations					
Profit for the period from discontinued operations	16	-	90,275,396	27,494,452	37,152,755
Profit for the period		₩ 19,662,007	₩ 362,083,109	₩ 90,902,906	₩ 345,603,206
Profit attributable to:					
Owners of the Parent					
Profit for the period from continuing operations		₩ 18,920,545	₩ 257,592,803	₩ 35,270,124	₩ 271,297,695
Profit for the period from discontinued operations		-	90,275,396	28,054,342	37,152,756
Non-controlling interests					
Profit for the period from continuing operations		741,462	14,214,910	26,778,704	35,793,130
Profit for the period from discontinued operations		-	-	799,736	1,359,626
Basic and diluted earnings per share					
From continuing operations		₩ 453	₩ 6,168	₩ 845	₩ 6,496
From discontinued operations		-	2,162	672	890

The accompanying notes are an integral part of these interim consolidated financial statements.

SK E&S Co., Ltd. and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-Month and Nine-Month Periods Ended September 30, 2015 and 2014

(in thousands of Korean won)	Notes	2015 (Unaudited)		2014 (Unaudited)	
		Three months	Nine months	Three months	Nine months
Profit for the period		₩ 19,662,007	₩ 362,083,109	₩ 90,902,906	₩ 345,603,206
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of net defined benefit liabilities	10	352,169	(1,368,422)	(543,806)	(4,952,278)
Items that will be reclassified subsequently to profit or loss:					
Change in value of available-for-sale financial assets	4	219,934	447,436	19,708	(133,414)
Share of other comprehensive income of associates		302,807	23,842,299	(1,314,783)	(4,602,469)
Gain(loss) on currency translation of foreign operations		28,318,338	37,461,940	1,242,222	(169,489)
Transaction of cash flow hedge		(10,597,151)	(10,597,151)	-	-
Total comprehensive income for the period		<u>₩ 38,258,104</u>	<u>₩ 411,869,211</u>	<u>₩ 90,306,247</u>	<u>₩ 335,745,556</u>
Attributable to:					
Owners of the Parent Company		₩ 37,211,889	₩ 396,769,249	₩ 88,617,148	₩ 324,958,751
Non-controlling interests		1,046,215	15,099,962	1,689,099	10,786,805
Total comprehensive income for the period		<u>₩ 38,258,104</u>	<u>₩ 411,869,211</u>	<u>₩ 90,306,247</u>	<u>₩ 335,745,556</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

SK E&S Co., Ltd. and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Nine-Month Periods Ended September 30, 2015 and 2014

(in thousands of Korean won)

Notes	Attributable to owners of the Parent Company					Non-controlling interests	Total equity
	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other components of equity	Total		
Balance at January 1, 2014	₩ 221,058,960	₩ 420,107,124	₩ 999,251,630	₩ 296,947,161	₩ 1,937,364,875	₩ 170,161,595	₩ 2,107,526,470
Comprehensive income							
Profit for the period	-	-	334,411,431	-	334,411,431	11,191,775	345,603,206
Remeasurements of the net defined benefit liability	-	-	(4,712,544)	-	(4,712,544)	(239,734)	(4,952,278)
Change in value of available-for-sale financial assets	-	-	-	(133,414)	(133,414)	-	(133,414)
Share of other comprehensive income of associates	-	-	-	(4,684,516)	(4,684,516)	82,047	(4,602,469)
Gain(loss) on currency translation of foreign operations	-	-	-	77,794	77,794	(247,283)	(169,489)
Total comprehensive income(loss) for the period	-	-	329,698,887	(4,740,136)	324,958,751	10,786,805	335,745,556
Transactions with owners of the Company							
Cash dividends	12	-	(449,022,777)	-	(449,022,777)	(2,604,597)	(451,627,374)
Acquisition of subsidiaries	-	-	-	(1,057,366)	(1,057,366)	-	(1,057,366)
Others	-	-	350,989	(76,441)	274,548	(792,303)	(517,755)
Total transactions with owners of the Company	-	-	(448,671,788)	(1,133,807)	(449,805,595)	(3,396,900)	(453,202,495)
Balance at September 30, 2014 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 880,278,729	₩ 291,073,218	₩ 1,812,518,031	₩ 177,551,500	₩ 1,990,069,531
Balance at January 1, 2015	₩ 221,058,960	₩ 420,107,124	₩ 935,270,213	₩ 615,549,052	₩ 2,191,985,349	₩ 179,811,543	₩ 2,371,796,892
Comprehensive income							
Profit for the period	-	-	347,868,199	-	347,868,199	14,214,910	362,083,109
Remeasurements of the net defined benefit liability	-	-	(1,179,011)	-	(1,179,011)	(189,411)	(1,368,422)
Change in value of available-for-sale financial assets	-	-	-	447,436	447,436	-	447,436
Share of other comprehensive income of associates	-	-	-	23,296,138	23,296,138	546,161	23,842,299
Gain on currency translation of foreign operations	-	-	-	36,933,639	36,933,639	528,301	37,461,940
Transaction of cash flow hedge	-	-	-	(10,597,151)	(10,597,151)	-	(10,597,151)
Total comprehensive income for the period	-	-	346,689,188	50,080,062	396,769,250	15,099,961	411,869,211
Transactions with owners of the Company							
Cash dividends	12	-	(336,808,844)	-	(336,808,844)	(1,297,799)	(338,106,643)
Disposal of subsidiaries	16	-	-	-	-	(18,888,840)	(18,888,840)
Discount of capital stock	-	-	-	(3,157,185)	(3,157,185)	(30,651)	(3,187,836)
Issuance of hybrid capital instruments	13	-	-	398,629,481	398,629,481	-	398,629,481
Interest paid of hybrid capital instruments	-	-	(8,031,319)	-	(8,031,319)	-	(8,031,319)
Others	-	-	403,493	(522,466)	(118,973)	107,761	(11,212)
Total transactions with owners of the Company	-	-	(344,436,670)	394,949,830	50,513,160	(20,109,529)	30,403,631
Balance at September 30, 2015 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 937,522,731	₩ 1,060,578,944	₩ 2,639,267,759	₩ 174,801,975	₩ 2,814,069,734

The accompanying notes are an integral part of these interim consolidated financial statements.

