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On January 13, 2015, SK E&S Co., Ltd. (the "Company") closed the sale of its shares in the Pyeongtaek Energy Services Co., Ltd., Kimcheon Energy Service Co., Ltd. and Jeonbuk Mass Energy Co., Ltd. ("Sale"). Please refer to the below summary for further details pertaining to the Sale.

Deal Summary

1. Closing date: 1/13/2015
2. Total net assets sold: KRW359billion
 - Assets: KRW1,145billion
 - Liabilities: KRW786billion
 - Borrowings: KRW628billion
3. Proceeds received: KRW495billion
4. Impact on financial statements
 - Impact of the Sale is recognized and reflected in the Company's 1Q 2015 financial statements.
 - Income from the Sale is recognized under "Discontinued Operations" in the Company's FY2014 Income Statement.

Tae Go Koo

Vice President

Head of Corporate Finance Unit

SK E&S Co., Ltd. and Subsidiaries

**Consolidated Financial Statements
December 31, 2014 and 2013**

SK E&S Co., Ltd. and Subsidiaries
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December 31, 2014 and 2013

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

We have audited the accompanying consolidated financial statements of SK E&S Co., Ltd. and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, expressed in Korean won.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SK E&S Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matter

The consolidated financial statements of the Group as of and for the year ended December 31, 2013 were audited in accordance with the previous Korean Standards on Auditing.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit 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 the Korean auditing standards and their application in practice.

A handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea

March 11, 2015

This report is effective as of March 11, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit 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
Consolidated Statements of Financial Position
December 31, 2014 and 2013

<i>(in thousands of Korean won)</i>	Notes	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	7,32	₩ 2,863,719,220	₩ 3,077,714,472
Investment property	8	96,612,496	96,692,992
Intangible assets	9,32	437,468,009	180,903,087
Investments in joint ventures and associates	10,32	669,816,096	566,559,563
Deferred tax assets	28	16,840,056	35,876,817
Available-for-sale financial assets	4,5,6,11	67,895,960	85,847,753
Other financial assets	4,5,12,32	42,417,121	12,240,325
Other assets	13	10,435,314	23,478,521
		<u>4,205,204,272</u>	<u>4,079,313,530</u>
Assets Held-for-sale	36	<u>1,145,198,563</u>	<u>-</u>
Current assets			
Inventories	14	14,781,425	21,077,808
Trade receivables	5,15,34	913,968,854	921,302,996
Held-to-maturity investments	5	-	1,320
Other financial assets	5,12,32	27,913,449	28,645,436
Other assets	13	53,775,943	36,835,715
Short-term financial instruments	5,16	-	322,947
Cash and cash equivalents	4,5,16	621,113,039	835,279,936
		<u>1,631,552,710</u>	<u>1,843,466,158</u>
Total assets		<u>₩ 6,981,955,545</u>	<u>₩ 5,922,779,688</u>
Liabilities			
Non-current liabilities			
Borrowings	4,5,6,17	₩ 1,587,324,928	₩ 1,943,515,307
Other financial liabilities	4,5,18	4,609,025	4,520,827
Deferred tax liabilities	28	72,926,015	66,272,901
Net defined benefit liabilities	19	9,161,054	7,650,495
Unearned revenue		200,388,576	149,123,131
Other liabilities	20	1,413,834	1,357,762
		<u>1,875,823,432</u>	<u>2,172,440,423</u>
Liabilities Held-for-sale	36	<u>785,745,442</u>	<u>-</u>
Current liabilities			
Trade payables	4,5,32,34	1,081,605,525	1,203,459,227
Other financial liabilities	4,5,18,32,34	212,511,519	171,456,107
Other liabilities	4,20	30,150,636	35,802,248
Current income tax liabilities	28	62,724,817	48,598,533
Borrowings	4,5,6,17	561,597,282	183,496,680
		<u>1,948,589,779</u>	<u>1,642,812,795</u>
Total liabilities		<u>4,610,158,653</u>	<u>3,815,253,218</u>
Equity attributable to owners of the Parent			
Capital stock	1,21	221,058,960	221,058,960
Paid-in capital in excess of par value	21	420,107,124	420,107,124
Retained earnings	22	935,270,213	999,251,630
Other components of equity	23	615,549,052	296,947,161
		<u>2,191,985,349</u>	<u>1,937,364,875</u>
Non-controlling interest	33	<u>179,811,543</u>	<u>170,161,595</u>
Total equity		<u>2,371,796,892</u>	<u>2,107,526,470</u>
Total liabilities and equity		<u>₩ 6,981,955,545</u>	<u>₩ 5,922,779,688</u>

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2014 and 2013

<i>(in thousands of Korean won, except per share amounts)</i>	Notes	2014	2013
Continuing operations			
Revenue	32,34,35	₩ 5,638,516,430	₩ 5,703,310,715
Cost of sales	14,26,34	<u>4,719,996,107</u>	<u>4,752,113,494</u>
Gross profit		918,520,323	951,197,221
Selling and administrative expenses	24,26,34	<u>448,595,426</u>	<u>421,789,843</u>
Operating profit		469,924,897	529,407,378
Other income	5,25	76,489,611	92,773,487
Other expenses	5,25	31,878,337	15,576,077
Share of profit of associates	10	48,434,598	100,219,230
Finance income	5,27	15,824,088	25,231,530
Finance expenses	5,27	<u>49,423,789</u>	<u>45,855,354</u>
Profit before income tax		529,371,068	686,200,194
Income tax expense	28	<u>138,667,279</u>	<u>140,554,634</u>
Profit for the year from continuing operations		390,703,789	545,645,560
Discontinued operations			
Profit for the year from discontinued operations	36	<u>14,287,509</u>	<u>63,705,116</u>
Profit for the year		<u>₩ 404,991,298</u>	<u>₩ 609,350,676</u>
Profit attributable to:			
Owners of the Parent			
Profit for the year from continuing operations		₩ 379,860,767	₩ 525,506,746
Profit for the year from discontinued operations		11,414,208	61,101,631
Non-controlling interests			
Profit for the year from continuing operations		10,843,022	20,138,814
Profit for the year from discontinued operations		2,873,302	2,603,485
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year			
Basic and diluted earnings per share			
From continuing operations	29	₩ 9,096	₩ 12,583
From discontinued operations	29	273	1,463

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

<i>(in thousands of Korean won)</i>	Notes	2014	2013
Profit for the year		<u>₩ 404,991,298</u>	<u>₩ 609,350,676</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liabilities	19	(6,912,179)	2,067,702
Items that will be reclassified subsequently to profit or loss:			
Change in value of available-for-sale financial assets	11	(397,804)	(299,310)
Share of other comprehensive income of associates	10	(14,549,196)	(10,319,053)
Gain(loss) on currency translation of foreign operations		9,823,119	(696,634)
Total comprehensive income for the year		<u>₩ 392,955,238</u>	<u>₩ 600,103,381</u>
Attributable to:			
Owners of the Parent Company		₩ 379,908,389	₩ 577,531,686
Non-controlling interest		<u>13,046,849</u>	<u>22,571,695</u>
Total comprehensive income for the year		<u>₩ 392,955,238</u>	<u>₩ 600,103,381</u>

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014 and 2013

(in thousands of Korean won)

	Attributable to owners of the Parent Company						
	Capital Stock	Paid-in capital in Excess of par Value	Retained Earnings	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2013	₩ 221,058,960	₩ 420,107,124	₩ 793,254,725	₩ 433,526,600	₩ 1,867,947,409	₩ 253,265,160	₩ 2,121,212,569
Comprehensive income							
Profit for the year	-	-	586,608,377	-	586,608,377	22,742,299	609,350,676
Remeasurements of the net defined benefit liability	-	-	1,998,121	-	1,998,121	69,581	2,067,702
Change in value of available-for-sale financial assets	-	-	-	(299,310)	(299,310)	-	(299,310)
Share of other comprehensive income of associates	-	-	-	(9,913,436)	(9,913,436)	(405,617)	(10,319,053)
Gain(loss) on currency translation of foreign operations	-	-	-	(862,066)	(862,066)	165,431	(696,635)
Total comprehensive income for the year	-	-	588,606,498	(11,074,812)	577,531,686	22,571,694	600,103,380
Transactions with owners of the Company							
Cash dividends	-	-	(513,001,841)	-	(513,001,841)	(5,632,203)	(518,634,044)
Reclassification of other components of equity	-	-	130,000,000	(130,000,000)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	13,438,812	13,438,812
Acquisition of non-controlling interests	-	-	(12,793)	5,275,167	5,262,374	(113,002,815)	(107,740,441)
Others	-	-	405,041	(779,794)	(374,753)	(479,053)	(853,806)
Total transactions with owners of the Company	-	-	(382,609,593)	(125,504,627)	(508,114,220)	(105,675,259)	(613,789,479)
Balance at December 31, 2012	₩ 221,058,960	₩ 420,107,124	₩ 999,251,630	₩ 296,947,161	₩ 1,937,364,875	₩ 170,161,595	₩ 2,107,526,470
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 year	-	-	391,274,974	-	391,274,974	13,716,324	404,991,298
Remeasurements of the net defined benefit liability	-	-	(6,584,604)	-	(6,584,604)	(327,575)	(6,912,179)
Change in value of available-for-sale financial assets	-	-	-	(397,804)	(397,804)	-	(397,804)
Share of other comprehensive income of associates	-	-	-	(14,352,103)	(14,352,103)	(197,093)	(14,549,196)
Gain(loss) on currency translation of foreign operations	-	-	-	9,967,926	9,967,926	(144,807)	9,823,119
Total comprehensive income for the year	-	-	384,690,370	(4,781,981)	379,908,389	13,046,849	392,955,238
Transactions with owners of the Company							
Cash dividends	-	-	(449,022,777)	-	(449,022,777)	(2,604,597)	(451,627,374)
Acquisition of non-controlling interests	-	-	-	(76,441)	(76,441)	(128,759)	(205,200)
Issuance of the hybrid bond	-	-	-	325,289,418	325,289,418	-	325,289,418
Others	-	-	350,990	(1,829,106)	(1,478,116)	(663,545)	(2,141,661)
Total transactions with owners of the Company	-	-	(448,671,787)	323,383,871	(125,287,916)	(3,396,901)	(128,684,817)
Balance at December 31, 2014	₩ 221,058,960	₩ 420,107,124	₩ 935,270,213	₩ 615,549,051	₩ 2,191,985,348	₩ 179,811,543	₩ 2,371,796,891

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

SK E&S Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

(in thousands of Korean won)

	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations			
Profit for the year		₩ 404,991,298	₩ 609,350,676
Adjustments to reconcile net income			
to net cash provided by operating activities	31	401,664,108	239,950,481
Changes in operating assets and liabilities	31	(155,284,921)	(36,941,421)
		651,370,485	812,359,736
Interest received		15,017,551	26,518,369
Interest paid		(105,749,993)	(82,310,050)
Dividends received		13,551,274	10,307,950
Income tax paid		(116,047,692)	(252,548,508)
Net cash generated from operating activities		458,141,625	514,327,497
Cash flows from investing activities			
Disposal of property, plant and equipment	7	30,536,004	1,278,209
Disposal of intangible assets	9	2,045,336	1,268,372
Disposal of available-for-sale financial assets	11	7,040,011	5,322,016
Disposal of held-to-maturity investments		1,320	13,140
Decrease in other financial assets		5,845,840	3,055,905
Disposal of short-term financial instruments		-	17,132,123
Disposal of investments in joint ventures and associates	10	-	20,843,013
Increase in net cash from business combination		-	766,357
Purchases of property, plant and equipment	7	(804,498,665)	(569,364,407)
Purchases of intangible assets	9	(329,244,377)	(16,594,713)
Purchases of available-for-sale financial assets	11	(1,122,608)	(5,466,488)
Purchases of investments in joint ventures and associates	10	(86,062,965)	(100,616,353)
Increase in other financial assets		(15,624,965)	(2,831,816)
Acquisition of short-term financial instruments		-	-
Increase in other assets		-	(11,704,685)
Others		75,493,249	58,436,481
Net cash used in investing activities		(1,115,591,820)	(598,462,846)
Cash flows from financing activities			
Proceeds from borrowings		1,691,147,559	1,133,574,299
Repayments of borrowings		(1,061,525,934)	(647,925,526)
Issuance of the hybrid bond		325,289,418	-
Cash inflow from stock issuance by subsidiary		-	6,670,000
Cash dividends		(451,627,374)	(518,634,044)
Acquisition of non-controlling interest	33	(205,200)	(114,410,442)
Others		(4,856,982)	(486,889)
Net cash provided by(used in) financing activities		498,221,487	(141,212,602)
Changes in cash and cash equivalents from currency translation		(100,714)	(266,817)
Net increase(decrease) in cash and cash equivalents		(159,329,422)	(225,614,768)
Cash and cash equivalents at the beginning of year		835,279,936	1,060,894,705
Cash and cash equivalents at the end of year		675,950,514	835,279,937
Cash and cash equivalents of disposal group classified as held for sale	36	(54,837,478)	-
Cash and cash equivalents at the end of the year on the consolidated statement of financial position		₩ 621,113,036	₩ 835,279,937

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

SK E&S Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

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.

As of December 31, 2014, the Company's capital stock amounts to ₩221,058,960 thousand.

The Company's shareholders and their respective percentage of ownership as of December 31, 2014, 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
	41,761,791	100.0

SK E&S Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

1.1 Subsidiaries

The Company's consolidated subsidiaries as of December 31, 2014, are as follows:

	Industry	Location	Year end	Percentage of ownership (%)
Kangwon City Gas Co., Ltd.	City gas	Korea	December	100.0
Yeongnam Energy Service Co., Ltd.	City gas	Korea	December	100.0
Ko-one Energy Service Co., Ltd.	City gas	Korea	December	100.0
Pusan City Gas Co., Ltd.	City gas	Korea	December	67.3
Jeonbuk Energy Service Co., Ltd. ^{1,3}	City gas	Korea	December	100.0
Chonnam City Gas Co., Ltd.	City gas	Korea	December	100.0
Chungcheong Energy Service Co., Ltd.	City gas	Korea	December	100.0
Pyeongtaek Energy Service Co., Ltd. ^{2,3}	Power generation	Korea	December	100.0
PMP Co., Ltd.	Power generation	Korea	December	100.0
Wirye Energy Service Co., Ltd.	Mass energy	Korea	December	89.5
Hanam Energy Service Co., Ltd. ⁴	Mass energy	Korea	December	100.0
Gimcheon Energy Service Co., Ltd.	Mass energy	Korea	December	80.0
Jeonbuk Mass Energy Co., Ltd. ^{1,3}	Mass energy	Korea	December	100.0
SK E&S Hong Kong Co., Ltd. ⁵	City gas	Hong Kong	December	100.0
SK LNG Trading Pte., Ltd.	Wholesale LNG	Singapore	December	100.0
SK E&S Australia Pty Ltd.	Resource development	Australia	December	100.0
SK E&S Americas, Inc.	Resource development	USA	December	100.0
SK E&S LNG, LLC ⁶	Resource development	USA	December	100.0
DewBlaine Energy, LLC ⁶	Resource development	USA	December	100.0
PT SK E&S Nusantara ⁷	Resource development	Indonesia	December	100.0

¹ A segment of Jeonbuk Energy Service Co., Ltd. was spun off to establish Jeonbuk Mass Energy Co., Ltd.

² Excludes redeemable preferred share classified into borrowings when considering percentage of ownership.

³ Reclassified as discontinued operations because a disposal contract has been entered into on December 24, 2014.

⁴ Ko-one Energy Service Co., Ltd., a subsidiary, has 100% ownership.

⁵ Includes 50% ownership of Pusan City Gas Co., Ltd.

⁶ SK E&S Americas, Inc., a subsidiary, has 100% ownership.

⁷ Includes 1% ownership of SK LNG Trading Pte., Ltd.

