

**SK E&S Co., Ltd.
and Subsidiaries**

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

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

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

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

Reviewed Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Conclusion

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

Other Matters

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

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

Samil PricewaterhouseCoopers

Seoul, Korea

August 13, 2015

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

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

<i>(in thousands of Korean won)</i>	Notes	June 30, 2015 (Unaudited)	December 31, 2014
Assets			
Non-current assets			
Property, plant and equipment	7	₩ 3,511,161,863	₩ 2,863,719,220
Investment property		96,572,248	96,612,496
Intangible assets	7	486,585,234	437,468,009
Investments in joint venture and associates	8	746,617,980	669,816,096
Deferred tax assets		9,477,430	16,840,056
Available-for-sale financial assets	4	104,686,370	67,895,960
Other financial assets		27,909,582	42,417,121
Other assets		9,692,088	10,435,314
		<u>4,992,702,795</u>	<u>4,205,204,272</u>
Assets held-for-sale		<u>-</u>	<u>1,145,198,563</u>
Current assets			
Inventories		7,356,436	14,781,425
Trade receivables		319,385,833	913,968,854
Other financial assets		44,308,187	27,913,449
Other assets		15,884,934	53,775,943
Cash and cash equivalents		247,248,774	621,113,039
		<u>634,184,164</u>	<u>1,631,552,710</u>
Total assets		<u>₩ 5,626,886,959</u>	<u>₩ 6,981,955,545</u>
Liabilities			
Non-current liabilities			
Borrowings	4,9	₩ 2,101,875,491	₩ 1,587,324,928
Other financial liabilities		9,759,664	4,609,025
Deferred tax liabilities		95,483,325	72,926,015
Net defined benefit liabilities	10	19,326,683	9,161,054
Unearned revenue		216,788,531	200,388,576
Other liabilities		1,494,645	1,413,834
		<u>2,444,728,339</u>	<u>1,875,823,432</u>
Liabilities Held-for-sale		<u>-</u>	<u>785,745,442</u>
Current liabilities			
Trade payables		373,422,397	1,081,605,525
Other financial liabilities		109,365,024	212,511,519
Other liabilities		26,948,534	30,150,637
Current income tax liabilities		106,367,726	62,724,817
Borrowings	4,9	186,804,963	561,597,281
		<u>802,908,644</u>	<u>1,948,589,779</u>
Total liabilities		<u>3,247,636,983</u>	<u>4,610,158,653</u>
Equity attributable to owners of the Parent Company			
Capital stock		221,058,960	221,058,960
Paid-in-capital in excess of par value		420,107,124	420,107,124
Retained earnings		918,186,317	935,270,213
Other components of equity		646,555,196	615,549,052
		<u>2,205,907,597</u>	<u>2,191,985,349</u>
Non-controlling interests		<u>173,342,379</u>	<u>179,811,543</u>
Total equity		<u>2,379,249,976</u>	<u>2,371,796,892</u>
Total liabilities and equity		<u>₩ 5,626,886,959</u>	<u>₩ 6,981,955,545</u>

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

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

(in thousands of Korean won, except per share amounts)	Notes	2015 (Unaudited)		2014 (Unaudited)	
		Three months	Six months	Three months	Six months
Continuing operations					
Revenue	5,6,14	₩ 879,378,602	₩ 2,738,715,078	₩ 1,069,001,999	₩ 3,110,551,306
Cost of sales		704,957,080	2,278,518,445	868,937,176	2,611,377,000
Gross profit		174,421,522	460,196,633	200,064,823	499,174,306
Selling and administrative expenses		107,063,207	211,258,245	105,675,256	207,121,203
Operating profit		67,358,315	248,938,388	94,389,567	292,053,103
Other income		34,139,856	55,356,157	23,732,245	40,752,153
Other expenses		4,545,198	12,680,649	12,069,261	18,357,645
Share of profit of associates	8	37,680,229	37,645,813	25,413,459	25,695,004
Finance income		4,661,504	9,505,502	5,434,538	10,415,353
Finance expenses		7,093,215	14,912,639	13,812,808	25,549,182
Profit before income tax		132,201,491	323,852,572	123,087,740	325,008,786
Income tax expense	11	24,311,532	71,706,866	26,957,148	79,966,789
Profit for the period from continuing operations		107,889,959	252,145,706	96,130,592	245,041,997
Discontinued operations					
Profit(loss) for the period from discontinued operations	15	(2,475,410)	90,275,396	(3,977,325)	9,658,303
Profit for the period		₩ 105,414,549	₩ 342,421,102	₩ 92,153,267	₩ 254,700,300
Profit attributable to:					
Owners of the Parent					
Profit for the period from continuing operations		₩ 99,957,992	₩ 238,672,258	₩ 93,262,437	₩ 236,027,571
Profit(loss) for the period from discontinued operations		(2,475,410)	90,275,396	(3,421,186)	9,098,414
Non-controlling interests					
Profit for the period from continuing operations		7,931,967	13,473,448	2,868,155	9,014,426
Profit(loss) for the period from discontinued operations		-	-	(556,139)	559,889
Basic and diluted earnings(loss) per share					
From continuing operations		₩ 2,393	₩ 5,715	₩ 2,233	₩ 5,652
From discontinued operations		(59)	2,162	(82)	218

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

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

(in thousands of Korean won)	Notes	2015 (Unaudited)		2014 (Unaudited)	
		Three months	Six months	Three months	Six months
Profit for the period		₩ 105,414,549	₩ 342,421,102	₩ 92,153,267	₩ 254,700,300
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of net defined benefit liabilities	10	583,900	(1,720,591)	(727,289)	(4,408,472)
Items that will be reclassified subsequently to profit or loss:					
Change in value of available-for-sale financial assets	4	(12,734)	227,503	242,143	(153,122)
Share of other comprehensive income of associates		23,529,709	23,539,492	(3,055,351)	(3,287,686)
Gain(loss) on currency translation of foreign operations		7,557,193	9,143,602	(1,878,275)	(1,411,710)
Total comprehensive income for the period		<u>₩ 137,072,617</u>	<u>₩ 373,611,108</u>	<u>₩ 86,734,495</u>	<u>₩ 245,439,310</u>
Attributable to:					
Owners of the Parent Company		₩ 128,298,603	₩ 359,557,360	₩ 84,722,102	₩ 236,341,604
Non-controlling interests		8,774,014	14,053,748	2,012,393	9,097,706
Total comprehensive income for the period		<u>₩ 137,072,617</u>	<u>₩ 373,611,108</u>	<u>₩ 86,734,495</u>	<u>₩ 245,439,310</u>