SK E&S Co., Ltd. and Subsidiaries
Interim Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2015 and 2014

(in thousands of Korean won)

	Notes	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities			
Cash generated from operations			
Profit for the period	₩	362,083,109	₩ 345,603,206
Adjustments to reconcile net income to net cash provided by operating activities		70,044,866	297,366,317
Changes in operating assets and liabilities		(200,606,239)	(187,781,542)
		231,521,736	455,187,981
Interest received		8,715,494	13,143,785
Interest paid		(58,484,418)	(82,203,457)
Dividends received		19,506,680	7,435,310
Income tax paid		(115,173,019)	(84,346,543)
Net cash generated from operating activities		86,086,473	309,217,076
Cash flows from investing activities			
Disposal of property, plant and equipment	7	6,200,310	4,874,201
Disposal of intangible assets	7	4,225,455	1,955,336
Disposal of available-for-sale financial assets	4	25,035,337	7,040,011
Disposal of held to maturity investment		-	1,320
Decrease in other financial assets		406,579	2,896,990
Disposal of subsidiaries	16	495,082,000	-
Disposal of associates		4,118,372	-
Purchases of property, plant and equipment	7	(893,249,963)	(480,084,565)
Purchases of intangible assets	7	(168,323,436)	(189,533,732)
Purchases of available-for-sale financial assets	4	(60,410,980)	(848,096)
Purchases of joint venture and associates		(1,189,110)	(6,416,657)
Increase in other financial assets		(1,760,037)	(1,501,620)
Others		63,702,147	51,414,795
Net cash used in investing activities		(526,163,326)	(610,202,017)
Cash flows from financing activities			
Proceeds from borrowings	9	1,264,222,108	1,212,918,245
Issuance of hybrid capital instruments	13	398,629,481	-
Repayments of borrowings	9	(911,389,275)	(726,970,401)
Cash dividends paid to shareholders	12	(336,808,844)	(449,022,777)
Cash dividends paid to non-controlling shareholders		(1,297,799)	(2,604,597)
Interest paid for hybrid capital instruments		(8,031,319)	-
Others		(256,131)	(241,459)
Net cash provided by financing activities		405,068,221	34,079,011
Changes in cash and cash equivalents from currency translation		1,930,843	(81,465)
Net decrease in cash and cash equivalents		(33,077,789)	(266,987,395)
Cash and cash equivalents at the beginning of period		621,113,039	835,279,936
Cash and cash equivalents at the end of period	₩	588,035,250	₩ 568,292,541

The accompanying notes are an integral part of these interim consolidated financial statements.

SK E&S Co., Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

1. General Information

SK E&S Co., Ltd. (the “Controlling Company” or the “Company”) was established on January 13, 1999, to engage in ownership, operation, development and merging of gas companies. On August 1, 2011, the Controlling Company acquired a power-generating company, K-Power Co., Ltd., in a statutory merger.

The Company's shareholders and their respective percentage of ownership as of September 30, 2015, are as follows:

	Number of shares	Percentage of ownership (%)
SK Holdings Co., Ltd.	41,761,791	100.0
	41,761,791	100.0

1.1 Subsidiaries

The Company's consolidated subsidiaries as of September 30, 2015 and December 31, 2014, are as follows:

	Industry	Location	Year end	Percentage of ownership (%)	
				September 30, 2015	December 31, 2014
Kangwon City Gas Co., Ltd.	City gas	Korea	December 31	100	100
Yeongnam Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Ko-one Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Pusan City Gas Co., Ltd.	City gas	Korea	December 31	67.3	67.3
Jeonbuk Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Chonnam City Gas Co., Ltd.	City gas	Korea	December 31	100	100
Chungcheong Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Pyeongtaek Energy Service Co., Ltd.	Power generation	Korea	December 31	-	100
PMP Co., Ltd.	Power generation	Korea	December 31	100	100
Wirye Energy Service Co., Ltd.	Mass energy	Korea	December 31	95.2	89.5
Hanam Energy Service Co., Ltd.	Mass energy	Korea	December 31	100	100
Gimcheon Energy Service Co., Ltd.	Mass energy	Korea	December 31	-	80
Jeonbuk Mass Energy Co., Ltd.	Mass energy	Korea	December 31	-	100
SK E&S Hong Kong Co., Ltd. ¹	City gas	Hong Kong	December 31	100	100
SK LNG Trading Pte., Ltd.	Wholesale LNG	Singapore	December 31	100	100
SK E&S Australia Pty Ltd.	Resource development	Australia	December 31	100	100
SK E&S Americas, Inc.	Resource development	USA	December 31	100	100
SK E&S LNG, LLC ²	Resource development	USA	December 31	100	100
DewBlaine Energy, LLC ²	Resource development	USA	December 31	100	100
CAILIP Gas Marketing, LLC ²	Resource development	USA	December 31	100	-
PT SK E&S Nusantara ³	Resource development	Indonesia	December 31	100	100

¹Includes 50% ownership of Pusan City Gas Co., Ltd.

²SK E&S Americas, Inc., a subsidiary, has 100% ownership.

³Includes 1% ownership of SK LNG Trading Pte., Ltd.

SK E&S Co., Ltd. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

September 30, 2015 and 2014 (Unaudited), and December 31, 2014

1.2 Changes in Scope for Consolidation

Subsidiary newly included in the consolidation for the nine-month period ended september 30, 2015:

Name	Reason
CAILIP Gas Marketing, LLC	Newly established

Subsidiaries excluded from the consolidation for the nine-month period ended september 30, 2015:

Name	Reason
Pyeongtaek Energy Service Co., Ltd.	Disposal of the investments in the subsidiaries
Gimcheon Energy Service Co., Ltd.	
Jeonbuk Mass Energy Co., Ltd.	

2. Significant Accounting Policies

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying interim consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying interim consolidated financial statements.

The Group's interim consolidated financial statements for the nine-month period ended September 30, 2015, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim financial statements have been prepared in accordance with Korean IFRS standards which is effective or has been early adopted as of September 30, 2015.

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2015, and the amendments do not have a material impact on the consolidated financial statements of the Group:

- Amendment to Korean IFRS 1019, *Employee Benefits*
- Korean IFRS 2010-2012 Annual Improvements
- Korean IFRS 2011-2013 Annual Improvements

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(b) New and amended standards not yet adopted by the Group

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2015, and not early adopted would not have a material impact on its consolidated financial statements.

2.2 Application of Accounting Policies

Significant accounting policies and estimates adopted in the preparation and presentation of the interim consolidated financial statements are consistent with the accounting policies and estimates adopted for the annual consolidated financial statements for the year ended December 31, 2014, except changes in accounting policies applied in the financial year beginning on January 1, 2015 and as described below.

2.2.1 Income tax

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income for the interim period.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical accounting estimates and assumptions used for preparing the interim consolidated financial statements are consistent with prior year's accounting estimates and assumptions except for the estimate method for calculating income tax expense.

4. Fair Value

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

SK E&S Co., Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
September 30, 2015 and 2014 (Unaudited), and December 31, 2014

The following table presents the Group's financial assets that are measured at fair value as of September 30, 2015 and December 31, 2014:

<i>(in thousands of Korean won)</i>	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩ -	₩ -	₩ 21,759,550	₩ 21,759,550
Currency forward	-	2,303,179	-	2,303,179
Interest rate swap	-	10,597,151	-	10,597,151

<i>(in thousands of Korean won)</i>	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩ -	₩ -	₩ 21,169,600	₩ 21,169,600

There are no significant changes in business and economic environments that could influence the fair value of financial assets and liabilities of the Company for the nine-month period ended September 30, 2015. The classification of financial instruments is identical to that of the prior year.