SK E&S Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

1.2 Summary of Financial Information of Subsidiaries

Summary of financial information of the Company's subsidiaries as of and for the years ended December 31, 2014 and 2013, is as follows:

(in thousands of Korean won)

(in thousands of Korean won)		2014											
		Assets		Liabilities		Equity		Sales		Profit(loss)		Total Comprehensive Income(loss)	
Kangwon on City Gas Co., Ltd.	₩	94,187,892	₩	56,444,480	₩	37,743,412	₩	130,396,799	₩	3,277,182	₩	3,060,768	
Yeongnam Energy Service Co., Ltd.		449,564,014		261,710,779		187,853,235		936,633,814		24,789,194		23,602,608	
Ko-one Energy Service Co., Ltd.		1,116,100,394		534,824,502		581,275,892		1,524,977,699		18,920,411		17,145,573	
Pusan City Gas Co., Ltd.		752,702,856		293,081,558		459,621,298		1,277,764,155		35,061,619		33,056,398	
Jeonbuk Energy Service Co., Ltd.		88,120,689		63,286,520		24,834,169		169,157,217		5,089,538		5,357,089	
Chonnam City Gas Co., Ltd.		101,281,636		64,887,919		36,393,717		203,455,349		6,562,295		6,116,035	
Chungcheong Energy Service Co., Ltd.		297,726,657		189,317,217		108,409,440		600,869,011		18,327,167		17,925,575	
Pyeongtaek Energy Service Co., Ltd.		753,626,128		580,386,490		173,239,638		801,085,792		22,154,887		22,162,401	
PMP Co., Ltd.		458,656,419		60,247,407		398,409,012		-		368,435		368,435	
Wirye Energy Service Co., Ltd.		371,168,603		266,457,973		104,710,630		1,639,935		(3,040,624)		(3,057,027)	
Hanam Energy Service Co., Ltd.		453,250,933		386,821,498		66,429,435		739,419		(1,717,247)		(1,717,247)	
Kimcheon Energy Service Co., Ltd.		266,814,148		172,369,947		94,444,201		109,004,078		14,366,508		14,277,583	
Jeonbuk Mass Energy Co., Ltd.		62,268,746		18,273,372		43,995,374		3,929,575		5,641,520		5,577,065	
SK E&S Hong Kong Co., Ltd.		21,455,222		17,637,407		3,817,815		-		(6,467,484)		(7,511,427)	
SK LNG Trading Pte., Ltd.		2,055,450		235,363		1,820,087		83,475,889		173,584		300,627	
SK E&S Australia Pty Ltd.		192,715,939		55,080,814		137,635,125		-		(410,484)		3,638,040	
SK E&S Americas, Inc.		185,304,763		355,433		184,949,330		-		(2,772,009)		(1,320,066)	
SK E&S LNG, LLC		16,597,242		110		16,597,132		-		(383,009)		333,502	
DewBlaine Energy, LLC		166,860,025		765,978		166,094,047		-		(3,489)		4,165,402	
PT SK E&S Nusantara		378,634		3,077		375,557		-		(807,569)		(611,100)	

(in thousands of Korean won)

(in thousands of Korean won)		2013											
		Assets		Liabilities		Equity		Sales		Profit(loss)		Total Comprehensive Income(loss)	
Kangwon City Gas Co., Ltd.	₩	94,022,122	₩	56,501,344	₩	37,520,778	₩	127,599,510	₩	3,784,179	₩	3,943,989	
Yeongnam Energy Service Co., Ltd.		441,241,056		255,523,182		185,717,874		933,694,695		28,629,113		28,918,545	
Ko-one Energy Service Co., Ltd.		1,072,306,069		508,340,584		563,965,485		1,583,943,550		10,689,863		10,967,883	
Pusan City Gas Co., Ltd.		792,641,095		356,075,196		436,565,899		1,209,941,069		36,805,653		36,176,669	
Jeonbuk Energy Service Co., Ltd.		135,744,870		70,497,404		65,247,466		163,847,814		9,770,019		10,288,427	
Chonnam City Gas Co., Ltd.		95,968,062		61,551,617		34,416,445		181,966,538		5,518,350		5,573,853	
Chungcheong Energy Service Co., Ltd.		296,411,713		191,843,750		104,567,963		589,111,774		18,778,797		19,141,568	
Pyeongtaek Energy Service Co., Ltd.		815,855,888		664,778,651		151,077,237		539,404,962		44,506,776		44,478,674	
PMP Co., Ltd.		17,318,410		13,987		17,304,423	-			(47,402)		(47,402)	
Wirye Energy Service Co., Ltd.		114,618,248		6,917,790		107,700,458		217,840		(1,355,183)		(1,357,608)	
Hanam Energy Service Co., Ltd.		261,222,991		193,076,309		68,146,682	-			(1,436,134)		(1,436,134)	
Kimcheon Energy Service Co., Ltd.		259,273,193		179,106,575		80,166,618		49,189,129		12,817,011		12,972,560	
SK E&S Hong Kong Co., Ltd.		27,603,719		16,274,477		11,329,242	-			1,092,324		1,327,638	
SK LNG Trading Pte., Ltd.		1,764,490		203,232		1,561,258		107,118,753		265,179		236,030	
SK E&S Australia Pty Ltd.		19,011,060	-			19,011,060	-			(54,274)		(938,038)	
SK E&S Americas, Inc.		16,347,090	-			16,347,090	-		-			(2,030)	
SK E&S LNG, LLC		15,935,030	-			15,935,030	-		-			(306,530)	
PT SK E&S Nusantara		1,253,696	-			1,253,696	-		-			(5,465)	

1.3 Changes in the Scope of Consolidation

Subsidiaries included in the consolidated financial statements for the year ended December 31, 2014, are as follows:

Subsidiaries	Reason
Jeonbuk Mass Energy Co., Ltd.	Newly established due to a spin-off of a segment of Jeonbuk Energy Service Co., Ltd.
DewBlaine Energy, LLC	Newly established

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2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(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, 2014:

- Enactment of Korean IFRS 2121, Levies

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation. The application of this interpretation does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1102, Share-based payment

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1032, Financial Instruments: Presentation

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. The application of this amendment does not have a material impact on the consolidated financial statements.

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- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. The application of this amendment does not have a material impact on the consolidated financial statements.

Other standards, amendments and interpretations, which are effective for the annual periods beginning on January 1, 2014, do not have a material impact on the consolidated financial statements of the Group.

(b) *New standards and interpretations 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, 2014, and not early adopted would not have a material impact on its consolidated financial statements.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by Korean IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(c) Joint arrangement

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Controlling Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at its cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

The Group measured certain land at fair value on the transition date January 1, 2010, and used the fair values as deemed cost.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	Estimated Useful Lives
Buildings	10 – 60 years
Structures	4 – 47 years
Pipelines	20 years

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Machinery	4 – 20 years
Vehicles	2 – 5 years
Other	3 - 10 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

2.6 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.7 Customers' Contribution to Construction Costs

According to the city gas supply agreement, applicants for city gas supply are charged part of the installation costs of gas supply if they use the gas supply facilities. Customers' contributions to construction costs received before January 1, 2010 (the transition date), are accounted for as contra-accounts to supply facilities and are offset against depreciation expense based on the remaining useful lives of the supply facilities, and those received after January 1, 2010 (the transition date), are accounted for as unearned revenue and recognized as revenue based on a systematic and reasonable method.

2.8 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Group will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.9 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After initial recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over 40 years as estimated useful lives.

The Group revalued certain land and buildings held as investment property at fair value on the transition date January 1, 2010, and used the fair values as deemed cost.

2.10 Intangible Assets

Goodwill is measured as explained in Note 2.3.(a) and carried at its cost less accumulated impairment losses.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Internally generated computer software costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic

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benefits.

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized.

Expenditures related to the overseas gas development for acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource are capitalized. Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives are as follows:

	Useful Lives
Industrial property rights	5 – 10 years
Computer Software	5 years
Other	3 – 15 years

2.11 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Financial Assets

(a) Classification and Measurement

The Group classifies its financial assets in the following categories: available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

At initial recognition, financial assets are measured at fair value plus transaction costs. After the initial recognition, available-for-sale financial assets are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when Group has a legally enforceable right to offset the recognized amounts and Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(c) Derecognition

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If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(d) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over a certain period; or the disappearance of an active market for that financial asset because of financial difficulties. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the asset is impaired.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method.

2.14 Financial Liabilities

(a) Classification and Measurement

The Group classifies non-derivative financial liabilities, except for financial guarantee contracts, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of income as 'finance expenses', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.15 Financial Guarantee Contract

Financial guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'other financial liabilities':

- the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or

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- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

2.16 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group files a consolidated tax return, and measures the income tax and amount to be paid by each consolidated company according to a systematic and reasonable method.

2.18 Employee Benefits

(a) Retirement benefit Obligation

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The

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remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Long-term employee benefits

Certain companies in the Group provide long-term employee benefits. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by independent actuaries.

2.19 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(A) Sales of goods

Sales of products and merchandise are recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer.

(B) Sales of services

Revenues from services are generally recognized on the basis of the actual service provided.

2.20 Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.21 Segment Reporting

For the purposes of allocating resources and assessing performance, the Group has determined the operating segments based on the internal reporting data periodically reviewed by chief operating decision maker.

2.22 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2014 consolidated financial statements of the Group was approved by the Board of Directors on February 11, 2015, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

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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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

(b) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that the Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions.

4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial assets subject to financial risk management include cash and cash equivalents, short-term investments, available-for-sale financial assets, trade receivables, other financial assets and others and financial liabilities include trade payables, borrowings, other financial liabilities and others.

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4.1 Market risk

(a) Foreign exchange risk

The Group procures LNG for generators from overseas and is exposed to foreign exchange risk from various currency exposures, primarily with respect to the US dollar. The purpose of the Group's foreign exchange risk management is to maximize the value of the company by minimizing uncertainty due to fluctuations in the exchange rate and profit and loss.

At December 31, 2014, if the currency had weakened or strengthened by 15% against the US dollar with all other variables held constant, post-tax profit for the year would have been ₩ 3,762,332 thousand (2013: ₩ 257,168 thousand) higher or lower due to the effect of gain or loss on currency translation of foreign assets and liabilities.

Details of the Controlling Company's assets and liabilities denominated in foreign currencies as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won, CNY, USD, COP, HKD, TRY)	2014				2013			
	Foreign Currency		Local Currency		Foreign Currency		Local Currency	
Assets								
Cash and cash equivalents	CNY	92,307	₩	16,359,622	CNY	89,481	₩	15,640,495
	USD	6,737		7,367,977	USD	14,326		15,118,519
	COP	7,400		3,404	COP	144,640		79,552
	-	-		-	-	-		-
	-	-		-	TRY	23		11,506
Other financial assets	-	-		-	USD	3,433		3,947,074
Liabilities								
Borrowings	USD	20,780	₩	22,758,187	USD	6,632	₩	7,167,728
Trade payables	USD	13,410		14,757,652	USD	13,611		14,419,163
Other liabilities	CNY	91,445		16,206,876	CNY	88,874		15,472,078
	CNY	38		6,799	CNY	341		59,435
	EUR	289		386,783	-	-		-
	JPY	4,788		44,057	-	-		-
	USD	2,307		2,535,672	USD	555		585,901
	GBP	73		124,883	GBP	78		135,375
	SGD	49		40,660	-	-		-
	-	-		-	CAD	27		26,778

Gain and loss on foreign currency translation are ₩ 484,059 thousand (2013: ₩ 575,528 thousand) and ₩ 477,563 thousand (2013: ₩ 410,037 thousand), respectively, for the year ended December 31, 2014 (Note 28).

(b) Price risk

The Group is exposed to equity securities price risk because of available-for-sale financial assets held by the Group for managing liquidity and operations. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

At December 31, 2014, if the price of the available-for-sale financial assets carried at fair value had

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increased or decreased by 10%, the Group's equity would have increased or decreased by ₩2,030,682 thousand (2013: ₩ 2,517,326 thousand).

(c) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Fixed rate borrowings expose the Group to fair value interest rate risk.

At December 31, 2014, if interest rates on Korean won-denominated borrowings had been 10 basis points higher or lower with all other variables held constant, post-tax profit for the year would have been ₩ 289,099 thousand (2013: ₩ 200,199 thousand) lower or higher.

4.2 Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by significant counterparties.

No significant impairment indicators or past due from trade receivables, loans and other receivables have been found during the reporting period, and the risk of nonperformance is low based on the management assessment as of reporting date. Credit risk is also related to the transactions with financial institutions. To reduce such risk, Group has limited business relationship with the financial institutions with higher credit rating.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

4.3 Liquidity Risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, and include interest payable.

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Details of the Group's maturity analysis as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

		2014					
	Book value	Contractual undiscounted cash flows	Less than 3 months	Between 3 months and 1 year	Between 1and 5 years	More than 5 years	
Trade payables	₩ 1,081,605,525	₩ 1,081,605,525	₩ 1,081,577,460	₩ 28,065	₩ -	₩ -	
Other financial liabilities	217,120,544	217,120,544	201,354,197	9,035,523	3,330,824	3,400,000	
Borrowings	2,148,922,209	2,534,344,135	287,066,677	338,482,694	1,135,308,723	773,486,041	
Financial guarantee contract	-	8,329,810	8,329,810	-	-	-	
Fund raising contract	-	200,000,000	200,000,000	-	-	-	
Fund lending contract	-	125,000,000	125,000,000	-	-	-	

(in thousands of Korean won)

		2013					
	Book value	Contractual undiscounted cash flows	Less than 3 months	Between 3 months and 1 year	Between 1and 5 years	More than 5 years	
Trade payables	₩ 1,203,459,227	₩ 1,203,459,227	₩ 1,203,459,227	₩ -	₩ -	₩ -	
Other financial liabilities	175,976,934	175,976,934	165,038,591	6,302,724	1,235,619	3,400,000	
Borrowings	2,127,011,987	2,598,621,819	20,318,537	245,227,948	1,630,466,485	702,608,849	
Financial guarantee contract	-	8,182,230	8,182,230	-	-	-	
Fund raising contract	-	16,000,000	16,000,000	-	-	-	

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4.4 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The debt-to-equity ratios as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014	2013
Total liabilities	4,610,158,653	3,815,253,218
Total equity	2,371,796,891	2,107,526,469
Debt-to-equity ratio	194.37%	181.03%

5. Financial Assets and Liabilities by Category

Categorizations of financial assets and liabilities as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014	2013
Loans and receivables	Cash and cash equivalents	₩ 621,113,039	₩ 835,279,936
	Short-term financial instruments	-	322,947
	Trade receivables	913,968,854	921,302,996
	Other financial assets	70,330,570	40,885,761
		₩ 1,605,412,463	₩ 1,797,791,640
Available-for-sale financial assets	Available-for-sale financial assets	₩ 67,895,960	₩ 85,847,753
Held-to-maturity investments	Held-to-maturity investments	-	1,320
Financial liabilities at amortized cost	Trade payables	1,081,605,525	1,203,459,227
	Other payables liabilities	217,120,544	175,976,934
	Borrowings	2,148,922,209	2,127,011,987
		₩ 3,447,648,278	₩ 3,506,448,148

Profit and loss of financial assets and liabilities by category for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014	2013
Financial Assets		
Loans and receivables		
Interest income	₩ 14,444,016	₩ 23,756,895
Gain(loss) on foreign currency transactions	350,382	145,546
Gain(loss) on foreign currency translation	(2,511)	108,397
Impairment loss	(3,113,004)	(5,987,725)
Available-for-sale financial assets		
Gain(loss) on valuation (Other comprehensive income(loss))	(397,805)	(299,310)
Gain(loss) on disposal	-	(1,145)
Impairment	(12,031,395)	-
Financial Liabilities		

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Financial liabilities at amortized cost

Interest expense	₩	39,310,474	₩	44,792,243
Gain(loss) on foreign currency transactions		(9,090,122)		100,487
Gain(loss) on foreign currency translation		9,007		57,094

6. Fair Value Estimation

Fair and book values of financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)	2014		2013	
	Book value	Fair value	Book value	Fair value
Financial liabilities				
Borrowings	₩ 2,148,922,210	₩ 2,252,226,314	₩ 2,127,011,987	₩ 2,216,159,583

The fair values of borrowings are based on cash flows discounted using a rate based on the borrowing rate of 2.5~2.7%(2013: 3.6~4.4%).

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

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).

The following table presents the Group's financial assets that are measured at fair value as of December 31, 2014 and 2013:

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

(in thousands of Korean won)	2013			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩ -	₩ -	₩ 33,210,111	₩ 33,210,111

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

(in thousands of Korean won)	Fair value	Valuation techniques
Daol Land Chip Private Real Estate No.33	₩ 10,153,100	Net Asset Value per Share
SK Mutual Funds	10,016,500	Net Asset Value per Share

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Plus Future Plan Private Securities Investment Trust No.5	1,000,000	Net Asset Value per Share
	₩	21,169,600

The following table presents the changes in Level 3 instruments for the years ended December 31, 2014 and 2013:

<i>(in thousands of Korean won)</i>		2014		2013
Beginning balance	₩	33,210,111	₩	38,491,170
Disposal		(7,040,011)		(5,280,009)
Gain(loss) recognized as other comprehensive income		(500)		(1,050)
Impairment loss		(5,000,000)		
Ending balance	₩	21,169,600	₩	33,210,111

The following table presents available-for-sale financial assets that are valued at historical cost as of December 31, 2014 and 2013:

(in thousands of Korean won)		2014		2013	
Available-for-sale financial assets	SK Technology Innovation Company	₩	2,808,023	₩	5,257,473
	Gemini Partners Pte., Ltd.		8,417,000		8,417,000
	Contemporary Painting Art Trust No.1		495,041		495,041
	KNOC Ferghana Ltd.		80		80
	T-stone Private Equity Fund No.2		-		4,581,946
	Fitech Global New Growth Investment Private Equity Fund		5,220,614		5,220,614
	Sejung21 Co., Ltd.		358,917		358,917
	Construction Guarantee Cooperative		73,106		73,106
	Plant & Mechanical contractors financial cooperative of Korea		40,862		40,862
	Chunnam Dragons Football Club		50,000		50,000
	Powertel TRS Co., Ltd.		1		1
	Prostar Energy Infra Fund		27,265,000		27,265,000
	Prostar Energy Resources Fund		1,921,556		812,138
	SK- KDB Global Investment Partnership Private Equity Fund		22,750		22,750
	Government bond		53,410		42,713
	₩	46,726,360	₩	52,637,641	

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.