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

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

(in thousands of Korean won)

Notes	Attributable to owners of the Parent Company					Non-controlling interests	Total equity
	Capital stock	Paid-in capital in excess of par value	Retained earnings	Other components of equity	Total		
Balance at January 1, 2014	₩ 221,058,960	₩ 420,107,124	₩ 999,251,630	₩ 296,947,161	₩ 1,937,364,875	₩ 170,161,595	₩ 2,107,526,470
Comprehensive income							
Profit for the period	-	-	245,125,985	-	245,125,985	9,574,316	254,700,301
Remeasurements of the net defined benefit liability	-	-	(4,193,829)	-	(4,193,829)	(214,644)	(4,408,473)
Change in value of available-for-sale financial assets	-	-	-	(153,122)	(153,122)	-	(153,122)
Share of other comprehensive income of associates	-	-	-	(2,949,527)	(2,949,527)	(338,160)	(3,287,687)
Gain(loss) on currency translation of foreign operations	-	-	-	(1,487,903)	(1,487,903)	76,193	(1,411,710)
Total comprehensive income(loss) for the period	-	-	240,932,156	(4,590,552)	236,341,604	9,097,705	245,439,309
Transactions with owners of the Company							
Cash dividends	12	-	(449,022,777)	-	(449,022,777)	(2,604,597)	(451,627,374)
Acquisition of subsidiaries		-	-	22,937	22,937	(125,819)	(102,882)
Others		-	666,486	(928,088)	(261,602)	(666,486)	(928,088)
Total transactions with owners of the Company		-	(448,356,291)	(905,151)	(449,261,442)	(3,396,902)	(452,658,344)
Balance at June 30, 2014 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 791,827,495	₩ 291,451,458	₩ 1,724,445,037	₩ 175,862,398	₩ 1,900,307,435
Balance at January 1, 2015	₩ 221,058,960	₩ 420,107,124	₩ 935,270,213	₩ 615,549,052	₩ 2,191,985,349	₩ 179,811,543	₩ 2,371,796,892
Comprehensive income							
Profit for the period	-	-	328,947,654	-	328,947,654	13,473,448	342,421,102
Remeasurements of the net defined benefit liability	-	-	(1,618,567)	-	(1,618,567)	(102,024)	(1,720,591)
Change in value of available-for-sale financial assets	-	-	-	227,503	227,503	-	227,503
Share of other comprehensive income of associates	-	-	-	23,041,671	23,041,671	497,821	23,539,492
Gain on currency translation of foreign operations	-	-	-	8,959,099	8,959,099	184,503	9,143,602
Total comprehensive income for the period	-	-	327,329,087	32,228,273	359,557,360	14,053,748	373,611,108
Transactions with owners of the Company							
Cash dividends	12	-	(336,808,844)	-	(336,808,844)	(1,297,799)	(338,106,643)
Interest paid for hybrid capital instruments		-	(8,031,319)	-	(8,031,319)	-	(8,031,319)
Disposal of subsidiaries	15	-	-	-	-	(18,888,840)	(18,888,840)
Others		-	427,180	(1,222,129)	(794,949)	(336,273)	(1,131,222)
Total transactions with owners of the Company		-	(344,412,983)	(1,222,129)	(345,635,112)	(20,522,912)	(366,158,024)
Balance at June 30, 2015 (Unaudited)	₩ 221,058,960	₩ 420,107,124	₩ 918,186,317	₩ 646,555,196	₩ 2,205,907,597	₩ 173,342,379	₩ 2,379,249,976

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

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

(in thousands of Korean won)	Notes	2015 (Unaudited)	2014 (Unaudited)
Cash flows from operating activities			
Cash generated from operations			
Profit for the period	₩	342,421,102	₩ 254,700,300
Adjustments to reconcile net income			
to net cash provided by operating activities		960,180	201,389,017
Changes in operating assets and liabilities		(126,474,746)	(187,057,553)
		216,906,536	269,031,764
Interest received		6,638,827	9,979,341
Interest paid		(37,144,340)	(56,853,086)
Dividends received		2,732,254	2,749,003
Income tax paid		(63,528,779)	(51,013,292)
Net cash generated from operating activities		125,604,498	173,893,730
Cash flows from investing activities			
Disposal of property, plant and equipment	7	737,728	1,337,803
Disposal of intangible assets	7	1,899,455	1,203,336
Disposal of available-for-sale financial assets	4	24,864,135	7,040,011
Disposal of held to maturity investment		-	1,320
Decrease in other financial assets		182,009	1,840,567
Disposal of subsidiaries	15	495,082,000	-
Disposal of associates	8	3,931,680	-
Purchases of property, plant and equipment	7	(665,298,649)	(292,521,497)
Purchases of intangible assets	7	(130,827,240)	(41,007,977)
Purchases of available-for-sale financial assets	4	(59,732,933)	(571,737)
Increase in other financial assets		(967,955)	(7,148,189)
Others		40,752,830	32,021,368
Net cash used in investing activities		(289,376,940)	(297,804,995)
Cash flows from financing activities			
Proceeds from borrowings	9	773,528,732	598,288,290
Repayments of borrowings	9	(637,589,600)	(354,038,290)
Cash dividends paid to shareholders	12	(338,106,643)	(451,627,374)
Interest paid for hybrid capital instruments		(8,031,319)	-
Others		(198,139)	(674,545)
Net cash used in financing activities		(210,396,969)	(208,051,919)
Changes in cash and cash equivalents from currency translation		305,146	(245,517)
Net decrease in cash and cash equivalents		(373,864,265)	(332,208,701)
Cash and cash equivalents at the beginning of period		621,113,039	835,279,936
Cash and cash equivalents at the end of period	₩	247,248,774	₩ 503,071,235

