

SK E&S Co., Ltd.
and Subsidiaries

Interim Consolidated Financial Statements
March 31, 2015 and 2014

SK E&S Co., Ltd. and Subsidiaries
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March 31, 2015 and 2014

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Report on Review of Interim Financial Statements

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 consolidated statement of financial position of the Group as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 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 auditing standards generally accepted in the Republic of Korea. 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. Accordingly, this report is for use by those who are informed about Korean review standards and their application in practice.

Samil Price waterhouseCoopers

Seoul, Korea

May 13, 2015

This report is effective as of May 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
March 31, 2015 and December 31, 2014

(in thousands of Korean won)

	Notes	March 31, 2015 (Unaudited)	December 31, 2014
Assets			
Non-current assets			
Property, plant and equipment	7	₩ 3,096,092,108	₩ 2,863,719,220
Investment property		96,592,372	96,612,496
Intangible assets	7	552,948,366	437,468,009
Investments in joint venture and associates	8	678,218,985	669,816,096
Deferred tax assets		10,135,941	16,840,056
Available-for-sale financial assets	4	104,187,075	67,895,960
Other financial assets		27,814,473	42,417,121
Other assets		9,937,088	10,435,314
		<u>4,575,926,408</u>	<u>4,205,204,272</u>
Assets Held-for-sale		<u>-</u>	<u>1,145,198,563</u>
Current assets			
Inventories		13,654,286	14,781,425
Trade receivables		753,610,431	913,968,854
Other financial assets		60,034,251	27,913,449
Other assets		13,594,079	53,775,943
Cash and cash equivalents		756,519,992	621,113,039
		<u>1,597,413,039</u>	<u>1,631,552,710</u>
Total assets		<u>₩ 6,173,339,447</u>	<u>₩ 6,981,955,545</u>
Liabilities			
Non-current liabilities			
Borrowings	4,9	₩ 2,073,331,232	₩ 1,587,324,928
Other financial liabilities		9,206,185	4,609,025
Deferred tax liabilities		74,607,538	72,926,015
Net defined benefit liabilities	10	16,108,018	9,161,054
Unearned revenue		216,450,838	200,388,576
Other liabilities		1,486,375	1,413,834
		<u>2,391,190,186</u>	<u>1,875,823,432</u>
Liabilities Held-for-sale		<u>-</u>	<u>785,745,442</u>
Current liabilities			
Trade payables		968,729,818	1,081,605,525
Other financial liabilities		144,754,561	212,511,519
Other liabilities		54,845,886	30,150,637
Current income tax liabilities		152,572,187	62,724,817
Borrowings	4,9	211,038,131	561,597,281
		<u>1,531,940,583</u>	<u>1,948,589,779</u>
Total liabilities		<u>3,923,130,769</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		828,321,788	935,270,213
Other components of equity		616,152,441	615,549,052
		<u>2,085,640,313</u>	<u>2,191,985,349</u>
Non-controlling interests		<u>164,568,365</u>	<u>179,811,543</u>
Total equity		<u>2,250,208,678</u>	<u>2,371,796,892</u>
Total liabilities and equity		<u>₩ 6,173,339,447</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 Periods Ended March 31, 2015 and 2014

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2015 (Unaudited)	2014 (Unaudited)
Continuing operations			
Revenue	5,6,14	₩ 1,859,336,476	₩ 2,041,549,307
Cost of sales		<u>1,573,561,366</u>	<u>1,742,439,824</u>
Gross profit		285,775,110	299,109,483
Selling and administrative expenses		<u>104,195,037</u>	<u>101,445,947</u>
Operating profit		181,580,073	197,663,536
Other income		21,216,300	17,019,908
Other expenses		8,135,450	6,288,384
Share of profit(loss) of associates	8	(34,416)	281,545
Finance income		4,843,998	4,980,816
Finance expenses		<u>7,819,423</u>	<u>11,736,374</u>
Profit before income tax		191,651,082	201,921,047
Income tax expense	11	<u>47,395,335</u>	<u>53,009,642</u>
Profit for the period from continuing operations		144,255,747	148,911,405
Discontinued operations			
Profit for the period from discontinued operations	15	<u>92,750,806</u>	<u>13,635,629</u>
Profit for the period		<u>₩ 237,006,553</u>	<u>₩ 162,547,034</u>
Profit attributable to:			
Owners of the Parent			
Profit for the period from continuing operations		₩ 138,714,266	₩ 142,765,133
Profit for the period from discontinued operations		92,750,806	12,519,600
Non-controlling interests			
Profit for the period from continuing operations		5,541,481	6,146,272
Profit for the period from discontinued operations		-	1,116,029
Basic and diluted earnings per share			
From continuing operations		₩ 3,322	₩ 3,419
From discontinued operations		2,221	300