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7. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and Equipment	Pipelines	Other	Construction-in-Progress	Total
Beginning net book value	₩467,301,907	₩ 98,499,592	₩ 161,205,468	₩ 1,079,693,547	₩ 4,449,773	₩ 18,352,826	₩ 906,140,247	₩ 474,924	₩ 341,596,190	₩ 3,077,714,474
Acquisitions	2,920,791	1,879,579	2,165,966	27,902,801	1,709,467	5,688,196	33,870,470	263,860	823,972,993	900,374,123
Disposals	(325,476)	(285,855)	(52,144)	(252,718)	(466,502)	(184,059)	(415,914)	(72,850)	(29,512,315)	(31,567,833)
Reclassification	148,013,337	826,351	565,500	33,875,415	34,763	137,582	104,240,058	-	(292,887,577)	(5,194,571)
Depreciation	-	(4,461,248)	(10,409,150)	(69,144,795)	(1,929,204)	(8,061,217)	(79,186,638)	(103,303)	-	(173,295,555)
Net currency transaction differences	-	-	-	-	-	18,695	-	(144)	-	18,551)
Non-current asset held for sale	(42,909,742)	(31,724,404)	(94,241,561)	(677,663,682)	(138,855)	(1,482,224)	(44,425,280)	-	(11,744,222)	(904,329,970)
Ending net book value	<u>₩575,000,817</u>	<u>₩ 64,734,015</u>	<u>₩ 59,234,079</u>	<u>₩ 394,410,568</u>	<u>₩ 3,659,442</u>	<u>₩ 14,469,799</u>	<u>₩ 920,222,943</u>	<u>₩ 562,487</u>	<u>₩ 831,425,069</u>	<u>₩ 2,863,719,219</u>
Acquisition cost	575,000,817	94,145,317	104,652,067	644,610,155	9,324,991	63,569,267	2,163,058,354	1,936,515	831,425,069	4,487,722,552
Accumulated depreciation	-	(29,411,302)	(45,417,988)	(250,199,587)	(5,665,549)	(49,099,468)	(1,118,101,634)	(1,374,028)	-	(1,499,269,556)
Customers' contribution to construction costs	-	-	-	-	-	-	(124,733,777)	-	-	(124,733,777)

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	Land	Buildings	Structures	Machinery	Vehicles	Tools and Equipment	Pipelines	Other	Construction-in-Progress	Total
Beginning net book value	₩ 342,141,032	₩ 66,525,116	₩ 98,970,080	₩ 404,712,182	₩ 3,703,395	₩ 21,134,481	₩ 824,351,976	₩ 578,903	₩ 617,820,244	₩ 2,379,937,409
Acquisitions	114,369,539	323,679	874,028	4,411,580	2,590,529	4,952,465	11,065,108	29,399	501,115,613	639,731,940
Disposals	(61,204)	(365,638)	(6,914)	(16,233)	(235,345)	(151,839)	(90,959)	(295)	(292,400)	(1,220,827)
Reclassification	248,914	21,152,121	11,045,595	587,112,126	166,416	855,605	143,052,114	-	(780,668,205)	(17,035,314)
Depreciation	-	(3,964,046)	(8,713,836)	(57,513,215)	(1,816,419)	(8,675,557)	(72,237,992)	(132,971)	-	(153,054,036)
Net currency transaction differences	-	-	-	-	-	-	-	(114)	-	(114)
Changes in scope of consolidation	10,603,626	14,828,360	59,036,515	140,987,107	41,197	237,671	-	-	3,620,938	229,355,414
Ending net book value	₩ 467,301,907	₩ 98,499,592	₩ 161,205,468	₩ 1,079,693,547	₩ 4,449,773	₩ 18,352,826	₩ 906,140,247	₩ 474,922	₩ 341,596,190	₩ 3,077,714,472
Acquisition cost	467,301,907	126,576,806	215,544,741	1,354,510,385	9,345,957	63,687,972	2,072,744,087	1,838,330	341,596,190	4,653,146,375
Accumulated depreciation	-	(28,077,214)	(54,339,273)	(274,816,838)	(4,896,184)	(45,335,146)	(1,028,796,840)	(1,363,408)	-	(1,437,624,903)
Customers' contribution to construction costs	-	-	-	-	-	-	(137,807,000)	-	-	(137,807,000)

The total depreciation expense of ₩173,295,555 thousand (2013: ₩153,054,036 thousand) was charged to 'cost of sales' of ₩36,878,683 thousand (2013: ₩35,139,909 thousand), 'selling and administrative expenses' of ₩90,323,245 thousand (2013: ₩84,670,255 thousand), and 'discontinued operations' of ₩46,093,627 thousand (2013: ₩33,243,872 thousand).

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Details of property, plant and equipment provided as collateral as of December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	Property, plant and equipment provided as collaterals			Borrowings		
	Classification	Carrying amount	Secured amount	Secured parties	Related line items	Related Amount
Kangwon City Gas Co., Ltd.	PP&E	₩ 42,783,466	₩ 4,781,384	The Korea Development Bank	Bank borrowings	₩ 1,510,000
Jeonbuk Energy Service Co., Ltd.	Land & Buildings	1,653,774	100,000	Korea Gas corporation	Natural gas supply agreement	-
Chonnam City Gas Co., Ltd.	Land & Buildings	4,499,404	471,761	The Kwangju Bank Ltd. and others	Leasehold deposits	397,661

In 2014, the Company has capitalized borrowing costs amounting to ₩27,801,905 thousand (2013: ₩10,673,942 thousand) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 3.8~7.4% (2013: 4.4~6.2%).

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8. Investment Property

Changes in investment property for the years ended December 31, 2014 and 2013, are as follows:

		(in thousands of Korean won)				2014	
		Land		Buildings		Total	
Beginning net book value	₩	94,782,128	₩	1,910,864	₩	96,692,992	
Depreciation		-		(80,496)		(80,496)	
Ending net book value	₩	94,782,128	₩	1,830,368	₩	96,612,496	
Acquisition cost		94,782,128		3,209,701		97,991,829	
Accumulated depreciation		-		(1,379,333)		(1,379,333)	

		(in thousands of Korean won)				2013	
		Land		Buildings		Total	
Beginning net book value	₩	94,782,128	₩	1,991,360	₩	96,773,488	
Depreciation		-		(80,496)		(80,496)	
Ending net book value	₩	94,782,128	₩	1,910,864	₩	96,692,992	
Acquisition cost		94,782,128		3,209,701		97,991,829	
Accumulated depreciation		-		(1,298,837)		(1,298,837)	

Fair value of investment property as of December 31, 2014, is ₩110,155,327 thousand (2013: ₩108,503,234 thousand).

Rent income from investment property for the year ended December 31, 2014, is ₩5,749,858 thousand (2013: ₩5,755,626 thousand).

Details of property, plant and equipment provided as collateral as of December 31, 2014, are as follows:

		(in thousands of Korean won)				Investment Property provided as collateral		Borrowings		
		Classification		Carrying amount		Secured amount		Secured parties	Related line item	Related Amount
Pusan City Gas Co., Ltd.	Investment Property	₩	70,653,191	₩	3,933,333	Megamart Co., Ltd. and others	Leasehold deposits	₩	2,854,588	

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9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014						
	Development costs	Goodwill	Exploration and evaluation assets	Industrial property rights	Memberships	Other	Total
Beginning net book value	₩ 474,175	₩ 109,825,831	₩ 18,924,330	₩ 86,373	₩ 21,104,641	₩ 30,487,736	₩ 180,903,086
Acquisitions	42,505	-	324,661,703	27,524	2,215,168	2,370,709	329,317,609
Disposals	-	-	-	-	(2,656,534)	-	(2,656,534)
Reclassification	-	-	-	-	-	1,860,148	1,860,148
Amortization	(182,194)	-	-	(22,023)	-	(7,676,491)	(7,880,708)
Net currency transaction differences	-	-	14,960,869	4,058	-	(4,059)	14,960,868
Impairment loss	-	-	-	-	(3,651,733)	-	(3,651,733)
Non-current asset held for sale	-	(67,024,684)	-	(3,646)	(615,762)	(7,740,636)	(75,384,728)
Ending net book value	₩ 334,486	₩ 42,801,147	₩ 358,546,902	₩ 92,286	₩ 16,395,780	₩ 19,297,407	₩ 437,468,008
Acquisition cost	2,848,104	42,801,147	358,546,902	200,497	25,202,581	56,200,756	485,799,987
Accumulated amortization	(2,513,618)	-	-	(108,211)	-	(36,903,349)	(39,525,178)
Accumulated impairment loss	-	-	-	-	(8,806,801)	-	(8,806,801)

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2013

	Development costs	Goodwill	Exploration and evaluation assets	Industrial property rights	Memberships	Other	Total
Beginning net book value	₩ 687,409	₩ 46,717,580	₩ 9,115,376	₩ 88,701	₩ 17,938,495	₩ 22,372,888	₩ 96,920,449
Acquisitions	19,318	-	10,317,861	11,011	4,589,315	1,657,208	16,594,713
Disposals	-	-	-	-	(1,301,198)	-	(1,301,198)
Reclassification ¹	(28,000)	-	-	8,020	242,799	13,573,495	13,796,314
Amortization	(204,552)	-	-	(21,359)	-	(7,109,063)	(7,334,974)
Net currency transaction differences	-	-	(508,907)	-	-	(8,055)	(516,962)
Impairment loss	-	-	-	-	(364,770)	-	(364,770)
Changes of consolidation scope	-	63,108,251	-	-	-	1,264	63,109,515
Ending net book value	₩ 474,175	₩ 109,825,831	₩ 18,924,330	₩ 86,373	₩ 21,104,641	₩ 30,487,737	₩ 180,903,087
Acquisition cost	2,805,599	109,825,831	18,924,330	180,899	27,248,673	59,760,854	218,746,186
Accumulated amortization	(2,331,424)	-	-	(94,526)	-	(29,273,117)	(31,699,067)
Accumulated impairment loss	-	-	-	-	(6,144,032)	-	(6,144,032)

Total amortization expense of ₩ 7,880,708 thousand (2013: ₩7,334,974 thousand) was charged to 'cost of sales' of ₩305,686 thousand (2013: ₩229,945 thousand), 'selling and administrative expenses' of ₩7,140,821 thousand (2013: ₩6,991,016 thousand), and 'discontinued operations' of ₩434,201thousand (2013: ₩114,013 thousand).

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Assets, liabilities, income, expenses, operating cash flows and investing cash flows derived from exploration and evaluation assets as of and for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Assets	₩	359,570,845	₩	18,924,330
Liabilities		55,841,672		-
Income		-		-
Expenses		(413,973)		(54,274)
Operating cash flows		114,967		(6,639,300)
Investing cash flows		(324,622,207)		(10,317,861)

The Group used the same goodwill allocation method by cash-generating units (group of cash-generating units) for the years ended December 31, 2014 and 2013. The following is a summary of goodwill allocation for each operating segment:

<i>(in thousands of Korean won)</i>		2014		2013
Pusan City Gas Co., Ltd.	₩	19,682,158	₩	19,682,158
Yeongnam Energy Service Co., Ltd.		933,032		933,032
Chonnam City Gas Co., Ltd.		14,490,960		14,490,960
Kangwon City Gas Co., Ltd.		1,647,488		1,647,488
Jeonbuk Energy Service Co., Ltd.		6,044,247		9,960,680
Gimcheon Energy Service Co., Ltd.		-		63,108,251
Others		3,262		3,262
	₩	<u>42,801,147</u>	₩	<u>109,825,831</u>

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Goodwill impairment reviews are undertaken annually. Impairment test suggests that the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used for value-in-use calculations in 2014 and 2013 are as follows:

2014	Growth rate	Gross margin	Pre-tax discount rate
Pusan City Gas Co., Ltd	1.0%	2.6%	6.1%
Yeongnam Energy Service Co., Ltd.	1.2%	2.8%	6.2%
Chonnam City Gas Co., Ltd	0.8%	3.3%	6.3%
Kangwon City Gas Co., Ltd.	3.5%	3.4%	6.1%
Jeonbuk Energy Service Co., Ltd.	5.4%	3.8%	6.1%
2013	Growth rate	Gross margin	Pre-tax discount rate
Pusan City Gas Co., Ltd	1.7%	3.6%	6.8%
Yeongnam Energy Service Co., Ltd.	5.7%	3.8%	6.8%
Chonnam City Gas Co., Ltd	6.7%	4.3%	6.8%
Kangwon City Gas Co., Ltd.	5.6%	3.8%	6.8%
Jeonbuk Energy Service Co., Ltd.	7.5%	7.4%	6.7%
Gimcheon Energy Service Co., Ltd.	1.1%	21.9%	8.2%

The Group determined budgeted growth rate based on past performance and its expectations of market development. The discount rates used are industrial average weighted average cost of capital.

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10. Joint Ventures and Associates

Details in investments in joint ventures and associates as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)					2014			2013		
	Main business	Location	Owned percentage	Year end	Acquisition cost	Net asset value	Book value	Acquisition cost	Net asset value	Book value
Joint venture										
Boryeong LNG Terminal Co.,Ltd	LNG Terminal	Korea	50.0%	Dec.	100,000,000	70,382,245	99,118,661	100,000,000	70,659,996	99,396,412
Associates										
Kyungnam Renewable Energy Co., Ltd.	Business Development	Korea	50.0%	Dec.	3,714,353	466,526	466,276	3,714,353	444,904	444,904
Wuhan SK-Sino natural gas group Ltd.	City gas	Hong Kong	49.0%	Dec.	31,788,092	676,784	676,784	31,788,092	5,584,616	5,584,616
SK E&S - SINO HongKong Co., Ltd.	City gas	Hong Kong	49.0%	Dec.	4,483,161	1,923,289	1,923,289	4,483,161	1,902,304	1,902,304
Aisikai Huineng Qinzhou Natural Gas Ltd.	City gas	China	70.0%	Dec.	1,786,026	1,218,665	-	1,786,026	1,218,665	1,759,811
China Gas Holdings Ltd. ^{1 2}	City gas	Hong Kong	15.5%	March	465,987,066	355,628,364	553,690,993	386,340,757	295,392,653	449,735,468
Global Opportunities Fund	Investment Fund	Cayman Islands	20.7%	Dec.	10,000,000	7,760,270	7,760,270	10,000,000	7,736,048	7,736,048
Angel Wind Energy Co., Ltd.	Business Development	Korea	34.8%	Dec.	6,416,657	5,090,111	6,179,823	-	-	-
					524,175,355	372,764,009	570,697,435	438,112,389	312,279,190	467,163,151
					₩ 624,175,355	₩ 443,146,254	₩ 669,816,096	₩ 538,112,389	₩ 382,939,186	₩ 566,559,563

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.

² The fiscal year end of China Gas Holdings Ltd. is March 31 and its financial statements as December 31 were not available. The semi-annual September 30 report was therefore used and the effects of significant transactions or events which occurred from October to December were reviewed.