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

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

1. General Information

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

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

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

1.1 Subsidiaries

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

	Industry	Location	Year end	Percentage of ownership (%)	
				June 30, 2015	December 31, 2014
Kangwon City Gas Co., Ltd.	City gas	Korea	December 31	100	100
Yeongnam Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Ko-one Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Pusan City Gas Co., Ltd.	City gas	Korea	December 31	67.3	67.3
Jeonbuk Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Chonnam City Gas Co., Ltd.	City gas	Korea	December 31	100	100
Chungcheong Energy Service Co., Ltd.	City gas	Korea	December 31	100	100
Pyeongtaek Energy Service Co., Ltd.	Power generation	Korea	December 31	-	100
PMP Co., Ltd.	Power generation	Korea	December 31	100	100
Wirye Energy Service Co., Ltd.	Mass energy	Korea	December 31	89.5	89.5
Hanam Energy Service Co., Ltd. ¹	Mass energy	Korea	December 31	100	100
Gimcheon Energy Service Co., Ltd.	Mass energy	Korea	December 31	-	80
Jeonbuk Mass Energy Co., Ltd.	Mass energy	Korea	December 31	-	100
SK E&S Hong Kong Co., Ltd. ²	City gas	Hong Kong	December 31	100	100
SK LNG Trading Pte., Ltd.	Wholesale LNG	Singapore	December 31	100	100
SK E&S Australia Pty Ltd.	Resource development	Australia	December 31	100	100
SK E&S Americas, Inc.	Resource development	USA	December 31	100	100
SK E&S LNG, LLC ³	Resource development	USA	December 31	100	100
DewBlaine Energy, LLC ³	Resource development	USA	December 31	100	100
CALIP Gas Marketing, LLC ³	Resource development	USA	December 31	100	-
PT SK E&S Nusantara ⁴	Resource development	Indonesia	December 31	100	100

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

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

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

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

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

1.2 Changes in Scope for Consolidation

Subsidiary newly included in the consolidation for the six-month period ended June 30, 2015:

Name	Reason
CAILIP Gas Marketing, LLC	Newly established

Subsidiaries excluded from the consolidation for the six-month period ended June 30, 2015:

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

2. Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

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

(a) New and amended standards adopted by the Group

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

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

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

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

2.2 Application of Accounting Policies

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

2.2.1 Income tax

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

3. Critical Accounting Estimates and Assumptions

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

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

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

4. Fair Value

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

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

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

<i>(in thousands of Korean won)</i>	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩ -	₩ -	₩ 21,469,400	₩ 21,469,400

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

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

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

<i>(in thousands of Korean won)</i>	Fair value	Valuation techniques
Daol Land Chip Private Real Estate No.33	₩ 10,154,400	Net Asset Value per Share
Plus Future Plan Private Securities Investment Trust No.5	10,315,000	Net Asset Value per Share
SK Mutual Funds	1,000,000	Net Asset Value per Share
	<u>₩ 21,469,400</u>	

SK E&S Co., Ltd. and Subsidiaries
Notes to the Interim Consolidated Financial Statements
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The following table presents the changes in Level 3 instruments for the six-month periods ended June 30, 2015 and 2014:

<i>(in thousands of Korean won)</i>	2015	2014
Beginning balance	₩ 21,169,600	₩ 33,210,111
Disposal	-	(7,040,011)
Impairment	-	(5,000,000)
Valuation	299,800	322,300
Ending balance	<u>₩ 21,469,400</u>	<u>₩ 21,492,400</u>

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

<i>(in thousands of Korean won)</i>	June 30, 2015	December 31, 2014
SK Technology Innovation Company	₩ 2,808,023	₩ 2,808,024
Contemporary Painting Art Trust No.1	495,041	495,041
KNOC Ferghana Ltd.	80	80
Gemini Partners Pte., Ltd.	8,417,000	8,417,000
Prostar Energy Infra Fund	4,149,419	27,265,000
Prostar Energy Resources Fund	2,366,599	1,921,556
SK- KDB Global Investment Partnership Private Equity Fund	22,750	22,750
Hana Power Generation Infra PEF No.1	59,000,000	-
Construction Guarantee Cooperative	73,106	73,106
Fitech Global New Growth Investment Private Equity Fund	5,381,463	5,220,614
Sejung21 Co., Ltd.	358,917	358,917
Plant & Mechanical contractors financial cooperative of Korea	40,862	40,862
Jeonnam Dragons Football Club	50,000	50,000
Powertel TRS Co., Ltd.	1	1
Government bond	53,706	53,409
	<u>₩ 83,216,967</u>	<u>₩ 46,726,360</u>

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

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

<i>(in thousands of Korean won)</i>	June 30, 2015		
	Book value	Fair value	Discount rate (%)
Financial liabilities			
Borrowings	₩ 2,288,680,454	₩ 2,285,387,970	2.4~3.0
<i>(in thousands of Korean won)</i>	December 31, 2014		
	Book value	Fair value	Discount rate (%)
Financial liabilities			
Borrowings	₩ 2,148,922,210	₩ 2,252,226,314	2.5~2.7

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

5. Seasonality of Business

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

6. Segment Information

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

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

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

<i>(in thousands of Korean won)</i>	Six-month period ended June 30, 2015					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 399,600,000	₩ 332,826,465	₩ 2,318,582,166	₩10,489,971	₩ (322,783,524)	₩2,738,715,078
Inter-segment revenue	-	(322,046,811)	(736,713)	-	322,783,524	-
Net-segment revenue	399,600,000	10,779,654	2,317,845,453	10,489,971	-	2,738,715,078
Segment profit before income tax	35,578,847	149,754,367	89,789,704	473,959,616	(425,229,962)	323,852,572

<i>(in thousands of Korean won)</i>	Three-month period ended June 30, 2015					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 151,652,262	₩ 126,031,511	₩ 707,468,771	₩10,489,971	₩ (116,263,913)	₩ 879,378,602
Inter-segment revenue	-	(115,251,857)	-	-	115,251,857	-
Net-segment revenue	151,652,262	10,779,654	707,468,771	10,489,971	(1,012,056)	879,378,602
Segment profit(loss) before income tax	9,573,131	45,004,906	14,032,446	(7,913,846)	71,504,854	132,201,491