The following table presents derivative financial instruments as of September 30, 2015:

<i>(in thousands of Korean won)</i>	Assets	Liabilities	Profit(loss)	Comprehensive income(loss)
Currency forward ¹	₩ 2,303,179	₩ -	₩ 2,303,179	₩ -
Interest rate swap ²	-	10,597,151	-	(10,597,151)

¹The currency forward contract is to hedge the risk of currency fluctuation on borrowings in US dollars.

²Interest rate swap is a fixed interest payment and floating interest receipt contract to hedge the risk of interest fluctuation on the borrowings of the subsidiary, Hanam Energy Service Co.,Ltd,

The following table presents the valuation techniques for recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

<i>(in thousands of Korean won)</i>	Fair value	Valuation techniques
Daol Land Chip Private Real Estate No.33	₩ 10,309,400	Net Asset Value per Share
Plus Future Plan Private Securities Investment Trust No.5	10,450,150	Net Asset Value per Share
SK Mutual Funds	1,000,000	Net Asset Value per Share
	<u>₩ 21,759,550</u>	

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The following table presents the changes in Level 3 instruments for the nine-month periods ended September 30, 2015 and 2014:

<i>(in thousands of Korean won)</i>	2015	2014
Beginning balance	₩ 21,169,600	₩ 33,210,111
Disposal	-	(7,040,011)
Valuation	589,950	2,850
Ending balance	<u>₩ 21,759,550</u>	<u>₩ 21,518,400</u>

The following table presents available-for-sale financial assets that are valued at historical cost as of September 30, 2015 and December 31, 2014:

<i>(in thousands of Korean won)</i>	September 30, 2015	December 31, 2014
SK Technology Innovation Company	₩ 2,808,024	₩ 2,808,024
Contemporary Painting Art Trust No.1	495,041	495,041
KNOC Ferghana Ltd.	80	80
Gemini Partners Pte., Ltd.	8,417,000	8,417,000
Prostar Energy Infra Fund	4,421,981	27,265,000
Prostar Energy Resources Fund	2,600,883	1,921,556
SK- KDB Global Investment Partnership Private Equity Fund	22,750	22,750
Hana Power Generation Infra PEF No.1	59,000,000	-
Construction Guarantee Cooperative	73,106	73,106
Fitech Global New Growth Investment Private Equity Fund	5,381,463	5,220,614
Sejung21 Co., Ltd.	358,917	358,917
Plant & Mechanical contractors financial cooperative of Korea	40,862	40,862
Jeonnam Dragons Football Club	50,000	50,000
Powertel TRS Co., Ltd.	1	1
Government bond	54,553	53,409
	<u>₩ 83,724,661</u>	<u>₩ 46,726,360</u>

The range of reasonable fair value estimates of SK Technology Innovation Company shares and other investments is significant and the probabilities of the various estimates cannot be reasonably assessed, and therefore, these instruments are measured at cost. The Group does not have any plan to dispose of the above-mentioned equities in the near future. These instruments will be measured at fair value when the Group develops a reliable estimate of the fair value.

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Carrying amount and fair value by financial instruments consists of the following:

(in thousands of Korean won)	September 30, 2015		
	Book value	Fair value	Discount rate (%)
Financial liabilities			
Borrowings	₩ 2,519,057,543	₩ 2,580,215,991	2.1~2.9
(in thousands of Korean won)	December 31, 2014		
	Book value	Fair value	Discount rate (%)
Financial liabilities			
Borrowings	₩ 2,148,922,209	₩ 2,252,226,314	2.5~2.7

The book value of financial assets and other financial liabilities is similar to the fair value, thus no separate disclosure for the fair value was made.

5. Seasonality of Business

The city gas sales, which is the major operating activity of the Group, is concentrated in the winter season (from December to March of the following year). Accordingly, the results of the Group's operating activities during the nine-month period ended September 30, 2015, may not be indicative of the results for the full year 2015.

6. Segment Information

The Group has determined the operating segments based on the information reviewed by the Group's chief operating decision maker. For the purposes of allocating resources and assessing performance, the chief operating decision maker reviews the information based on segment profit before income tax.

The Group's operating segments consist of power generation, LNG, city gas and other segments as of September 30, 2015. The segment information for the nine-month periods ended September 30, 2015 and 2014, is stated after considering the distribution of intra-company transactions, adjustments of depreciation cost, interest income, interest expense, share of profit(loss) and profit before tax. Assets and liabilities of each operating segment are excluded as such information has not been provided regularly to the chief operating decision maker.

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The following table presents segment profit(loss) for the three-month and nine-month periods ended September 30, 2015 and 2014:

(in thousands of Korean won)	Nine-month period ended September 30, 2015					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 536,195,265	₩ 461,172,467	₩ 2,863,655,183	₩10,489,971	₩ (450,887,692)	₩3,420,625,194
Inter-segment revenue	-	(450,150,979)	(736,713)	-	450,887,692	-
Net-segment revenue	536,195,265	11,021,488	2,862,918,470	10,489,971	-	3,420,625,194
Segment profit before income tax	18,729,861	210,399,600	90,702,649	101,842,665	(70,144,077)	351,530,698
(in thousands of Korean won)	Three-month period ended September 30, 2015					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 136,595,265	₩ 128,346,002	₩ 545,073,017	₩ -	₩ (128,104,168)	₩ 681,910,116
Inter-segment revenue	-	(128,104,168)	-	-	128,104,168	-
Net-segment revenue	136,595,265	241,834	545,073,017	-	-	681,910,116
Segment profit(loss) before income tax	(16,848,986)	60,645,233	912,945	(20,352,688)	3,321,622	27,678,126
(in thousands of Korean won)	Nine-month period ended September 30, 2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 651,421,348	₩ 600,488,428	₩ 3,372,536,455	₩ -	₩ (610,011,203)	₩4,014,435,028
Inter-segment revenue	-	(600,488,428)	(9,522,775)	-	610,011,203	-
Net-segment revenue	651,421,348	-	3,363,013,680	-	-	4,014,435,028
Segment profit(loss) before income tax	6,271,590	348,483,399	111,522,275	(1,736,387)	(55,446,917)	409,093,960
(in thousands of Korean won)	Three-month period ended September 30, 2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 174,466,922	₩ 162,048,051	₩ 733,800,533	₩ -	₩ (166,431,784)	₩ 903,883,722
Inter-segment revenue	-	(162,048,051)	(4,383,733)	-	166,431,784	-
Net-segment revenue	174,466,922	-	729,416,800	-	-	903,883,722
Segment profit(loss) before income tax	(5,771)	97,119,045	11,472,872	(5,051,631)	(19,449,341)	84,085,174

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Breakdown of the Group's revenue from all services for the three-month and nine-month periods ended September 30, 2015 and 2014, is as follows:

(in thousands of Korean won)

	2015		2014	
	Three months	Nine months	Three months	Nine months
Sales-Finished Goods	₩ 132,882,963	₩ 522,807,187	₩ 175,177,445	₩ 656,747,996
Sales-Trading	540,130,915	2,864,791,093	725,600,743	3,348,330,165
Sales-Others	7,139,903	27,723,529	1,390,197	4,252,084
Revenue-Rental	1,756,335	5,303,385	1,715,337	5,104,783
	<u>₩ 681,910,116</u>	<u>₩ 3,420,625,194</u>	<u>₩ 903,883,722</u>	<u>₩ 4,014,435,028</u>

Revenues of ₩ 499,287,411 thousand (2014: ₩ 650,346,212 thousand) for the nine-month period ended September 30, 2015, which are more than 10% of the Group revenue, are derived from Korea Power Exchange, and these revenues are attributable to the power generation segment.