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Changes in investments in joint ventures and associates for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014						
	Beginning balance	Acquisition	Dividends received	Share of profit (loss)	Other changes in equity	Impairment	Ending balance
Joint venture							
Boryeong LNG Terminal Co.,Ltd	₩ 99,396,412	₩ -	₩ -	₩ (266,019)	₩ (11,732)	₩ -	₩ 99,118,661
Associates							
Kyongnam Renew able Energy Co., Ltd.	444,904	-	-	21,372	-	-	466,276
Wuhan SK-Sino Natural Gas Group Ltd.	5,584,616	-	-	(4,753,195)	(154,637)	-	676,784
SK E&S - SINO Hong Kong Co., Ltd.	1,902,304	-	-	83,696	(62,711)	-	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,759,811	-	-	-	21,981	(1,781,792)	-
China Gas Holdings Ltd.	449,735,468	79,646,309	(12,063,240)	55,343,148	(18,970,692)	-	553,690,993
Global Opportunities Fund	7,736,048	-	-	24,222	-	-	7,760,270
Angel Wind Energy Co., Ltd.	-	6,416,657	-	(236,834)	-	-	6,179,823
	<u>₩ 566,559,563</u>	<u>₩ 86,062,966</u>	<u>₩ (12,063,240)</u>	<u>₩ 50,216,390</u>	<u>₩ (19,177,791)</u>	<u>₩ (1,781,792)</u>	<u>₩ 669,816,096</u>

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	2013							
	Beginning balance	Acquisition	Disposal	Dividends received	Share of profit (loss)	Other changes in equity	Impairment	Ending balance
Joint ventures								
Kimcheon Energy Co., Ltd.	₩ 33,826,537	₩ -	₩ (33,726,329)	₩ -	₩ (100,208)	₩ -	₩ -	₩ -
Boryeong LNG Terminal Co., Ltd.	-	100,000,000	-	-	(603,588)	-	-	99,396,412
Associates								
Kyongnam Renewable Energy Co., Ltd.	2,998,201	600,000	-	-	(1,236,388)	(2,881)	(1,914,028)	444,904
Wuhan SK-Sino Natural Gas Group Ltd.	5,231,977	-	-	-	233,169	119,470	-	5,584,616
SK E&S - SINO Hong Kong Co., Ltd.	1,623,615	-	-	-	707,330	(428,641)	-	1,902,304
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,708,747	-	-	-	36,882	14,182	-	1,759,811
China Gas Holdings Ltd.	414,700,875	16,353	-	(8,573,285)	49,462,746	(5,871,221)	-	449,735,468
China Gas-SK Energy Holdings Co., Ltd.	12,756,691	-	(13,579,350)	-	(93,289)	915,948	-	-
Global Opportunities Fund	7,971,030	-	-	-	(234,982)	-	-	7,736,048
	₩ 480,817,673	₩ 100,616,353	₩ (47,305,679)	₩ (8,573,285)	₩ 48,171,672	₩ (5,253,143)	₩ (1,914,028)	₩ 566,559,563

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Details of valuation of investments in joint ventures and associates under the equity method for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014			2013			
	Share of profit (loss)	Impairment	Total	Share of profit (loss)	Disposal income(loss)	Impairment	Total
Joint ventures							
Kimcheon Energy Co., Ltd.	₩ -	₩ -	₩ -	₩ (100,208)	₩ 38,217,901	₩ -	₩ 38,117,693
Boryeong LNG Terminal Co., Ltd.	(266,019)	-	(266,019)	(603,588)	-	-	(603,588)
Associates							
Kyongnam Renewable Energy Co., Ltd.	21,372	-	21,372	(1,236,388)	-	(1,914,028)	(3,150,416)
Wuhan SK-Sino Natural Gas Group Ltd.	(4,753,195)	-	(4,753,195)	233,169	-	-	233,169
SK E&S - SINO Hong Kong Co., Ltd.	83,696	-	83,696	707,330	-	-	707,330
Aisikai Huineng Qinzhou Natural Gas Ltd.	-	(1,781,792)	(1,781,792)	36,882	-	-	36,882
China Gas Holdings Ltd.	55,343,148	-	55,343,148	49,462,746	5,226,006	-	54,688,752
China Gas-SK Energy Holdings Co., Ltd.	-	-	-	(93,289)	10,517,679	-	10,424,390
Global Opportunities Fund	24,222	-	24,222	(234,982)	-	-	(234,982)
Angel Wind Energy Co., Ltd.	(236,834)	-	(236,834)	-	-	-	-
	₩ 50,216,390	₩ (1,781,792)	₩ 48,434,598	₩ 48,171,672	₩ 53,961,586	₩ (1,914,028)	₩ 100,219,230

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Summary of financial information of the Company's joint venture as of and for the years ended December 31, 2014 and 2013, follows:

(in thousands of Korean won)

	2014							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received
Boryeong LNG Terminal Co.,Ltd	₩ 214,625,012	₩ 421,491,776	₩ 1,888,026	₩ 493,464,273	₩ -	₩ (532,038)	₩ (555,501)	₩ -
	Cash and cash equivalents	Current Financial liabilities	Non-current Financial liabilities	Depreciation	Amortization	Interest income	Interest expense	Income tax expense
Boryeong LNG Terminal Co.,Ltd	₩ 6,912,708	₩ -	₩ 493,150,888	₩ 47,036	₩ 18,460	₩ 47,530	₩ 10,631	₩ (3,564,378)

(in thousands of Korean won)

	2013							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received
Boryeong LNG Terminal Co.,Ltd	₩ 11,644,235	₩ 182,031,648	₩ 52,253,229	₩ 102,662	₩ -	₩ (3,017,941)	₩ (3,017,941)	₩ -
	Cash and cash equivalents	Current Financial liabilities	Non-current Financial liabilities	Depreciation	Amortization	Interest income	Interest expense	Income tax expense
Boryeong LNG Terminal Co.,Ltd	₩ 1,068,480	₩ 51,386,260	₩ -	₩ 34,921	₩ 8,468	₩ 38,048	₩ 61,333	₩ -

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Summary of financial information of the Company's associates as of and for the years ended December 31, 2014 and 2013, follows:

(in thousands of Korean won)

	2014							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received
Associates								
Kyongnam Renewable Energy Co., Ltd.	932,554	-	-	-	-	47,005	47,005	-
Wuhan SK-Sino Natural Gas Group Ltd.	31,563,939	90,879,874	80,682,145	40,380,476	68,924,042	(18,811,019)	(19,137,583)	-
SK E&S - SINO Hong Kong Co., Ltd.	1,660,228	10,828,361	2,011,629	-	210,739	170,809	42,827	-
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,395,188	345,762	-	-	-	-	-	-
China Gas Holdings Ltd.	1,922,558,960	4,629,631,776	1,518,246,954	2,738,733,404	4,202,787,196	400,366,686	393,352,870	12,063,240
Global Opportunities Fund	18,300,307	19,191,613	-	-	1,239,331	117,026	117,026	-
Angel Wind Energy Co., Ltd.	3,785,877	10,934,355	105,062	-	-	(3,679,865)	(3,679,865)	-

(in thousands of Korean won)

	2013							
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit(loss)	Total comprehensive income(loss)	Dividends received
Kyongnam Renewable Energy Co., Ltd.	1,160,454	8,296	278,941	-	-	(2,471,122)	(2,471,122)	-
Wuhan SK-Sino Natural Gas Group Ltd.	71,897,800	75,011,572	85,826,350	49,685,846	60,427,025	475,855	475,855	-
SK E&S - SINO Hong Kong Co., Ltd.	1,522,602	4,283,135	1,923,484	-	1,453,012	1,443,531	568,753	-
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,395,188	345,762	-	-	-	52,689	52,689	-
China Gas Holdings Ltd.	2,024,596,087	4,011,416,738	2,233,755,403	1,780,230,035	3,484,432,319	318,821,588	248,700,511	8,573,285
Global Opportunities Fund	34,270,634	3,104,263	-	-	59,029	(1,135,262)	(1,135,262)	-

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Details of adjustments from financial information of joint venture and associates to the book value of investments in joint venture and associates for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014					
	Net asset value(A)	Owned percentage(B)	Owned net asset value(AxB)	Goodwill	Impairment	Book value
Joint venture						
Kimcheon Energy Co., Ltd.	₩ 140,764,490	50.0%	₩ 70,382,245	₩ 28,736,416	₩ -	₩ 99,118,661
Associates						
Kyongnam Renew able Energy Co., Ltd.	932,553	50.0%	466,276	-	-	466,276
Wuhan SK-Sino Natural Gas Group Ltd.	1,381,192	49.0%	676,784	-	-	676,784
SK E&S - SINO Hong Kong Co., Ltd.	3,925,080	49.0%	1,923,289	-	-	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,740,950	70.0%	1,218,665	541,146	(1,759,811)	-
China Gas Holdings Ltd.	2,295,025,381	15.5%	355,628,364	198,062,629	-	553,690,993
Global Opportunities Fund	37,491,920	20.7%	7,760,270	-	-	7,760,270
Angel Wind Energy Co., Ltd.	14,615,170	34.8%	5,090,111	1,089,712	-	6,179,823

(in thousands of Korean won)

	2013				
	Net asset value(A)	Owned percentage(B)	Owned net asset value(AxB)	Goodwill	Book value
Joint venture					
Boryeong LNG Terminal Co.,Ltd	₩ 141,319,992	50.0%	₩ 70,659,996	₩ 28,736,416	₩ 99,396,412
Associates					
Kyongnam Renew able Energy Co., Ltd.	889,809	50.0%	444,904	-	444,904
Wuhan SK-Sino Natural Gas Group Ltd.	11,397,176	49.0%	5,584,616	-	5,584,616
SK E&S - SINO Hong Kong Co., Ltd.	3,882,253	49.0%	1,902,304	-	1,902,304
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,740,950	70.0%	1,218,665	541,146	1,759,811
China Gas Holdings Ltd.	2,022,027,387	14.6%	295,392,653	154,342,815	449,735,468
Global Opportunities Fund	37,374,897	20.7%	7,736,048	-	7,736,048

Fair value of associate's shares marketable as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014			
	Number of shares owned	Market price per share (Korean Won)	Fair value	Book value
China Gas Holdings Ltd.	778,042,500	₩ 1,732	₩ 1,347,569,610	₩ 553,690,993

(in thousands of Korean won)

	2013			
	Number of shares owned	Market price per share (Korean Won)	Fair value	Book value
China Gas Holdings Ltd.	728,813,000	₩ 1,551	₩ 1,130,388,963	₩ 449,735,468

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11. Available-For-Sale Financial Assets

Available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014			2013		
	Acquisition cost	Fair value ¹	Book value	Acquisition cost	Fair value ¹	Book value
Fair value						
Daol Land Chip Private Real Estate No.33	₩ 10,000,000	₩ 10,153,100	₩ 10,153,100	₩ 10,000,000	₩ 10,153,600	₩ 10,153,600
Plus Future Plan Private Securities Investment Trust No.5	15,384,450	10,016,500	10,016,500	15,384,450	15,016,500	15,016,500
Chungnam City Gas Co., Ltd.	-	-	-	7,040,011	7,040,011	7,040,011
SK Mutual Funds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Acquisition cost						
SK Technology Innovation Company	5,257,473	2,808,024	2,808,024	5,257,473	5,257,473	5,257,473
KNOC Ferghana Ltd.	80	80	80	80	80	80
Contemporary Painting Art Trust No.1	495,041	495,041	495,041	495,041	495,041	495,041
Gemini Partners Pte., Ltd.	8,417,000	8,417,000	8,417,000	8,417,000	8,417,000	8,417,000
T-stone Private Equity Fund No.2	4,581,946	-	-	4,581,946	4,581,946	4,581,946
Fitech Global New Growth Investment Private Equity Fund	5,220,614	5,220,614	5,220,614	5,220,614	5,220,614	5,220,614
Sejung21 Co., Ltd.	358,917	358,917	358,917	358,917	358,917	358,917
Construction Guarantee Cooperative	73,106	73,106	73,106	73,106	73,106	73,106
Plant & Mechanical contractors financial cooperative of Korea	40,862	40,862	40,862	40,862	40,862	40,862
Chunnam Dragons Football Club	50,000	50,000	50,000	50,000	50,000	50,000
Powertel TRS Co., Ltd.	289,140	1	1	289,140	1	1
Prostar Energy Infra Fund ²	27,265,000	27,265,000	27,265,000	27,265,000	27,265,000	27,265,000
Prostar Energy Resources Fund	1,921,556	1,921,556	1,921,556	812,138	812,138	812,138
SK-KDB Global Investment Partnership Private Equity Fund	22,750	22,750	22,750	22,750	22,750	22,750
Government bond	53,409	53,409	53,409	42,713	42,713	42,713
	₩ 80,431,344	₩ 67,895,960	₩ 67,895,960	₩ 86,351,241	₩ 85,847,752	₩ 85,847,752

¹ The acquisition cost after deducting impairment was presented for available-for-sale financial assets measured at cost.

² Classified as a available-for-sale financial assets. Although the Group holds more than 20% ownership of Prostar Energy Infra Fund, the Group does not have significant influence and hence the equity method is not applied as the Group has no voting rights in the investment committee which is the decision-making body of Prostar Energy Infra Fund.

The changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014	2013
Beginning balance	₩ 85,847,753	₩ 85,700,691
Acquisitions due to changes in scope of consolidation	-	2,495
Acquisitions	1,122,608	5,466,488
Disposals	(7,040,012)	(5,320,871)
Impairment	(12,031,394)	-
Net gain(loss) transferred to equity	(1,050)	(1,050)
Transferred to assets of disposal group classified as held for sale	(2,495)	-
Ending balance	₩ 67,895,960	₩ 85,847,753

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12. Other Financial Assets

Other financial assets as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		2013	
	Non-current	Current	Non-current	Current
Loans	₩ 4,516,581	₩ 21,095	₩ 4,397,052	₩ 119,845
Non-trade receivables	-	23,415,605	-	14,673,086
Accrued income	-	4,208,696	-	13,607,308
Security deposits	37,151,579	268,053	7,438,387	245,197
Long-term financial instruments	748,961	-	404,886	-
	₩ 42,417,121	₩ 27,913,449	₩ 12,240,325	₩ 28,645,436

The maximum exposure to credit risk at the reporting date is the carrying value of the other financial assets.

13. Other Assets

Other assets as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		2013	
	Non-current	Current	Non-current	Current
Advance payments	₩ -	₩ 4,674,592	₩ -	₩ 8,274,452
Prepaid expenses	154,498	5,349,137	15,877,787	8,222,574
Prepaid value added tax	-	43,752,214	-	20,338,689
Employee benefit fund	10,280,817	-	7,600,733	-
	₩ 10,435,315	₩ 53,775,943	₩ 23,478,520	₩ 36,835,715

14. Inventories

Inventories as of December 31, 2014 and 2013, are as follows

(in thousands of Korean won)

	2014	2013
Raw materials	₩ 12,002,940	₩ 18,539,757
Supplies	1,495,004	1,332,584
Merchandise	1,228,939	1,150,250
Others	54,542	55,217
	₩ 14,781,425	₩ 21,077,808

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 4,513,754,389 thousand in 2014 (2013: ₩ 4,558,900,322 thousand).

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15. Trade Receivables

Trade receivables as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Trade receivables	₩	924,659,539	₩	930,114,240
Less: provision for impairment of trade receivables		<u>(10,690,685)</u>		<u>(8,811,244)</u>
Trade receivables, net	₩	<u>913,968,854</u>	₩	<u>921,302,996</u>

The aging analysis of trade receivables as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Receivables not past due	₩	<u>855,643,856</u>	₩	<u>788,793,268</u>
Past due but not impaired ¹				
Up to 3 months		52,868,953		121,660,029
3 to 6 months		2,466,373		2,008,657
Over 6 months		<u>2,989,673</u>		<u>8,841,042</u>
		<u>58,324,999</u>		<u>132,509,728</u>
Impaired ²		<u>10,690,684</u>		<u>8,811,244</u>
	₩	<u>924,659,539</u>	₩	<u>930,114,240</u>

¹ Trade receivables past due but not impaired relate to a number of customers who have no recent history of default.

² The balance of provision was ₩10,690,684 thousand and ₩8,811,244 thousand as of December 31, 2014 and 2013, respectively.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates as of December 31, 2014 and 2013:

<i>(in thousands of Korean won)</i>	2014		2013	
Group 1 ¹	₩	913,933,178	₩	921,235,252
Group 2 ²		<u>35,676</u>		<u>67,744</u>
	₩	<u>913,968,854</u>	₩	<u>921,302,996</u>

¹ Customers with no default in the past.

² Customers with default in the past.

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Changes in the provision for impairment of trade receivables for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014	2013
Beginning balance	₩ 8,811,244	₩ 9,475,021
Provision for receivables impairment	3,198,231	2,375,091
Unused amounts reversed	(85,227)	(426,490)
Receivables written off during the year as uncollectible	(1,233,564)	(2,612,377)
Ending balance	₩ 10,690,684	₩ 8,811,244

The maximum exposure of trade receivables to credit risk as of December 31, 2014, is the carrying value of receivables mentioned above.

16. Cash and Cash Equivalents, and Short-term Financial Instruments

Cash and cash equivalents, and short-term financial instruments as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014	2013
Cash and Cash Equivalents		
Cash on hand	₩ 545,753	₩ 334,183
Short-term bank deposits	25,053,141	58,201,698
Time deposits	55,918,736	192,374,363
Short-term investments ¹	539,595,409	584,369,692
	₩ 621,113,039	₩ 835,279,936
Short-term Financial Instruments		
Time deposits	₩ -	₩ 315,417
Installment savings	-	7,530
	₩ -	₩ 322,947

¹ Short-term financial instruments with very high liquidity whose encashment is immediately possible, and the amounts with small risk of changes in fair values are classified as cash equivalents.

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Classification of the external credit rating of the financial institutions in which the Group deposits its cash and cash equivalents, and short-term financial instruments as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Cash and Cash Equivalents				
AAA	₩	387,482,784	₩	675,647,209
AA		194,051,536		70,339,189
A		30,083,998		75,756,994
Others ¹		8,948,968		13,202,361
	₩	620,567,286	₩	834,945,753
Short-term Financial Instruments				
AAA		-		315,417
Others ¹		-		7,530
	₩	-	₩	322,947

¹ Consists of financial institutions with no external credit rating.