<i>(in thousands of Korean won)</i>	Six-month period ended June 30, 2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 476,954,427	₩ 438,440,377	₩ 2,638,735,922	₩ -	₩ (443,579,419)	₩3,110,551,306
Inter-segment revenue	-	(438,440,377)	(5,139,042)	-	443,579,419	-
Net-segment revenue	476,954,427	-	2,633,596,880	-	-	3,110,551,306
Segment profit before income tax	6,277,361	251,364,354	100,049,403	3,315,245	(35,997,576)	325,008,787

<i>(in thousands of Korean won)</i>	Three-month period ended June 30, 2014					
	Power generation	LNG	City gas	Other segments	Adjustment for consolidation	Total
Total segment revenue	₩ 190,428,858	₩ 176,846,294	₩ 883,712,183	₩ -	₩ (181,985,336)	₩1,069,001,999
Inter-segment revenue	-	(176,846,294)	(5,139,042)	-	181,985,336	-
Net-segment revenue	190,428,858	-	878,573,141	-	-	1,069,001,999
Segment profit(loss) before income tax	27,083,837	79,374,324	16,833,035	(22,357,699)	22,154,243	123,087,741

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

(in thousands of Korean won)

	2015				2014			
	Three months		Six months		Three months		Six months	
Sales-Finished Goods	₩	138,930,771	₩	389,924,224	₩	191,611,019	₩	481,570,551
Sales-Trading		723,667,387		2,324,660,178		874,296,819		2,622,729,422
Sales-Others		15,024,221		20,583,626		1,406,653		2,861,887
Revenue-Rental		1,756,223		3,547,050		1,687,508		3,389,446
	₩	879,378,602	₩	2,738,715,078	₩	1,069,001,999	₩	3,110,551,306

Revenues of ₩ 369,221,955 thousand (2014: ₩ 476,824,643 thousand) for the six-month period ended June 30, 2015, which are more than 10% of the Group revenue, are derived from Korea Power Exchange, and these revenues are attributable to the power generation and city gas segment.

7. Property, Plant and Equipment, and Intangible Assets

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

(in thousands of Korean won)	2015						Net currency transaction differences	Ending balance
	Beginning balance	Acquisitions	Disposals	Reclassification	Depreciation			
Land	₩ 575,000,817	₩ 15,240,371	₩ -	₩ 31,758,386	₩ -	₩ -	₩ -	₩ 621,999,574
Buildings	64,734,015	22,114	(79,126)	7,395,513	(1,619,653)	-	-	70,452,863
Structures	59,234,080	67,490	-	-	(2,546,959)	-	-	56,754,611
Machinery	394,410,568	1,039,317	-	898,823	(17,429,604)	-	-	378,919,104
Vehicles	3,659,442	172,581	(32,757)	-	(891,217)	1,215	-	2,909,264
Tools and equipment	14,469,799	1,458,414	(211,942)	667,956	(3,693,939)	9,920	-	12,700,208
Pipelines	920,222,943	8,129,610	(234,590)	21,447,473	(40,503,458)	-	-	909,061,978
Other	562,487	13,342	(20)	72,750,710	(6,493,834)	1,506,632	-	68,339,317
Construction- in-progress	831,425,069	609,194,544	-	(51,246,360)	-	651,691	-	1,390,024,944
	₩2,863,719,220	₩635,337,783	₩(558,435)	₩ 83,672,501	₩(73,178,664)	₩ 2,169,458	₩ -	₩ 3,511,161,863

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(in thousands of Korean won)	2014						Net currency transaction differences	Ending balance
	Beginning balance	Acquisitions	Disposals	Reclassification	Depreciation			
Land	₩ 467,301,907	₩ 140,871	₩ (325,476)	₩ -	₩ -	₩ -	₩ -	₩ 467,117,302
Buildings	98,499,592	671,104	(257,415)	982,132	(2,221,360)	-	-	97,674,053
Structures	161,205,467	1,174,118	(876)	-	(5,269,713)	-	-	157,108,996
Machinery	1,079,693,547	2,988,565	(137,702)	7,395,450	(33,979,024)	-	-	1,055,960,836
Vehicles	4,449,773	950,738	(229,831)	34,763	(970,372)	-	-	4,235,071
Tools and equipment	18,352,826	1,796,968	(112,315)	95,927	(4,009,246)	(1,904)	-	16,122,256
Pipelines	906,140,248	10,628,382	(116,764)	30,927,484	(38,741,999)	-	-	908,837,351
Other	474,922	24,437	-	(72,617)	(45,603)	(377)	-	380,762
Construction- in-progress	341,596,190	285,559,548	-	(40,369,123)	-	(1,564)	-	586,785,051
	<u>₩3,077,714,472</u>	<u>₩303,934,731</u>	<u>₩(1,180,379)</u>	<u>₩ (1,005,984)</u>	<u>₩(85,237,317)</u>	<u>₩ (3,845)</u>	<u>₩</u>	<u>₩ 3,294,221,678</u>

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

(in thousands of Korean won)	2015						Net currency transaction differences	Ending balance
	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Amortization			
Development costs	₩ 334,486	₩ 164	₩ -	₩ -	₩ (65,330)	₩ -	₩ -	₩ 269,320
Goodwill	42,801,147	-	-	-	-	-	-	42,801,147
Exploration and evaluation assets	358,546,902	127,513,803	-	(88,427,341)	-	9,015,163	-	406,648,527
Industrial property rights	92,286	9,895	-	(368)	(11,133)	-	-	90,680
Memberships	16,395,780	2,372,351	(2,766,226)	-	-	-	-	16,001,905
Other	19,297,407	702,930	-	4,755,209	(3,981,891)	-	-	20,773,655
	<u>₩437,468,008</u>	<u>₩130,599,143</u>	<u>₩(2,766,226)</u>	<u>₩(83,672,500)</u>	<u>₩ (4,058,354)</u>	<u>₩ 9,015,163</u>	<u>₩</u>	<u>₩486,585,234</u>