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 Periods Ended March 31, 2015 and 2014

(in thousands of Korean won)

	Notes	2015 (Unaudited)	2014 (Unaudited)
Profit for the period		₩ 237,006,553	₩ 162,547,034
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liabilities	10	(2,304,491)	(3,681,183)
Items that will be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets	4	240,237	(395,265)
Share of other comprehensive income of associates		9,782	(232,336)
Gain on currency translation of foreign operations		1,586,410	466,565
Total comprehensive income for the period		<u>₩ 236,538,491</u>	<u>₩ 158,704,815</u>
Attributable to:			
Owners of the Parent Company		₩ 231,258,757	₩ 151,619,502
Non-controlling interests		5,279,734	7,085,313
Total comprehensive income for the period		<u>₩ 236,538,491</u>	<u>₩ 158,704,815</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
Three-Month Periods Ended March 31, 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	-	-	155,284,733	-	155,284,733	7,262,301	162,547,034
Remeasurements of the net defined benefit liability	-	-	(3,535,108)	-	(3,535,108)	(146,075)	(3,681,183)
Change in value of available-for-sale financial assets	-	-	-	(395,265)	(395,265)	-	(395,265)
Share of other comprehensive income of associates	-	-	-	(194,374)	(194,374)	(37,961)	(232,336)
Gain(loss) on currency translation of foreign operations	-	-	-	459,516	459,516	7,049	466,565
Total comprehensive income for the period	-	-	151,749,625	(130,123)	151,619,502	7,085,314	158,704,815
Transactions with owners of the Company							
Cash dividends	12	-	(449,022,777)	-	(449,022,777)	(2,604,597)	(451,627,374)
Acquisition of subsidiaries		-	-	(42,944)	(42,944)	(4,004)	(46,948)
Others		-	666,486	(196,426)	470,060	(666,486)	(196,426)
Total transactions with owners of the Company		-	(448,356,291)	(239,370)	(448,595,661)	(3,275,087)	(451,870,748)
Balance at March 31, 2014 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 702,644,964	₩ 296,577,668	₩ 1,640,388,716	₩ 173,971,822	₩ 1,814,360,537
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	-	-	231,465,072	-	231,465,072	5,541,481	237,006,553
Remeasurements of the net defined benefit liability	-	-	(2,031,832)	-	(2,031,832)	(272,659)	(2,304,491)
Change in value of available-for-sale financial assets	-	-	-	240,237	240,237	-	240,237
Share of other comprehensive income of associates	-	-	-	8,184	8,184	1,598	9,782
Gain(loss) on currency translation of foreign operations	-	-	-	1,577,096	1,577,096	9,314	1,586,410
Total comprehensive income for the period	-	-	229,433,240	1,825,517	231,258,757	5,279,734	236,538,491
Transactions with owners of the Company							
Cash dividends	12	-	(336,808,844)	-	(336,808,844)	(1,297,799)	(338,106,643)
Disposal of subsidiaries	15	-	-	-	-	(18,888,840)	(18,888,840)
Others		-	427,179	(1,222,128)	(794,949)	(336,273)	(1,131,222)
Total transactions with owners of the Company		-	(336,381,665)	(1,222,128)	(337,603,793)	(20,522,912)	(358,126,705)
Balance at March 31, 2015 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 828,321,788	₩ 616,152,441	₩ 2,085,640,313	₩ 164,568,365	₩ 2,250,208,678

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
Three-Month Periods Ended March 31, 2015 and 2014