Financial assets that are restricted in use as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		
	Bank	Restricted amount	Details
Cash and cash equivalents	Woori Bank	₩ 824,790	PF commitment of pledge
<i>(in thousands of Korean won)</i>			
	Bank	Restricted amount	Details
Cash and cash equivalents	The Korea Development Bank	₩ 19,276,808	PF commitment of pledge
Cash and cash equivalents	Industrial Bank of Korea	4,393,800	PF commitment of pledge
Cash and cash equivalents	The Korea Development Bank	10,662,878	PF commitment of pledge
Cash and cash equivalents	Woori Bank	1,212,799	PF commitment of pledge

The above restricted cash and cash equivalents are classified as cash and cash equivalents because, even though the right of pledge has been established, they are used for operating activities under the syndicate of creditors agreement.

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17. Borrowings

Details of borrowings as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)		2014	2013
Non-current			
Bank borrowings	₩	400,868,049	₩ 404,261,738
Debentures		1,186,456,879	1,504,158,593
Redeemable preferred share		-	35,094,976
		<u>1,587,324,928</u>	<u>1,943,515,307</u>
Current			
Bank borrowings		371,705,350	113,530,235
Debentures		189,891,931	69,966,445
		<u>561,597,281</u>	<u>183,496,680</u>
	₩	2,148,922,209	₩ 2,127,011,987

Details of bank borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	Creditors	Interest rate 2014	2014	2013
Loans for exploration of petroleum	Korea National Oil Corporation	0.75%	₩ 26,705,261	₩ 7,167,728
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00%	28,712,000	87,931,540
Loans for a safety management business	Hana Bank and others	1.75%	7,260,900	10,226,850
Loans for environmental management	Citibank Korea and others	-	-	6,508,250
Loans for energy rationalization	Shinhan Bank and others	1.75-3.00%	11,005,100	6,613,000
CP borrowings	HMC INVESTMENT SECURITIES CO., LTD.	-	-	100,000,000
PF borrowings	Korea Development Bank and others	3.82-7.40%	274,530,138	294,344,605
General borrowings	Korea Development Bank and others	1.43-3.75%	424,360,000	5,000,000
			<u>772,573,399</u>	<u>517,791,973</u>
	Less: Current portion of borrowings		<u>(371,705,350)</u>	<u>(113,530,235)</u>
			<u>₩ 400,868,049</u>	<u>₩ 404,261,738</u>

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Details of debentures as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)		Bonds	Issuance date	Maturity date	Annual interest rate(%)	2014	2013
					2014		
SK E&S Co., Ltd.	Non-guaranteed public offering bonds No.7	2011.04.14	2014.04.14	-	₩	-	₩ 70,000,000
	Non-guaranteed public offering bonds No.8-2	2010.10.08	2015.10.08	4.12%		90,000,000	90,000,000
	Non-guaranteed public offering bonds No.8-3	2010.10.08	2017.10.08	4.35%		60,000,000	60,000,000
	Non-guaranteed public offering bonds No.9-1	2012.04.13	2015.04.13	3.89%		100,000,000	100,000,000
	Non-guaranteed public offering bonds No.9-2	2012.04.13	2017.04.13	4.03%		200,000,000	200,000,000
	Non-guaranteed public offering bonds No.10-1	2013.02.26	2018.02.26	3.02%		200,000,000	200,000,000
	Non-guaranteed public offering bonds No.10-2	2013.02.26	2020.02.26	3.18%		100,000,000	100,000,000
	Non-guaranteed public offering bonds No.11-1	2013.10.04	2016.10.04	3.24%		150,000,000	150,000,000
	Non-guaranteed public offering bonds No.11-2	2013.10.04	2018.10.04	3.46%		100,000,000	100,000,000
	Non-guaranteed public offering bonds No.11-3	2013.10.04	2020.10.04	3.65%		50,000,000	50,000,000
	Non-guaranteed private placement bonds No.1-1	2010.07.05	2015.07.05	-		-	50,000,000
Pyeongtaek Energy Service Co., Ltd. (*)	Non-guaranteed private placement bonds No.1-2	2010.07.05	2017.07.05	-		-	70,000,000
	Non-guaranteed private placement bonds No.1-3	2010.07.05	2020.07.05	-		-	30,000,000
	Non-guaranteed private placement bonds No.2-1	2013.11.27	2016.11.27	-		-	50,000,000
	Non-guaranteed private placement bonds No.2-2	2013.11.27	2018.11.27	-		-	80,000,000
	Non-guaranteed private placement bonds No.2-3	2013.11.27	2020.11.27	-		-	100,000,000
Wirye Energy Service Co., Ltd.	Public offering bonds No.1-1	2014.12.09	2024.12.09	3.50%		200,000,000	-
	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	80,000,000
						1,380,000,000	1,580,000,000
		Less: Discount on bonds				(3,651,190)	(5,874,962)
		Less: Current portion of bonds				(189,891,931)	(69,966,445)
						₩ 1,186,456,879	₩ 1,504,158,593

(*) Classified into non-current liability held for sale because the equity sale agreement was signed on December 24, 2014.

18. Other Finance Liabilities

Other finance liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)		2014		2013	
		Non-current	Current	Non-current	Current
Guarantee deposits received	₩	4,609,025	₩ 7,194,747	₩ 4,520,827	₩ 6,172,891
Non-trade accounts payable		-	127,826,583	-	70,537,749
Accrued expenses		-	77,490,189	-	94,745,467
	₩	4,609,025	₩ 212,511,519	₩ 4,520,827	₩ 171,456,107

19. Net Defined Benefit Liabilities

Details of net defined benefit liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)	2014	2013
Present value of defined benefit obligations	₩ 102,225,622	₩ 88,108,830
Fair value of plan assets	(93,064,568)	(80,458,335)
Net defined benefit liabilities	₩ 9,161,054	₩ 7,650,495

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Changes in the present values of defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Beginning balance	₩	88,108,829	₩	79,624,482
Current service costs		12,087,564		11,313,091
Interest costs		3,461,572		3,253,184
Remeasurements:				
- (Gains)/losses from change in demographic assumptions		258,056		(903,237)
- (Gains)/losses from change in financial assumptions		6,494,886		(6,399,250)
- Experience (gains)/losses		2,167,533		4,219,315
Benefits paid		(7,883,734)		(6,718,610)
Increase from changes in consolidation scope		-		666,078
Transferred to liabilities of disposal group classified as held for sale		(4,839,773)		
Others		2,370,689		3,053,776
Ending balance	₩	<u>102,225,622</u>	₩	<u>88,108,829</u>

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Beginning balance	₩	80,458,335	₩	65,400,738
Interest income		2,982,439		2,478,248
Remeasurements		(130,637)		(353,530)
Employer contributions		16,811,520		15,816,435
Benefits paid		(2,775,957)		(3,679,542)
Transferred to liabilities of disposal group classified as held for sale		(3,734,725)		-
Others		(546,407)		795,986
Ending balance	₩	<u>93,064,568</u>	₩	<u>80,458,335</u>

Plan assets as of December 31, 2014 and 2013, consist of the following:

<i>(in thousands of Korean won)</i>		2014		2013
Equity instruments	₩	20,816,128	₩	6,388,007
Debt instruments		63,868,522		23,901,322
Time deposits		8,379,918		50,169,006
	₩	<u>93,064,568</u>	₩	<u>80,458,335</u>

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The rate used to discount defined benefit obligations shall be determined by reference to market yields at the date of the statement of financial position on high quality corporate bonds.

The currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The principal actuarial assumptions as of December 31, 2014 and 2013, are as follows:

	2014	2013
Discount rate	2.7% ~ 3.4%	3.8% ~ 4.6%
Inflation rate	3.0%	3.0%
Pension growth rate	2.7% ~ 3.4%	3.8% ~ 4.6%
Salary growth rate	3.0% ~ 6.2%	3.8% ~ 5.5%

The sensitivity of the defined benefit obligations as of December 31, 2014, to changes in the weighted principal assumptions is:

Effect on defined benefit obligations			
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	0.5%P	4.0% decrease	4.0% increase
Salary growth rate	0.5%P	4.1% increase	4.1% decrease

Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

<i>(in thousands of Korean won)</i>		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	₩	4,758,102	₩ 22,774,866	₩ 20,856,219	₩ 256,132,907	₩ 304,522,094

The weighted average duration of the defined benefit obligations is 5.5~11.9 years.

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20. Other Liabilities

Details of other liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		2013	
	Non-current	Current	Non-current	Current
Other long-term employee benefits ¹	₩ 1,413,834	₩ -	₩ 1,357,762	₩ -
Advances received	-	2,731,987	-	2,628,095
Withholdings (Note 32,(q))	-	27,253,713	-	22,929,260
Unearned revenues	-	164,936	-	10,244,893
	<u>₩ 1,413,834</u>	<u>₩ 30,150,636</u>	<u>₩ 1,357,762</u>	<u>₩ 35,802,248</u>

¹ Recognized in relation to long-term employee benefits provided to employees with long service periods, and the same accounting methodology as used for defined benefit obligations was used.

21. Capital Stock and Share Premium

The Company's number of authorized shares is 100,000,000 shares. Total number of common stocks issued is 41,761,791 shares with the par value of ₩ 5,000 per share as of December 31, 2014.

There were no changes in capital stock and share premium during 2014 and 2013.

The Company retired 2,450,001 treasury shares in 2009. Accordingly, the capital stock does not agree with the total amount of face value of the shares issued as of December 31, 2014.

22. Retained Earnings

Retained earnings as of December 31, 2014 and 2013, consist of the following:

(in thousands of Korean won)

	2014	2013
Legal reserves ¹	₩ 110,529,480	₩ 94,532,217
Unappropriated retained earning	<u>824,740,733</u>	<u>904,719,413</u>
	<u>₩ 935,270,213</u>	<u>₩ 999,251,630</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

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23. Other Components of Equity

Other components of equity as of December 31, 2014 and 2013, consist of the following:

<i>(in thousands of Korean won)</i>	2014		2013	
Cumulative other comprehensive income				
Share of other comprehensive income of associates	₩	(21,167,944)	₩	(6,789,260)
Change in value of available-for-sale financial assets		234,244		632,049
Gain(Loss) on currency translation of foreign operations		9,209,440		(785,066)
Other capital surpluses				
Gain on merger		257,586,894		257,586,894
Consolidated capital surplus		55,864,197		56,493,623
Treasury stock		(8,807,669)		(8,807,669)
Discount on stock issuance		(2,659,530)		(1,383,410)
Other paid-in capital				
Hybrid Bond		325,289,418		
	₩	615,549,050	₩	296,947,161

Changes in accumulated other comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014			
		Beginning Balance	Increase (Decrease)	Reclassification to profit or loss	Ending Balance
Share of other comprehensive income of associates	₩	(6,789,260)	₩ (14,378,684)	₩ -	₩ (21,167,944)
Change in value of available-for-sale financial assets		632,049	(397,805)	-	234,244
Gain(Loss) on currency translation of foreign operations		(785,066)	9,994,506	-	9,209,440
		<u>(6,942,277)</u>	<u>(4,781,983)</u>	<u>-</u>	<u>(11,724,260)</u>

<i>(in thousands of Korean won)</i>		2013			
		Beginning Balance	Increase (Decrease)	Reclassification to profit or loss	Ending Balance
Share of other comprehensive income of associates	₩	3,124,176	₩ (13,249,489)	₩ 3,336,053	₩ (6,789,260)
Change in value of available-for-sale financial assets		931,358	(1,049)	(298,260)	632,049
Gain(Loss) on currency translation of foreign operations		76,999	(862,065)	-	(785,066)
		<u>4,132,533</u>	<u>(14,112,603)</u>	<u>3,037,793</u>	<u>(6,942,277)</u>

Changes in accumulated other comprehensive income represent amounts net of tax effect.

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Details of the hybrid bond as of December 31, 2014, are as follows:

(in thousands of Korean won)

	Issuance Date	Maturity Date¹	Interest Rate 2014²	2014³
Registered, Coupon, Non-guaranteed, and Subordinated bond	2014.11.26	2074.11.26	4.875%	₩ 329,520,000
Discount of Bonds				(4,230,582)
				₩ 325,289,418

¹ The Company has the right to extend debt maturity.

² Adjusted every 5, 10, and 15 years from the issuance date.

³ USD 300,000,000 at applied exchange rate of ₩1098.4/US\$1.

The hybrid bond has no contractual duty to transfer financial assets and prioritizes common stock in the case of liquidation or bankruptcy.

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24. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Salaries	₩	131,286,251	₩	121,547,618
Severance benefits		10,879,432		10,372,120
Welfare expense		24,913,305		22,494,065
Travel expense		4,585,471		4,402,636
Communication expense		5,535,276		5,223,133
Utilities expense		6,191,038		5,609,116
Taxes and dues		14,365,322		16,975,089
Supplies expense		3,432,199		3,802,933
Rent		10,169,643		8,613,235
Depreciation		90,403,741		84,750,751
Amortization		7,140,821		6,991,016
Repairs expense		3,999,152		3,626,274
Vehicles maintenance expense		2,180,509		2,168,358
Insurance expense		1,289,464		1,409,272
Advertisement expense		3,482,345		2,324,141
Research and development expense		5,574		90,899
Management and security service expense		2,572,865		2,410,601
Training and research expense		5,023,480		4,843,507
Service fees		96,960,677		87,599,068
Engineering service fees		716,061		1,362,735
Professional service fees		10,032,635		9,549,695
Carriage expense		2,193		2,470
Bad debts expense		3,113,004		5,987,725
Entertainment expense		6,170,390		5,520,904
Conference expense		920,191		972,593
Others		3,224,387		3,139,889
	₩	<u>448,595,426</u>	₩	<u>421,789,843</u>

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25. Other Income and Other Expenses

Other income and other expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Other income				
Dividend income	₩	1,488,034	₩	1,734,665
Rental income		41,880		41,880
Gain on disposal of property, plant and equipment		375,323		315,392
Gain on disposal of intangible assets		6,700		109,440
Gain on derivative transactions		-		22,264,200
Other non-operating expenses		74,466,537		68,296,124
Miscellaneous gains		111,137		11,786
	₩	<u>76,489,611</u>	₩	<u>92,773,487</u>
Other expenses				
Loss on disposal of property, plant and equipment		330,057		228,740
Loss on disposal of intangible assets		475,916		142,265
Impairment losses on intangible assets		3,651,733		364,770
Impairment losses on available-for-sales assets		12,031,394		-
Donations		7,482,119		5,623,102
Miscellaneous losses		7,907,118		9,217,199
	₩	<u>31,878,337</u>	₩	<u>15,576,076</u>

26. Expenses by Nature

Expenses by nature for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Sale of merchandise	₩	4,234,770,952	₩	4,277,284,232
Raw materials used		278,983,437		281,616,090
Employee benefit expense		184,599,978		169,242,839
Depreciation and amortization		134,728,931		127,111,621
Advertising expense		3,482,345		2,324,142
Operating leases payments and rents		12,158,480		12,461,950
Other expenses		319,867,411		303,862,463
Total cost of sales and selling and administrative expenses	₩	<u>5,168,591,534</u>	₩	<u>5,173,903,337</u>

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27. Finance Income and Expense

Finance income and expense for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Finance income				
Interest income	₩	14,444,016	₩	23,756,895
Gain on foreign currency transactions		896,013		899,106
Gain on foreign currency translation		484,059		575,528
	₩	15,824,088	₩	25,231,529
Finance expense				
Interest expense	₩	39,310,474	₩	44,792,243
Loss on foreign currency transactions		9,635,753		653,073
Loss on foreign currency translation		477,563		410,037
	₩	49,423,790	₩	45,855,353

28. Income Tax

Income tax expense for the years ended December 31, 2014 and 2013, consists of the following:

<i>(in thousands of Korean won)</i>	2014		2013	
Current tax				
Current tax on profits for the year	₩	128,581,149	₩	140,783,538
Adjustments to prior year income tax		1,220,212		(6,927,737)
Total current tax		129,801,361		133,855,801
Deferred tax				
Temporary differences		4,136,841		4,420,087
Income tax credited directly to equity		4,729,076		2,278,746
Total deferred tax		8,865,917		6,698,833
Income tax expense	₩	138,667,278	₩	140,554,634

Income tax credited directly to equity as of December 31, 2014 and 2013, is as follows:

<i>(in thousands of Korean won)</i>	2014			2013		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Share of comprehensive income of associates	₩ (19,177,791)	₩ 4,590,908	₩(14,586,883)	₩ (13,570,395)	₩3,251,345	₩ (10,319,050)
Change in value of available-for sale financial assets	(500)	(397,304)	(397,804)	(1,049)	(298,005)	(299,054)
Actuarial gains and losses	(9,051,113)	2,138,932	(6,912,178)	2,729,642	(661,941)	2,067,701
	₩ (28,229,404)	6,332,536	₩(21,896,865)	₩ (10,841,802)	₩2,291,399	₩ (8,550,403)

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Profit before tax	₩	529,371,067	₩	686,200,194
Tax calculated at domestic tax rates	₩	127,645,798	₩	165,598,447
Adjustments:				
Income not subject to tax		(1,949,006)		(1,003,820)
Expenses not deductible for tax purposes		6,882,291		886,082
Tax credits		(2,102,548)		(6,851,736)
Tax effect for which no deferred tax was recognized		4,337,803		(14,097,208)
Impact of change in tax rate		(3,299)		1,602,337
Adjustments to prior year income tax		1,551,868		(7,281,709)
Others		2,304,371		1,702,241
Income tax expense	₩	138,667,278	₩	140,554,634
Weighted average effective tax rate		26.19%		20.48%

Deferred tax expected to reverse after December 31, 2014, has been measured using the effective rate of 24.2% that will apply to future periods.