(in thousands of Korean won)	2014						Net currency transaction differences	Ending balance
	Beginning balance	Acquisitions	Disposals	Reclassifi- cation	Amortization			
Development costs	₩ 474,175	₩ 306	₩ -	₩ -	₩ (94,995)	₩ -	₩ -	₩ 379,486
Goodwill	109,825,831	-	-	-	-	-	-	109,825,831
Exploration and evaluation assets	18,924,330	39,055,014	-	-	-	(2,052,204)	-	55,927,140
Industrial property rights	86,373	15,272	-	-	(10,716)	-	-	90,929
Memberships	21,104,642	1,708,688	(1,832,248)	-	-	-	-	20,981,082
Other	30,487,736	228,695	-	839,897	(3,788,416)	-	-	27,767,912
	<u>₩180,903,087</u>	<u>₩ 41,007,975</u>	<u>₩(1,832,248)</u>	<u>₩ 839,897</u>	<u>₩ (3,894,127)</u>	<u>₩ (2,052,204)</u>	<u>₩</u>	<u>₩214,972,380</u>

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8. Investments in Joint Venture and Associates

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

(in thousands of Korean won)	Location	Ownership (%)	Year end	June 30, 2015			December 31, 2014		
				Acquisition cost	Net asset value	Book value	Acquisition cost	Net asset value	Book value
Joint venture									
Boryeong LNG Terminal Co.,Ltd	Korea	50.0	Dec. 31	₩100,000,000	₩ 69,586,660	₩ 98,323,076	₩100,000,000	₩ 70,382,245	₩ 99,118,661
Associates									
Kyungnam Renewable Energy Co., Ltd.	Korea	-	Dec. 31	-	-	-	3,714,353	466,526	466,276
Wuhan SK-Sino Natural Gas Group Ltd.	Hong Kong	49.0	Dec. 31	31,788,092	2,483,039	2,327,699	31,788,092	676,784	676,784
SK E&S - SINO HongKong Co., Ltd.	Hong Kong	49.0	Dec. 31	4,483,161	4,914,144	1,703,722	4,483,161	1,923,289	1,923,289
Aisikai Huineng Qinzhou Natural Gas Ltd.	China	70.0	Dec. 31	1,786,026	1,237,706	-	1,786,026	1,218,665	-
China Gas Holdings Ltd. ¹	Hong Kong	15.5	Mar. 31	465,987,066	407,714,939	619,961,480	465,987,066	355,628,364	553,690,993
Global Opportunities Fund	Cayman Islands	20.7	Dec. 31	10,000,000	3,954,722	3,954,722	10,000,000	7,760,270	7,760,270
Angel Wind Energy Co., Ltd. ¹	Korea	19.8	Dec. 31	6,416,657	5,450,520	6,068,574	6,416,657	5,090,111	6,179,823
Busan Green Energy Co., Ltd.	Korea	28.5	Dec. 31	14,312,700	14,278,706	14,278,706	-	-	-
				534,773,702	440,033,776	648,294,903	524,175,355	372,764,009	570,697,435
				₩634,773,702	₩509,620,436	₩746,617,979	₩624,175,355	₩443,146,254	₩669,816,096

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

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Changes in investments in joint venture and associates for the six-month periods ended June 30, 2015 and 2014, are as follows:

(in thousands of Korean won)	2015					
	Beginning balance	Acquisition	Dividends received	Share of profit(loss)	Other changes in equity	Ending balance
Joint venture						
Boryeong LNG Terminal Co.,Ltd	₩ 99,118,661	₩ -	₩ -	₩ (795,585)	₩ -	₩ 98,323,076
Associates						
Kyongnam Renewable Energy Co., Ltd.	466,276	-	(467,736)	1,460	-	-
Wuhan SK-Sino Natural Gas Group Ltd.	676,784	-	-	1,593,301	57,614	2,327,699
SK E&S - SINO Hong Kong Co., Ltd.	1,923,289	-	-	252,688	(472,255)	1,703,722
China Gas Holdings Ltd.	553,690,993	-	(2,419,328)	37,078,891	31,610,924	619,961,480
Global Opportunities Fund	7,760,270	-	(3,465,849)	(339,699)	-	3,954,722
Angel Wind Energy Co., Ltd.	6,179,823	-	-	(111,249)	-	6,068,574
Busan Green Energy Co., Ltd.	-	14,312,700	-	(33,994)	-	14,278,706
	₩ 669,816,096	₩ 14,312,700	₩ (6,352,913)	₩ 37,645,813	₩ 31,196,283	₩ 746,617,979
(in thousands of Korean won)	2014					
	Beginning balance	Acquisition	Dividends received	Share of profit(loss)	Other changes in equity	Ending balance
Joint venture						
Boryeong LNG Terminal Co.,Ltd	₩ 99,396,412	₩ -	₩ -	₩ (1,160,639)	₩ -	₩ 98,235,773
Associates						
Kyongnam Renewable Energy Co., Ltd.	444,904	-	-	(875)	-	444,029
Wuhan SK-Sino Natural Gas Group Ltd.	5,584,616	-	-	793,562	(770,402)	5,607,776
SK E&S - SINO Hong Kong Co., Ltd.	1,902,304	-	-	322,751	(467,012)	1,758,043
Aisikai Huineng Qinzhou Natural Gas Ltd.	1,759,811	-	-	-	(91,002)	1,668,809
China Gas Holdings Ltd.	449,735,468	-	(2,646,907)	25,944,843	(2,024,008)	471,009,396
Global Opportunities Fund	7,736,048	-	-	(204,639)	-	7,531,409
	₩ 566,559,563	₩ -	₩ (2,646,907)	₩ 25,695,003	₩ (3,352,424)	₩ 586,255,235

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9. Borrowings

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

<i>(in thousands of Korean won)</i>	June 30, 2015	December 31, 2014
Non-current		
Bank borrowings	₩ 566,389,741	₩ 400,868,049
Debentures	<u>1,535,485,750</u>	<u>1,186,456,879</u>
	<u>2,101,875,491</u>	<u>1,587,324,928</u>
Current		
Bank borrowings	96,828,871	371,705,350
Debentures	<u>89,976,092</u>	<u>189,891,931</u>
	<u>186,804,963</u>	<u>561,597,281</u>
	<u>₩ 2,288,680,454</u>	<u>₩ 2,148,922,209</u>