<i>(in thousands of Korean won)</i>		Notes	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities				
Cash generated from operations				
Profit for the period		₩	237,006,553	₩ 162,547,034
Adjustments to reconcile net income				
to net cash provided by operating activities			(7,351,608)	120,816,079
Changes in operating assets and liabilities			64,074,704	33,314,587
			<u>293,729,649</u>	<u>316,677,700</u>
Interest received			4,453,066	5,668,558
Interest paid			(17,266,094)	(25,199,104)
Dividends received			2,419,328	2,524,999
Income tax received(paid)			(4,593,346)	3,557,435
Net cash generated from operating activities			<u>278,742,603</u>	<u>303,229,588</u>
Cash flows from investing activities				
Disposal of property, plant and equipment	7		361,223	773,624
Disposal of intangible assets	7		394,545	983,636
Disposal of available-for-sale financial assets	4		-	7,040,011
Decrease in other financial assets			1,561,743	883,324
Disposal of subsidiaries	15		495,082,000	-
Purchases of property, plant and equipment	7		(285,378,690)	(79,573,164)
Purchases of intangible assets	7		(111,428,228)	(5,063,799)
Purchases of available-for-sale financial assets	4		(59,230,327)	(305,441)
Increase in other financial assets			(1,309,740)	(8,345,468)
Others			18,871,841	13,203,614
Net cash provided by (used in) investing activities			<u>58,924,367</u>	<u>(70,403,663)</u>
Cash flows from financing activities				
Proceeds from borrowings	9		504,625,780	50,300,000
Repayments of borrowings	9		(369,935,450)	(21,920,650)
Cash dividends paid to shareholders	12		(336,808,844)	-
Others			(33,091)	(174,376)
Net cash provided by (used in) financing activities			<u>(202,151,605)</u>	<u>28,204,974</u>
Changes in cash and cash equivalents from currency translation			<u>(108,412)</u>	<u>19,760</u>
Net increase in cash and cash equivalents			<u>135,406,953</u>	<u>261,050,659</u>
Cash and cash equivalents at the beginning of period			<u>621,113,039</u>	<u>835,279,936</u>
Cash and cash equivalents at the end of period			<u>₩ 756,519,992</u>	<u>₩ 1,096,330,595</u>

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
March 31, 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 March 31, 2015, are as follows:

	Number of shares	Percentage of ownership (%)
SK Holdings Co., Ltd.	39,311,790	94.1
SK C&C Co., Ltd.	2,450,001	5.9
	<u>41,761,791</u>	<u>100.0</u>

1.1 Subsidiaries

The Company's consolidated subsidiaries as of March 31, 2015, are as follows:

	Industry	Location	Year end	Percentage of ownership(%)	
				March 31, 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	89.5	89.5
Hanam Energy Service Co., Ltd. ¹	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. ²	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 ³	Resource development	USA	December 31	100	100
DewBlaine Energy, LLC ³	Resource development	USA	December 31	100	100
PT SK E&S Nusantara ⁴	Resource development	Indonesia	December 31	100	100

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

¹ Ko-one Energy Service Co., Ltd., a subsidiary, has 100% ownership.

² Includes 50% ownership of Pusan City Gas Co., Ltd.

³ SK E&S Americas, Inc., a subsidiary, has 100% ownership.

⁴ Includes 1% ownership of SK LNG Trading Pte., Ltd.

1.2 Changes in Scope for Consolidation

Subsidiaries excluded from the consolidation for the year ended March 31, 2015:

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

2. Significant Accounting Policies

2.1 Basis of Preparation

The Group's interim consolidated financial statements for the three-month period ended March 31, 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 March 31, 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

(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.

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

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
March 31, 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 March 31, 2015 and December 31, 2014:

<i>(in thousands of Korean won)</i>	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩ -	₩ -	₩ 21,486,200	₩ 21,486,200

<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 three-month period ended March 31, 2015. The classification of financial instruments is identical to that of the prior year.

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	₩ 10,311,300	Net Asset Value per Share
Plus Future Plan Private Securities Investment Trust No.5	10,174,900	Net Asset Value per Share
SK Mutual Funds	1,000,000	Net Asset Value per Share
	<u>₩ 21,486,200</u>	

The following table presents the changes in Level 3 instruments for the three-month periods ended March 31, 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	316,600	2,850
Ending balance	<u>₩ 21,486,200</u>	<u>₩ 26,172,950</u>

SK E&S Co., Ltd. and Subsidiaries
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The following table presents available-for-sale financial assets that are valued at historical cost as of March 31, 2015 and December 31, 2014:

<i>(in thousands of Korean won)</i>		March 31, 2015	December 31, 2014
Available-for-sale financial assets	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	3,861,530	27,265,000
	Prostar Energy Resources Fund	2,151,882	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	40,218	53,409
		<u>₩ 82,700,874</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 plans 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.

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

<i>(in thousands of Korean won)</i>		March 31, 2015		
		Book value	Fair value	Discount rate(%)
Financial liabilities				
Borrowings	₩	2,284,369,363	₩ 2,448,829,903	2.0~2.6
<i>(in thousands of Korean won)</i>		December 31, 2014		
		Book value	Fair value	Discount rate(%)
Financial liabilities				
Borrowings	₩	2,148,922,210	₩ 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.

SK E&S Co., Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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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 three-month period ended March 31, 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, 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 March 31, 2015. The segment information for the three-month periods ended March 31, 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.