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7. Property, Plant and Equipment, and Intangible Assets

Changes in property, plant and equipment for the nine-month periods ended September 30, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015						
	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Depreciation	Net currency transaction differences	Ending balance
Land	₩ 575,000,817	₩ 28,904,873	₩(12,341,222)	₩ 64,809,368	₩ -	₩ -	₩ 656,373,836
Buildings	64,734,015	563,065	(304,798)	7,395,513	(2,469,950)	-	69,917,845
Structures	59,234,079	136,585	-	-	(3,823,301)	-	55,547,363
Machinery	394,410,568	1,618,598	(942,577)	898,823	(26,162,253)	-	369,823,159
Vehicles	3,659,442	176,513	(43,652)	4,982,738	(1,427,156)	3,489	7,351,374
Tools and equipment	14,469,800	2,545,465	(223,773)	811,742	(5,481,806)	33,727	12,155,155
Pipelines	920,222,943	13,950,384	(519,570)	54,682,681	(61,191,013)	-	927,145,425
Other	562,487	17,855,905	(20)	53,578,725	(8,688,861)	4,008,855	67,317,091
Construction- in-progress	831,425,069	910,388,270	(435)	(107,561,869)	-	2,113,341	1,636,364,376
	<u>₩2,863,719,220</u>	<u>₩976,139,658</u>	<u>₩(14,376,047)</u>	<u>₩ 79,597,721</u>	<u>₩(109,244,340)</u>	<u>₩ 6,159,412</u>	<u>₩ 3,801,995,624</u>
(in thousands of Korean won)	2014						
	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Depreciation	Net currency transaction differences	Ending balance
Land	₩ 467,301,907	₩ 50,871	₩ (325,476)	₩ -	₩ -	₩ -	₩ 467,027,302
Buildings	98,499,592	1,056,756	(285,856)	687,836	(3,334,980)	-	96,623,348
Structures	161,205,467	1,778,688	(876)	-	(7,916,363)	-	155,066,916
Machinery	1,079,693,547	2,952,254	(157,949)	23,901,801	(51,401,630)	-	1,054,988,023
Vehicles	4,449,773	1,221,625	(269,993)	-	(1,453,756)	-	3,947,649
Tools and equipment	18,352,826	3,132,242	(114,181)	23,311	(6,156,346)	2,523	15,240,375
Pipelines	906,140,248	24,268,431	(247,841)	58,945,366	(58,732,909)	-	930,373,295
Other	474,922	109,481	(72,052)	-	(71,858)	(941)	439,552
Construction- in-progress	341,596,190	505,409,514	(30,643,501)	(84,445,710)	-	316	731,916,809
	<u>₩3,077,714,472</u>	<u>₩539,979,862</u>	<u>₩(32,117,725)</u>	<u>₩ (887,396)</u>	<u>₩(129,067,842)</u>	<u>₩ 1,898</u>	<u>₩ 3,455,623,269</u>

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Changes in intangible assets for the nine-month periods ended September 30, 2015 and 2014, are as follows:

	2015							
(in thousands of Korean won)	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Amortization	Net currency transaction differences	Ending balance	
Development costs	₩ 334,486	₩ 164	₩ -	₩ -	₩ (85,062)	₩ -	₩ 249,587	
Goodwill	42,801,147	-	-	-	-	-	42,801,147	
Exploration and evaluation assets	358,546,902	163,281,681	-	(85,104,384)	(3,335)	36,104,300	472,825,164	
Industrial property rights	92,286	9,895	-	9,729	(17,200)	-	94,710	
Memberships	16,395,780	3,362,434	(4,466,851)	-	-	1,689	15,293,052	
Other	19,297,407	620,882	-	6,460,165	(6,038,987)	-	20,339,467	
	<u>₩437,468,008</u>	<u>₩167,275,055</u>	<u>₩(4,466,851)</u>	<u>₩(78,634,490)</u>	<u>₩(6,144,584)</u>	<u>₩ 36,105,989</u>	<u>₩551,603,127</u>	
	2014							
(in thousands of Korean won)	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Amortization	Net currency transaction differences	Ending balance	
Development costs	₩ 474,175	₩ 7,769	₩ -	₩ -	₩ (140,620)	₩ -	₩ 341,324	
Goodwill	109,825,831	-	-	-	-	-	109,825,831	
Exploration and evaluation assets	18,924,330	187,149,836	-	-	-	745,626	206,819,792	
Industrial property rights	86,373	19,646	-	-	(16,141)	-	89,878	
Memberships	21,104,642	1,900,268	(2,649,848)	-	-	-	20,355,062	
Other	30,487,736	1,220,534	-	887,396	(5,718,390)	-	26,877,276	
	<u>₩180,903,087</u>	<u>₩190,298,053</u>	<u>₩(2,649,848)</u>	<u>₩ 887,396</u>	<u>₩ (5,875,151)</u>	<u>₩ 745,626</u>	<u>₩364,309,163</u>	

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8. Investments in Joint Ventures and Associates

Details of investments in joint ventures and associates as of September 30, 2015 and December 31, 2014, are as follows:

(in thousands of Korean won)	Location	Ownership (%)	Year end	September 30, 2015			December 31, 2014		
				Acquisition cost	Net asset value	Book value	Acquisition cost	Net asset value	Book value
Joint ventures									
Boryeong LNG Terminal Co.,Ltd	Korea	50.0	Dec. 31	₩100,000,000	₩ 69,067,049	₩ 97,803,465	₩100,000,000	₩ 70,382,245	₩ 99,118,661
China Gas-SK E&S LNG Trading Ltd.	Hong Kong	50.0	Mar.31	1,189,110	1,189,110	1,189,110	-	-	-
				101,189,110	70,256,159	98,992,575	100,000,000	70,382,245	99,118,661
Associates									
Kyungnam Renewable Energy Co., Ltd.	Korea	-	-	-	-	-	3,714,353	466,526	466,276
Wuhan SK-Sino Natural Gas Group Ltd.	Hong Kong	49.0	Dec. 31	31,788,092	3,315,959	3,315,959	31,788,092	676,784	676,784
SK E&S - SINO HongKong Co., Ltd.	Hong Kong	49.0	Dec. 31	4,483,161	5,744,860	2,534,439	4,483,161	1,923,289	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	China	70.0	Dec. 31	1,786,026	1,237,706	-	1,786,026	1,218,665	-
China Gas Holdings Ltd. ¹	Hong Kong	15.7	Mar. 31	465,987,066	391,133,434	603,379,975	465,987,066	355,628,364	553,690,993
Global Opportunities Fund	Cayman Islands	20.7	Dec. 31	10,000,000	3,939,393	3,939,393	10,000,000	7,760,270	7,760,270
Angel Wind Energy Co., Ltd. ¹	Korea	19.8	Dec. 31	6,416,657	5,193,627	5,811,681	6,416,657	5,090,111	6,179,823
Busan Green Energy Co., Ltd.	Korea	28.5	Dec. 31	14,312,700	14,293,548	14,293,548	-	-	-
				534,773,702	424,858,527	633,274,995	524,175,355	372,764,009	570,697,435
				₩635,962,812	₩495,114,686	₩732,267,570	₩624,175,355	₩443,146,254	₩669,816,096

¹ Although the Group holds less than 20% ownership, the Group exercises significant influence as the Group's director can exercise its vote at the board of directors of the investees, and thus, the equity method is applied.