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

		June 30, 2015		
<i>(in thousands of Korean won)</i>	Creditors	Interest rate(%)	Non-Current	Current
Loans for exploration of petroleum	Korea National Oil Corporation	0.75	₩ 27,263,704	₩ -
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00	16,216,750	11,933,750
Loans for a safety management business	Hana Bank and others	1.75	1,748,500	206,500
Loans for energy rationalization	Shinhan Bank and others	1.75-3.00	10,549,100	281,100
PF borrowings	Korea Development Bank and others	3.82-7.40	353,385,385	-
General borrowings	Korea Development Bank and others	1.10-2.94	<u>157,226,302</u>	<u>84,407,521</u>
			<u>₩566,389,741</u>	<u>₩ 96,828,871</u>
		December 31, 2014		
<i>(in thousands of Korean won)</i>	Creditors	Interest rate(%)	Non-Current	Current
Loans for exploration of petroleum	Korea National Oil Corporation	0.75	₩ 26,705,261	₩ -
Loans for construction of pipelines	Kookmin Bank and others	1.75-3.00	28,401,750	310,250
Loans for a safety management business	Hana Bank and others	1.75	5,593,400	1,667,500
Loans for energy rationalization	Shinhan Bank and others	1.75-3.00	10,677,500	327,600
PF borrowings	Korea Development Bank and others	3.82-7.40	274,530,138	-
General borrowings	Korea Development Bank and others	1.43-3.57	<u>54,960,000</u>	<u>369,400,000</u>
			<u>₩400,868,049</u>	<u>₩371,705,350</u>

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

(in thousands of Korean won)	Bonds	June 30, 2015			Non-current	Current
		Issuance date	Maturity date	Interest rate(%)		
SK E&S Co., Ltd.	Non-guaranteed public offering bonds No.8-2	2010.10.08	2015.10.08	4.12	₩ -	₩ 90,000,000
	Non-guaranteed public offering bonds No.8-3	2010.10.08	2017.10.08	4.35	60,000,000	-
	Non-guaranteed public offering bonds No.9-2	2012.04.13	2017.04.13	4.03	200,000,000	-
	Non-guaranteed public offering bonds No.10-1	2013.02.26	2018.02.26	3.02	200,000,000	-
	Non-guaranteed public offering bonds No.10-2	2013.02.26	2020.02.26	3.18	100,000,000	-
	Non-guaranteed public offering bonds No.11-1	2013.10.04	2016.10.04	3.24	150,000,000	-
	Non-guaranteed public offering bonds No.11-2	2013.10.04	2018.10.04	3.46	100,000,000	-
	Non-guaranteed public offering bonds No.11-3	2013.10.04	2020.10.04	3.65	50,000,000	-
PMP Co., Ltd.	Non-guaranteed public offering bonds No.1-1	2015.03.18	2022.03.18	2.53	100,000,000	-
	Non-guaranteed public offering bonds No.1-2	2015.03.18	2025.03.18	2.92	190,000,000	-
	Non-guaranteed public offering bonds No.1-3	2015.03.18	2027.03.18	3.01	60,000,000	-
Wirye Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1-1	2014.12.09	2024.12.09	3.50	200,000,000	-
	Non-guaranteed public offering bonds No.1-2	2014.12.09	2026.12.09	3.72	50,000,000	-
Hanam Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1	2013.02.13	2018.02.13	3.28	80,000,000	-
					1,540,000,000	90,000,000
	Less: Discount on bonds				(4,514,250)	(23,908)
					<u>₩ 1,535,485,750</u>	<u>₩ 89,976,092</u>
(in thousands of Korean won)	Bonds	December 31, 2014			Non-current	Current
		Issuance date	Maturity date	Interest rate(%)		
SK E&S Co., Ltd.	Non-guaranteed public offering bonds No.8-2	2010.10.08	2015.10.08	4.12	₩ -	₩ 90,000,000
	Non-guaranteed public offering bonds No.8-3	2010.10.08	2017.10.08	4.35	60,000,000	-
	Non-guaranteed public offering bonds No.9-1	2012.04.13	2015.04.13	3.89	-	100,000,000
	Non-guaranteed public offering bonds No.9-2	2012.04.13	2017.04.13	4.03	200,000,000	-
	Non-guaranteed public offering bonds No.10-1	2013.02.26	2018.02.26	3.02	200,000,000	-
	Non-guaranteed public offering bonds No.10-2	2013.02.26	2020.02.26	3.18	100,000,000	-
	Non-guaranteed public offering bonds No.11-1	2013.10.04	2016.10.04	3.24	150,000,000	-
	Non-guaranteed public offering bonds No.11-2	2013.10.04	2018.10.04	3.46	100,000,000	-
Wirye Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.11-3	2013.10.04	2020.10.04	3.65	50,000,000	-
	Non-guaranteed public offering bonds No.1-1	2014.12.09	2024.12.09	3.50	200,000,000	-
Hanam Energy Service Co., Ltd.	Non-guaranteed public offering bonds No.1-2	2014.12.09	2026.12.09	3.72	50,000,000	-
	Non-guaranteed public offering bonds No.1	2013.02.13	2018.02.13	3.28	80,000,000	-
					1,190,000,000	190,000,000
	Less: Discount on bonds				(3,543,121)	(108,069)
					<u>₩1,186,456,879</u>	<u>₩ 189,891,931</u>

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10. Net Defined Benefit Liabilities

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

<i>(in thousands of Korean won)</i>	June 30, 2015	December 31, 2014
Present value of defined benefit obligations	₩ 113,144,364	₩ 102,225,622
Fair value of plan assets	<u>(93,817,681)</u>	<u>(93,064,568)</u>
Net defined benefit liabilities	<u>₩ 19,326,683</u>	<u>₩ 9,161,054</u>

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

<i>(in thousands of Korean won)</i>	2015	2014
Beginning balance	₩ 102,225,622	₩ 88,108,830
Current service costs	6,645,249	5,888,909
Interest costs	1,388,794	1,833,528
Remeasurements	1,151,589	5,531,741
Benefits paid	(3,371,315)	(5,356,201)
Others	<u>5,104,425</u>	<u>3,384,725</u>
Ending balance	<u>₩ 113,144,364</u>	<u>₩ 99,391,532</u>

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

<i>(in thousands of Korean won)</i>	2015	2014
Beginning balance	₩ 93,064,568	₩ 80,458,335
Interest income	1,399,758	1,576,992
Remeasurements	(1,046,288)	122,920
Benefits paid	(3,679,312)	(2,786,447)
Others	<u>4,078,955</u>	<u>1,096,212</u>
Ending balance	<u>₩ 93,817,681</u>	<u>₩ 80,468,012</u>

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11. Income Tax

Income tax expense was calculated based on the best estimated weighted average annual corporate tax rate for the entire fiscal period. Estimated average annual tax rate of the year ending December 31, 2015, is 24.3%(the estimated tax rate for the six- month period ended June 30, 2014: 24.6%). The difference with the 22.1% effective tax rate for the six-month period ended June 30, 2015, resulted from tax credit carryforward and others.