The following table presents segment profit (loss) for the three-month periods ended March 31, 2015 and 2014:

(in thousands of Korean won)	2015					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 247,947,738	₩ 206,794,954	₩ 1,611,113,395	₩ -	₩ (206,519,611)	₩ 1,859,336,476
Inter-segment revenue	-	(206,794,954)	(736,713)	-	207,531,667	-
Net-segment revenue	247,947,738	-	1,610,376,682	-	1,012,056	1,859,336,476
Segment profit(loss) before income tax	26,005,716	104,749,461	75,757,258	481,873,462	(496,734,816)	191,651,081

(in thousands of Korean won)	2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 286,525,569	₩ 261,594,083	₩ 1,754,897,904	₩ -	₩ (261,468,249)	₩ 2,041,549,307
Inter-segment revenue	-	(261,594,083)	(197,073)	-	261,791,156	-
Net-segment revenue	286,525,569	-	1,754,700,831	-	322,907	2,041,549,307
Segment profit(loss) before income tax	(20,806,478)	171,990,031	83,216,367	25,672,943	(58,151,816)	201,921,047

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Breakdown of the Group's revenue from all services for the three-month periods ended March 31, 2015 and 2014, follows:

<i>(in thousands of Korean won)</i>	2015	2014
Sales-Finished Goods	₩ 250,993,453	₩ 289,959,532
Sales-Trading	1,600,992,791	1,748,432,603
Sales-Others	5,559,405	1,455,234
Revenue-Rental	1,790,827	1,701,938
	<u>₩ 1,859,336,476</u>	<u>₩ 2,041,549,307</u>

Revenues of ₩ 244,541,680 thousand (2014: ₩ 286,228,048 thousand) for the three-month period ended March 31, 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 and city gas segment.

7. Property, Plant and Equipment, and Intangible Assets

Changes in property, plant and equipment for the three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015						Net currency transaction differences	Ending balance
	Beginning balance	Acquisitions	Disposals	Reclassification	Depreciation			
Land	₩ 575,000,817	₩ 96,742	₩ -	₩ 31,400,789	₩ -	₩ -	₩ -	₩ 606,498,348
Buildings	64,734,015	114	-	-	(801,989)	-	-	63,932,140
Structures	59,234,080	-	-	-	(1,273,460)	-	-	57,960,620
Machinery	394,410,568	680,368	-	497,078	(8,712,414)	-	-	386,875,600
Vehicles	3,659,442	171,470	(24,003)	-	(455,044)	229	-	3,352,094
Tools and equipment	14,469,799	840,611	(70,438)	667,956	(1,913,315)	2,340	-	13,996,953
Pipelines	920,222,943	3,339,367	(84,503)	7,232,429	(20,169,364)	-	-	910,540,872
Other	562,487	5,362	-	419,771	(48,270)	-	-	939,350
Construction- in-progress	831,425,069	264,833,168	-	(44,262,106)	-	-	-	1,051,996,131
	<u>₩ 2,863,719,220</u>	<u>₩ 269,967,202</u>	<u>₩ (178,944)</u>	<u>₩ (4,044,083)</u>	<u>₩ (33,373,856)</u>	<u>₩ 2,569</u>		<u>₩ 3,096,092,108</u>

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(in thousands of Korean won)	2014						
	Beginning balance	Acquisitions	Disposals	Reclassification	Depreciation	Net currency transaction differences	Ending balance
Land	₩ 467,301,907	₩ 49,318	₩(325,476)	₩ -	₩ -	₩ -	₩ 467,025,749
Buildings	98,499,592	611,816	(188,293)	931,059	(1,108,759)	-	98,745,415
Structures	161,205,467	25,992	-	-	(2,634,127)	-	158,597,332
Machinery	1,079,693,547	930,257	-	7,451,630	(16,950,990)	-	1,071,124,444
Vehicles	4,449,773	501,298	(195,061)	34,763	(476,804)	-	4,313,969
Tools and equipment	18,352,826	674,752	(240)	208,222	(2,000,109)	(134,293)	17,101,158
Pipelines	906,140,248	2,904,535	(78,191)	8,879,447	(19,226,118)	-	898,619,921
Other	474,922	22,187	-	(73,942)	(22,410)	948	401,705
Construction- in-progress	341,596,190	76,725,645	-	(14,194,438)	-	-	404,127,397
	<u>₩3,077,714,472</u>	<u>₩ 82,445,800</u>	<u>₩(787,261)</u>	<u>₩ 3,236,741</u>	<u>₩(42,419,317)</u>	<u>₩ (133,345)</u>	<u>₩3,120,057,090</u>