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Changes in investments in joint ventures and associates for the nine-month periods ended September 30, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015					
	Beginning balance	Acquisition	Dividends received	Share of profit(loss)	Other changes in equity	Ending balance
Joint ventures						
Boryeong LNG Terminal Co.,Ltd	₩ 99,118,661	₩ -	₩ -	₩ (1,315,195)	₩ -	₩ 97,803,466
China Gas-SK E&S LNG Trading Ltd.	-	1,189,110	-	-	-	1,189,110
Associates						
Kyongnam Renewable Energy Co., Ltd.	466,276	-	(467,735)	1,459	-	-
Wuhan SK-Sino Natural Gas Group Ltd.	676,784	-	-	2,603,543	35,632	3,315,959
SK E&S - SINO Hong Kong Co., Ltd.	1,923,289	-	-	765,563	(154,413)	2,534,439
China Gas Holdings Ltd.	553,690,993	-	(19,000,833)	37,078,892	31,610,923	603,379,975
Global Opportunities Fund	7,760,270	-	(3,465,849)	(355,029)	-	3,939,392
Angel Wind Energy Co., Ltd.	6,179,823	-	-	(368,142)	-	5,811,681
Busan Green Energy Co., Ltd.	-	14,312,700	-	(19,152)	-	14,293,548
	₩ 669,816,096	₩ 15,501,810	₩ (22,934,417)	₩ 38,391,939	₩ 31,492,142	₩ 732,267,570

(in thousands of Korean won)	2014					
	Beginning balance	Acquisition	Dividends received	Share of profit(loss)	Other changes in equity	Ending balance
Joint venture						
Boryeong LNG Terminal Co.,Ltd	₩ 99,396,412	₩ -	₩ -	₩ (1,484,124)	₩ -	₩ 97,912,288
Associates						
Kyongnam Renewable Energy Co., Ltd.	444,904	-	-	(875)	-	444,029
Wuhan SK-Sino Natural Gas Group Ltd.	5,584,616	-	-	1,080,916	(134,848)	6,530,684
SK E&S - SINO Hong Kong Co., Ltd.	1,902,304	-	-	561,422	972,811	3,436,537
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,759,811	-	-	-	(22,820)	1,736,991
China Gas Holdings Ltd.	449,735,468	-	(12,063,240)	24,197,779	(7,147,243)	454,722,764
Global Opportunities Fund	7,736,048	-	-	(110,814)	-	7,625,234
Angel Wind Energy Co., Ltd.	-	6,416,657	-	(151,626)	-	6,265,031
	₩ 566,559,563	₩ 6,416,657	₩ (12,063,240)	₩ 24,092,678	₩ (6,332,100)	₩ 578,673,558

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9. Borrowings

Borrowings as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	September 30, 2015	December 31, 2014
Non-current		
Bank borrowings	₩ 515,272,659	₩ 400,868,049
Debentures	<u>1,685,118,432</u>	<u>1,186,456,879</u>
	<u>2,200,391,091</u>	<u>1,587,324,928</u>
Current		
Bank borrowings	228,668,142	371,705,350
Debentures	<u>89,998,310</u>	<u>189,891,931</u>
	<u>318,666,452</u>	<u>561,597,281</u>
	<u>₩ 2,519,057,543</u>	<u>₩ 2,148,922,209</u>

Details of bank borrowings as of September 30, 2015 and December 31, 2014, are as follows:

September 30, 2015				
<i>(in thousands of Korean won)</i>	Creditors	Interest rate(%)	Non-Current	Current
Loans for exploration of petroleum	Korea National Oil Corporation	0.75	₩ 28,842,598	₩ -
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00	11,129,250	571,875
Loans for a safety management business	Nonghyup Bank and others	1.75	560,400	148,800
Loans for energy rationalization	Shinhan Bank and others	1.75-2.22	10,274,100	256,800
PF borrowings	Korea Development Bank and others	3.35-7.4	259,408,159	139,168,921
General borrowings	Korea Development Bank and others	1.2-2.96	<u>205,058,152</u>	<u>88,521,746</u>
			<u>₩515,272,659</u>	<u>₩228,668,142</u>

December 31, 2014				
<i>(in thousands of Korean won)</i>	Creditors	Interest rate(%)	Non-Current	Current
Loans for exploration of petroleum	Korea National Oil Corporation	0.75	₩ 26,705,261	₩ -
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00	28,401,750	310,250
Loans for a safety management business	Hana Bank and others	1.75	5,593,400	1,667,500
Loans for energy rationalization	Shinhan Bank and others	1.75-3.00	10,677,500	327,600
PF borrowings	Korea Development Bank and others	3.82-7.40	274,530,138	-
General borrowings	Korea Development Bank and others	1.43-3.57	<u>54,960,000</u>	<u>369,400,000</u>
			<u>₩400,868,049</u>	<u>₩371,705,350</u>

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Details of debentures as of September 30, 2015 and December 31, 2014, are as follows:

(in thousands of Korean won)	Bonds	September 30, 2015				
		Issuance date	Maturity date	Interest rate(%)	Non-current	Current
SK E&S Co., Ltd.	Non-guaranteed public offering bonds No.8-2	2010.10.08	2015.10.08	4.12	₩ -	₩ 90,000,000
	Non-guaranteed public offering bonds No.8-3	2010.10.08	2017.10.08	4.35	60,000,000	-
	Non-guaranteed public offering bonds No.9-2	2012.04.13	2017.04.13	4.03	200,000,000	-
	Non-guaranteed public offering bonds No.10-1	2013.02.26	2018.02.26	3.02	200,000,000	-
	Non-guaranteed public offering bonds No.10-2	2013.02.26	2020.02.26	3.18	100,000,000	-
	Non-guaranteed public offering bonds No.11-1	2013.10.04	2016.10.04	3.24	150,000,000	-
	Non-guaranteed public offering bonds No.11-2	2013.10.04	2018.10.04	3.46	100,000,000	-
	Non-guaranteed public offering bonds No.11-3	2013.10.04	2020.10.04	3.65	50,000,000	-
PMP Co., Ltd.	Non-guaranteed public offering bonds No.1-1	2015.03.18	2022.03.18	2.53	100,000,000	-
	Non-guaranteed public offering bonds No.1-2	2015.03.18	2025.03.18	2.92	190,000,000	-
	Non-guaranteed public offering bonds No.1-3	2015.03.18	2027.03.18	3.01	60,000,000	-
	Non-guaranteed public offering bonds No.2-1	2015.09.04	2022.09.04	2.54	50,000,000	-
	Non-guaranteed public offering bonds No.2-2	2015.09.04	2025.09.04	2.77	50,000,000	-
	Non-guaranteed public offering bonds No.2-3	2015.09.04	2027.09.04	2.97	50,000,000	-
Wirye Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1-1	2014.12.09	2024.12.09	3.50	200,000,000	-
	Non-guaranteed public offering bonds No.1-2	2014.12.09	2026.12.09	3.72	50,000,000	-
Hanam Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1	2013.02.13	2018.02.13	3.28	80,000,000	-
					1,690,000,000	90,000,000
Less: Discount on bonds					(4,881,568)	(1,690)
					₩ 1,685,118,432	₩ 89,998,310
(in thousands of Korean won)	Bonds	December 31, 2014				
		Issuance date	Maturity date	Interest rate(%)	Non-current	Current
SK E&S Co., Ltd.	Non-guaranteed public offering bonds No.8-2	2010.10.08	2015.10.08	4.12	₩ -	₩ 90,000,000
	Non-guaranteed public offering bonds No.8-3	2010.10.08	2017.10.08	4.35	60,000,000	-
	Non-guaranteed public offering bonds No.9-1	2012.04.13	2015.04.13	3.89	-	100,000,000
	Non-guaranteed public offering bonds No.9-2	2012.04.13	2017.04.13	4.03	200,000,000	-
	Non-guaranteed public offering bonds No.10-1	2013.02.26	2018.02.26	3.02	200,000,000	-
	Non-guaranteed public offering bonds No.10-2	2013.02.26	2020.02.26	3.18	100,000,000	-
	Non-guaranteed public offering bonds No.11-1	2013.10.04	2016.10.04	3.24	150,000,000	-
	Non-guaranteed public offering bonds No.11-2	2013.10.04	2018.10.04	3.46	100,000,000	-
	Non-guaranteed public offering bonds No.11-3	2013.10.04	2020.10.04	3.65	50,000,000	-
Wirye Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1-1	2014.12.09	2024.12.09	3.50	200,000,000	-
	Non-guaranteed public offering bonds No.1-2	2014.12.09	2026.12.09	3.72	50,000,000	-
Hanam Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1	2013.02.13	2018.02.13	3.28	80,000,000	-
					1,190,000,000	190,000,000
Less: Discount on bonds					(3,543,121)	(108,069)
					₩ 1,186,456,879	₩ 189,891,931

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10. Net Defined Benefit Liabilities

Details of net defined benefit liabilities as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	September 30, 2015		December 31, 2014	
Present value of defined benefit obligations	₩	115,615,966	₩	102,225,622
Fair value of plan assets		<u>(94,653,156)</u>		<u>(93,064,568)</u>
Net defined benefit liabilities	₩	<u>20,962,810</u>	₩	<u>9,161,054</u>

Changes in the present values of defined benefit obligations for the nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015		2014	
Beginning balance	₩	102,225,622	₩	88,108,830
Current service costs		10,100,103		8,892,520
Interest costs		2,105,230		2,713,471
Remeasurements		129,105		6,146,411
Benefits paid		(4,544,805)		(5,683,135)
Others		<u>5,600,711</u>		<u>3,897,812</u>
Ending balance	₩	<u>115,615,966</u>	₩	<u>104,075,909</u>

Changes in the fair value of plan assets for the nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015		2014	
Beginning balance	₩	93,064,568	₩	80,458,335
Interest income		2,092,584		2,309,761
Remeasurements		(1,146,570)		(348,576)
Benefits paid		(4,627,477)		(3,145,287)
Contributions		1,000,000		130,278
Others		<u>4,270,051</u>		<u>1,074,623</u>
Ending balance	₩	<u>94,653,156</u>	₩	<u>80,479,134</u>

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11. Income Tax

Income tax expense was calculated based on the best estimated weighted average annual corporate tax rate for the entire fiscal period. Estimated average annual tax rate of the year ending December 31, 2015, is 22.7%(the estimated tax rate for the nine- month period ended September 30, 2014: 24.6%).

12. Dividends

The dividends of the Controlling Company in respect of the year ended December 31, 2014, were ₩336,808,844 thousand that were paid in March 2015. Dividends of ₩449,022,777 thousand were paid in 2014 in respect of 2013.

13. Hybrid Capital Instruments

Details of hybrid capital instruments as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	Issuance date	Maturity date	Interest rate(%)	September 30,2015	December 31,2014
Foreign currency subordinated No.1 ¹	2014.11.26	2074.11.26	4.875	₩329,520,000	₩329,520,000
Hybrid capital instruments No.1-1	2015.07.15	2045.07.15	3.9	270,000,000	-
Hybrid capital instruments No.1-2	2015.07.15	2045.07.15	3.835	130,000,000	-
Less: Discount of bonds				(5,601,101)	(4,230,582)
				<u>₩723,918,899</u>	<u>₩325,289,418</u>

¹USD 300,000,000 / applied exchange rate 1098.4

Details of conditions of hybrid capital instruments as of September 30, 2015, are as follows:

	Foreign	Local
Issuance No.	No.1	No.1-1 No.1-2
Adjustment period		Every five year
Interest adjustment	5-year US Treasury +initial credit spread	5-year Korean Treasury +initial credit spread
Added up interest	0.25% will be added up from 10 years to 25 years after issuance 1% will be added up after 25 years from issuance	
Interest payment	Semi-annual	Quarterly
Deferral of payment	Deferred interest payment including interest payable, which is optional to the Company, until next payment date is possible	
Early redemption	Early redemption is possible after 5 years from issuance	
Maturity extension	Maturity can be extended for same period on redemption date by company's decision	
Status of securities	Identical preference with preferred stockholder in the liquidation process	

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14. Contingencies and Commitments

Details of commitments on borrowings as of September 30, 2015, are as follows:

<i>(in thousands of Korean won and US dollars)</i>		Financial institution	Details	Amount of Limit
SK E&S Co., Ltd.	KEB Hana Bank	Line of Credit	₩	30,000,000
	Kookmin Bank and others	Line of Credit		52,000,000
	KEB Hana Bank and others	Line of Credit		464,000,000
	Korea Export-Import Bank	Line of Credit	USD	70,000
	Citibank Korea	Line of Credit	USD	30,000
	DBS Bank	Line of Credit	USD	50,000
Kangwon City Gas Co. Ltd.	NH Bank and others	Bank overdrafts	₩	16,000,000
	Woori Bank and others	Line of Credit		20,000,000
Ko-one Energy service Co., Ltd.	Woori Bank	Line of Credit		55,000,000
	NH Bank and others	Bank overdrafts		50,000,000
Pusan City Gas Co. Ltd.	Kookmin Bank and others	Line of Credit		15,000,000
Yeongnam Energy Eervice Co. Ltd.	NH Bank and others	Bank overdrafts		21,000,000
	Kookmin Bank and others	Line of Credit		50,000,000
Chungcheong Energy Eervice Co. Ltd.	Citibank Korea and others	Bank overdrafts		31,000,000
	Kookmin Bank and others	Line of Credit		40,000,000
Chonnam City Gas Co., Ltd.	KEB Hana Bank	Line of Credit		5,000,000
	NH Bank	Bank overdrafts		15,000,000
Jeonbuk Energy Service Co. Ltd.	NH Bank	Bank overdrafts		10,000,000
	Kookmin Bank	Line of Credit		10,000,000
Wirye Energy Service Co.Ltd.	Korea Development Bank	PF contract		310,000,000
Hanam Energy Service Co., Ltd	Woori Bank and others	PF contract		140,000,000
		Letter of Credit		260,000,000
SK LNG Trading Pte., Ltd.	Citibank Singapore	Letter of Credit	USD	65,000
	SMBC	Letter of Credit	USD	60,000
SK E&S Australia Pty Ltd.	China Construction Bank	Line of Credit	USD	50,000
	DBS Bank	Line of Credit	USD	90,000

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Details of payment guarantees received by and provided by the Group as of September 30, 2015, are as follows:

<i>(in thousands of Korean won and Chinese yuan)</i>	Provided by	Beneficiary	Guaranteed by	Details	Amounts	
Payment guarantees	SK E&S Co., Ltd.	Hwangangsaerak Natural Gas Ltd.	KEB Hana Bank	Repayment of principal and related interest on borrowing	CNY	47,000
	Seoul Guarantee Insurance Co., Ltd.	Yeongnam Energy Service Co., Ltd.	-	Maintenance performance guarantee and license guarantee	KRW	1,039,625
		Ko-one Energy Service Co., Ltd.	-	Performance guarantee		261,000
		Chungcheong Energy Service Co., Ltd.	-	Maintenance performance guarantee		1,950,000
		Pusan City Gas Co., Ltd.	-	Management and operation of group energy facilities and others		1,025,000
		Chonnam City Gas Co., Ltd.	-	Maintenance performance guarantee		2,353,617
		Jeonbuk Energy Service Co., Ltd.	-	Maintenance performance guarantee		391,246
		PMP Co., Ltd	-	License guarantee		1,099,600
Fund raising contract	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd	Holders of public offering bonds	Repayment of principal and related interest on borrowing		200,000,000
Fund lending contract	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd	The Project Financing syndicate	PF contract		125,000,000
Performance guarantee	SK Holdings Co., Ltd.	SK E&S Co., Ltd.	FLNG Liquefaction 3, LLC	Liquefaction Tolling Agreement		Service fee

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Details of significant pending litigations as of September 30, 2015, are as follows:

(in thousands of Korean won)

	Defendant	Details	Amounts
The Group as plaintiff			
Ko-one Energy Service Co., Ltd.	Industrial Bank of Korea and others	Charge for specified money in trust	₩ 10,000,000
The Group as defendant			
Paju Consignment Farming Limited Partnership	PMP Co., Ltd.	Sales Compensation	150,000
Mr. Jang Sangyeol	PMP Co., Ltd.	Compensation for damages	150,400
Heir of the late Mr. Cho Moonjun	PMP Co., Ltd.	Compensation for damages	151,632

The outcome of these pending litigations and the effects on the financial statements cannot be reasonably determined as of September 30, 2015.

The Group recognized as other income the ₩17,024,495 thousand received from the Chinese judicial authorities in 2010 since Wuhan SK-Sino Natural Gas Ltd., an associate of SK E&S HONGKONG Co., Ltd., a subsidiary, won the lawsuit against the controlling shareholders of Wuhan SK-Sino Natural Gas Ltd.

Blank notes and checks provided by the Group as collateral as of September 30, 2015, are as follows:

	Type	Provided to	No. of pages	Purpose
SK E&S Co., Ltd.	Blank notes	Korea National Oil Corporation	3	Collateral for long-term borrowings
SK E&S Co., Ltd.	Blank check	Korea National Oil Corporation	6	Collateral for long-term borrowings
Kangwon City Gas Co., Ltd.	Blank check	Korea Gas Corporation	1	Collateral for natural gas supply agreement

Assets provided by the Group as collateral as of September 30, 2015, are as follows:

	Provided by	Guarantees	Book Value	Details
Joint Venture	SK E&S Co., Ltd.	PF syndicate including Woori Bank	₩ 97,803,466	PF borrowings
Investment Property	Pusan City Gas Co., Ltd.	Megamart Co., Ltd. and others	70,653,191	Lease agreements
Cash and Cash Equivalents	Hanam Energy Service Co., Ltd.	Woori Bank	14,151,465	PF borrowings
Property, Plant and Equipment	Chonnam City Gas Co., Ltd.	Kwangju Bank and others	4,379,198	Lease agreements
Property, Plant and Equipment	Jeonbuk Energy Service Co., Ltd.	Korea Gas Corporation	1,641,913	Natural gas supply agreement
Property, Plant and Equipment	Kangwon City Gas Co., Ltd.	Korea Development Bank	4,540,155	Pipeline borrowings

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Details of major contracts and agreements entered into by the Group as of September 30, 2015, are as follows:

Details	Contractor	Counterparty	Period
Natural gas supply agreement ¹	Kangwon City Gas Co., Ltd. and other 6 companies	Korea Gas Corporation (KOGAS)	-
Natural gas supply agreement	SK E&S Co., Ltd.	Tangguh PSC Contractor Parties	2006.01~2025.12
Maintenance and repair agreement regarding Gas turbine	SK E&S Co., Ltd.	GE International Inc.	2004.06~2026.12 (Estimated)
LNG storage and evaporation service agreement	SK E&S Co., Ltd.	Posco Co., Ltd.	2005.06~2025.12
Lease agreement on power generator and steel tower site	SK E&S Co., Ltd.	Posco Co., Ltd.	2003.08~2028.12
Heat supply contract	Wirye Energy Service Co., Ltd.	Korea District Heating Corporation	Until Peak Load Boiler completion
Owner's Engineering Service contract	PMP Co., Ltd.	Black & Veatch Corporation	2014.07~2015.12
Maintenance Program contract	PMP Co., Ltd.	Siemens Co., Ltd.	2014.06~2031.06 (Estimated)
Natural gas Liquefaction agreement	SK E&S LNG, LLC	FLNG Liquefaction 3, LLC	20 years from 2019
Natural gas Evaporation agreement	Wirye Energy Service Co., Ltd., PMP Co., Ltd.	Boryeong LNG Terminal Co., Ltd	20 years from 2017
Long-Term Intrastate Transportation Agreement	SK E&S LNG, LLC	Kinder Morgan, Inc.	20 years from 2019
Natural gas supply agreement	SK LNG Trading Pte. Ltd.	Chevron Australia Pty Ltd and others	2017.01~2022.03

¹ Determines the annual supply quantities with KOGAS, and the supply price of natural gas is approved by the Minister of Trade, Industry & Energy.