12. Dividends

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

13. Contingencies and Commitments

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

<i>(in thousands of Korean won, US dollars)</i>	Financial institution	Details	Amount of Limit
SK E&S Co., Ltd.	Hana Bank	Line of Credit	₩ 30,000,000
	Kookmin Bank and others	Line of Credit	52,000,000
	Korea Exchange Bank and others	Line of Credit	464,000,000
	Kookmin Bank	Line of Credit	USD 20,000
	Citibank Korea	Line of Credit	USD 30,000
	DBS Bank	Line of Credit	USD 50,000
Kangwon City Gas Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts	₩ 16,000,000
	Woori Bank and others	Line of Credit	20,000,000
	Woori Bank	Line of Credit	55,000,000
Ko-one Energy service Co., Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts	50,000,000
	Kookmin Bank and others	Line of Credit	15,000,000
Pusan City Gas Co. Ltd.	National Agricultural Cooperative Federation and others	Bank overdrafts	21,000,000
Yeongnam Energy Eervice Co. Ltd.	Kookmin Bank and others	Line of Credit	50,000,000
	Citibank Korea and others	Bank overdrafts	31,000,000
	Kookmin Bank and others	Line of Credit	40,000,000
Chonnam City Gas Co., Ltd.	Hana Bank	Line of Credit	5,000,000
	National Agricultural Cooperative Federation	Bank overdrafts	15,000,000
Jeonbuk Energy Service Co. Ltd.	National Agricultural Cooperative Federation	Bank overdrafts	10,000,000
	Kookmin Bank	Line of Credit	10,000,000
SK LNG Trading Pte., Ltd.	Citibank Singapore	Letter of Credit	USD 65,000
	SMBC	Letter of Credit	USD 60,000
Hanam Energy Service Co., Ltd	Woori Bank and others	PF contract	₩ 616,400,000
SK E&S Australia Pty Ltd.	The Royal Bank of Scotland	Line of Credit	USD 50,000
	DBS Bank	Line of Credit	USD 90,000

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

<i>(in thousands of Korean won, Chinese yuan)</i>	Provided by	Beneficiary	Guaranteed by	Details	Amounts	
Payment guarantees	SK E&S Co., Ltd.	Hwangangsaerak Natural Gas Ltd.	Industrial & Commercial Bank of China	Repayment of principle and related interest on borrowing	CNY	47,000
	Seoul Guarantee Insurance Co., Ltd.	Yeongnam Energy Service Co., Ltd.	-	Maintenance performance guarantee and license guarantee	KRW	1,156,230
		Ko-one Energy Service Co., Ltd.	-	Performance guarantee		261,000
		Chungcheong Energy Service Co., Ltd.	-	Maintenance performance guarantee		1,199,000
		Pusan City Gas Co., Ltd.	-	Management and operation of group energy facilities and others		975,000
		Chonnam City Gas Co., Ltd.	-	Maintenance performance guarantee		2,274,278
		Jeonbuk Energy Service Co., Ltd.	-	Maintenance performance guarantee		390,759
		PMP Co., Ltd	-	License guarantee		1,552,057
	Hana Bank	SK E&S Co., Ltd.	Korea customs service	Custom		10,000,000
Fund raising contract	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd	Holders of public offering bonds	Repayment of principle on borrowing		200,000,000
Fund lending contract	SK E&S Co., Ltd.	Boryeong LNG Terminal Co., Ltd	The Project Financing syndicate	PF contract		125,000,000
Performance guarantee	SK Holdings Co., Ltd.	SK E&S Co., Ltd.	FLNG Liquefaction 3, LLC	Liquefaction Tolling Agreement		Service fee

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

(in thousands of Korean won)

	Defendant	Details	Amounts
The Group as plaintiff			
Ko-one Energy Service Co., Ltd. ¹	Industrial Bank of Korea and others	Charge for specified money in trust	₩ 10,000,000
The Group as defendant			
Paju Consignment Farming Limited Partnership. ²	PMP Co., Ltd	Sales Compensation	150,000
Jang Sangyeol ²	PMP Co., Ltd.	Compensation for damages	150,400
Inheritor of the late Mr. Cho moonjun ²	PMP Co., Ltd	Compensation for damages	151,632

¹ Although Ko-one Energy Service Co., Ltd. partially won the first trial on July 7, 2015, the second trial is ongoing due to an appeal. The outcome of the litigation and the effects on the consolidated financial statements cannot be reasonably determined as of June 30, 2015.

² The outcome of these pending litigations and the effects on the financial statements cannot be reasonably determined as of June 30, 2015.

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

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

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

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

	Provided by	Guarantees	Book Value	Details
Joint Venture	SK E&S Co., Ltd.	PF syndicate including Woori Bank	₩ 98,323,076	PF borrowings
Investment Property	Pusan City Gas Co., Ltd	Megamart Co., Ltd. and others	70,653,191	Lease agreements
Cash and Cash Equivalent	Hanam Energy Service Co., Ltd.	Woori Bank	6,702,024	PF borrowings
Property, Plant and Equipment	Chonnam City Gas Co., Ltd	Kwangju Bank and others	4,419,267	Lease agreements
Property, Plant and Equipment	Jeonbuk Energy Service Co., Ltd.	Korea Gas Corporation	1,645,867	Natural gas supply agreement
Property, Plant and Equipment	Kangwon City Gas Co., Ltd.	Korea Development Bank	4,620,565	Pipeline borrowings

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Details of major contracts and agreements concluded by the Group as of June 30, 2015, are as follows:

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

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

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Details of major construction contracts concluded by and to the Group as of June 30, 2015, are as follows:

(in thousands of Korean won)

Details	Contractor	Counterparty	Period	Amount
Combined heat and power development Engineering, Procurement and Construction contract	Hanam Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2013.10~2015.11	₩ 218,551,516
Mass energy service Engineering, Procurement and Construction contract	Wirye Energy Service Co., Ltd.	SK Engineering & Construction Co., Ltd.	2015.02~2017.03	413,800,000
Construction supervision contract	Wirye Energy Service Co., Ltd.	Osun Engineering Co., Ltd.	2014.12~2017.03	2,840,952
Heat pipe construction contract	Wirye Energy Service Co., Ltd.	Daehan Oil Pipeline Corporation	2013.10~2016.12	25,458,800
Road restoration construction relating to heat pipe construction	Wirye Energy Service Co., Ltd.	Eulmyo Construction Co., Ltd.	2015.04~2016.06	2,367,000
Jangmun Natural gas power station Engineering, Procurement and Construction contract	PMP Co., Ltd.	SK Engineering & Construction Co., Ltd.	2014.06~2017.05	1,228,376,000
Construction management service	PMP Co., Ltd.	Human & Technologies Corp.	2014.10~2017.04	4,415,860
Jangmun Natural gas power station power transmission access system contract	PMP Co., Ltd.	Korea Electric Power Corporation	2015.03~2016.06	52,350,000

Details of major asset acquisition contracts concluded by the Group as of June 30, 2015, are as follows:

(in thousands of US dollars)

Details	Contractor	Counterparty	Percentage of ownership (%)	Contract Amount	Executed Amount
Barossa-Caldita Gas field, Australia	SK E&S Australia Pty Ltd.	ConocoPhillips Company and others	37.5	USD 310,000	USD 267,981
Woodford Shale Gas field, Oklahoma, USA	DewBlaine Energy, LLC	Continental Resources, Inc	49.9	360,000	112,544

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

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14. Related Party Transactions

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

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

(in thousands of Korean won)	2015		2014	
	Sales and others	Purchase and others	Sales and others	Purchase and others
Parent company				
SK Holdings Co., Ltd.	₩ -	₩ 3,240,366	₩ -	₩ 3,692,556
Joint venture				
Boryeong LNG Terminal Co., Ltd.	540,076	-	498,412	-
Other related parties				
SK C&C Company Limited	64,518	10,384,735	58,668	9,087,697
SK Innovation Co., Ltd.	8,105,032	3,027,028	11,219,233	3,146,710
SK Networks Company Limited	108,725	2,206,133	182,852	21,102,314
SK Engineering & Construction Co., Ltd.	730,945	478,497,991	394,777	172,140,000
SK hynix Inc.	18,351,437	-	20,167,583	-
SKC LTD.	4,578,020	-	4,836,918	-
M&Service Co., Ltd.	-	2,875,759	-	2,515,610
SK Energy Co. Ltd.	17,591,774	-	23,329,979	7,960
SKC KOLON PI, Inc.	891,625	-	1,079,528	-
SK Telecom Co.,Ltd. and other 16 companies	966,740	4,053,963	926,979	3,487,975
	<u>₩ 51,928,892</u>	<u>₩ 504,285,975</u>	<u>₩ 62,694,929</u>	<u>₩ 215,180,822</u>

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

<i>(in thousands of Korean won)</i>	June 30, 2015		December 31, 2014	
	Receivables	Payables	Receivables	Payables
Joint venture				
Boryeong LNG Terminal Co., Ltd.	₩ 147,285	₩ -	₩ 176,130	₩ -
Other related parties				
SK C&C Company Limited	16	1,517,681	72,468	5,540,103
SK Innovation Co., Ltd.	435,788	90,611	1,167,392	192,292
SK Networks Company Limited	160,080	1,025,990	183,732	12,898,481
SK Engineering & Construction Co., Ltd.	114	26,882,093	107,099	71,784,651
M&Service Co., Ltd.	-	470,326	-	640,786
SK hynix Inc.	1,015,256	-	4,538,909	-
SKC LTD.	627,652	-	844,283	-
SK Energy Co. Ltd.	1,235,471	-	5,445,747	-
SK Telecom Co.,Ltd. and other 8 companies	16,861	960,810	340,314	656,865
	<u>₩ 3,638,523</u>	<u>₩ 30,947,511</u>	<u>₩ 12,876,074</u>	<u>₩ 91,713,178</u>

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

<i>(in thousands of Korean won)</i>	2015	2014
Salaries	₩ 2,362,965	₩ 1,859,845
Severance benefits	379,601	974,140
Total	<u>₩ 2,742,566</u>	<u>₩ 2,833,985</u>

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

As of June 30, 2015, the Company provides fund raising contract, fund lending contract, payment guarantees and performance guarantees for subsidiaries, joint venture and associates (Note 13).

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15. Discontinued Operations

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

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

<i>(in thousands of Korean won)</i>	2015		2014	
	Three months	Six months	Three months	Six months
Revenue	₩ -	₩ -	₩ 234,654,724	₩ 500,301,065
Expense	-	-	236,479,991	484,024,164
Profit before tax of discontinued operations	-	-	(1,825,267)	16,276,901
Tax expense	-	-	2,152,058	6,618,597
Profit(loss) after tax of discontinued operations	-	-	(3,977,325)	9,658,304
Pre-tax gains (losses) on disposal of discontinued operations	(2,475,410)	113,856,657	-	-
Tax expense	-	23,581,261	-	-
After tax gains (losses) on disposal of discontinued operations after tax	(2,475,410)	90,275,396	-	-
Profit for the period from discontinued operations	₩ (2,475,410)	₩ 90,275,396	₩ (3,977,325)	₩ 9,658,304

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

<i>(in thousands of Korean won)</i>	2015	2014
Cash flows from operating activities	₩ -	₩ 24,203,246
Cash flows from investing activities	495,082,000	(3,289,459)
Cash flows from financing activities	-	(70,619,628)
Net cash flows	₩ 495,082,000	₩ (49,705,841)

16. Events After the Reporting Period

On July 15, 2015, the Controlling Company issued hybrid capital instruments amounting to ₩400,000,000 thousand.