Changes in intangible assets for the three-month periods ended March 31, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015						
	Beginning balance	Acquisitions	Disposals	Reclassification	Amortization	Net currency transaction differences	Ending balance
Development costs	₩ 334,486	₩ -	₩ -	₩ -	₩ (37,732)	₩ -	₩ 296,754
Goodwill	42,801,147	-	-	-	-	-	42,801,147
Exploration and evaluation assets	358,546,902	110,058,713	-	-	-	2,366,037	470,971,652
Industrial property rights	92,286	9,003	-	-	(5,721)	-	95,568
Memberships	16,395,780	1,206,155	(376,851)	-	-	-	17,225,084
Other	19,297,407	154,356	-	4,044,083	(1,937,687)	-	21,558,159
	<u>₩437,468,008</u>	<u>₩111,428,227</u>	<u>₩(376,851)</u>	<u>₩4,044,083</u>	<u>₩(1,981,140)</u>	<u>₩ 2,366,037</u>	<u>₩552,948,364</u>

(in thousands of Korean won)	2014						
	Beginning balance	Acquisitions	Disposals	Reclassification	Amortization	Net currency transaction differences	Ending balance
Development costs	₩ 474,175	₩ -	₩ -	₩ -	₩ (47,497)	₩ -	₩ 426,678
Goodwill	109,825,831	-	-	-	-	-	109,825,831
Exploration and evaluation assets	18,924,330	3,459,002	-	-	-	241,411	22,624,743
Industrial property rights	86,373	6,850	-	-	(5,300)	-	87,923
Memberships	21,104,642	1,530,355	(1,619,248)	-	-	-	21,015,749
Other	30,487,736	67,592	-	834,790	(1,887,076)	-	29,503,042
	<u>₩180,903,087</u>	<u>₩5,063,799</u>	<u>₩(1,619,248)</u>	<u>₩ 834,790</u>	<u>₩(1,939,873)</u>	<u>₩ 241,411</u>	<u>₩183,483,966</u>

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8. Investments in Joint Venture and Associates

Details of investments in joint venture and associates as of March 31, 2015 and December 31, 2014, are as follows:

(in thousands of Korean won)	Location	Ownership(%)	Year end	March 31, 2015			December 31, 2014		
				Acquisition cost	Net asset value	Book value	Acquisition cost	Net asset value	Book value
Joint venture									
Boryeong LNG Terminal Co.,Ltd	Korea	50.0	Dec. 31	₩100,000,000	₩ 69,967,504	₩ 98,703,920	₩100,000,000	₩ 70,382,245	₩ 99,118,661
Associates									
Kyungnam Renewable Energy Co., Ltd.	Korea	50.0	Dec. 31	3,714,353	467,736	467,736	3,714,353	466,526	466,276
Wuhan SK-Sino Natural Gas Group Ltd.	Hong Kong	49.0	Dec. 31	31,788,092	1,735,683	1,841,449	31,788,092	676,784	676,784
SK E&S - SINO HongKong Co., Ltd.	Hong Kong	49.0	Dec. 31	4,483,161	5,376,677	2,166,255	4,483,161	1,923,289	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	China	70.0	Dec. 31	1,786,026	1,218,665	-	1,786,026	1,218,665	-
China Gas Holdings Ltd. ¹	Hong Kong	15.5	Mar. 31	465,987,066	355,628,364	551,271,665	465,987,066	355,628,364	553,690,993
Global Opportunities Fund	Cayman Islands	20.7	Dec. 31	6,534,151	3,986,494	3,986,494	10,000,000	7,760,270	7,760,270
Angel Wind Energy Co., Ltd.	Korea	34.8	Dec. 31	6,416,657	4,379,054	5,468,766	6,416,657	5,090,111	6,179,823
Busan Green Energy Co., Ltd.	Korea	28.5	Dec. 31	14,312,700	14,312,700	14,312,700	-	-	-
				535,022,206	387,105,373	579,515,065	524,175,355	372,764,009	570,697,435
				₩635,022,206	₩457,072,877	₩678,218,985	₩624,175,355	₩443,146,254	₩669,816,096