The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2014 and 2013, is as follows:

<i>(in thousands of Korean won)</i>	2014		2013	
Deferred tax assets				
to be recovered after more than 12 months	₩	80,392,690	₩	91,118,984
to be recovered within 12 months		19,566,077		19,258,416
		<u>99,958,767</u>		<u>110,377,400</u>
Deferred tax liabilities				
to be recovered after more than 12 months		(151,394,290)		(139,659,242)
to be recovered within 12 months		(4,650,435)		(1,114,242)
		<u>(156,044,725)</u>		<u>(140,773,484)</u>
Deferred tax liabilities, net	₩	<u>(56,085,958)</u>	₩	<u>(30,396,084)</u>

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Changes in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in thousands of Korean won)

	2014				
	Beginning balance	Statement of income	Other comprehensive income	Classification as Held-for-sale	Ending balance
Deferred tax assets					
Customer's contribution to construction costs	₩ 50,378,867	₩ 4,497,910	₩ -	₩ (2,181,362)	₩ 52,695,415
Allowance for doubtful accounts	1,531,324	(167,406)	-	-	1,363,918
Available-for-sale financial assets	88,122	3,267,858	(397,304)	-	2,958,676
Accrued expenses	14,016,859	639,372	-	(833,360)	13,822,871
Tax credit	16,445,965	(5,545,169)	-	(10,900,796)	-
Loss on foreign currency transaction	15,116	-	-	-	15,116
Property, plant and equipment	6,564,377	1,240,275	-	-	7,804,652
Tax loss carryforwards	3,249,345	-	-	-	3,249,345
Inventories	13,264	76,074	-	-	89,338
Provision for severance benefits	13,455,790	442,057	2,138,933	(533,273)	15,503,507
Investment securities	913,534	(805,779)	-	-	107,755
Present value discount account	22,984	-	-	-	22,984
Others	3,681,853	(1,356,663)	-	-	2,325,190
	<u>110,377,400</u>	<u>2,288,529</u>	<u>1,741,629</u>	<u>(14,448,791)</u>	<u>99,958,767</u>
Deferred tax liabilities					
Available-for-sale financial assets	(432,351)	432,351	-	-	-
Interest receivable	(254,224)	(676,644)	-	849	(930,019)
Employee welfare fund	(1,525,471)	(562,629)	-	-	(2,088,100)
Property, plant and equipment	(57,500,804)	(33,205)	-	(464,265)	(57,998,274)
Temporary depreciation provision	(52,333,215)	(4,425,227)	-	2,181,362	(54,577,080)
Provision for severance benefits	(13,803,292)	(1,931,642)	-	509,528	(15,225,406)
Investment securities	(13,406,881)	(12,402,716)	4,590,907	-	(21,218,690)
Present value discount account	(645,063)	640,830	-	(18,751)	(22,984)
Others	(872,183)	(3,454,720)	-	342,731	(3,984,172)
	<u>(140,773,484)</u>	<u>(22,413,602)</u>	<u>4,590,907</u>	<u>2,551,454</u>	<u>(156,044,725)</u>
	<u>₩ (30,396,084)</u>	<u>₩ (20,125,073)</u>	<u>₩ 6,332,536</u>	<u>₩ (11,897,337)</u>	<u>₩ (56,085,958)</u>

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(in thousands of Korean won)

(in thousands of Korean won)

	2013									
	Beginning balance		Statement of income		Other comprehensive income		Change in consolidation scope		Ending balance	
Deferred tax assets										
Customer's contribution to construction costs	₩	46,041,847	₩	4,337,020	₩	-	₩	-	₩	50,378,867
Allowance for doubtful accounts		372,357		1,158,967		-		-		1,531,324
Available-for-sale financial assets		88,122		-		-		-		88,122
Accrued expenses		10,016,321		3,940,057		-		60,481		14,016,859
Tax credit		-		16,445,965		-		-		16,445,965
Loss on foreign currency transaction		15,116		-		-		-		15,116
Property, plant and equipment		6,359,296		205,081		-		-		6,564,377
Tax loss carryforwards		3,249,345		(527,831)		-		527,831		3,249,345
Inventories		13,659		(395)		-		-		13,264
Provision for severance benefits		12,585,911		1,537,878		(693,185)		25,186		13,455,790
Investment securities		-		913,534		-		-		913,534
Present value discount account		-		22,984		-		-		22,984
Others		1,660,585		2,021,268		-		-		3,681,853
		80,402,559		30,054,528		(693,185)		613,498		110,377,400
Deferred tax liabilities										
Allowance for doubtful accounts		(22,069)		22,069		-		-		-
Available-for-sale financial assets		(725,995)		591,649		(298,005)		-		(432,351)
Interest receivable		(528,495)		274,287		-		(16)		(254,224)
Employee welfare fund		(933,087)		(592,384)		-		-		(1,525,471)
Property, plant and equipment		(55,906,662)		(1,994,439)		-		400,297		(57,500,804)
Temporary depreciation provision		(48,116,186)		(4,217,029)		-		-		(52,333,215)
Provision for severance benefits		(11,945,652)		(1,888,884)		31,244		-		(13,803,292)
Investment securities		(6,511,007)		(10,147,219)		3,251,345		-		(13,406,881)
Present value discount account		-		(244,766)		-		(400,297)		(645,063)
Others		(927,886)		55,703		-		-		(872,183)
		(125,617,039)		(18,141,013)		2,984,584		(16)		(140,773,484)
	₩	(45,214,480)	₩	11,913,515	₩	2,291,399	₩	613,482	₩	(30,396,084)

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Amounts of undisposed tax loss carryforwards and tax credit which were not recognized as deferred tax assets as of December 31, 2014, are as follows:

<i>(in thousands of Korean won)</i>	Maturity		Amounts
	2022	₩	437,355
Tax loss carryforwards	2023		2,508,493
	2024		4,721,043
	2017		301,624
Tax credit	2019		4,602,319

Taxable temporary difference of ₩ 257,391,622 thousand (2013: ₩ 385,454,981 thousand) and deductible temporary difference of ₩ 34,580,059 thousand (2013: ₩ 29,157,510 thousand) arising on investments in subsidiaries, joint ventures and associates were not recognized as deferred tax assets and liabilities as these will not reverse in the foreseeable future.

29. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

<i>(in Korean won)</i>		2014		2013
Profit from continuing operations attributable to owners of the parent	₩	379,860,766,597	₩	525,506,745,990
Profit from discontinued operations attributable to owners of the parent		11,414,207,840		61,101,630,695
Total		391,274,974,437		586,608,376,685
Weighted average number of ordinary shares outstanding		41,761,791		41,761,791
Basic earnings per share				
Continuing operations basic earnings per share	₩	9,096	₩	12,583
Discontinuing operations basic earnings per share		273		1,463

Diluted earnings per share and basic earnings per share are the same because there are no potential common shares.

30. Dividends

The dividends paid in 2014 and 2013 were ₩449,022,777 thousand (₩10,752 per share) and ₩513,001,841 thousand (₩12,284 per share), respectively. A dividend in respect of the year ended December 31, 2014, of ₩8,065 per share, amounting to total dividends of ₩ 336,808,844 thousand, is to be proposed at the annual shareholders' meeting on March 30, 2015. These financial statements do not reflect these dividend payables.

SK E&S Co., Ltd. and Subsidiaries
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31. Cash Generated from Operations

Adjustments to reconcile net income to net cash provided by operating activities for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>	2014	2013
Interest expense	₩ 76,052,480	₩ 86,151,115
Income tax expense	186,210,017	131,182,128
Depreciation	173,376,051	153,134,532
Amortization	7,880,707	7,334,974
Severance benefits	12,566,697	12,088,027
Bad debts expense	3,145,975	5,902,963
Loss on foreign currency translation	477,563	410,037
Share of loss of associates	5,172,352	2,268,455
Impairment losses on associates	1,781,792	1,914,029
Losses on disposal of associates	2,044,773	-
Losses on disposal of available-for-sale financial assets	12,031,394	-
Losses on disposal of property, plant, and equipment	460,545	259,808
Losses on disposal of intangible assets	617,898	142,265
Impairment losses on intangible assets	3,651,733	364,770
Employee benefits	79,999	108,916
Interest income	(15,742,194)	(25,608,854)
Dividends income	(1,488,034)	(1,734,665)
Gain on foreign currency translation gains	(484,059)	(575,528)
Gains on disposal of property, plant and equipment	(375,323)	(317,190)
Gains on disposal of intangible assets	(6,700)	(109,440)
Share of profit of associates	(57,433,516)	(50,440,128)
Gain on disposal of associates	-	(53,961,586)
Gains on derivatives transactions	-	(22,264,200)
Others	(8,356,042)	(6,299,947)
	<u>₩ 401,664,108</u>	<u>₩ 239,950,481</u>

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Changes in operating assets and liabilities for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Increase in trade receivables	₩	(84,871,936)	₩	(16,429,735)
Decrease(increase) in non-trade receivables		(279,514)		10,964,313
Decrease(increase) in accrued revenues		8,684,810		(12,241,349)
Decrease(increase) in advance payments		(1,198,527)		5,896,941
Increase in prepaid expenses		(1,479,507)		(5,299,293)
Decrease(increase) in prepaid value added tax		(27,463,291)		5,806,590
Decrease(increase) in inventories		5,041,690		(7,926,122)
Increase in long-term security deposits		(80,000)		(295,000)
Decrease(increase) in long-term prepaid expenses		2,319		(16,420,512)
Increase(decrease) in trade payables		(30,016,696)		34,881,167
Increase in advances received		319,278		501,711
Increase(decrease) in withholdings		5,816,181		(2,443,238)
Increase(decrease) in unearned revenue		(10,049,592)		10,070,372
Decrease in non-trade payables		(1,780,379)		(42,214,197)
Increase in accrued expense		3,315,332		23,916,416
Increase(decrease) in value added tax withheld		966,895		(6,987,394)
Decrease in other current liabilities		(85,507)		(5,473)
Decrease in long-term accrued expense		-		(15,305)
Payment of severance benefits		(7,883,734)		(6,718,610)
Increase in plan assets		(14,035,563)		(12,136,892)
Increase in long-term guarantee deposits received		391,071		726,775
Others		(598,251)		(572,586)
	₩	<u>(155,294,921)</u>	₩	<u>(36,941,421)</u>

Significant transactions not affecting cash flows are as follows:

<i>(in thousands of Korean won)</i>		2014		2013
Reclassification of construction in-progress to specific property, plant and equipment	₩	289,887,577	₩	988,066,432
Reclassification of borrowings to current portion of borrowings		282,752,735		8,194,060
Reclassification of long-term prepaid expenses to long-term security deposits		15,829,500		-

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32. Contingencies and Commitments

Details of payment guarantees provided by and to the Group as of December 31, 2014, are as follows:

(in thousands of Korean won, Chinese Yuan)

	Guarantor	Guarantee	Details	Amounts
Payment guarantees provided by the Group	SK E&S Co., Ltd.	Hwangangsaerak Natural Gas Ltd.	Repayment of principle and related interest on borrowing	CNY 47,000
Payment guarantees provided to the Group	Seoul Guarantee Insurance Co., Ltd.	Yeongnam Energy Service Co., Ltd.	Maintenance performance guarantee and license guarantee	₩ 1,158,974
	Seoul Guarantee Insurance Co., Ltd.	Ko-one Energy Service Co., Ltd.	Performance guarantee	734,991
	Seoul Guarantee Insurance Co., Ltd.	Chungcheong Energy Service Co., Ltd.	Maintenance performance guarantee	1,736,650
	Seoul Guarantee Insurance Co., Ltd.	Pusan City Gas Co., Ltd.	Management and operation of group energy facilities and others	1,306,799
	Seoul Guarantee Insurance Co., Ltd.	Chonnam City Gas Co., Ltd.	Maintenance performance guarantee	1,574,204
	Seoul Guarantee Insurance Co., Ltd.	Jeonbuk Energy Service Co., Ltd.	Maintenance performance guarantee	18,432
	Seoul Guarantee Insurance Co., Ltd.	PMP Co., Ltd	License guarantee	469,139
	Hana Bank	SK E&S Co., Ltd	Tariff	10,000,000

Details of significant pending litigations as of December 31, 2014, are as follows:

(in thousands of Korean won)

Plaintiff	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 December 31, 2014.

SK E&S Co., Ltd. and Subsidiaries

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Details of commitments on borrowings as of December 31, 2014, are as follows:

(in thousands of Korean won,
Japanese yen, US dollars)

	Financial institutions	Details		Amount of Limit
SK E&S Co., Ltd.	Hana Bank	Line of Credit	₩	30,000,000
	Korea Exchange Bank and others	Line of Credit		516,000,000
	Kookmin Bank	Line of Credit	USD	20,000
	Citibank Korea	Line of Credit	USD	30,000
	National Agricultural Cooperative Federation	Line of Credit	USD	25,000
	SMBC	Line of Credit	USD	50,000
	DBS Bank	Line of Credit	USD	50,000
Kangwon City Gas Co. Ltd.	Citibank Korea and others	Bank overdrafts	₩	16,000,000
Ko-one Energy service Co., Ltd.	Woori Bank	Line of Credit		10,000,000
Pusan City Gas Co. Ltd.	Kookmin Bank	Line of Credit		10,000,000
	Shinhan Bank	Line of Credit		5,000,000
Yeongnam Energy Eervice Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts		11,000,000
	Kookmin Bank and others	Line of Credit		20,000,000
Chungcheong Energy Eervice Co. Ltd.	Kookmin Bank	Line of Credit		10,000,000
	Citibank Korea and others	Bank overdrafts		11,000,000
Chonnam City Gas Co., Ltd.	Hana Bank	Line of Credit		5,000,000
	National Agricultural Cooperative Federation	Bank overdrafts		5,000,000
Jeonbuk Energy Service Co. Ltd.	National Agricultural Cooperative Federation	Bank overdrafts		5,000,000
	Kookmin Bank	Line of Credit		10,000,000
SK LNG Trading Pte., Ltd.	Citibank Singapore	Letter of Credit	USD	65,000
	Kookmin Bank	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

Blank notes and checks provided by the Group as collaterals as of December 31, 2014, 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

Details of other contingencies and commitments as of December 31, 2014, are as follows:

(a) Kangwon City Gas Co., Ltd. and seven other subsidiaries have entered into a natural gas supply agreement with Korea Gas Corporation (KOGAS), where Kangwon City Gas Co., Ltd. and seven others determine the supply quantities with KOGAS annually, and the supply price of natural gas is approved by the Minister of Knowledge Economy. In relation to the above agreement, there

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is an agreement in which the trade receivables of Pusan City Gas Co., Ltd. are transferred over to KOGAS if the payments for natural gas are not made until the due date. Kangwon City Gas Co., Ltd. provided one blank note to Korea Gas Corporation (KOGAS) as collateral for natural gas supply agreement. Jeonbuk Energy Service Co. Ltd. provided part of the property, plant and equipment as collateral for long term natural gas supply agreement

(b) Pusan City Gas Co., Ltd. has lease agreements with Megamart Co., Ltd. and others according to the site utilization plan as of December 31, 2014.

(c) On January 21, 2013, Hanam Energy Service Co., Ltd. entered into 399MW Mass Energy Service Project Financing contract with Woori Bank as an agent bank under the condition of limited use of funds.

Under this contract, the following loans were executed: long-term loan I, long-term loan II, long-term loan III, long-term loan IV, business stability loan, junior tranche loan and others. As of December 31, 2014, outstanding balances amount to ₩276,700,000 thousand out of the total limit of ₩616,400,000 thousand.

Under the contract, financial assets in Hanam Energy Service Co., Ltd. are pledged as collateral as of December 31, 2014, and property, plant and equipment in Hanam Energy Service Co., Ltd. are due to be pledged.

The 14,000,000 shares of Hanam Energy Service Co., Ltd. held by Ko-one Energy Service Co., Ltd. are provided as collateral to the syndicate of creditors for the repayment of borrowings and interests, and any additional shares to be acquired in the future will be pledged.

In relation to the Mass Energy Service, Ko-one Energy Service Co., Ltd. is required to bear any costs exceeding investment until its completion and losses arising from the transfer of Kangdong heat source facilities.

(d) As of December 31, 2014, Hanam Energy Service Co., Ltd. has a construction contract with SK Engineering & Construction Co., Ltd. amounting to ₩218,551,516 thousand in relation to Hanam combined heat and power development Engineering, Procurement and Construction contract.