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Details of major construction contracts entered into by the Group as of September 30, 2015, are as follows:

(in thousands of Korean won)

Details	Contractor	Counterparty	Period	Amount
Combined heat and power development Engineering, Procurement and Construction contract	Hanam Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2013.10~2015.11	₩ 218,551,516
Mass energy service Engineering, Procurement and Construction contract	Wirye Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2015.02~2017.03	424,480,000
Construction supervision contract	Wirye Energy Service Co., Ltd.	Osun Engineering Co., Ltd.	2014.12~2017.03	2,840,952
Heat pipe construction contract	Wirye Energy Service Co., Ltd.	Daehan Oil Pipeline Corporation	2013.10~2016.12	27,825,800
Electric transmission assessment contract	Wirye Energy Service Co., Ltd.	Korea Electric Power Corporation	2015.02~2017.03	8,470,000
LNG pipe contract	Wirye Energy Service Co., Ltd.	HanYang ENG Corporation	2015.07~2016.12	18,700,000
Jangmun Natural gas power station Engineering, Procurement and Construction contract	PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	2014.06~2017.05	1,228,376,000
Construction management service	PMP Co., Ltd.	Human & Technologies Corp.	2014.10~2017.04	4,415,860
Jangmun Natural gas power station power transmission access system contract	PMP Co., Ltd.	Korea Electric Power Corporation	2015.03~2016.06	52,350,000

Details of major asset acquisition contracts entered into by the Group as of September 30, 2015, are as follows:

(in thousands of US dollars)

Details	Contractor	Counterparty	Percentage of ownership (%)	Contract Amount	Executed Amount
Barossa-Caldita Gas field, Australia	SK E&S Australia Pty Ltd.	ConocoPhillips Company and others	37.5	USD 310,000	USD 270,909
Woodford Shale Gas field, Oklahoma, USA	DewBlaine Energy, LLC	Continental Resources, Inc	49.9	360,000	114,412

The Group is obligated to repay the quarterly development costs corresponding to the percentage of ownership apart from the stipulation price for the contracts above.

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15. Related Party Transactions

As of September 30, 2015, the ultimate parent company is SK Holdings Co., Ltd.

Sales and purchases with related parties for the nine-month periods ended September 30, 2015 and 2014, are as follows:

	2015		2014	
	Sales and others	Purchase and others	Sales and others	Purchase and others
<i>(in thousands of Korean won)</i>				
Parent company				
SK Holdings Co., Ltd.	₩ 102,225	₩ 19,814,463	₩ 127,427	₩ 20,609,959
Joint venture				
Boryeong LNG Terminal Co., Ltd.	700,495	-	651,395	-
Other related parties				
SK Innovation Co., Ltd.	10,091,622	3,048,731	16,096,250	4,642,210
SK Networks Company Limited	142,699	3,292,488	241,707	29,163,114
SK Engineering & Construction Co., Ltd.	785,503	705,141,550	463,845	253,291,260
SK hynix Inc.	21,306,584	-	24,648,384	-
SKC LTD.	6,516,754	-	7,400,972	-
M&Service Co., Ltd.	-	4,275,652	-	3,749,893
SK Energy Co. Ltd.	25,410,541	-	27,899,373	17,730
SKC KOLON PI, Inc.	1,128,621	-	1,318,865	-
SK Telecom Co.,Ltd. and other 17 companies	1,326,273	6,675,711	1,239,847	4,911,437
	<u>₩ 67,511,317</u>	<u>₩ 742,248,595</u>	<u>₩ 80,088,065</u>	<u>₩ 316,385,603</u>

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Details of receivables and payables with related parties as of September 30, 2015 and December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	September 30, 2015		December 31, 2014	
	Receivables	Payables	Receivables	Payables
Parent company				
SK Holdings Co., Ltd.	₩ -	₩ 1,641,560	₩ 72,468	₩ 5,540,103
Joint venture				
Boryeong LNG Terminal Co., Ltd.	176,462	-	176,130	-
Other related parties				
SK Innovation Co., Ltd.	435,788	93,964	1,167,392	192,292
SK Networks Company Limited	403,468	1,028,297	183,732	12,898,481
SK Engineering & Construction Co., Ltd.	90,074	80,096,431	107,099	71,784,651
M&Service Co., Ltd.	-	710,201	-	640,786
SK hynix Inc.	1,088,329	-	4,538,909	-
SKC LTD.	746,758	-	844,283	-
SK Energy Co. Ltd.	1,301,804	-	5,445,747	-
SK Telecom Co.,Ltd. and other 13 companies	16,864	1,056,141	340,314	656,865
	<u>₩ 4,259,547</u>	<u>₩ 84,626,594</u>	<u>₩ 12,876,074</u>	<u>₩ 91,713,178</u>

Compensation for key management of the Controlling Company for the nine-month periods ended September 30, 2015 and 2014, consists of:

<i>(in thousands of Korean won)</i>	2015	2014
Salaries	₩ 2,638,209	₩ 2,241,234
Severance benefits	<u>523,468</u>	<u>1,110,378</u>
Total	<u>₩ 3,161,677</u>	<u>₩ 3,351,612</u>

Key management includes executive directors and members of the executive committee.

As of September 30, 2015, the Company provides fund raising contract, fund lending contract, payment guarantees and performance guarantees for subsidiaries, joint venture and associates (Note 14).

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16. Discontinued Operations

The Company sold its shares in Pyeongtaek Energy Service Co., Ltd., Gimcheon Energy Service Co., Ltd. and Jeonbuk Mass Energy Co., Ltd. on January 13, 2015, at the price of ₩495,082,000 thousand.

Profit and loss from discontinued operations for the three-month and nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015		2014	
	Three months	Nine months	Three months	Nine months
Revenue	₩ -	₩ -	₩ 250,431,600	₩ 750,732,665
Expense	-	-	214,485,525	698,509,689
Profit before tax of discontinued operations	-	-	35,946,075	52,222,976
Tax expense	-	-	8,451,624	15,070,221
Profit after tax of discontinued operations	-	-	27,494,451	37,152,755
Pre-tax gains on disposal of discontinued operations	-	113,856,657	-	-
Tax expense	-	23,581,261	-	-
After tax gains on disposal of discontinued operations after tax	-	90,275,396	-	-
Profit for the period from discontinued operations	₩ -	₩ 90,275,396	₩ 27,494,451	₩ 37,152,755

Cash flows from discontinued operations nine-month periods ended September 30, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
Cash flows from operating activities	₩ -	₩ 52,596,197
Cash flows from investing activities	495,082,000	(3,287,370)
Cash flows from financing activities	-	(71,394,861)
Net cash flows	₩ 495,082,000	₩ (22,086,034)

17. Event After the Reporting Period

On October 12, 2015, PMP Co., Ltd., a subsidiary, has engaged in project financing with Korea Development Bank and other amounting to ₩700,000,000 thousand.