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

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Changes in investments in joint venture and associates for the three-month periods ended March 31, 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 venture						
Boryeong LNG Terminal Co.,Ltd	₩ 99,118,661	₩ -	₩ -	₩ (414,741)	₩ -	₩ 98,703,920
Associates						
Kyongnam Renewable Energy Co., Ltd.	466,276	-	-	1,460	-	467,736
Wuhan SK-Sino Natural Gas Group Ltd.	676,784	-	-	1,046,570	118,095	1,841,449
SK E&S - SINO Hong Kong Co., Ltd.	1,923,289	-	-	351,279	(108,313)	2,166,255
China Gas Holdings Ltd.	553,690,993	-	(2,419,328)	-	-	551,271,665
Global Opportunities Fund	7,760,270	-	(3,465,848)	(307,928)	-	3,986,494
Angel Wind Energy Co., Ltd.	6,179,823	-	-	(711,057)	-	5,468,766
Busan Green Energy Co., Ltd.	-	14,312,700	-	-	-	14,312,700
	₩ 669,816,096	₩ 14,312,700	₩ (5,885,176)	₩ (34,417)	₩ 9,782	₩ 678,218,985
(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	₩ -	₩ -	₩ (444,701)	₩ -	₩ 98,951,711
Associates						
Kyongnam Renewable Energy Co., Ltd.	444,904	-	-	(2,108)	-	442,796
Wuhan SK-Sino Natural Gas Group Ltd.	5,584,616	-	-	484,332	(126,641)	5,942,307
SK E&S - SINO Hong Kong Co., Ltd.	1,902,304	-	-	176,236	(91,415)	1,987,125
Aisikai Huineng Qinzhou Natural Gas Ltd..	1,759,811	-	-	-	(14,280)	1,745,531
China Gas Holdings Ltd.	449,735,468	-	(2,231,592)	-	-	447,503,876
Global Opportunities Fund	7,736,048	-	-	67,786	-	7,803,834
	₩ 566,559,563	₩ -	₩ (2,231,592)	₩ 281,545	₩ (232,336)	₩ 564,377,180

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9. Borrowings

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

<i>(in thousands of Korean won)</i>	March 31, 2015	December 31, 2014
Non-current		
Bank borrowings	₩ 538,111,647	₩ 400,868,049
Debentures	1,535,219,585	1,186,456,879
	<u>2,073,331,232</u>	<u>1,587,324,928</u>
Current		
Bank borrowings	21,088,803	371,705,350
Debentures	189,949,328	189,891,931
	<u>211,038,131</u>	<u>561,597,281</u>
	<u>₩ 2,284,369,363</u>	<u>₩ 2,148,922,209</u>

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

		March 31, 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	₩ 26,835,340	₩ -
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00	28,250,250	424,000
Loans for a safety management business	Hana Bank and others	1.75	5,216,350	1,625,150
Loans for energy rationalization	Shinhan Bank and others	1.75-3.00	10,608,100	318,700
PF borrowings	Korea Development Bank and others	3.82-7.40	318,171,795	-
General borrowings	Korea Development Bank and others	1.10-2.94	149,029,812	18,720,953
			<u>₩538,111,647</u>	<u>₩ 21,088,803</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	54,960,000	369,400,000
			<u>₩400,868,049</u>	<u>₩371,705,350</u>

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

(in thousands of Korean won)	Bonds	March 31, 2015			Non-current	Current
		Issuance date	Maturity date	Interest rate(%)		
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	-
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	-
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	-
					1,540,000,000	190,000,000
Less: Discount on bonds					(4,780,415)	(50,672)
					₩ 1,535,219,585	₩ 189,949,328
(in thousands of Korean won)	Bonds	December 31, 2014			Non-current	Current
		Issuance date	Maturity date	Interest rate(%)		
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 March 31, 2015 and December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	March 31, 2015	December 31, 2014
Present value of defined benefit obligations	₩ 110,682,505	₩ 102,225,622
Fair value of plan assets	(94,574,487)	(93,064,568)
Net defined benefit liabilities	<u>₩ 16,108,018</u>	<u>₩ 9,161,054</u>

Changes in the present values of defined benefit obligations for the three-month periods ended March 31, 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	3,147,711	2,877,053
Interest costs	684,527	890,282
Remeasurements	2,215,483	4,522,848
Benefits paid	(2,618,591)	(2,974,635)
Others	5,027,753	1,703,482
Ending balance	<u>₩ 110,682,505</u>	<u>₩ 95,127,860</u>

Changes in the fair value of plan assets for the the three-month periods ended March 31, 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	710,141	789,690
Remeasurements	(811,238)	(313,213)
Benefits paid	(2,397,972)	(802,267)
Others	4,008,988	393,355
Ending balance	<u>₩ 94,574,487</u>	<u>₩ 80,525,900</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 24.7%. The estimated tax rate for the period ended March 31, 2014, was 26.3%.

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 was paid in 2014 in respect of 2013.