(e) On December 29, 2014, Wirye Energy Service Co., Ltd. has entered into 450MW Mass energy service project financing contract with Korea Development Bank. The total limit of the project is ₩310,000,000 thousand and outstanding borrowing is limited until the Controlling Company completes the rights offering of ₩130,000,000 thousand.

The 19,680,000 shares of Wirye Energy Service Co. held by the Controlling Company are provided as collateral to the syndicate of creditors of repayment of borrowings and interests and 26,000,000 shares to be acquired by rights offering in the future will be pledged in the case that mass energy service project financing is outstood.

(f) As of December 31, 2014, Wirye Energy Service Co., Ltd. has a heat supply contract with Korea District Heating Corporation until completion of the Peak Load Boiler.

(g) As of December 31, 2014, Wirye Energy Service Co., Ltd. has come to an agreement to conclude a construction contract with SK Engineering & Construction Co., Ltd. in relation to the Mass Energy service Engineering, Procurement and Construction contract. In relation to the contract, retainer's fee amounting to ₩18,230,000 thousand was provided.

(h) As of December 31, 2014, Wirye Energy Service Co., Ltd. has come to an agreement to conclude a construction contract with SK Engineering & Construction Co., Ltd. in relation to the main equipment. In relation to the contract, retainer's fee amounting to ₩18,770,000 thousand was provided.

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- (i) As of December 31, 2014, Wirye Energy Service Co., Ltd. has a contract amounting to ₩2,840,952 thousand in relation to the construction inspection service contract of Mass Energy service.
- (j) As of December 31, 2014, Wirye Energy Service Co., Ltd. has a construction contract with Daekyung Enertech amounting to ₩9,040,000 thousand in relation to the heat pipe construction of Wirye 1-2 district, 2district and Wirye-Hanan remaining conjunction.
- (k) As of December 31, 2014, Wirye Energy Service Co., Ltd. has a construction contract with Daehan Oil Pipeline Corporation amounting to ₩7,090,700 thousand in relation to the heat pipe construction of Wirye 1-1 district.
- (l) As of December 31, 2014, PMP Co., Ltd. has a construction contract with SK Engineering & Construction Co., Ltd. amounting to ₩25,000,000 thousand in relation to the Jangmun Natural gas power station field preparation and it is due to be completed on May 31, 2015.
- (m) As of December 31, 2014, PMP Co., Ltd. has a construction contract with SK Engineering & Construction Co., Ltd. amounting to ₩1,234,000,000 thousand in relation to the Jangmun Natural gas power station Engineering, Procurement and Construction contract.
- (n) As of December 31, 2014, PMP Co., Ltd. has a construction contract with Human & Technologies Corp. amounting to ₩4,415,860 thousand in relation to providing construction management service such as supervision agencies of Jangmun Natural gas power.
- (o) As of December 31, 2014, PMP Co., Ltd. has a construction contract with Black & Veatch Corporation amounting to USD 3,905 thousand in relation to Owner's Engineering Service.
- (p) As of December 31, 2014, PMP Co., Ltd. has a long term maintenance program with Siemens Co., Ltd. in relation to providing gas turbine equipment and maintenance personnel.
- (q) The Company accounts for ₩16,206,876 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.
- (r) As of December 31, 2014, the Company has entered into an agreement to purchase 500,000~600,000 tons of LNG annually from Tangguh PSC Contractor Parties located in Indonesia from January 2006 until December 2025.
- (s) As of December 31, 2014, the Company has an operation management agreement, and gas turbine maintenance and repair agreement regarding power generating facilities with GE International Inc., wherein GE International Inc. manages the operation of power generating facilities and maintains and repairs gas turbines, and supplies parts needed. The agreement period of the operation management of power generating facilities is until April 2015 and the gas turbine repair and maintenance agreement period is from June 2004 until February 2031, or the end date of performance (estimated to be 2026) according to the gas turbine agreement, whichever is earlier. Expenses in relation to this agreement amounted to ₩24,477,173 thousand (2013: ₩26,529,867 thousand).
- (t) As of December 31, 2014, the Company has an agreement with Posco Co., Ltd. to use the LNG terminal situated within the premises of Posco Kwangyang Port. The agreement period is from June 2005 until December 2025, and the Company pays the terminal fee according to the LNG cargo as

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per agreement. Expenses in relation to this agreement amounted to ₩31,827,306 thousand (2013: ₩28,320,182 thousand).

(u) As of December 31, 2014, the Company has a lease agreement with Posco Co., Ltd. on the power generator site within the Posco premises of Kwangyang Port. The agreement period is from August 2003 until December 2028. Expenses in relation to this agreement amounted to ₩1,344,347 thousand (2013: ₩1,276,089 thousand).

(v) The subsidiary SK E&S Australia Pty Ltd., a subsidiary, secured 37.5% of shares in Australian Barossa-Caldita Gas field in accordance with the share purchase agreement with ConocoPhillips and Santos in June 2012. SK E&S Australia Pty Ltd. has entered into the agreement of executing USD 310,000 thousand of project expenditures in relation to the share purchase, and USD 170,737,665 has been executed as of December 31, 2014.

As of December 31, 2014, the Company has provided performance guarantees in relation to this agreement.

(w) SK E&S LNG, LLC, a subsidiary, will be provided with liquefaction service of 115 million MMBtus annually for 20 years from LNG liquefaction facilities which be operated by FLNG Liquefaction 3, LLC in Texas, U.S. from the year 2019.

As of December 31, 2014, the Company has a responsibility to pay if the subsidiary SK E&S LNG, LLC is not able to compensate for any damages arising from not paying service fees or breach of contract in relation to this service contract.

In addition, SK Holdings Co., Ltd., the ultimate parent company of the Company, has provided the performance guarantee for the SK E&S Co., Ltd.'s performance guarantee.

(x) As of December 31, 2014, the Controlling Company provides loan agreements in relation to the project financing contract of Boryeong LNG Terminal Co., Ltd, amounting to ₩125,000,000 thousand; and provides fund raising contract for the principal of public bond amounting to ₩200,000,000 thousand, which is expected to be issued by Boryeong LNG Terminal Co., Ltd. The 4,509,064 shares issued by Boryeong LNG Terminal Co., Ltd. held by the Controlling Company are provided as collateral in relation to the project financing contract of Boryeong LNG Terminal Co., Ltd. to the syndicate of creditors. The Controlling Company will provide performance guarantees in relation to using LNG storage and vaporization service for 20 years.

(y) DewBlaine Energy, LLC, a subsidiary, signed asset acquisition, joint development and joint operation agreements with Continental Resource, Inc. and acquired a 49.9% interest of shale gas field located in Oklahoma, United States. DewBlaine Energy, LLC has committed to execute USD 360,000 thousand of project expenditures under the agreements and paid USD 104,264 thousand to Continental Resources, Inc. as of December 31, 2014.

As of December 31, 2014, the Controlling Company has a commitment to assume the related responsibilities if DewBlaine Energy, LLC-defaults on payments related to these agreements such as carry amount of investments and quarterly development cost payments, or compensation damages arising from breach of duty.

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33. Information on Non-Controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2014 and 2013, are as follows:

		2014							
(in thousands of Korean won)	Ratio of Non-controlling Interests (%)	Beginning book value	Gain(loss)	Dividends received	Capital transaction	Others	Ending book value		
Ko-one Energy Service Co., Ltd.	-	₩ 115,917	₩ 3,918	₩ -	₩ (112,867)	₩ (6,968)	₩ -		
Pusan City Gas Co., Ltd.	32.68%	140,787,766	12,216,579	(2,604,597)	-	(1,143,053)	149,256,695		
Gimcheon Energy Service Co., Ltd.	20.00%	16,033,324	2,873,302	-	-	(17,786)	18,888,840		
Wirye Energy Service Co., Ltd.	10.55%	11,357,503	(320,648)	-	-	5,357	11,042,212		
Hanam Energy Service Co., Ltd.	-	15,992	(100)	-	(15,892)	-	-		
SK E&S Hong Kong Co., Ltd.	16.34%	1,851,094	(1,056,727)	-	-	(170,571)	623,796		
		₩ 170,161,596	₩ 13,716,324	₩ (2,604,597)	₩ (128,759)	₩ (1,333,021)	₩ 179,811,543		

		2013							
(in thousands of Korean won)	Ratio of Non-controlling Interests (%)	Beginning book value	Gain(loss)	Dividends received	Capital transaction	Others	Ending book value		
Ko-one Energy Service Co., Ltd.	0.02%	₩ 2,256,524	₩ 47,429	₩ (31,208)	₩ (2,150,197)	₩ (6,631)	₩ 115,917		
Pusan City Gas Co., Ltd.	32.68%	243,218,258	20,060,825	(5,600,995)	(116,128,039)	(762,283)	140,787,766		
Gimcheon Energy Service Co., Ltd.	20.00%	-	2,603,485	-	13,438,812	(8,973)	16,033,324		
Wirye Energy Service Co., Ltd.	10.55%	4,790,024	(251,054)	-	6,888,540	(70,007)	11,357,503		
Hanam Energy Service Co., Ltd.	0.02%	(124)	(1,546)	-	2,782	14,880	15,992		
SK E&S Hong Kong Co., Ltd.	16.34%	3,000,479	283,160	-	(1,615,902)	183,357	1,851,094		
		₩ 253,265,161	₩ 22,742,299	₩ (5,632,203)	₩ (99,564,004)	₩ (649,657)	₩ 170,161,596		

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The summarized consolidated statements of financial position for each subsidiary with non-controlling interests as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014				
	Current assets	Non- current assets	Current liabilities	Non-current liabilities	Equity
Ko-one Energy Service Co., Ltd.	₩ 581,742,946	₩ 534,357,448	₩ 449,557,923	₩ 85,266,578	₩ 581,275,892
Pusan City Gas Co., Ltd.	270,152,711	482,550,145	229,715,948	63,365,610	459,621,298
Gimcheon Energy Service Co., Ltd.	42,644,849	224,169,299	39,747,522	132,622,425	94,444,201
Wirye Energy Service Co., Ltd.	163,604,902	207,563,701	2,195,896	264,262,077	104,710,630
Hanam Energy Service Co., Ltd.	10,115,307	443,135,626	16,246,725	370,574,774	66,429,435
SK E&S Hong Kong Co., Ltd.	16,396,051	5,059,171	17,637,407	-	3,817,815

(in thousands of Korean won)

	2013				
	Current assets	Non- current assets	Current liabilities	Non-current liabilities	Equity
Ko-one Energy Service Co., Ltd.	₩ 521,948,331	₩ 537,465,137	₩ 449,536,689	₩ 45,911,294	₩ 563,965,485
Pusan City Gas Co., Ltd.	330,624,504	456,085,534	315,097,060	35,047,080	436,565,898
Gimcheon Energy Service Co., Ltd.	26,012,030	233,261,164	20,146,133	158,960,442	80,166,619
Wirye Energy Service Co., Ltd.	13,996,852	100,384,003	6,644,174	36,224	107,700,457
Hanam Energy Service Co., Ltd.	10,969,161	248,177,390	10,339,096	180,660,774	68,146,681
SK E&S Hong Kong Co., Ltd.	16,058,464	11,545,256	16,274,477	-	11,329,243

The summarized consolidated statements of comprehensive income for each subsidiary with non-controlling interests for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014			
	Revenue	Profit (loss)	Other Comprehensive Income(loss)	Total Comprehensive Income(loss)
Ko-one Energy Service Co., Ltd.	₩ 1,524,977,699	₩ 18,920,411	₩ (1,774,838)	₩ 17,145,573
Pusan City Gas Co., Ltd.	1,277,764,155	35,061,619	(2,005,221)	33,056,398
Gimcheon Energy Service Co., Ltd.	109,004,078	14,366,508	(68,025)	14,277,583
Wirye Energy Service Co., Ltd.	1,639,935	(3,040,624)	(16,403)	(3,057,027)
Hanam Energy Service Co., Ltd.	739,419	(1,717,247)	-	(1,717,247)
SK E&S Hong Kong Co., Ltd.	-	(6,467,484)	(1,043,943)	(7,511,427)

(in thousands of Korean won)

	2013			
	Revenue	Profit (loss)	Other Comprehensive Income(loss)	Total Comprehensive Income(loss)
Ko-one Energy Service Co., Ltd.	₩ 1,583,943,550	₩ 10,689,863	₩ 278,020	₩ 10,967,883
Pusan City Gas Co., Ltd.	1,209,941,069	36,805,653	(628,984)	36,176,669
Gimcheon Energy Service Co., Ltd.	49,189,129	12,817,011	155,549	12,972,560
Wirye Energy Service Co., Ltd.	217,840	(1,355,183)	(2,425)	(1,357,608)
Hanam Energy Service Co., Ltd.	-	(1,436,134)	-	(1,436,134)
SK E&S Hong Kong Co., Ltd.	-	1,092,324	235,314	1,327,638

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The summarized consolidated statements of cash flows for each subsidiary with non-controlling interests for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)	2014									
	Operating activities		Investing activities		Financing activities		Cash at the beginning of year	Cash at the end of year		
Ko-one Energy Service Co., Ltd.	₩	28,386,594	₩	(7,285,145)	₩	(7,274,947)	₩	224,149,741	₩	237,976,243
Pusan City Gas Co., Ltd.		(29,789,471)		(37,413,214)		(21,094,951)		144,211,071		55,913,435
Gimcheon Energy Service Co., Ltd.		29,229,407		(3,376,022)		(10,585,718)		15,816,478		31,084,145
Wirye Energy Service Co., Ltd.		(7,898,657)		(96,845,003)		249,064,200		13,695,260		158,015,800
Hanam Energy Service Co., Ltd.		(16,871,704)		(161,933,189)		175,000,000		4,857,181		1,052,288
SK E&S Hong Kong Co., Ltd.		834,354		-		(1,007,318)		280,921		107,957

(in thousands of Korean won)

(in thousands of Korean won)	2013									
	Operating activities		Investing activities		Financing activities		Cash at the beginning of year	Cash at the end of year		
Ko-one Energy Service Co., Ltd.	₩	28,203,000	₩	(37,182,676)	₩	(9,296,777)	₩	242,426,194	₩	224,149,741
Pusan City Gas Co., Ltd.		53,994,056		(20,979,712)		(9,671,700)		120,868,427		144,211,071
Gimcheon Energy Service Co., Ltd.		8,918,634		(39,089,783)		44,000,000		1,987,627		15,816,478
Wirye Energy Service Co., Ltd.		3,306,132		(87,525,200)		92,540,740		5,373,588		13,695,260
Hanam Energy Service Co., Ltd.		(9,779,271)		(174,566,970)		189,180,943		22,479		4,857,181
SK E&S Hong Kong Co., Ltd.		(917,744)		-		889,957		308,708		280,921

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

	2014		2013	
Carrying amount of non-controlling interests acquired	₩	128,759	₩	119,891,356
Consideration paid to non-controlling interests		205,200		114,410,442
Excess of consideration paid recognized in parent's equity	₩	(76,441)	₩	5,480,914

During 2013, the Group acquired 3,005,398 shares (27.3% of total issued stock) of common stock of Pusan City Gas Co., Ltd. amounting to ₩113,002,425 thousand through tender offers and others, and ₩117,756,734 thousand of non-controlling interests were eliminated as a result of the above transaction.

The Group acquired 39 shares (0.1% of total issued stock)(2013: 179 shares (0.4% of total issued stock)) amounting to ₩205,200 thousand, and ₩128,759 thousand(2013: ₩2,134,622 thousand) of non-controlling interests were eliminated as a result of the above transaction.

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34. Related Party Transactions

The parent company and subsidiaries as of December 31, 2014 and 2013, are as follows:

		Percentage of ownership (%)	
		2014	2013
Parent Company	SK Holdings Co., Ltd.	94.1%	94.1%
Subsidiaries	Kangwon City Gas Co., Ltd.	100.0%	100.0%
	Yeongnam Energy Service Co., Ltd.	100.0%	100.0%
	Ko-one Energy Service Co., Ltd.	100.0%	99.9%
	Pusan City Gas Co., Ltd.	67.3%	67.3%
	Jeonbuk Energy Service Co., Ltd.	100.0%	100.0%
	Chonnam City Gas Co., Ltd.	100.0%	100.0%
	Chungcheong Energy Service Co., Ltd.	100.0%	100.0%
	Pyeongtaek Energy Service Co., Ltd.	100.0%	100.0%
	PMP Co., Ltd.	100.0%	100.0%
	Wirye Energy Service Co., Ltd.	89.5%	89.5%
	Gimcheon energy service Co., Ltd.	80.0%	80.0%
	Jeonbuk Mass Energy Co., Ltd. ¹	100.0%	-
	SK E&S Hong Kong Co., Ltd.	100.0%	100.0%
	SK LNG Trading Pte., Ltd.	100.0%	100.0%
	SK E&S Australia Pty Ltd.	100.0%	100.0%
	SK E&S Americas, Inc.	100.0%	100.0%
	PT SK E&S Nusantara	100.0%	100.0%
	SK E&S LNG, LLC	100.0%	100.0%
	DewBlaine Energy, LLC ²	100.0%	-
	Hanam Energy Service Co., Ltd.	100.0%	100.0%

¹ The entity was newly established during 2014 due to the spin-off from the Jeonbuk Energy Service Co., Ltd.