13. Contingencies and Commitments

Details of commitments on borrowings as of March 31, 2015, are as follows:

<i>(in thousands of Korean won, US dollars)</i>	Financial institution	Details	Amount of Limit
SK E&S Co., Ltd.	Hana Bank	Line of Credit	₩ 30,000,000
	Kookmin Bank and others	Line of Credit	52,000,000
	Korea Exchange Bank and others	Line of Credit	464,000,000
	SMBC	Line of Credit	USD 25,000
	Kookmin Bank	Line of Credit	USD 20,000
	Citibank Korea	Line of Credit	USD 30,000
	DBS Bank	Line of Credit	USD 50,000
Kangwon City Gas Co. Ltd.	National Agricultural Cooperative Federation 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	10,000,000
Pusan City Gas Co. Ltd.	Kookmin Bank and others	Line of Credit	15,000,000
Yeongnam Energy Eervice Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts	21,000,000
	Kookmin Bank and others	Line of Credit	50,000,000
Chungcheong Energy Eervice Co. Ltd.	Kookmin Bank and others	Line of Credit	40,000,000
	Citibank Korea and others	Bank overdrafts	31,000,000
Chonnam City Gas Co., Ltd.	Hana Bank	Line of Credit	5,000,000
	National Agricultural Cooperative Federation	Bank overdrafts	15,000,000
Jeonbuk Energy Service Co. Ltd.	National Agricultural Cooperative Federation	Bank overdrafts	10,000,000
	Kookmin Bank	Line of Credit	10,000,000
SK LNG Trading Pte., Ltd.	Citibank Singapore	Letter of Credit	USD 65,000
	SMBC	Letter of Credit	USD 60,000
Hanam Energy Service Co., Ltd	Woori Bank and others	PF contract	₩ 616,400,000
SK E&S Australia Pty Ltd.	The Royal Bank of Scotland	Line of Credit	USD 50,000
	DBS Bank	Line of Credit	USD 90,000

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Details of payment guarantees provided by and to the Group as of March 31, 2015, are as follows:

<i>(in thousands of Korean won, Chinese yuan)</i>	Provided by	Beneficiary	Guaranteed by	Details	Amounts	
Payment guarantees	SK E&S Co., Ltd.	Hwangangsaerak Natural Gas Ltd.	Industrial & Commercial Bank of China	Repayment of principle 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	1,375,128
		Ko-one Energy Service Co., Ltd.	-	Performance guarantee		210,000
		Chungcheong Energy Service Co., Ltd.	-	Maintenance performance guarantee		423,563
		Pusan City Gas Co., Ltd.	-	Management and operation of group energy facilities and others		1,305,000
		Chonnam City Gas Co., Ltd.	-	Maintenance performance guarantee		1,775,059
		Jeonbuk Energy Service Co., Ltd.	-	Maintenance performance guarantee		208,819
		PMP Co., Ltd	-	License guarantee		1,099,600
	Hana Bank	SK E&S Co., Ltd.	Korea customs service	Custom		10,000,000
Fund raising contract	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd	Holders of public offering bonds	Repayment of principle 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 March 31, 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
Jang Sangyeol	PMP Co., Ltd.	Compensation for damages	150,400
Inheritor 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 March 31, 2015.

The Company accounts for ₩17,646,887 thousand as withholdings which Wuhan SK-Sino Natural Gas Ltd., an associate of SK E&S HONGKONG Co., Ltd., a subsidiary, received from the Chinese judicial authorities through a lawsuit against the controlling shareholders of Wuhan SK-Sino Natural Gas Ltd.

Blank notes and checks provided by the Group as collateral as of March 31, 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 March 31, 2015, are as follows:

	Provided by	Guarantees	Book Value	Details
Joint Venture	SK E&S Co., Ltd.	PF syndicate including Woori Bank	₩ 98,703,920	PF borrowings
Investment Property	Pusan City Gas Co., Ltd	Megamart Co., Ltd. and others	70,653,191	Lease agreements
Cash and Cash Equivalent	Hanam Energy Service Co., Ltd.	Woori Bank	4,935,868	PF borrowings
Property, Plant and Equipment	Chonnam City Gas Co., Ltd	Kwangju Bank and others	4,459,335	Lease agreements
Property, Plant and Equipment	Jeonbuk Energy Service Co., Ltd.	Korea Gas Corporation	1,649,820	Natural gas supply agreement
Property, Plant and Equipment	Kangwon City Gas Co., Ltd.	Korea Development Bank	4,700,974	Pipeline borrowings

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Details of major contracts and agreements concluded by the Group as of March 31, 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
Gwangyang power plant operation management agreement	SK E&S Co., Ltd.	GE International Inc.	2004.06~2015.04
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 concluded by and to the Group as of March 31, 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	41,380,000
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	2012.10~2016.06	14,698,100
Jangmun Natural gas power station field preparation contract	PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	2014.06~2015.05	25,000,000
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

Details of major asset acquisition contracts concluded by the Group as of March 31, 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 254,382
Woodford Shale Gas field, Oklahoma, USA	DewBlaine Energy, LLC	Continental Resources, Inc	49.9	360,000	106,987

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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14. Related Party Transactions

As of March 31, 2015, the ultimate parent company is SK Holdings Co., Ltd.