² The entity was newly established during 2014.

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Details of joint ventures, associates and other related parties that have sales and other transactions with the Group or have receivables and payables balances as of December 31, 2014 and 2013, are as follows:

	Related Parties		Relationship
	2014	2013	
Joint ventures	Boryeong LNG Terminal Co., Ltd.	Boryeong LNG Terminal Co., Ltd.	
	-		
Associates	Gyeongnam Renewable Energy Co., Ltd.	Gyeongnam Renewable Energy Co., Ltd.	
	Gimcheon Energy Service Co., Ltd.	Gimcheon Energy Service Co., Ltd.	
	China Gas Holdings Ltd.	China Gas Holdings Ltd.	
Other related parties	SK C&C Company Limited	SK C&C Company Limited	Has significant influence over SK Holdings Co., Ltd.
	SK Innovation Co., Ltd.	SK Innovation Co., Ltd.	SK Holdings Co., Ltd.'s subsidiary
	SK TELECOM CO., LTD.	SK TELECOM CO., LTD.	SK Holdings Co., Ltd.'s subsidiary
	SK Broadband Co., Ltd.	SK Broadband Co., Ltd.	SK TELECOM CO., LTD.'s subsidiary
	SK Networks Company Limited	SK Networks Company Limited	SK Holdings Co., Ltd.'s subsidiary
	SK Telink, Corp.	SK Telink, Corp.	SK TELECOM CO., LTD.'s subsidiary
	SK USA, Inc.	SK USA, Inc.	SK Innovation Co., Ltd.'s subsidiary
	SK Pinx Co., Ltd.	SK Pinx Co., Ltd.	SK Networks Company Limited. 's subsidiary
	M&SERVICE Co., Ltd.	M&SERVICE Co., Ltd.	SK Planet Co., Ltd.'s subsidiary
	SK Engineering & Construction Co., Ltd.	SK Engineering & Construction Co., Ltd.	SK Holdings Co., Ltd.'s subsidiary
	SK SECURITIES CO., LTD.	SK SECURITIES CO., LTD.	SK C&C Company Limited is the largest shareholder
	Infosec Co., Ltd.	Infosec Co., Ltd.	SK C&C Company Limited. 's subsidiary
	SK Forest Co., Ltd.	SK Forest Co., Ltd.	SK Holdings Co., Ltd.'s subsidiary
	UBCARE CO., LTD.	UBCARE CO., LTD.	SK CHEMICALS CO., LTD. 's subsidiary
	HAPPYNARAE Co., Ltd.	HAPPYNARAE Co., Ltd.	SK Holdings Co., Ltd.'s subsidiary
	SK Networks Internet, Inc.	SK Networks Internet, Inc.	SK Networks Company Limited.'s subsidiary
	SK Ship Management Co., Ltd.	SK Ship Management Co., Ltd.	SK SHIPPING CO., LTD. 's subsidiary
	KONAN TECHNOLOGY.	KONAN TECHNOLOGY.	SK Communications Co., Ltd.'s associate
	SK Energy Co. Ltd.	SK Energy Co. Ltd.	SK Innovation Co., Ltd.'s subsidiary
	SK Planet Co., Ltd.	SK Planet Co., Ltd.	SK TELECOM CO., LTD.'s subsidiary
	BiZEN Co., Ltd.	BiZEN Co., Ltd.	SK C&C Company Limited. 's subsidiary
	SKC LTD.	SKC LTD.	SK Holdings Co., Ltd.'s subsidiary
	SK SHIPPING CO., LTD.	SK SHIPPING CO., LTD.	SK Holdings Co., Ltd.'s subsidiary
	SK Hynix Inc.	SK Hynix Inc.	SK TELECOM CO., LTD.'s associate
	SK Lubricants Co., Ltd.	SK Lubricants Co., Ltd.	SK Innovation Co., Ltd.'s subsidiary
	SK Biopharmaceuticals Co., Ltd.	SK Biopharmaceuticals Co., Ltd.	SK Holdings Co., Ltd.'s subsidiary
	SK CHEMICALS CO., LTD.	SK CHEMICALS CO., LTD.	The largest shareholder is a relative of SK E&S's key management personnel
	F&U Credit Information.	F&U Credit Information.	SK TELECOM CO., LTD.'s subsidiary
	SKCKOLONPI.	SKCKOLONPI.	SKC LTD. 's subsidiary
	Daehan Oil Pipeline Corporation	Daehan Oil Pipeline Corporation	SK Innovation Co., Ltd.'s subsidiary
	SK D&D.	SK D&D.	SK Engineering & Construction co., Ltd. is associate
	Netruck Corporation	Netruck Corporation	SK Energy Co. Ltd.'s subsidiary
	SK GAS Co., Ltd.	SK GAS Co., Ltd.	SK CHEMICALS CO., LTD. 's subsidiary

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Sales and purchases with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

		2014				
		Revenue and others	Purchase of raw materials	Purchase of others	Acquisition of property, plant and equipment	Equity contributions in cash
Parent Company	SK Holdings Co., Ltd.	₩ -	₩ -	₩ 7,381,815	₩ -	₩ -
Joint Arrangements	Boryeong LNG Terminal Co., Ltd.	811,514	-	-	-	-
Associates	Angel Wind Energy Co., Ltd.	-	-	-	-	6,416,657
	SK C&C Company Limited	202,241	-	17,018,427	7,786,011	-
Other related parties	SK Innovation Co., Ltd.	20,604,998	-	6,015,483	-	-
	SK Networks Company Limited	268,189	39,882,091	3,370,991	42,544	-
	SK Engineering & Construction Co., Ltd.	744,522	-	990,000	518,641,689	-
	SK hynix Inc.	30,498,150	-	-	-	-
	SKC LTD.	10,044,851	-	-	-	-
	M&SERVICE Co., Ltd.	-	-	5,192,974	-	-
	SK GAS Co., Ltd. ¹	20,000	-	78,988,565	-	-
	SK Energy Co. Ltd.	35,109,834	-	26,190	-	-
	SK TELECOM CO.,LTD. and other 23 companies	3,243,380	53,164	6,289,507	1,760,565	-
		₩ 101,547,679	₩ 39,935,255	₩ 125,273,952	₩ 528,230,809	₩ 6,416,657

¹ The Group purchased 49,229,500 common shares of China Gas Holdings Ltd., an associate of the Group, for ₩78,988,565 thousand from SK Gas Co., Ltd.

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(in thousands of Korean won)

		2013				
		Revenue and others	Purchase of raw materials	Purchase of others	Acquisition of property, plant and equipment	Equity contributions in cash
Parent Company	SK Holdings Co., Ltd.	₩ 149,921	₩ -	₩ 7,145,617	₩ -	₩ -
Joint arrangements	Boryeong LNG Terminal Co., Ltd.	-	-	-	-	100,000,000
Associates	Gyeongnam Renewable Energy Co., Ltd.	8,250	-	-	-	600,000
	China Gas Holdings Ltd. ¹	20,843,013	-	-	-	-
Other related parties	SK C&C Company Limited	93,686		16,789,339	8,696,135	-
	SK Innovation Co., Ltd.	18,168,604	-	5,879,271	-	-
	SK Networks Company Limited	331,397	33,244,716	4,833,614	-	-
	SK Engineering & Construction Co., Ltd.	10,536,392	-	1,111,000	135,764,630	-
	SK hynix Inc.	30,796,288	-	-	-	-
	SKC LTD.	8,340,436	-	-	-	-
	M&SERVICE Co., Ltd.	-	-	4,905,244	-	-
	SK Energy Co. Ltd.	27,153,400	-	27,258	-	-
	SK Hyeng Inc.	16,491,303	-	-	-	-
	Daehan Oil Pipeline Corporation	-	-	-	12,679,120	-
	SK TELECOM CO.,LTD. and other 33 companies	2,466,209	-	6,191,343	146,000	-
		₩ 135,378,899	₩ 33,244,716	₩ 46,882,686	₩ 157,285,885	₩ 100,600,000

¹ The Group sold 8,340,000 common shares of China Gas-SK Energy Holdings Co. for ₩20,843,013 thousand to China Gas Holdings Ltd.

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Details of receivables and payables with related parties as of December 31, 2014 and 2013, are as follows:

(in thousands of Korean won)

		2014				2013			
		Trade receivables	Other receivables	Trade payables	Other liabilities	Trade receivables	Other receivables	Trade payables	Other liabilities
Joint arrange ment Other related parties	Boryeong LNG Terminal Co., Ltd.	₩ -	₩ 176,130	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
	SK C&C Company Limited	5,452	67,016	-	5,540,103	930	-	-	4,984,281
	SK Innovation Co., Ltd.	731,604	435,788	-	192,292	1,796,345	435,788	-	174,814
	SK Networks Company Limited	23,732	160,000	9,546,157	3,352,324	-	160,000	13,401,592	1,237,256
	SK Engineering & Construction Co., Ltd.	107,099	-	-	71,784,651	-	1,709	-	6,451,700
	M&SERVICE Co., Ltd.	-	-	-	640,786	-	-	-	470,672
	SK hynix Inc.	4,538,909	-	-	-	4,275,888	-	-	-
	SKC LTD.	844,283	-	-	-	898,736	333	-	856,069
	SK Energy Co. Ltd.	5,445,747	-	-	-	5,026,713	-	-	-
	SK TELECOM CO.,LTD. and other 8 companies	325,684	14,630	1,084	655,781	-	560	-	238,908
		₩ 12,022,510	₩ 853,564	₩ 9,547,241	₩ 82,165,937	₩ 11,998,612	₩ 598,390	₩ 13,401,592	₩ 14,413,700

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Details of payment and performance guarantees provided by the Group to the related parties and payment, and performance guarantees are provided by the related parties to the Group as of December 31, 2014, are as follows:

(in thousands of Korean won, thousands of Chinese yuan, thousands of US dollars)

	Provided by	Beneficiary	Guaranteed by	Remark	Guaranteed amount
Payment guarantees	Controlling company	Hwangangsaerak Natural Gas Ltd.	Industrial and Commercial Bank of China Ltd	Borrowings	CNY 47,000
Fund raising contract	Controlling company	Boryeong LNG Terminal Co., Ltd.	Holders of public offering bonds	Borrowings	KRW 200,000,000
Fund lending contract	Controlling company	Boryeong LNG Terminal Co., Ltd.	the Project Financing syndicate	PF contract	KRW 125,000,000
Performance guarantee	SK Holdings Co., Ltd.	Controlling company	FLNG Liquefaction 3, LLC	Liquefaction Tolling Agreement	-
	Controlling company	Boryeong LNG Terminal Co., Ltd.	the Project Financing syndicate	Vaporization Tolling Agreement	-

Details of collateral provided by the Group to the related parties as of December 31, 2014, are as follows:

Provided by	Beneficiary	Guarantees	Remark	Secured assets
Controlling company	Boryeong LNG Terminal Co., Ltd.	Woori Bank	Bridge Loan	4,509,064 shares of common stock of Boryeong LNG Terminal Co., Ltd.

The Group's main commitments with related parties as of December 31, 2014, are as follows:

(in thousands of Korean won)

Entities	Related parties	Commitment	Amount
Gimcheon energy service Co., Ltd.	SK Networks Company Limited	Bituminous coal purchasing agreement	KRW -
PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	Land grading work contract	KRW 25,000,000
PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	EPC contract	KRW 1,234,000,000
Hanam Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	EPC contract	KRW 218,551,516
Wirye Energy Service Co., Ltd.	Daehan Oil Pipeline Corporation	Construction contract	KRW 7,090,700

Compensation for key management of the Controlling Company for the years ended December 31, 2014 and 2013, consists of:

(in thousands of Korean won)

	2014	2013
Salaries	₩ 2,602,880	₩ 4,427,390
Severance benefits	436,313	810,015
Total	₩ 3,039,193	₩ 5,237,405

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35. 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 December 31, 2014.

The segment information for the years ended December 31, 2014 and 2013, is stated after considering the distribution of intra-company transactions, adjustments of depreciation cost, interest income, interest expense 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 years ended December 31, 2014 and 2013:

(in thousands of Korean won)

	2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 840,991,497 ₩	₩ 783,294,056 ₩	₩ 4,808,463,955 ₩	- ₩	₩ (794,233,078) ₩	₩ 5,638,516,430
Inter-segment revenue	-	(783,294,056)	(10,939,022)	-	794,233,078	-
Net-segment revenue	840,991,497	-	4,797,624,933	-	-	5,638,516,430
Segment profit(loss) before income tax	2,921,838	434,733,445	138,607,190	(48,927,646)	2,036,240	529,371,067

(in thousands of Korean won)

	2013					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 952,672,446 ₩	₩ 792,529,136 ₩	₩ 4,750,512,929 ₩	₩ 3,159,874 ₩	₩ (795,563,670) ₩	₩ 5,703,310,715
Inter-segment revenue	-	(792,529,136)	(194,311)	(2,840,223)	795,563,670	-
Net-segment revenue	952,672,446	-	4,750,318,618	319,651	-	5,703,310,715
Segment profit(loss) before income tax	106,635,440	423,250,552	139,354,884	(5,364,390)	22,323,708	686,200,194

¹ Revenues arising from other segments consist of shared services to the Group's city gas distribution subsidiaries.

Breakdown of the Group's revenue from all services for the years ended December 31, 2014 and 2013, follows:

(in thousands of Korean won)

	2014	2013
Finished Goods	₩ 850,189,491 ₩	₩ 960,159,501 ₩
Trading	4,773,939,771	4,726,623,068
Others	7,580,279	9,781,524
Rental	6,806,889	6,746,622
	<u>₩ 5,638,516,430</u>	<u>₩ 5,703,310,715</u>

Revenues of ₩838,612,143 thousand (2013: ₩ 952,880,925 thousand), which are more than 10% of the Group revenue in 2014, are derived from Korea Power Exchange, and these revenues are attributable to the power generation and city gas segments.

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36. Discontinued operations

The board of directors of the group has approved to dispose of Pyeongtaek Energy Service Co., Ltd., Kimcheon Energy Service Co., Ltd. and Jeonbuk Mass Energy Co., Ltd. on December 22, 2014. Therefore the assets and liabilities related to subsidiaries above have been presented as held for sale and profits and losses related to subsidiaries above have been presented as discontinued operations.

Assets and liabilities of disposal group classified as held for sale are as follows :

<i>(in thousands of Korean won)</i>	2014		2013	
Assets of disposal group				
Cash and cash equivalents	₩	54,837,478	₩	-
Trade receivables		81,632,448		-
Property, plant and equipment		902,155,772		-
Intangible assets		75,384,728		-
Other assets		31,188,137		-
	₩	<u>1,145,198,563</u>	₩	<u>-</u>
Liabilities of disposal group				
Trade payables		91,451,527		-
Borrowings		628,040,038		-
Other liabilities		66,253,877		-
	₩	<u>785,745,442</u>	₩	<u>-</u>

Analysis of the profits and losses of discontinued operations for the years ended December 31, 2014 and 2013, follows :

<i>(in thousands of Korean won)</i>	2014		2013	
Revenue	₩	996,665,525	₩	639,991,335
Expenses		<u>934,835,277</u>		<u>585,658,725</u>
Profit before tax of discontinued operations		61,830,248		54,332,610
Tax(benefit)		<u>13,291,962</u>		<u>(9,372,506)</u>
Profit after tax of discontinued operations		48,538,286		63,705,116
Tax		<u>34,250,777</u>		<u>-</u>
Profit for the year from discontinued operations		<u>14,287,509</u>		<u>63,705,116</u>

Cash flows of discontinued operations for the years ended December 31, 2014 and 2013, follow :

<i>(in thousands of Korean won)</i>	2014		2013	
Operating cash flows	₩	83,942,208	₩	88,186,361
Investing cash flows		(10,973,858)		(103,145,387)
Financing cash flows		<u>(87,431,908)</u>		<u>4,918,588</u>
Profit for the year from discontinued operations	₩	<u>(14,463,558)</u>	₩	<u>(10,040,438)</u>

SK E&S Co., Ltd. and Subsidiaries
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37. Subsequent Events

(a) On January 12, 2015, the Controlling Company provided SK E&S Australia Pty Ltd, a subsidiary, with payment guarantees amounting to USD 90,000 thousand in relation to the line of credit from DBS Bank.

(b) On January 13, 2015, the Controlling Company disposed of its shares in Pyeongtaek Energy Service Co., Ltd., Kimcheon Energy Service Co., Ltd., and Jeonbuk Mass Energy Co., Ltd. amounting to ₩ 495,082,000 thousand.

(c) On February 11, 2015, the Controlling Company provided PMP Co., Ltd., a subsidiary, with payment guarantees, as approved by the Board of Directors, in relation to the principal of the public bond amounting to ₩350,000,000 thousand.