Sales and purchases with related parties for the three-month periods ended March 31, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015		2014	
	Sales and others	Purchase and others	Sales and others	Purchase and others
Parent company				
SK Holdings Co., Ltd.	₩ -	₩ 1,686,714	₩ -	₩ 1,769,445
Joint venture				
Boryeong LNG Terminal Co., Ltd.	406,181	-	322,157	-
Associate				
Gyeongnam Renewable Energy Co., Ltd.	-	-	750	-
Other related parties				
SK C&C Company Limited	42,543	5,917,908	44,483	4,862,176
SK Innovation Co., Ltd.	4,531,062	1,733,539	6,055,617	1,711,158
SK Networks Company Limited	77,163	1,027,926	110,559	14,041,143
SK Engineering & Construction Co., Ltd.	472,868	222,376,687	237,129	23,700,800
SK hynix Inc.	11,962,820	-	12,411,984	-
SKC LTD.	2,507,294	-	2,476,442	-
M&Service Co., Ltd.	-	1,568,085	-	1,264,591
SK Energy Co. Ltd.	14,266,703	-	15,065,154	7,130
SK Telecom Co.,Ltd. and other 18 companies	1,590,667	1,892,980	1,184,600	2,226,214
	<u>₩ 35,857,301</u>	<u>₩ 236,203,839</u>	<u>₩ 37,908,875</u>	<u>₩ 49,582,657</u>

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

(in thousands of Korean won)	March 31, 2015		December 31, 2014	
	Receivables	Payables	Receivables	Payables
Joint venture				
Boryeong LNG Terminal Co., Ltd.	₩ -	₩ -	₩ 176,130	₩ -
Other related parties				
SK C&C Company Limited	-	3,335,294	72,468	5,540,103
SK Innovation Co., Ltd.	452,861	29,873	1,167,392	192,292
SK Networks Company Limited	161,215	1,004,859	183,732	12,898,481
SK Engineering & Construction Co., Ltd.	534	51,419,409	107,099	71,784,651
M&Service Co., Ltd.	-	597,898	-	640,786
SK hynix Inc.	-	-	4,538,909	-
SKC LTD.	1,905	-	844,283	-
SK Energy Co. Ltd.	-	1,970	5,445,747	-
SK Telecom Co.,Ltd. and other 8 companies	14,907	635,339	340,314	656,865
	<u>₩ 631,422</u>	<u>₩ 57,024,642</u>	<u>₩ 12,876,074</u>	<u>₩ 91,713,178</u>

Compensation for key management of the Controlling Company for the three-month periods ended March 31, 2015 and 2014, consists of:

(in thousands of Korean won)	2015		2014	
Salaries	₩	1,828,481	₩	1,485,498
Severance benefits		<u>235,968</u>		<u>838,190</u>
Total	₩	<u>2,064,449</u>	₩	<u>2,323,688</u>

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

As of March 31, 2015, the Company provides fund raising contract, payment guarantees, loan agreements and performance guarantees for subsidiaries, joint venture and associates (Note 13).

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15. 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 periods ended March 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
Revenue	₩ -	₩ 265,646,341
Expense	-	247,544,173
Profit before tax of discontinued operations	-	18,102,168
Tax expense	-	4,466,539
Profit after tax of discontinued operations	-	13,635,629
Gains before tax on disposal of assets and liabilities held-for-sale	116,332,067	-
Tax expense	23,581,261	-
Gains after tax on disposal of assets and liabilities held-for-sale	92,750,806	-
Profit for the period from discontinued operations	<u>₩ 92,750,806</u>	<u>₩ 13,635,629</u>

Cash flows from discontinued operations three-month periods ended March 31, 2015 and 2014, are as follows:

<i>(in thousands of Korean won)</i>	2015	2014
Cash flows from operating activities	₩ -	₩ 22,850,369
Cash flows from investing activities	495,082,000	(151,573)
Cash flows from financing activities	-	(24,165,628)
Net cash flows	<u>₩ 495,082,000</u>	<u>₩ (1,466,832)</u>